

In the opinion of Bond Counsel to the Corporation, interest on the 2004 Series A Bonds is included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2004 Series A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “TAX MATTERS” herein.

\$47,545,000*
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Military Housing Revenue Bonds
(Fort Hamilton Housing LLC Project)
consisting of
\$38,580,000 2004 Series A Class I
\$8,965,000 2004 Series A Class II

Dated: Date of Delivery

Due: As shown on inside cover

The above-described bonds (the “2004 Series A Bonds”) will be issued by the New York City Housing Development Corporation (the “Corporation”) pursuant to the Resolution described herein. The 2004 Series A Bonds are being issued to finance a loan to Fort Hamilton Housing LLC (the “Borrower”) for the purpose of paying a portion of the costs of (i) the design, demolition, construction, replacement and renovation of residential rental housing located at Fort Hamilton, Brooklyn, Kings County, New York (the “Project”) which is scheduled to result in approximately 228 residential units upon completion of the initial development period; (ii) paying capitalized interest on the 2004 Series A Bonds; (iii) funding certain reserves held under the Master Indenture (as defined below) and (iv) paying certain costs of the issuance of the 2004 Series A Bonds.

Proceeds of the two Classes of 2004 Series A Bonds will be used to purchase the 2004 Series A Class I Master Note and the 2004 Series A Class II Master Note (each as defined herein) (collectively, the “2004 Series A Master Notes”) issued by the Borrower under a Master Indenture of Trust, Lockbox, and Servicing Agreement dated as of May 1, 2004, as supplemented (the “Master Indenture”), by and among the Borrower, The Bank of New York, as master trustee (the “Master Trustee”), and New York City Housing Development Corporation, as Servicer. Concurrently with the issuance of the 2004 Series A Master Notes, the Borrower will also issue its 2004 Series A Class III Notes under the Master Indenture. The 2004 Series A Class III Notes are not offered hereby. Payment of such Class III Notes will be subordinate to payment of the 2004 Series A Master Notes.

The 2004 Series A Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2004 Series A Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2004 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

The 2004 Series A Bonds are payable solely from the “Revenues” pledged by the Corporation under the Resolution, including payments received by the Corporation on the 2004 Series A Master Notes, as described herein. The 2004 Series A Class II Bonds have a lien and security interest under the Resolution which is subordinate to the lien and security interest granted under the Resolution in favor of the 2004 Series A Class I Bonds. The 2004 Series A Master Notes are special limited obligations of the Borrower payable solely from and secured solely by the trust estate pledged pursuant to the Master Indenture, which includes the Pledged Revenues and assets derived from the operation of the Project and money and securities held in certain Funds and Accounts established by the Master Indenture as described herein. Pledged Revenues consist primarily of lease rental payments made by military servicemembers living within the Project. Such rental payments will be equal to the military servicemember’s Basic Allowance for Housing (the “BAH”), which is a component of wages paid by the Department of Defense to military servicemembers who do not reside in Government-owned housing. The 2004 Series A Class II Master Note has a lien on and security interest in the revenues and assets pledged under the Master Indenture which is subordinate to the lien thereon and security interest therein of the 2004 Series A Class I Master Note.

The proceeds of the 2004 Series A Bonds will be used to finance a real estate transaction with significant investment risk, including without limitation real estate, construction, operating and environmental risk, as described herein. See “CERTAIN INVESTMENT RISKS” herein beginning on page 54.

The 2004 Series A Bonds will be issued only as fully registered Bonds without coupons in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2004 Series A Bonds. Individual purchases will be made in book-entry form, in denominations of \$5,000 and any integral multiple thereof, with respect to the 2004 Series A Class I Bonds, and in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof, with respect to the 2004 Series A Class II Bonds. So long as Cede & Co. is the registered owner of the 2004 Series A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the 2004 Series A Bonds.

So long as Cede & Co. is the registered owner of the 2004 Series A Bonds, principal and semi-annual interest (payable June 1 and December 1, commencing December 1, 2004) are payable by The Bank of New York, as trustee under the Resolution (the "Bond Trustee") to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Direct Participants for subsequent disbursement to the Beneficial Owners. (See "DESCRIPTION OF THE 2004 SERIES A BONDS – Book-Entry Only System" herein.). The 2004 Series A Bonds shall bear interest at the rates per annum and mature in the principal amounts as set forth on the inside front cover hereof.

The 2004 Series A Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described herein.

THE UNITED STATES OF AMERICA, DEPARTMENT OF THE ARMY IS A MEMBER OF THE BORROWER, HOWEVER, NEITHER THE 2004 SERIES A MASTER NOTES NOR THE 2004 SERIES A BONDS ARE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA, THE DEPARTMENT OF DEFENSE, THE DEPARTMENT OF THE ARMY OR ANY AGENCY THEREOF. NEITHER THE 2004 SERIES A MASTER NOTES NOR THE 2004 SERIES A BONDS ARE TO BE CONSTRUED AS A DEBT OR INDEBTEDNESS OF, AND PAYMENT OF THE 2004 SERIES A MASTER NOTES AND THE 2004 SERIES A BONDS IS NOT GUARANTEED OR INSURED BY, THE UNITED STATES OF AMERICA, THE DEPARTMENT OF DEFENSE OR THE DEPARTMENT OF THE ARMY, AND THE UNITED STATES OF AMERICA, THE DEPARTMENT OF DEFENSE AND THE DEPARTMENT OF THE ARMY HAVE NOT APPROVED AND BEAR NO RESPONSIBILITY FOR THE CONTENT OF THIS OFFICIAL STATEMENT.

The 2004 Series A Bonds will be offered by Lehman Brothers Inc. (the "Underwriter"), when, as and if issued and received by the Underwriter and subject to the unqualified approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for the Borrower and the Managing Member by McKenna Long & Aldridge LLP, Atlanta, Georgia, and Patterson Belknap, Webb & Tyler, LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania. It is expected that the 2004 Series A Bonds will be delivered through the facilities of DTC on or about June 1, 2004.

Lehman Brothers

May 28, 2004

MATURITY SCHEDULE

\$38,580,000 2004 Series A Class I Bonds

\$4,420,000 5.60% Term 2004 Series A Class I Bonds Due December 1, 2021

\$10,885,000 6.17% Term 2004 Series A Class I Bonds Due June 1, 2036

\$23,275,000 6.32% Term 2004 Series A Class I Bonds Due June 1, 2049

\$8,965,000 2004 Series A Class II Bonds

\$8,965,000 6.72% Term 2004 Series A Class II Bonds Due June 1, 2049

Price of all 2004 Series A Bonds : 100%

IMPORTANT INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information in this Official Statement is current only as of the date on its cover and may change after that date. The information set forth herein has been obtained from the New York City Housing Development Corporation, the Borrower and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation, the Borrower or the other matters described herein since the date hereof. Except for the information under the headings “THE CORPORATION,” “THE SERVICER” and “NO LITIGATION – The Corporation” and in Appendix B hereto, the Corporation makes no representations or warranties as to the accuracy or completeness of the Official Statement and it is not to be construed as a representation of the Corporation.

There will be limited recourse to the Borrower and its assets for liabilities of the Borrower under the Master Indenture described herein. However, in no event will any member or any officer, director or employee of the Borrower or of any member be personally liable or obligated for such liabilities of the Borrower. The sole recourse of the Master Trustee, the Corporation, the Bond Trustee or the Bondholders for satisfaction of the obligations of the Borrower under the Master Indenture and for the remedies provided under the Master Indenture and the Resolution described herein will be against the trust estate established under the Master Indenture and the Resolution, respectively, and not against the Borrower or any member or officer, director or employee of the Borrower or of any member thereof.

In making an investment decision, prospective investors must rely on their examination of the qualifications of the Borrower and Project development team, the economic strength of the Project and the terms of the offering, including the merits and risks involved.

Purchase of the 2004 Series A Bonds involves risks. Investors should read this entire Official Statement to obtain information essential to making an informed investment decision. See “CERTAIN INVESTMENT RISKS” for certain factors that prospective purchasers should consider prior to purchasing any of the 2004 Series A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Borrower, the Corporation, the Underwriter, the Initial Reserve Account Contract Provider or the Investment Providers or any of their respective affiliates, to give any information or to make any representations with respect to the 2004 Series A Bonds, the Corporation or the Borrower other than those contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the 2004 Series A Bonds in any jurisdiction in which it is unlawful to make such offer or solicitation.

Certain statements in this Official Statement are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terms, such as “believes,” “expects,” “may,” “intends,” “will,” “should” and “anticipates” or variations on those terms. No assurance can be given that the future results covered by the forward-looking statements will be achieved. Forward-looking statements are subject to uncertainties that could cause actual results to differ materially from those expressed or implied. The most significant of these uncertainties are discussed under the heading “CERTAIN INVESTMENT RISKS” in this Official Statement, which prospective investors are urged to read carefully.

Neither the Initial Reserve Account Contract Provider, the Investment Agreement Providers nor any of their affiliates makes any representation or warranty as to, or has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein other than the information concerning AIG Financial Products Corp., AIG Matched Funding Corp. and American International Group, Inc. contained under “SECURITY FOR THE 2004 SERIES A BONDS – Reserve Account Contracts – *AIG Financial Products Corp*” and under SECURITY FOR THE 2004 SERIES A BONDS – Investment Agreement – *The Investment Providers*” herein.

Brief descriptions of the Project, the Borrower, the plan of finance, sources and uses of funds, the 2004 Series A Bonds, sources of security and payment for the 2004 Series A Bonds, the Resolution, the Corporation, the Loan Agreement, the Master Indenture, the Mortgage and the Ground Lease, certain risk factors and investment considerations and certain other matters are included in this Official Statement. Such information and descriptions do not purport to be comprehensive or definitive and the information and descriptions of the foregoing documents and agreements are qualified by reference to the documents and agreements themselves. Reference should be made to the forms of documents available from the Corporation at 110 William Street, 10th Floor, New York, NY 10038-3901, Attention: General Counsel, prior to the issuance of the 2004 Series A Bonds, and afterwards at the corporate trust office of the Bond Trustee at 101 Barclay Street, Floor 21W, New York, NY 10286, Attention: New York Municipal Finance Department.

AVAILABLE INFORMATION

The Borrower has not been, and following the offering will not be, required to file reports with the Securities and Exchange Commission. The Borrower is required to provide certain information and notices of certain events as described herein under “CONTINUING DISCLOSURE.” The Borrower is also required to provide the Master Trustee and the Corporation with certain additional financial and operating information pursuant to the Master Indenture. The Master Trustee or the Corporation will provide a copy of such information to any holder, beneficial owner or prospective purchaser of a 2004 Series A Bond upon the written request of such holder, beneficial owner or prospective purchaser. See “Summary of Certain Provisions of the Master Indenture – Particular Representations, Warranties and Covenants of the Borrower - Reporting Requirements” in Appendix C for a description of the types of materials the Borrower is required to deliver to the Master Trustee.

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SUMMARY STATEMENT

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement including the Appendices hereto and to each of the documents referenced herein. The proceeds of the 2004 Series A Bonds will be used to finance a real estate transaction with significant investment risk including without limitation real estate, construction, operating and environmental risk, as described herein. See “CERTAIN INVESTMENT RISKS” herein.

Prospective investors should read the entire Official Statement prior to making an investment decision.

- The Corporation**..... The New York City Housing Development Corporation (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 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 Borrower** Fort Hamilton Housing LLC, a Delaware limited liability company (the “Borrower”), will be loaned the proceeds of the 2004 Series A Bonds and will be solely responsible for payment of the loan, which will be the sole source of funds for payment on the 2004 Series A Bonds. The Borrower is a Delaware for-profit limited liability company formed in 2003 for the purpose of leasing, designing, financing, demolishing, constructing, renovating, owning, managing, acquiring, operating and maintaining residential units and related improvements comprising the Project in support of Army operations located at Fort Hamilton, Brooklyn, New York (“Fort Hamilton”), and any activities that are related or incidental to that business. The Borrower has two members: (i) GMH Military Housing–Fort Hamilton LLC, a Delaware limited liability company (“GMH”), and (ii) the United States of America, acting by and through the Department of the Army (the “Army,” the “Government,” the “Government Member” or the “United States Army”). See “THE BORROWER AND DEVELOPMENT TEAM.”
- The Managing Member** GMH will serve as the manager of the Borrower (in such capacity, the “Managing Member”). The Managing Member is wholly-owned by GMH/Benham Military Communities LLC, a Delaware limited liability company, which is a joint venture between affiliates of GMH Military Housing, LLC and The

Benham Companies, Inc.

Government	The Army is a non-managing member of the Borrower. The Army, in its capacity as a member of the Borrower, is obligated to make a cash equity contribution in the amount of \$2,175,000 by no later than August 1, 2004. The Army will also lease to the Borrower the land and the appurtenances thereto described in the Ground Lease, and convey a fee interest in the improvements located thereon. The improvements will revert to the Army upon termination or expiration of the Ground Lease. The 2004 Series A Bonds are not a pledge of the full faith and credit of the United States of America, the Department of Defense, the Army or any other agency of the United States of America. The 2004 Series A Bonds are not to be construed as a debt or indebtedness of, and payment of the 2004 Series A Bonds is not guaranteed or insured by, the United States of America, the Department of Defense or the Army.
Developer	GMH Military Housing Development LLC, a Delaware limited liability company (“GMH Development” or the “Developer”), is an affiliate of the Managing Member. The Developer will serve as the developer for the Project, pursuant to a Development Agreement with the Borrower. Under the Development Agreement, GMH Development will develop the Project by coordinating and monitoring all planning, design, demolition, renovation and construction activities on the Borrower’s behalf in connection with the design, construction and renovation of the Project. GMH Development’s duties will include the administration of the Design Agreement, the Construction Agreement and the Renovation Agreement and the certification of payments to the Architect and the Construction Contractor. GMH Development will also assist the Borrower in dealing with the Army, military personnel and associations, neighborhood groups, local organizations, abutting landowners and other parties interested in the development of the Project. GMH Development will also (i) inspect the progress of the course of construction and renovation of the Project, and (ii) assist the Borrower in obtaining and maintaining insurance coverage. See “THE BORROWER AND DEVELOPMENT TEAM – The Developer.”
Property Manager	GMH Military Housing Management LLC, a Delaware limited liability company (the “Property Manager”), is an affiliate of the Managing Member. The Property Manager will provide the property management services for the Project, including managing the day-to-day operations, management and leasing of the Project. See “THE BORROWER AND DEVELOPMENT TEAM – The Property Manager.”
The Project	The proceeds of the issuance of the 2004 Series A Bonds will be used to fund a loan from the Corporation to the Borrower in order to fund a portion of the costs of the design, demolition,

renovation, construction and operation of 228 housing units and associated improvements in residential family housing areas located at Fort Hamilton (the “Project”).

Ground Lease Under a Ground Lease to be effective upon delivery of the 2004 Series A Bonds (the “Ground Lease”), the United States Army will lease to the Borrower a leasehold interest in the land and the appurtenances thereto described in the Ground Lease for a term commencing on June 1, 2004 and ending on June 1, 2054, subject to a 25-year extension at the option of the Army that is subject to acceptance by the Borrower and consent by the Master Trustee. Pursuant to the Ground Lease, the Army will also convey a fee interest in certain improvements located on the real property. Fee simple title to all improvements remaining on the leased land at the end of the term of the Ground Lease will revert to, or be conveyed to, the Government Member. See “CERTAIN INVESTMENT RISKS.” For a more detailed description of the terms, conditions, rights and remedies under the Ground Lease, see “THE GROUND LEASE.”

The 2004 Series A Bonds The Corporation’s Military Housing Revenue Bonds, 2004 Series A (the “2004 Series A Bonds”), will be issued pursuant to a resolution titled “Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) Bond Resolution” adopted by the Members of the Corporation on April 15, 2004 (as amended and supplemented from time to time, the “Resolution”) pursuant to which The Bank of New York will act as bond trustee (the “Bond Trustee”). The 2004 Series A Bonds are special obligations of the Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2004 Series A Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2004 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power. Proceeds of the 2004 Series A Bonds will be loaned by the Corporation to the Borrower, and the Borrower will provide for repayment of the loan through the Borrower’s sale to the Corporation of two 2004 Series A Master Notes (as defined below) issued by the Borrower under a Master Indenture of Trust, Lockbox, and Servicing Agreement dated as of May 1, 2004, as supplemented (the “Master Indenture”), by and among the Borrower, The Bank of New York, as master trustee (the “Master Trustee”), and New York City Housing Development Corporation, as Servicer. The 2004 Series A Bonds are limited obligations of the Corporation payable solely from Revenues pledged therefor under the Resolution, including payments made on the 2004 Series A Master Notes. The 2004 Series A Master Notes are limited obligations of the Borrower secured by and payable solely from the Master Indenture Trust Estate described

in the Master Indenture, including the Pledged Revenues consisting primarily of the BAH and the Borrower's interest in the Mortgaged Property. Except as provided in the Master Indenture, the Borrower will not be obligated to pay the principal of the 2004 Series A Master Notes or interest thereon except from the Master Indenture Trust Estate.

2004 Series A Bonds in the aggregate principal amount of \$38,580,000 are being sold as Class I Bonds, designated as the "2004 Series A Class I Bonds," and 2004 Series A Bonds in the aggregate principal amount of \$8,965,000 are being sold as Class II Bonds, designated as the "2004 Series A Class II Bonds." Under the Resolution, failure to pay the principal of or interest on the 2004 Series A Class II Bonds when due prior to final maturity is not an Event of Default unless there are sufficient funds available for such payment under the Resolution. See "DESCRIPTION OF THE 2004 SERIES A BONDS." Concurrently with the issuance of the 2004 Series A Master Notes, the Borrower will issue, under the Master Indenture, its 2004 Series A Class III Note or Notes designated "Fort Hamilton Housing LLC Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) 2004 Series A Class III" in the aggregate principal amount of \$4,855,000 (the "2004 Series A Class III Notes"). The 2004 Series A Class III Notes are not being offered pursuant to this Official Statement. Payment of the 2004 Series A Class III Notes is subordinate to payment of the 2004 Series A Master Notes.

The 2004 Series A Master Notes are comprised of the Borrower's 2004 Series A Class I Note (the "2004 Series A Class I Master Note"), which will be issued in a principal amount equal to the aggregate principal amount of the 2004 Series A Class I Bonds, and the Borrower's 2004 Series A Class II Note (the "2004 Series A Class II Master Note" and, together with the 2004 Series A Class I Master Note, the "2004 Series A Master Notes"), which will be issued in a principal amount equal to the aggregate principal amount of the 2004 Series A Class II Bonds, each issued by the Borrower to the Corporation pursuant to the Master Indenture and a 2004 A Series Indenture supplementing the Master Indenture. 2004 Series A Master Notes of each Class will be equally and ratably secured by the pledge and covenants contained in the Master Indenture, *provided* that the interests of the holder of the 2004 Series A Class II Master Note (together with all other outstanding Class II Obligations, if any, from time to time) in revenues and assets pledged under the Master Indenture are subordinate in priority of payment to the interests of the holder of the 2004 Series A Class I Master Note (and the holders of all other outstanding Class I Obligations, if any, from time to time).

Failure to pay Class II Debt Service prior to final maturity is not an Event of Default under the Master Indenture unless

amounts sufficient for such payment are on deposit in the Class II Debt Service Account.

Security for the 2004 Series A

Bonds.....

The 2004 Series A Bonds will be secured by the revenues pledged by the Corporation under the Resolution, including payments made by the Borrower under the 2004 Series A Master Notes. See “SECURITY FOR THE 2004 SERIES A BONDS.”

Security for the 2004 Series A Master

Notes.....

The 2004 Series A Master Notes will be secured by a lien and security interest granted to the Master Trustee (for the benefit of the owners of all Obligations issued under the Master Indenture, including the Corporation, as owner of the 2004 Series A Master Notes), of the Borrower’s right, title and interest in certain collateral, including:

- The proceeds derived from the sale of the 2004 Series A Master Notes to the Corporation and from the sale of the 2004 Series A Class III Notes;
- the Pledged Revenues (including Operating Revenues) and all moneys and securities in the Funds and Accounts from time to time held by the Master Trustee under the terms of the Master Indenture (except moneys and securities in a Note Purchase Fund) and investments, if any, thereof;
- the property mortgaged, pledged and assigned under the Mortgage and the other Loan Documents (other than the Regulatory Agreement between the Corporation and the Borrower) and all proceeds of insurance, condemnation proceeds, guaranty benefits and other security related to Loans and Obligations received by the Borrower or the Master Trustee under the Master Indenture;
- all moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security under the Master Indenture to the Master Trustee by the Borrower or by anyone on its behalf, or with its written consent and to hold and apply such property.

See “SECURITY FOR THE 2004 SERIES A BONDS – Master Indenture Trust Estate” and “THE MORTGAGE AND ASSIGNMENT OF LEASES AND RENTS.”

Issue.....

The 2004 Series A Bonds constitute the initial Series of Bonds authorized to be issued under the Resolution and the 2004 Series A Master Notes issued to the Corporation and the 2004 Series A

Class III Notes constitute the initial issues of Obligations authorized to be delivered under the Master Indenture. No additional Obligations can be issued under the Master Indenture without the consent of the Corporation.

Maturity Dates	As set forth on the cover hereof, unless earlier paid or redeemed as described herein.
Bond Trustee	The Bank of New York, a New York banking corporation, as trustee under the Resolution.
Master Trustee	The Bank of New York, a New York banking corporation, as master trustee under the Master Indenture.
Servicer	New York City Housing Development Corporation, as servicer under the Master Indenture.
Architect.....	The Benham Companies, Inc., a Delaware corporation (the “Architect”), will provide, or cause to be provided, all design services for the initial development of the Project pursuant to a Design Agreement with the Borrower. See “THE BORROWER AND DEVELOPMENT TEAM – The Architect.”
Construction Contractor	Jeffrey M. Brown Associates, Inc., a Pennsylvania corporation (the “Construction Contractor”), will provide construction and renovation services for the initial development of the Project pursuant to a Construction Agreement and a Renovation Agreement with the Borrower. See “THE BORROWER AND DEVELOPMENT TEAM – The Construction Contractor.”
Completion Guarantor	GMH Capital Partners, L.P., a Delaware limited partnership, will guaranty to the Master Trustee and the Corporation that, upon an event of default by the Borrower under the Master Indenture, construction or renovation of the 228 housing units comprising the Project will be completed in accordance with the approved plans and specifications and that substantial completion of such improvements will be achieved by the time required by the Master Indenture. See “THE BORROWER AND DEVELOPMENT TEAM – Completion Guarantor.”
Closing Date.....	The 2004 Series A Bonds are dated their date of delivery and are expected to be issued and delivered on or about June 1, 2004.
Interest Payment Dates.....	The 2004 Series A Bonds shall be issued as fixed rate bonds. Interest will be payable on each June 1 and December 1, commencing December 1, 2004, at the interest rate or rates set forth on the cover of this Official Statement. Interest will be computed upon a 360-day year consisting of twelve 30-day months.
Book-Entry Obligations.....	The 2004 Series A Bonds will be issued only in book-entry form through the facilities of DTC. The 2004 Series A Bonds will be

available only in book-entry form except in certain circumstances described herein and in the Resolution. See “DESCRIPTION OF THE 2004 SERIES A BONDS – Book-Entry Only System.”

Denominations..... The 2004 Series A Bonds will be initially issued in denominations of \$5,000 and any integral multiple thereof, with respect to the 2004 Series A Class I Bonds, and in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof, with respect to the 2004 Series A Class II Bonds.

Redemption..... The 2004 Series A Bonds are subject to sinking fund, optional and extraordinary redemption prior to maturity. See “DESCRIPTION OF THE 2004 SERIES A BONDS – Redemption Prior to Maturity.”

Additional Obligations under Resolution and under Master Indenture Additional Bonds may be issued under the Resolution if certain conditions set forth therein are satisfied. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Issuance of Additional Obligations.” The Master Indenture permits the issuance of additional Obligations under the Master Indenture if certain conditions (including consent from the Corporation) are satisfied. Concurrently with the issuance of the 2004 Series A Master Notes to the Corporation, the Borrower will also issue its 2004 Series A Class III Notes. See “THE MASTER INDENTURE – Conditions Precedent to Delivery of Notes.” The 2004 Series A Master Notes, the 2004 Series A Class III Notes and additional Obligations, if any, issued hereafter under the Master Indenture are herein collectively referred to as the “Obligations.”

Debt Service Reserve Fund for Master Notes Upon issuance of the 2004 Series A Master Notes, the Borrower will cause to be issued two separate investment agreements (each, a “Reserve Account Contract”) as security for the 2004 Series A Class I Master Note and the 2004 Series A Class II Master Note, respectively, and deliver such Reserve Account Contracts to the Master Trustee for deposit in the Debt Service Reserve Fund established under the Master Indenture. One Reserve Account Contract, in the face amount of \$2,690,910, which equals the 2004 Series A Class I Debt Service Reserve Account Requirement, will be deposited in the Class I Debt Service Reserve Account; a separate Reserve Account Contract, in the face amount of \$666,519, which equals the 2004 Series A Class II Debt Service Reserve Account Requirement, will be deposited in the Class II Debt Service Reserve Account. Each Reserve Account Contract will secure only those Obligations of its Related Class. See “SECURITY FOR THE 2004 SERIES A BONDS – Master Indenture Trust Estate – Reserve Account

Contracts.” No debt service reserve account will be established under the Resolution with respect to the 2004 Series A Bonds.

Use of Proceeds; Equity; Net Operating Income

The Corporation will use the proceeds from the sale of the 2004 Series A Bonds to fund the loan to the Borrower. The proceeds from such loan, together with the proceeds of the 2004 Series A Class III Notes, equity contributions made available by the Government and GMH, and Net Operating Income during the initial development period, are expected to be applied substantially as set forth herein under “ESTIMATED SOURCES AND USES OF FUNDS.”

ERISA Considerations.....

A fiduciary of any employee benefit plan or other retirement arrangement (a “Plan”) subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), should review carefully with its legal counsel whether the purchase or holding of 2004 Series A Bonds could give rise to a transaction that is prohibited or is not otherwise permitted under either ERISA or Section 4975 of the Code or whether there exists any statutory or administrative exemption applicable to an investment therein.

Ratings

It is a condition to the issuance of the 2004 Series A Bonds that the 2004 Series A Class I Bonds and the 2004 Series A Class II Bonds receive the following credit ratings from Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”), and Moody’s Investors Service, Inc. (“Moody’s”):

	S&P <u>Ratings</u>	Moody’s <u>Ratings</u>
Class I Bonds	AA-	Aa3
Class II Bonds	A-	A3

See “RATINGS” herein for an explanation of the ratings provided by Moody’s and S&P. The 2004 Series A Class III Notes are not expected to be rated and are not offered hereby.

Risk Factors.....

Investment in the 2004 Series A Bonds involves the assumption of certain risks by the beneficial owners of the 2004 Series A Bonds. See “CERTAIN INVESTMENT RISKS” for a discussion of certain factors, including without limitation certain real estate, construction, leasing and environmental risks, that should be considered by a prospective purchaser in connection with an investment in the 2004 Series A Bonds.

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

OFFICIAL STATEMENT

Relating to
\$47,545,000
Military Housing Revenue Bonds
(Fort Hamilton Housing LLC Project)
2004 Series A

INTRODUCTION

This Official Statement, including the cover page, the Summary of the Official Statement and the Appendices hereto, provides certain information concerning the New York City Housing Development Corporation (the “Corporation”) in connection with the sale of \$47,545,000 Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project), 2004 Series A (the “2004 Series A Bonds”). The 2004 Series A Bonds are being issued by the Corporation, a corporate governmental agency, in accordance with (i) 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 (ii) a resolution titled “Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) Bond Resolution” adopted by the Members of the Corporation on April 15, 2004 (such resolution, as amended and supplemented from time to time, the “Resolution”) pursuant to which The Bank of New York will act as bond trustee (the “Bond Trustee”). Proceeds of the 2004 Series A Bonds will be loaned by the Corporation to Fort Hamilton Housing LLC, a Delaware limited liability company (the “Borrower”), pursuant to a Loan Agreement (the “Loan Agreement”) dated as of May 1, 2004 and the Borrower will provide for repayment of the loan through the Borrower’s sale to the Corporation of two notes (the “2004 Series A Master Notes”) issued by the Borrower under a Master Indenture of Trust, Lockbox, and Servicing Agreement, dated as of May 1, 2004 (the “Master Trust Indenture”), as supplemented by a 2004 Series Indenture dated as of May 1, 2004 (the “2004A Series Indenture” and, together with the Master Trust Indenture, the “Master Indenture”) by and among the Borrower, The Bank of New York, as master trustee (the “Master Trustee”) and the New York City Housing Development Corporation, as servicer (in such capacity, the “Servicer”). *All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings as in the Resolution or the Master Indenture, as applicable, and certain capitalized terms used herein are set forth in the Glossary of Defined Terms contained in Appendix A.*

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 2004 Series A Bonds consist of Military Housing Revenue Bonds in the amounts and classes and designated as set forth in the following table:

<u>Series and Class Designation</u>	<u>Principal Amount</u>
2004 Series A Class I Bonds	\$35,580,000
2004 Series A Class II Bonds	\$8,965,000

The 2004 Series A Bonds will be secured by the Revenues pledged by the Corporation under the Resolution, including payments made by the Borrower under the 2004 Series A Master Notes. Until and unless a payment Event of Default with respect to either Class of the 2004 Series A Bonds shall occur, the 2004 Series A Master Notes will not be assigned to the Bond Trustee. Upon the occurrence of such a payment Event of Default and upon request by the Bond Trustee or the owners of 25% in aggregate principal amount of the 2004 Series A Bonds, the Corporation will assign the 2004 Series A Master Notes to the Bond Trustee. Prior to any such assignment to the Bond Trustee, the Corporation, as the owner of the 2004 Series A Master Notes, will have the right to receive reports and notices delivered to Owners of Obligations issued under the Master Indenture and to give consents or exercise any other rights granted under the Master Indenture to the Owners of Obligations issued under the Master Indenture. Upon the request of any holder of 2004 Series A Bonds, the Corporation will provide copies of any reports delivered by the Master Trustee to the Corporation, as owner of the 2004 Series A Master Notes. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Covenants with Respect to the Master Notes.” **Failure by the Corporation to pay principal of or interest on the 2004 Series A Class II Bonds which is due prior to final maturity is not an Event of Default under the Resolution unless amounts sufficient for such payment are available pursuant to the Resolution.** See “SECURITY FOR THE 2004 SERIES A BONDS.”

The 2004 Series A Master Notes consist of the 2004 Series A Class I Master Note (which will be issued in a principal amount equal to the aggregate principal amount of the 2004 Series A Class I Bonds) and the 2004 Series A Class II Master Note (which will be issued in a principal amount equal to the aggregate principal amount of the 2004 Series A Class II Bonds). The 2004 Series A Master Notes will be equally and ratably secured by the pledge and covenants contained in the Master Indenture, *provided* that under the circumstances described herein, the interests of the Corporation (or the Bond Trustee, as its assignee) as holder of the 2004 Series A Class II Master Note (together with all other outstanding Class II Obligations, if any, from time to time) in revenues and assets pledged under the Master Indenture are subordinate in priority of payment and remedial rights to the interests of the Corporation (or the Bond Trustee) as holder of the 2004 Series A Class I Master Note (and the holders of all other outstanding Class I Obligations, if any, from time to time). **Failure by the Borrower to pay Class II Debt Service under the Master Indenture which is due prior to final maturity is not an Event of Default under the Master Indenture unless amounts sufficient for such payment are on deposit in the Class II Debt Service Account established under the Master Indenture.** Concurrently with the issuance of the 2004 Series A Master Notes, the Borrower will also issue its 2004 Series A Class III Notes under the Master Indenture. The 2004 Series A Class III Notes are not offered under this Official Statement. The interests of the holders of the 2004 Series A Class III Notes (together with all other outstanding Class III Obligations, if any, from time to time) in revenues and assets pledged under the Master Indenture will be subordinate (in both priority of payment and remedial rights) to the interests of the holders of the 2004 Series A Class I Master Note and the 2004 Series A Class II Master Note (together with all other outstanding Class I and Class II Obligations, if any, from time to time).

The 2004 Series A Bonds are being issued to finance a loan (the “Loan”) to the Borrower for the purposes of paying a portion of the costs of designing, demolishing, developing, constructing, renovating,

maintaining, operating and managing military residential rental housing (the "Project") located at Fort Hamilton, Brooklyn, Kings County, New York ("Fort Hamilton").

The performance by the Borrower of its obligations under the Master Indenture and the other Loan Documents, including its obligation to make payments under the 2004 Series A Master Notes and any other Obligations issued from time to time under the Master Indenture (including the 2004 Series A Class III Notes), is secured by a Mortgage, Assignment of Rents and Leases, Security Agreement and Financing Statement to be effective as of June 1, 2004 (the "Mortgage") from the Borrower, as mortgagor, to the Corporation and assigned to the Master Trustee, as mortgagee, for the benefit of the owners of the 2004 Series A Master Notes, and the beneficial owners of the 2004 Series A Class III Notes and all other Class I, Class II and Class III Obligations outstanding from time to time (as such terms are defined in the Master Indenture) (collectively, the "Obligations"). See "THE MORTGAGE AND ASSIGNMENT OF LEASES AND RENTS" for a description of the Mortgage, including issues relating to the priority of the lien of the Mortgage. In addition and as further security for the 2004 Series A Master Notes and the 2004 Series A Class III Notes (and any other Obligations outstanding from time to time), the Borrower and the Master Trustee will enter into a separate Assignment of Leases to be effective as of June 1, 2004 (the "Assignment of Leases") to provide for the assignment to the Master Trustee, as assignee of the Corporation, of all rents paid by tenants in the housing units.

The Borrower has undertaken to comply with the provisions of Rule 15c2-12 (the "Rule"), as promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and as in effect on the date hereof, by providing to the Bond Trustee certain limited annual financial information and material event notices required by the Rule. See "Continuing Disclosure" and Appendix D – "Form of Continuing Disclosure Agreement."

Investment Considerations. Purchase of the 2004 Series A Bonds involves risks. Payments in respect of the 2004 Series A Bonds are expected to be derived from payments on the 2004 Series A Master Notes, which are expected to be derived primarily from revenues received by the Master Trustee through the leasing by the Borrower to servicemember personnel of the housing units within the Mortgaged Property, some of which have not yet been constructed or renovated, as applicable. The 2004 Series A Bonds do not have the benefit of any credit enhancement and recourse is limited to specified collateral pledged by the Borrower for that purpose in the Master Indenture.

The 2004 Series A Bonds are special obligations of the Corporation payable solely from the revenues pledged under the Resolution, including payments made by the Borrower under the Loan Agreement consisting of payments made on the 2004 Series A Master Notes. The 2004 Series A Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2004 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

THE UNITED STATES OF AMERICA, DEPARTMENT OF THE ARMY IS A MEMBER OF THE BORROWER, HOWEVER, NEITHER THE 2004 SERIES A MASTER NOTES NOR THE 2004 SERIES A BONDS ARE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA, THE DEPARTMENT OF DEFENSE, THE DEPARTMENT OF THE ARMY OR ANY AGENCY THEREOF. NEITHER THE 2004 SERIES A MASTER NOTES NOR THE 2004 SERIES A BONDS ARE TO BE CONSTRUED AS A DEBT OR INDEBTEDNESS OF, AND PAYMENT OF THE 2004 SERIES A MASTER NOTES AND THE 2004 SERIES A BONDS IS NOT GUARANTEED OR INSURED BY, THE UNITED STATES OF AMERICA, THE DEPARTMENT OF DEFENSE OR THE DEPARTMENT OF THE ARMY, THE UNITED STATES OF AMERICA, AND THE DEPARTMENT OF DEFENSE AND THE DEPARTMENT OF THE ARMY HAVE NOT

APPROVED AND BEAR NO RESPONSIBILITY FOR THE CONTENT OF THIS OFFICIAL STATEMENT.

The primary source of payment of and security for the 2004 Series A Bonds is payments made on the 2004 Series A Master Notes and the primary security for the 2004 Series A Master Notes, and all other Obligations outstanding from time to time under the Master Indenture, is the Basic Allowance for Housing (the “BAH”) paid by the Department of Defense on behalf of military servicemembers who do not reside in government housing as lease rental payments. The ability of the Borrower to pay debt service on the 2004 Series A Master Notes and any Additional Obligations is also affected by a variety of other factors including, among others, the continued operation of Fort Hamilton as an Army installation and whether the BAH paid to military servicemembers keeps pace with inflation and other rising costs of living, satisfactory timely completion of construction within cost constraints, the achievement and maintenance of a sufficient level of occupancy and the efficient management of operating expenses and collection of rental revenues. See “CERTAIN INVESTMENT RISKS” herein. The scheduled amortization of the 2004 Series A Bonds and the 2004 Series A Class III Notes have been based upon certain assumptions with respect to such factors. Any significant change in such factors might affect revenues deposited with the Trustee, operating expenses or otherwise affect cash flow under the Master Indenture.

The Corporation may, but is not obligated to, issue additional Bonds under the Resolution to purchase additional Master Notes so long as conditions precedent to such issuance, including a confirmation of credit ratings of the 2004 Series A Bonds, are met. Under the terms of the Master Indenture, the Borrower, with the consent of the Corporation and upon satisfaction of certain other conditions set forth in the Master Indenture, may issue Obligations, either itself or through a conduit, to (i) finance capital additions to or completion costs of the Project; or (ii) refinance outstanding Obligations. However, the Borrower is not obligated to incur additional indebtedness or finance additional phases through the issuance of Additional Obligations under the Master Indenture.

Descriptions of the Borrower, Mortgaged Property, the 2004 Series A Bonds, security for the 2004 Series A Bonds, the Resolution, the Corporation, the Master Indenture, the Ground Lease, the Continuing Disclosure Agreement and the Mortgage are included in this Official Statement, including the appendices hereto. All summaries or descriptions in this Official Statement of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries in this Official Statement of the 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 which are available for inspection at the offices of the Corporation or, during the offering of the 2004 Series A Bonds, the Underwriter listed on the cover page of this Official Statement.

THE CORPORATION

Purposes and Powers

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

purchase loans from lending institutions; to make loans insured or co-insured by the Federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any Federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from The City of New York (the "City"), obtain Federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the 2004 Series A Bonds, notes, or other obligations are outstanding.

The sale of the 2004 Series A Bonds and the terms of such sale are subject to the approval of the Comptroller of the City. The Corporation is a "covered organization" as such term is defined in the New York State Financial Emergency Act for The City of New York, as amended, and the issuance of the 2004 Series A 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.

PETER J. MADONIA, Vice Chairperson and Member, term expires December 31, 2005. Mr. Madonia was appointed Chief of Staff to Mayor Michael R. Bloomberg on January 1, 2002. Prior to his appointment as the Mayor's Chief of Staff, Mr. Madonia served as First Deputy Commissioner of the New York City Fire Department, Deputy Commissioner for Budget and Operations at the New York City Department of Buildings, and Executive Assistant to the New York City Deputy Mayor for Operations. Mr. Madonia received a Bachelor of Arts degree from Fordham University, where he taught as an

Adjunct Professor for Urban Studies, and a Master in Urban Studies degree from the University of Chicago.

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, serving pursuant to law. Mr. Moerdler is a partner in the law firm of Stroock & Stroock & Lavan LLP. Prior to joining his law firm in 1967, Mr. Moerdler was Commissioner of Buildings for The City of New York from 1966 to 1967, and previously worked with the law firm of Cravath, Swaine & Moore. Mr. Moerdler has served as a member of the Committee on Character and Fitness of Applicants to the Bar of the State of New York, Appellate Division, First Department since 1977 and as a member of the Mayor's Committee on Judiciary since 1994. He has also served on the Editorial Board of the New York Law Journal since 1986. Mr. Moerdler held a number of public service positions, including Chairman of The New York State Insurance Fund from 1995 to March 1997, Commissioner and Vice Chairman of The New York State Insurance Fund from 1978 to 1994, Consultant to the Mayor of The City of New York on Housing, Urban Development and Real Estate from 1967 to 1973, Member of the Advisory Board on Fair Campaign Practices, New York State Board of

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

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

Principal Officers

SHAUN DONOVAN, Chairperson.

PETER J. MADONIA, Vice Chairperson.

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

LISA A. GOMEZ, Senior Vice President for Development. Ms. Gomez was appointed Senior Vice President for Development of the Corporation on August 1, 2002. She has more than 15 years experience in residential and commercial real estate, development and finance. Prior to joining the Corporation, Ms. Gomez served as a Vice President for JPMorgan Chase Bank, where she was responsible for structuring, underwriting, closing and syndicating financial transactions relating to real estate. Ms. Gomez has also held various positions with the New York City Economic Development Corporation, Seedco (a non-profit organization) and Silverstein Properties. Currently, she is a member of the Urban Land Institute and serves on several boards, including the New York City Housing Partnership. She is a graduate of Louisiana State University and has completed the Chase Manhattan Bank Credit Training Program.

CAROL S. KOSTIK, Senior Vice President and Chief Financial Officer. Ms. Kostik was appointed Chief Financial Officer of the Corporation effective February 17, 2004 and Senior Vice President on April 15, 2004. Prior to joining the Corporation, Ms. Kostik was Chief Financial Officer of the Nassau County Interim Finance Authority ("NIFA"), a State authority created in June 2000 in response to Nassau County's fiscal distress. At NIFA, she was responsible for initiating and overseeing all aspects of financial management, including internal and external reporting, investments, and internal

controls. Ms. Kostik also managed development of NIFA's bond structure and issuance of over \$2.0 billion of bonds and notes. Previously, she was a Vice President in Merrill Lynch & Company's public finance department. She began her career at New York City's Department of Housing Preservation and Development in the leveraged loan area. Ms. Kostik holds a B.A. in Political Economy from Williams College, a Diploma in Real Estate Analysis and Appraisal from New York University's Real Estate Institute, and an M.B.A. degree from Stanford University's Graduate School of Business.

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

JOY F. WILLIG, Deputy General Counsel and Secretary. Ms. Willig, an attorney and member of the New York Bar, joined the Corporation in August 1998, and was appointed as Deputy General Counsel and Assistant Secretary in September 1998. She was designated to serve as Secretary in May 2000. Prior to joining the Corporation, she was Associate Counsel at the New York State Housing Finance Agency, was associated with a law firm in New York City and clerked in the United States District Court, Southern District of New York. Ms. Willig received a Bachelor of Science degree from Cornell University and her J.D. from Cardozo School of Law.

Recent Developments

The United States Attorney for the Southern District of New York (the "U.S. Attorney") and The City of New York Department of Investigation ("DOI") have been jointly investigating, among other things, alleged misuse of corporate funds by certain former officers of the Corporation (the "Investigation"). As a result of the Investigation, on March 13, 2003, Russell A. Harding, President of the Corporation from June 1998 to February 2002, was indicted on Federal felony charges for participating with others in a scheme to defraud the Corporation of hundreds of thousand of dollars. Mr. Harding has entered a plea of not guilty to the charges against him. On May 5, 2003, Luke Cusack, Senior Vice President for Administration of the Corporation from June 1998 to March 2002, pled guilty to participating in a scheme to defraud the Corporation of hundreds of thousands of dollars, a Federal felony.

During the course of the Investigation, the Corporation retained a private law firm to review the controls and financial procedures in place at the Corporation, and recommend enhancements to those procedures to safeguard the Corporation's assets. As a result of the recommendations, on March 18, 2003, the Corporation adopted certain policy and procedural changes designed to assure oversight of the expenditures of the Corporation which have been implemented. In addition, the Corporation entered into a memorandum of understanding with DOI dated March 6, 2003, which was ratified by the Board on March 18, 2003, pursuant to which any allegation of corruption must be referred to DOI.

While the Corporation can give no assurance as to the future course or the ultimate outcome of the Investigation, the Corporation does not believe that the aforementioned indictment or plea, or the results of the Investigation will adversely affect the operations of the Corporation, or the pledge,

collection or application of any monies or security provided for the payment of the Bonds (including the 2004 Series A Bonds).

PLAN OF FINANCING

The United States of America, acting by and through the Department of the Army (the “Army”), selected GMH Military Housing, LLC, an affiliate of the managing member of the Borrower, through a Request For Qualifications process to plan, demolish, design, develop, redevelop, finance, construct, renovate, replace, own, lease, operate, maintain and manage residential rental housing units and related improvements located at Fort Hamilton. To effectuate the proposed transaction, the Army will lease to the Borrower certain parcels of land located at Fort Hamilton (the “Leased Premises”), and convey to the Borrower fee title to certain existing improvements and personal property at Fort Hamilton (including, but not limited to, approximately 293 existing units of residential rental housing and related improvements) on such parcels (the “Conveyed Premises”) pursuant to and as more particularly described in the terms of the Department of Army Ground Lease to be effective as of June 1, 2004 (the “Ground Lease”). Except as expressly set forth in the Ground Lease, the United States Government undertakes no obligation to maintain Fort Hamilton as an active military installation. See “THE GROUND LEASE” herein for a more detailed description of the Ground Lease.

The Corporation will issue the 2004 Series A Bonds to fund a loan to the Borrower in order to provide financing, when added to proceeds of the 2004 Series A Class III Notes and other funds of the Borrower, for (i) the costs of demolishing and removing certain existing housing facilities and related improvements on the Leased Premises and developing, constructing, renovating and equipping new and current rental housing facilities and related improvements thereon resulting in approximately 228 rental housing units (the “Project”); (ii) paying capitalized interest on the 2004 Series A Bonds for a period of 48 months; (iii) funding initial deposits into certain funds established under the Master Indenture, including \$183,858 to be deposited to Working Capital Reserve Fund, \$186,422 to be deposited to the Operating Expense Reserve Fund and \$91,593 to be deposited to the Utility Cost Reserve Fund; (iv) paying the costs associated with the issuance and delivery to the Master Trustee, for deposit in the Debt Service Reserve Fund, of two Reserve Account Contracts (the “Initial Reserve Account Contracts”) from which the Master Trustee may draw amounts up to the maximum annual debt service on the 2004 Series A Master Notes; and (v) paying the costs associated with the issuance of the 2004 Series A Bonds and the 2004 Series A Class III Notes.

The Borrower will provide for repayment of the loan of the proceeds of the 2004 Series A Bonds through the Borrower’s sale to the Corporation of the 2004 Series A Master Notes. The Borrower is required under the 2004 Series A Master Notes to make payments sufficient to pay principal of and interest on the 2004 Series A Bonds. In order to secure its obligations under the 2004 Series A Master Notes and the 2004 Series A Class III Notes, the Borrower will deliver the Mortgage to the Corporation, which will assign the Mortgage to the Master Trustee, for the benefit of the holders of all Outstanding Class I, Class II and Class III Obligations. Pursuant to the Mortgage, the Borrower will grant a mortgage lien on and security interest in the Borrower’s leasehold interest in the Leased Premises, and its fee title interest in the Conveyed Premises and the improvements financed with proceeds of the 2004 Series A Bonds and certain other collateral identified in the Mortgage (collectively, the “Mortgaged Property”). See “SECURITY FOR THE 2004 SERIES A BONDS – The Mortgage” and “THE MORTGAGE AND ASSIGNMENT OF LEASES AND RENTS” for a description of the Mortgage, including issues relating to the priority of the lien of the Mortgage.

It is anticipated that the construction financing for the Project will be funded from the proceeds of the 2004 Series A Bonds, equity contributed by the Managing Member and the Army in the amounts of up to \$2,200,000 and \$2,175,000, respectively, proceeds of the 2004 Series A Class III Notes and Net

Operating Income during the period of initial construction and renovation of the Project, which is expected to take approximately four years (the "Initial Development Period"). Proceeds of the 2004 Series A Bonds will be initially deposited in certain Accounts of the Construction Fund under the Master Indenture. The Army's equity will be deposited in the Government Equity Account of the Construction Fund under the Master Indenture by no later than August 1, 2004. Equity to be contributed by the Managing Member, if any, is expected to be deposited in the GMH Equity Account of the Construction Fund upon depletion of proceeds of the 2004 Series A Bonds and the 2004 Series A Class III Notes and the Army's equity contribution, if such proceeds and equity contribution and Net Operating Income are not sufficient to complete construction. The Borrower has agreed that within 90 days of Closing, it will either deliver an equity commitment acceptable to the Army to ensure payment or deposit the \$2,200,000 with the Master Trustee.

The Borrower's only asset is the Project and its members have no personal liability to the owners of the 2004 Series A Bonds. The members have not pledged any of their respective assets to the owners of the 2004 Series A Bonds, other than the Project and its rents, profits and proceeds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the sale of the 2004 Series A Bonds and the 2004 Series A Class III Notes and the equity contributions from the Government and the Borrower are expected to be applied as set forth below. The estimated uses of funds assumes that the Borrower will obtain Reserve Account Contracts for the Debt Service Reserve Fund. If such Reserve Account Contracts are not obtained, cash will be deposited to the Debt Service Reserve Fund.

Estimated Sources of Funds

Proceeds of the 2004 Series A Bonds	\$47,545,000
Proceeds of the 2004 Series A Class III Notes	4,855,000
Government Equity Contribution ¹	2,175,000
GMH Equity Contribution ²	2,200,000
Net Operating Revenues ³	3,244,738
 Total Estimated Sources of Funds	 \$60,019,738

Estimated Uses of Funds

Deposit to Bond Proceeds Account	\$47,316,665
Deposit to GMH Equity Account	2,200,000
Deposit to Government Equity Account.....	2,175,000
Deposit to Capitalized Interest Fund	6,349,297
Deposit to Working Capital Reserve Fund	183,858
Deposit to Operating Expense Reserve Fund	186,422
Deposit to Utility Cost Reserve Fund	91,593
Deposit to Costs of Issuance Account ⁴	1,516,903
 Total Estimated Uses of Funds	 \$60,019,738

(1) The Government Equity Contribution is expected to be made by August 1, 2004.

(2) The GMH Equity Contribution is expected to be made only upon depletion of bond proceeds and the Government Equity Contribution and the inadequacy of such proceeds and equity and of Net Operating Income to complete the construction.

(3) Projected funding to be generated from Net Operating Income not used to pay Debt Service, Operating Expenses or Servicer and Fiduciary fees and expenses during the Initial Development Period.

(4) Includes the Underwriter's fee equal to \$324,606 and certain expenses of the Underwriter, costs associated with market studies, rating agency fees, and fees and expenses of the Corporation, the Master Trustee, the Bond Trustee, Bond Counsel to the Corporation and counsel to other parties.

THE MILITARY HOUSING PRIVATIZATION INITIATIVE

The following is a brief description of the Military Housing Privatization Initiative. This description has been extracted from various sources that the Borrower believes to be reliable.

In order to address (i) a significant backlog of repairs and rehabilitations to its military housing units and barrack space on- and off-base and (ii) a shortage of affordable, quality private housing available to servicemembers and their families, and thereby alleviate a problem in its ability to retain experienced military personnel, the United States Congress included the Military Housing Privatization Initiative (“MHPI”) in the National Defense Authorization Act for Fiscal Year 1996, codified as “The National Defense Authorization Act for Fiscal Year 1996, Public Law 104-106, 110 Stat. 186 Section 2801.”

The MHPI provides a variety of financing initiatives designed to leverage limited federal funds by inducing the private sector to finance, build and renovate military housing more quickly and less expensively than the traditional military approach of contracting for the work and funding the entire cost. For purposes of the financing involved here, the only assistance provided by the Army is the lease and conveyance of certain real estate and existing improvements thereon and the contribution of equity as noted under “ESTIMATED SOURCES AND USES OF FUNDS” above. The Army is not providing any loans, loan guarantees, occupancy guarantees, differential lease payments, or other subsidies in connection with the issuance of the 2004 Series A Bonds.

In order to implement the MHPI and foster a coordinated approach by the service branches, the Department of Defense (“DoD”) created a Revitalization Support Office, which is now known as the Housing and Competitive Sourcing Office (“H&CS”), to develop the legal, financial and operational aspects of the MHPI. Each service department may nominate a site for privatization. The relevant service department will (i) visit a site nominated for privatization, (ii) evaluate the feasibility of the nominated site, and (iii) recommend an approach to privatization based upon characteristics of the site. Once the service department and the Office of the Secretary of Defense approve site development, they will conduct an industry forum to obtain private sector input. Then the relevant service department issues a Request for Proposals/Qualifications to solicit development proposals from the private sector and will select a developer to develop, operate and manage the facility.

FORT HAMILTON, NEW YORK

The following is a brief description of the background and base overview of the Army’s presence at Fort Hamilton, New York. This description has been extracted from various sources that the Borrower believes to be reliable.

History and Background

Fort Hamilton, located at the base of the Verrazano Bridge in Brooklyn, Kings County, New York, is among the oldest and most historic Army installations in the United States. The seacoast fort at the Verrazano Narrows, once part of a series of installations protecting New York Harbor and City from enemy naval forces, is now the Army’s primary presence in the New York City metropolitan area and is the only active military installation in the area. Fort Hamilton serves the region’s large retired and reserve communities and is headquarters to one of the Army’s most active recruiting battalions.

During World War I, Fort Hamilton served as a training, embarkation and separation center, a role it again played during World War II. Between the wars, it became an infantry center while a new generation of coastal artillery able to engage ships at greater distances was installed farther away from the

city. During the Korean War, the installation – now under First U.S. Army – was a staging area for United Nations troops preparing for battle on the Asian peninsula.

In the 1960's, Fort Hamilton was designated New York Area Command and in 1975, Fort Hamilton became a sub-installation of Fort Dix, New Jersey. In 1997, Fort Hamilton became an installation of the U.S. Army Military District of Washington (“MDW”) due to its similarity of mission with that of MDW.

Today, more than 850 civilian employees and 600 military personnel work and/or live on the Fort Hamilton installation. It is home to tenant organizations for the Army, Navy and Air Force military services, various federal agencies and the Department of Defense, which collectively have approximately 1,300 personnel working in the region. Tenant organizations housed at Fort Hamilton include the following:

- 77th Regional Readiness Command – Houses 1179th Deployment Support Brigade; 5th Brigade (training); 2 Combat Support Hospitals
- North Atlantic Division, U.S. Army Corps of Engineers – Provides engineer services to the Northeast Region and Europe
- U.S. Army Recruiting Battalion, NYC – Processes and enlists qualified applicants into the Army and Army Reserve—highest production in nation
- Military Entrance Processing Station (MEPS), NYC – Processes applicants for enlistment in all the armed forces. Annual processing workload—35,000 applicant visits
- NY National Guard Joint Task Force Empire Shield – Provides homeland security at area airports, bus terminals, bridges, tunnels and subways
- Ainsworth Army Medical Clinic
- U.S. Army Health Support Agency
- Drug Enforcement Agency
- U.S. Missions to the United Nations
- ROTC, Hofstra, Fordham, Polytech, St. John's and Seton Hall
- 343rd Civil Affairs Group
- Army Public Affairs Office NYC
- 146th Ordnance Detachment Unit, Newburgh
- Detachment 427 – Defense Intelligence Agency
- Army Medical Recruiting Detachment
- Special Operations Medical Training Battalion
- Council on Foreign Relations
- Federal Bureau of Investigation
- Recruiting Commands: Air Force, Navy, Marines, Coast Guard
- Navy Criminal Investigative Service
- 902nd Military Intelligence Group
- U.S. Army Criminal Investigative Division
- Defense Commissary Agency
- Defense Investigative Service, Mid-Atlantic Region
- Department of Justice
- U.S. Marshal Service
- Joint Military Postal Activity
- Department of Veteran's Affairs
- 722nd Aero-medical Staging Squadron (Air Force Reserve)

Military families stationed at Fort Hamilton and residing in privately owned housing either own their homes or pay market rents and compete with the civilian population for the available supply. Although there is considerable variation among the several sub-markets comprising the area immediately surrounding Fort Hamilton, the private rental housing market is generally considered tight. Market rents in the area immediately surrounding Fort Hamilton often exceed the Basic Allowance for Housing (the “BAH”), particularly among the junior-enlisted pay grades, causing many military residents to incur significant out-of-pocket expenses to accommodate their housing needs, including expenses for utilities currently provided by the Army, if such military residents choose to live off base. See Appendix E – “Market Analysis Study.” Fort Hamilton currently has an inventory of 431 on-base military family housing units. The installation has a number of infrastructure improvements currently taking place including its newly constructed commissary.

THE PROJECT

The following is a brief description of the Project which the Borrower will develop. The Borrower is granted certain rights in the Project Documents to adjust the design, development, renovation and construction plans for the Project, some of which could result in a material change to the scale, scope and configuration of the Project from that described herein. This information, including the tables set forth below, are subject to such rights of the Borrower to change the Project during the Initial Development Period.

Existing housing units

There are a total of 431 existing housing units located within three separate housing areas in Fort Hamilton: Hamilton Manor; Ocean View; and Colonel’s Row. Of these 431 units, 293 are being conveyed to the Borrower. The remaining 138 will remain with the Government. Some of the units in Ocean View will be demolished and replaced by new housing and the remaining units will be renovated during the Initial Development Period. The housing units in Colonel’s Row will require renovations and enhancements but will not require replacement.

Hamilton Manor. The Hamilton Manor housing area was constructed in 1953 and is located in the northeast portion of the installation near the termination of Battery Avenue. The parcel consists of a cluster of four six-story buildings containing a total of 322 units, including a mix of one-bedroom, two-bedroom, three-bedroom and four-bedroom apartment units. Of these 322 units, 184 units are being conveyed to the Borrower on a temporary basis. The remaining 138 units are not part of the Mortgaged Property and will remain with the Government to be used for administrative purposes or demolished.

Ocean View. Constructed between 1951 and 1961, the Ocean View housing area consists of 101 two-story townhomes and two single-family ranch homes, which includes a mix of two-bedroom, three-bedroom and four-bedroom units. The buildings are constructed primarily with brick, and the townhomes have common basements. Ocean View is located along the southern end of the installation, east of the historic Fort. The area is bound by Marshall Avenue and the existing Doubleday Field to the north and Pershing Loop to the east.

Colonel’s Row. Colonel’s Row is a line of six brick row houses constructed in 1911. The buildings are eligible for the National Register of Historic Places and are located north of the historic Fort structure near the 101st Street main entrance gate.

Development Plan

As indicated, there are a total of 431 existing housing units located in three separate housing areas on Fort Hamilton:

- Hamilton Manor: Four six-story high-rise buildings with 322 units built in 1953.
- Ocean View: Two single-family units and 101 townhomes built in 1961.
- Colonel's Row: Six townhomes (multi-plex) built in 1911.

The existing Ocean View and Colonel's Row housing areas as well as the existing Doubleday Field recreational area are located on the Mortgaged Property. During the Initial Development Period, it is anticipated that 66 of the townhomes in the Ocean View housing area will be demolished and that 35 replacement townhomes will be constructed, and that the two single-family homes and the remaining 35 townhomes in the Ocean View housing area will be renovated. It is further anticipated that the six units in the Colonel's Row housing area will be renovated and that an additional 150 new garden-style apartment units (to be named Doubleday Apartments) will be constructed on the site of the Doubleday Field during this Initial Development Period.

Approximately 184 units within the Hamilton Manor housing area are located on the Mortgaged Property and will be conveyed to the Borrower to provide housing while the housing units in the Project are being constructed or renovated. By the end of the Initial Development Period, such units will revert back to the Army to be used for non-residential purposes or demolished. Upon reversion to the Army, any units in Hamilton Manor initially subject to the Mortgage will be released from the lien of the Mortgage.

The chart below sets forth the planned demolition, renovation and new construction of housing units during the Initial Development Period. Although it is anticipated that following the Initial Development Period, the Project will include 228 new or renovated housing units, the precise number of renovated versus new units is subject to change.

Planned Demolition, Renovation and Construction of Housing Units

<u>Location</u>	<u>Existing Units</u>	<u>Existing Units Conveyed</u>	<u>Demolition</u>	<u>New Construction</u>	<u>Renovation</u>	<u>Removed from Service</u>	<u>Units Upon Completion</u>
Hamilton Manor	322	184	--	--	--	184	--
Ocean View	103	103	66	35	37	--	72
Doubleday Field / Apartments	--	--	--	150	--	--	150
Colonel's Row	<u>6</u>	<u>6</u>	<u>--</u>	<u>--</u>	<u>6</u>	<u>--</u>	<u>6</u>
TOTAL:	431	293	66	185	43	184	228

In addition to the housing units, the Project will include family-oriented community amenities, including a new residents center (to be constructed during a secondary development period following the initial four-year development period), tot lots, and a walking/fitness trail.

New Construction for Ocean View and Doubleday Apartments

All new or replacement units within the Ocean View housing area and the new Doubleday Apartments will be pre-fabricated modular homes for Junior Enlisted through General Officer. There are different plans for the Project new construction, ranging in size from approximately 1,630 square feet to approximately 1,940 square feet. All are three-bedroom or four-bedroom units. The styles of homes include garden style apartments and two-story townhomes.

The new townhome and garden apartment buildings will have aluminum siding and exterior trim installed following the erection of the modular components. Incorporated into each design are the latest trends and architectural practices, which include flexible, open living spaces that are functional and efficient. Features such as inviting front porches, covered entryways and exterior accents are added to differentiate the homes. Standard-sized, energy efficient windows have been used throughout, which allow the families to reuse decorative treatments in the various housing types. The floor plans have been carefully laid out to address storage issues and maximize available space.

Doubleday Apartments. The Doubleday Apartments to be constructed will feature a single-story Garden Style Apartment design with three or four bedrooms and two full bathrooms. These homes will provide approximately 1,630 square feet for the three-bedroom units and approximately 1,940 square feet for the four-bedroom units. It is anticipated that Doubleday Apartments will include 122 three-bedroom units and 28 four-bedroom units. It is further anticipated that Doubleday Apartments will consist of 12 three-story apartment buildings with four units per floor, for a total of twelve units per building. Access will be provided from covered stairways on either side of a common breezeway located in the center of each building. There will be one three-story apartment building with two units per floor, for a total of six units. A large exterior storage area is provided for each unit. Each unit and building will contain a fire sprinkler system in accordance with the Uniform Building Code 1997 as published by the International Board of Code Officials.

The entrance to each unit is from an attractive covered alcove. The entry foyer features a coat closet adjacent to a large open great room and a dining room. The kitchen is connected to the dining area by a large pass through window that features a breakfast bar area with a built-in sink. The kitchen is designed with a minimal “work triangle” between the refrigerator, sink, and range promoting a convenient cooking environment. A pantry is included to give the occupant additional storage space. The great room is spacious and allows for flexibility of furniture arrangements to meet the lifestyle of the residents. Entry to the exterior patio or balcony is through a pair of atrium doors located in the living room.

A laundry room is located off the main hallway with an adjacent mechanical room allowing access for maintenance personnel.

The master bedroom suite is located at the end of the hall to provide privacy for the resident. It features a large walk-in closet, a large private bath and access to a second balcony or patio.

The remaining bedrooms, which vary in size, line the hallway. Each bedroom is provided with ample closet space. A single bathroom is provided off the main hallway, located between the bedrooms. To maximize space utilization, a large linen closet was designed in the hallway.

The exterior design of the Doubleday Apartment buildings is developed to provide an interesting massing and roof forms when the different combination of three-bedroom and four-bedroom unit sizes are joined together to form the individual buildings.

Ocean View Townhomes. The Ocean View townhomes to be constructed will feature two-story townhomes with three or four bedrooms and two and one-half bathrooms. The homes will generally provide approximately 1,630 square feet for the three bedroom units and approximately 1,940 square feet for the four bedroom units. It is anticipated that 23 three-bedroom units and 12 four-bedroom units will be constructed.

The main entrance to each townhouse is from a covered front porch. An entry alcove with a coat closet is provided upon entry into the living room, which has a window overlooking the porch. The stairs leading to the second floor are located along the side of the living room, with storage space included under the stairs. The open-sided design at the foot and top of the stairs aids the resident in furniture movement. A half-bath is located behind the stairs.

The family room and the dining room share a common space and are located adjacent to the kitchen. The kitchen is connected to the dining area by a large pass through window that features a breakfast bar area with a built-in sink, which also allows the residents to participate in activities taking place in the family room. The kitchen is designed with a minimal “work triangle” between the refrigerator, sink, and range promoting a convenient cooking environment. A pantry is included to give the occupant additional storage space. A large covered patio with exterior storage is accessible through the dining room. The mechanical room is located off the laundry room allowing access for maintenance personnel. The single-car garage with remote control door opener is accessed from the kitchen/utility area.

In most townhome units, the bedrooms are on the second floor. Each master bedroom includes a large walk-in closet and a master bathroom, with a bathtub and a double sink vanity. The remaining bedrooms are of varying sizes. One full bathroom serves the bedrooms, with access from the hallway. To maximize space utilization, a large linen closet was designed in the hallway.

Modular Construction Method. The construction of new and replacement housing units for Ocean View and Doubleday Apartments will use Systems Built Housing (Modular) construction methods. The modular housing construction method fabricates the housing units in a controlled manufacturing environment and generally consists of the following three phases:

- Off-Site manufacturing for all elements above the foundation;
- Site erection of the modules on the foundations; and
- Field work following erection of the buildings (including completion of roofing, stairs, decks, patios, painting, utility tie-ins, etc.).

Renovation of Ocean View Townhomes and Colonel’s Row Townhomes

It is anticipated that the renovated units within Ocean View will consist of two single-family homes each containing approximately 2,100 square feet and 35 townhomes including 29 three-bedroom units containing approximately 1,500 square feet and six four-bedroom units containing approximately 2,000 square feet. Exterior renovations of these homes will be programmed and scheduled for completion during the Initial Development Period so as to be the least disruptive to the tenants. Interior renovations will occur in connection with the turnover of each unit. In the single family homes and select town

homes, the renovations will consist of upgrades to the bathrooms, kitchens, utility infrastructure, windows and roofs. The balance of the Ocean View renovations will consist of the addition of gross square footage and complete reconfiguration of the floor plans and exterior upgrades.

Colonel's Row is a line of six brick row houses constructed in 1911 and is eligible for the National Register of Historic Places. The Army, the New York State Historic Preservation Office ("SHPO") and the federal Advisory Council on Historic Preservation have entered into a Programmatic Agreement that governs the historic preservation of Colonel's Row. The Programmatic Agreement sets forth the terms and conditions under which any rehabilitation of Colonel's Row must be conducted. The Borrower has engaged an architect and historic preservation consultant to develop the scope and extent of the rehabilitation efforts. The Programmatic Agreement requires that all rehabilitation efforts will be sensitive to the historic nature of these units and, if called for under the Programmatic Agreement, the SHPO will be consulted. All consultations held with SHPO will be coordinated by the consultant. Exterior rehabilitation of these units will be programmed and scheduled for completion during the Initial Development Period so as to be the least disruptive to the tenants. Interior rehabilitation will occur during turnover of each unit. In general, modifications to the exterior of the building will be limited to repairs of the existing roof, front porches, rain gutters, rainwater leaders, and brick facades; replace windows; repair rear porches to incorporate a powder room; and paint wood trim. The overall building form, use of materials, color scheme, rhythm of the facade, and the colonial revival style of Colonel's Row will not be compromised. Interior modifications for Colonel's Row will respect the overall plan and contributing elements, such as fireplaces, radiators, raised panel doors, interior stairways, and pine wood floors.

Schedule for Initial Development Period and Secondary Development Period

The Borrower estimates that the Initial Development Period for the Project will take approximately four years once construction begins. The initial phase of development begins with the construction of garden style apartments on the east end of the present site of Doubleday Field at Fort Hamilton. Simultaneously, it is anticipated that the Borrower will begin demolition of the most easterly Ocean View townhomes. New/replacement units will be constructed after the site work, utility, and foundation work have been completed. This process of demolition and replacement will continue until all the new/replacement townhomes have been constructed. Occupants of the Ocean View townhomes will be relocated into new housing to support the demolition/construction phasing plan. Community amenities will be relocated/constructed to support the overall neighborhood and community plan during this period as well. As new units become available, residents in Hamilton Manor will be relocated into the new apartments and townhomes.

At or prior to the completion of construction and/or renovation of all new and replacement units and when all families have been relocated into the new and/or renovated housing, the units in Hamilton Manor initially conveyed to the Borrower will revert back to the Army to be used for non-residential purposes or demolished.

The Borrower has developed a strategic development plan to ensure that the new housing is maintained and managed for the long-term viability and success of the Project. The renovation and replacement of the entire housing inventory over the 50-year project term is expected to be financed with funds generated from the operation of the Project which are released to the Borrower by the Master Trustee in accordance with the terms of the Master Indenture. Anticipated tasks during the secondary development period include construction of a new residents center and two periodic renovations and a complete replacement of all housing units before maturity of the 2004 Series A Bonds.

It is anticipated that the residents center will feature a spacious facility with rooms for social gatherings such as receptions, parties, conferences, and neighborhood meetings. The residents center has

been proposed for construction in the secondary development period at Fort Hamilton. Possible features of the residents center are listed below:

Community Room

Internet Café

Big Screen Television

Large covered patio area with tables and chairs

Meeting Room

Picnic Areas

Community Management Office

Two restrooms

THE BORROWER AND DEVELOPMENT TEAM

The following are brief descriptions of the Borrower and its members, the Developer, the Architect, the Construction Contractor and the Property Manager.

The Borrower and its Members

The Borrower is Fort Hamilton Housing LLC, a Delaware limited liability company and a joint venture with two members. One member, GMH Military Housing – Fort Hamilton LLC (the “Managing Member”), a Delaware limited liability company, will also serve as manager of the Borrower. The other member is the Department of the Army.

The Managing Member is wholly-owned by GMH/Benham Military Communities LLC (“GMH/Benham”), a Delaware limited liability company. GMH/Benham is a joint venture between GMH Military Housing Investments LLC (“GMH Investments”) and Benham Military Communities, LLC (“Benham Communities”).

GMH Investments, a Delaware limited liability company, is wholly-owned by GMH Military Housing, LLC (“GMH Military”), another Delaware limited liability company and an industry-specific affiliate of GMH Associates, Inc. Organized in Delaware, GMH Military is wholly-owned by Gary M. Holloway.

Headquartered just outside Philadelphia, the privately held GMH family of companies (collectively, the “GMH Entities”) has provided development, construction, financing, management and consulting services for assets valued at approximately \$1.5 billion and generating annual revenues exceeding \$180 million. As part of its core business, the GMH Entities have developed, constructed, owned and managed residential, commercial and retail real estate since 1985.

Benham Communities, an Oklahoma limited liability company, is wholly-owned by The Benham Companies, Inc. (“Benham”). Benham, a Delaware corporation, is a comprehensive architecture, engineering and design–build firm with a long history of providing professional services to the United States Military, specifically for military housing. Based in Oklahoma City, the company has provided installation master planning services, community planning, housing assessments, and design services for more than 25,000 military family living quarters at more than 50 different bases worldwide.

The Borrower Operating Agreement

As noted above, the Army and the Managing Member will be co-investors in the Borrower, an operating company that will own and manage the Project. The Borrower is a Delaware limited liability company, qualified to do business in the State of New York. The Borrower will also be the ground lessee of the land upon which the Project is situated and the fee owner of the structures situated thereon. Pursuant to a Limited Liability Company Operating Agreement for Fort Hamilton Housing LLC (the “Operating Agreement”), the Managing Member will manage the day-to-day operations of the Borrower, while certain responsibilities will be shared with, or delegated to, the Army.

As contributions to the capital of the Borrower, the Army will contribute \$2,175,000 and the Managing Member will contribute \$2,200,000 in equity funding. The Borrower’s equity is expected to be deposited after the depletion of bond proceeds and the Army’s equity contribution and if Net Operating Income is insufficient to complete construction of the Project. Within 90 days of the Closing Date, the Managing Member will deliver an equity commitment acceptable to the Army to ensure the amount of \$2,200,000 will be contributed, financed or otherwise made available to the Project or deposit the

\$2,200,000 with the Master Trustee. No Member will be required to make additional capital contributions to the Borrower's capital, and no Member will be permitted to make any additional contribution to the Borrower without the unanimous approval of both Members.

The Borrower and the relationship of the Members to one another will be governed by the Operating Agreement. The Borrower will be managed exclusively by a manager (the "Manager"). Although the Operating Agreement allows for the possibility of a third-party person or entity (not affiliated with the Managing Member) to serve as the Manager, it is anticipated that the Managing Member will serve as the Manager. The Manager will have the power to make and execute contracts and agreements on behalf of the Borrower and to otherwise operate the Project for the benefit of the Borrower and its Members.

Certain "Major Decisions" will require approval by both Members, effectively giving the Army a veto over certain key actions. Major Decisions include the following:

- The sale of all or substantially all of the assets of the Borrower or the sale or disposition of the Project;
- The merger, consolidation or other combination of the Borrower with or into any other entity;
- Substantially or materially changing the business of the Borrower;
- Admission of new Members as additional or substituted Members;
- Approval of the annual operating and project budgets submitted by the Manager;
- Permitting or requiring additional capital contributions to the Borrower;
- Refinancing, amending, extending or prepaying the 2004 Series A Bonds;
- Discontinuing the operations of the Borrower;
- Repurchasing or redeeming any company interests in the Borrower;
- Consenting to or filing for bankruptcy;
- Changing the limited liability company status of the Borrower, or converting or reorganizing the Borrower into any other form of entity;
- Approving, terminating or amending in a material fashion any of certain delineated "Major Agreements;"
- Expending funds from the Borrower's accounts other than as required or permitted by the Operating Agreement;
- Removing the Manager (except as described below);
- Pledging or otherwise encumbering the Borrower's assets;
- Amending the Borrower's formation documents or the Operating Agreement;

- Altering the allocations and distributions set forth in the Operating Agreement.

Although Major Decisions will generally require approval by both Members, so long as an affiliate of GMH is serving as the Managing Member (as contemplated), any termination of a contract entered into between the Borrower and an affiliate of the Managing Member will be exercised solely by the Army acting on behalf of the Borrower. However, those contracts will only be terminable by the Army upon the occurrence of a material, uncured default by such affiliate of the Managing Member. In addition, whenever the Managing Member is serving as Manager (as contemplated), the Army will have the exclusive power to remove the Managing Member as Manager of the Borrower, but only as a result of a “Manager Default” (as defined in the Operating Agreement). The Master Trustee and Servicer also have the right to remove the Managing Member under certain circumstances provided for in the Master Indenture. In the event any person or entity other than the Managing Member is serving as Manager of the Borrower, both Members must approve the Manager’s removal.

The Borrower will continue in existence as long as the Ground Lease is in effect. Neither Member is permitted to voluntarily withdraw from the Borrower. The Operating Agreement includes a Right of First Refusal in favor of the Army, such that in the event the Managing Member receives an offer to purchase its interest from a bona-fide third party, the Managing Member must first offer to sell its interest to the Army upon substantially the same terms as those being offered by the potential third party purchaser. The Managing Member would only be permitted to sell its interest to such third party if the Army refused to buy the interest on substantially the same terms as those offered by such third party.

Distributions of “Available Cash” (as defined in the Operating Agreement) will be made to the Members according to a distributive “waterfall” set forth in the Operating Agreement. However, no Available Cash will be distributed to the Members until released to the Borrower pursuant to the Master Indenture. Distributions to the Managing Member are governed by the Operating Agreement. All Available Cash not distributed to the Managing Member pursuant to the Operating Agreement (which constitutes the majority of Available Cash) will be placed in a Reinvestment Account for funding certain future capital expenditures and renovations. The Reinvestment Account is not part of the Master Indenture Trust Estate pledged to the Master Trustee.

The allocation of income to the Managing Member for tax purposes will correspond to the actual receipt of distributions of Available Cash by the Managing Member. The balance of income will be allocated to the Army, which does not pay taxes. The Operating Agreement also contains a provision requiring a distribution of Available Cash to the Managing Member sufficient to satisfy any tax liability attributable to a reallocation of income by the Internal Revenue Service.

The Developer

GMH Military Housing Development LLC (“GMH Development”), a Delaware limited liability company, will serve as developer of the Project pursuant to a development agreement (the “Development Agreement”) to be entered into between the Borrower and GMH Development. GMH Development is wholly-owned by GMH Military.

The Development Agreement is for a 50-year term and is automatically extended for the term of any renewal of the Ground Lease.

Under the Development Agreement, GMH Development will develop the Project by coordinating and monitoring all planning, design, demolition, renovation and construction activities on the Borrower’s behalf in connection with the design, construction and renovation of the Project. GMH Development’s duties include administration of the Design Agreement, the Construction Agreement and the Renovation

Agreement, review of construction work to determine whether substantial completion and final completion has occurred, review of drawings and specifications for the Project, and review and certification to the Borrower of requests for payments from the Architect and the Construction Contractor. GMH Development will also assist the Borrower in coordinating with the Army, military personnel and associations, neighborhood groups, local organizations, abutting landowners and other parties interested in the development of the Project and will assist the Borrower in selecting and engaging such other persons as may be required for professional services in connection with the design, construction and renovation of the Project.

The Borrower will pay GMH Development a base fee and an incentive fee upon the satisfaction of designated milestones. GMH Development's base fee is equal to approximately 2.5% of the total development costs for the Project, excluding debt payment costs and operating expenses. Approximately 25% of the base fee for the Initial Development Period will be paid upon commencement of the Project. During the Initial Development Period, GMH Development's incentive fee will not exceed 1.25% of the total development costs during such period. After the Initial Development Period, the incentive fee will be in such percentage and based on such benchmarks as the Borrower and GMH Development may establish in good faith based on Project activities after the Initial Development Period.

Architect

Benham (or in its capacity as architect, "Architect") will perform all design services for the Initial Development Period of the Project pursuant to the terms of an Agreement (the "Design Agreement") to be entered into between the Borrower and the Architect. Benham is a solutions-based firm that provides a full range of services, including architectural and engineering design, infrastructure, environmental, systems engineering and integration, and project consulting and development. Benham has over 700 employees in 12 offices in the United States. Benham has been engaged to perform architectural and engineering services for the renovation and construction of military housing facilities at Fort Stewart and Hunter Army Airfield, Georgia.

Design services to be provided by Architect under the Design Agreement include architectural, engineering and other design professional services for the preparation of the required drawings and specifications for anticipated construction and renovation activities during the Initial Development Period as well as construction administration services during such Initial Development Period. The Architect will review laws, codes and regulations applicable to the Project's location, including requirements imposed by the Army, and respond in the design of the Project to such requirements and certain physical, legal, financial and other parameters designated by the Borrower. The Architect is required to submit all designated drawings and specifications to the Borrower within the schedule set forth in the Design Agreement, provided such schedule is subject to adjustment for certain events beyond the Architect's control. The Architect will be required to maintain insurance, including professional liability insurance, as specified in the Design Agreement.

The Architect will also provide contract administration services related to the Construction Agreement and the Renovation Agreement. The Architect's duties in this regard include review of construction work to determine whether substantial completion and final completion have occurred and review and certification to the Borrower of requests for payments from the Construction Contractor.

The Borrower will pay the Architect a fixed base fee in the amount of approximately \$1.7 million for all engineering, design and contract administration services during the Initial Development Period plus certain reimbursable expenses specified in the Design Agreement. The fixed fee is allocated to the various drawings and specifications to be delivered by the Architect and to the additional services to be provided by the Architect. The Borrower will pay the Architect the portion of the fixed fee associated

with each drawing and specification upon submission and approval of such drawing or specification in accordance with the Design Agreement. The Architect's fixed fee is subject to adjustment upon certain changes in the Architect's services. The Architect is also entitled to certain incentive fees upon the satisfaction of certain performance related criteria set forth in the Design Agreement.

Construction Contractor

Jeffrey M. Brown Associates, Inc. ("JMB Associates" or "Construction Contractor"), a Pennsylvania corporation, will provide construction services for the new housing units to be constructed during the Initial Development Period of the Project pursuant to the terms of an Agreement (the "Construction Agreement") to be entered into between the Borrower and JMB Associates, and will also provide renovation services for the existing Ocean View and Colonel's Row housing units to be renovated during the Initial Development Period pursuant to a separate agreement (the "Renovation Agreement") to be entered into between the Borrower and JMB Associates. JMB Associates, which has offices in Philadelphia and New York, provides consulting, preconstruction, construction management, and general contracting services for a variety of clients including institutions, major corporations, and developers. Among the residential projects performed by JMB Associates are a partnership with the National Council of Senior Citizens to construct new senior housing with 76 units and an on-site senior citizen community center in Stonington, Connecticut, and the renovation and conversion of a historical 21-story office building into 161 luxury apartments in Philadelphia, Pennsylvania.

Construction Agreement. The Construction Agreement provides that the Construction Contractor will perform all demolition and construction services, and provide all labor, materials and equipment necessary to complete the construction work for the new housing units to be constructed during the Initial Development Period. The Construction Contractor may use subcontractors to provide demolition or construction services, but will assume responsibility for any acts or omissions of such subcontractors.

The Borrower will pay the Construction Contractor for the costs of performing the construction work under the Construction Agreement plus a fee, all subject to a guaranteed maximum price of approximately \$37.975 million. The Construction Contractor's fee includes a base fee equal to 3.25% of the cost of the work and an incentive fee, upon the satisfaction of designated milestones, not to exceed 0.75% of the cost of the work. The guaranteed maximum price also includes a contingency for unexpected expenses, and if such contingency is not used, it shall be treated as savings and shared as discussed below. The guaranteed maximum price may be adjusted for changes in the scope of the work and for certain unforeseen conditions specified in the Construction Agreement. In the event savings under the guaranteed maximum price are realized upon final completion of the Project, such savings will be split between the Borrower, the Construction Contractor and GMH Development pursuant to a formula set forth in the Construction Agreement.

The work under the Construction Agreement will be divided into phases. The Construction Contractor must achieve substantial completion of each phase of the construction work within the time indicated in the Construction Agreement and must achieve substantial completion of all phases of the Project within four years after the commencement of the construction work. In the event the Construction Contractor fails to achieve substantial completion of any phase within the time indicated, the Construction Contractor must pay liquidated damages based on a formula included in the Construction Agreement. The Construction Contractor may be entitled to extensions of the scheduled completion dates due to changes in the scope of the work and for certain unforeseen conditions.

The Construction Contractor is required to maintain certain workers compensation insurance, employer's liability insurance, commercial general liability insurance, automobile insurance and umbrella

excess liability insurance. The Construction Contractor is also required to provide payment and performance bonds for the construction work in an amount equal to the guaranteed maximum price under the Construction Agreement. All bonds will include dual obligee riders in forms acceptable to the Borrower, the Master Trustee and the Servicer.

Renovation Agreement. The Renovation Agreement provides that the Construction Contractor will perform all renovation services, and provide all labor, materials and equipment necessary to complete the renovation work for the existing Ocean View and Colonel's Row housing units to be renovated during the Initial Development Period. The Construction Contractor may use subcontractors to provide renovation services, but will assume responsibility for any acts or omissions of such subcontractors.

The Borrower will pay the Construction Contractor for the costs of performing the renovation work under the Renovation Agreement plus a fee, all subject to a guaranteed maximum price of approximately \$7.025 million. The Construction Contractor's fee includes a base fee equal to 3.25% of the cost of the work and an incentive fee, upon the satisfaction of designated milestones, not to exceed 0.75% of the cost of the work. The guaranteed maximum price also includes a contingency for unexpected expenses, and if such contingency is not used, it shall be treated as savings and shared as discussed below. The guaranteed maximum price may be adjusted for changes in the scope of the work and for certain unforeseen conditions specified in the Renovation Agreement. In the event savings under the guaranteed maximum price are realized upon final completion of the Project, such savings may be split between the Borrower, the Construction Contractor and GMH Development pursuant to a formula set forth in the Renovation Agreement.

The work under the Renovation Agreement will be divided into phases. The Construction Contractor must achieve substantial completion of each phase of the renovation work within the time indicated in the Renovation Agreement and must achieve substantial completion of all phases of the Project within four years after the commencement of the renovation work. In the event the Construction Contractor fails to achieve substantial completion of any phase within the time indicated, the Construction Contractor must pay liquidated damages based on a formula included in the Renovation Agreement. The Construction Contractor may be entitled to extensions of the scheduled completion dates due to changes in the scope of the work and for certain unforeseen conditions.

The Construction Contractor is required to maintain certain workers compensation insurance, employer's liability insurance, commercial general liability insurance, automobile insurance and umbrella excess liability insurance. The Construction Contractor is also required to provide payment and performance bonds for the renovation work in an amount equal to the guaranteed maximum price under the Renovation Agreement. All bonds will include dual obligee riders in forms acceptable to the Borrower, the Master Trustee and the Servicer.

Completion Guarantor

Pursuant to a Guaranty of Completion (the "Completion Guaranty"), GMH Capital Partners, L.P., a Delaware limited partnership and an affiliate of GMH Military (the "Completion Guarantor"), will guaranty to the Master Trustee, for the benefit of the owners of all Obligations issued under the Master Indenture including, without limitation, the Corporation, that the Improvements comprising the Project will be renovated and/or constructed upon the Leased Premises in accordance with the approved plans and specifications and that substantial completion of such Improvements will be achieved by the times required by the Master Indenture free and clear of any and all liens from any and all persons furnishing materials, labor or services for or in the construction or renovation of the Improvements other than certain liens permitted under the Master Indenture. From and after the date of the Completion Guaranty, upon the occurrence of and during the continuance of an Event of Default under the Master Indenture or any of

the other Loan Documents, the Completion Guarantor agrees, upon the request of Master Trustee, to assume direct responsibility and control over construction and renovation and completion of such Improvements and to proceed diligently and with dispatch to complete construction and renovation of such Improvements in accordance with the terms and conditions of the Completion Guaranty. The Completion Guarantor is required to effect such completion of such Improvements at its sole cost and expense and is required to pay all direct and indirect costs in connection therewith. The Completion Guarantor's liability under the Completion Guaranty is in addition to (and not in lieu of, or as a substitution for) the obligations of the Completion Guarantor under any of the other Loan Documents to which it is a party.

The Property Manager

GMH Military Housing Management LLC ("GMH Management"), a Delaware limited liability company, will provide property management services for the Project pursuant to a property management agreement (the "Management Agreement") between the Borrower and GMH Management. GMH Management is wholly-owned by GMH Military.

The Management Agreement is for a 50-year term and is automatically extended for the term of any renewal of the Ground Lease.

The Management Agreement provides that GMH Management will manage the day-to-day operations, management and leasing of the Project. GMH Management is obligated to manage, operate and maintain the Project in an efficient manner, consistent with the standards of practice followed by professional managers of properties of similar type and quality and in accordance with the requirements and standards set forth in the Ground Lease.

Pursuant to the Management Agreement, GMH Management will oversee (i) leasing of rental units in accordance with the requirements of the Ground Lease and the Regulatory Agreement described herein under "SECURITY FOR THE 2004 SERIES A BONDS – Rental to Non-Military Tenants," (ii) day-to-day operations of the Project, (iii) collection of revenues and depositing such into appropriate accounts, (iv) day-to-day maintenance of the Project, (v) ordinary repairs, decorations, alterations and tenant improvements, (vi) completion of backlogged maintenance and repairs, (vii) payment of taxes imposed on the Project, and (viii) compliance with applicable laws and regulations. GMH Management will be required to prepare and submit to the Borrower on an annual basis a proposed operating budget for the Project. The Management Agreement grants GMH Management the authority to make expenditures and incur obligations provided for in the operating budget and to exceed any category items in the operating budget by an amount equal to ten percent (10%) of the amount for such category, provided total expenditures in any fiscal year do not exceed total expenditures set forth in the operating budget by more than five percent (5%), and to make certain emergency expenditures.

The Management Agreement requires GMH Management to deposit, or cause to be deposited, all revenues, including from rental payments, into accounts established pursuant to the Master Indenture.

GMH Management is required to maintain certain types of insurance coverage in certain minimum amounts, including workers' compensation coverage, employer's liability insurance, employee dishonesty insurance, theft coverage, and business automobile liability coverage. In addition, GMH Management must require all subcontractors to have certain prescribed levels of insurance.

As base compensation for the services it provides, GMH Management will be paid a monthly base fee equal to 2.5% of effective gross revenue for the Project. In addition, GMH Management will be entitled to receive incentive fees of up to 2% of effective gross revenue generated by the Project based

upon the satisfaction of designated benchmarks relating to emergency work order response, routine work order completion, occupancy rates, home turnover, resident satisfaction surveys, execution of community service programs, and timely delivery of required reports and budgets.

The Borrower may terminate the Management Agreement for “Cause” upon written notice to GMH Management. Cause is defined as GMH Management breaching any of its material obligations under the Management Agreement and continued breach for more than 30 days after notice of such default is provided by the Borrower, unless such breach is not reasonably curable within such 30 day period. Pursuant to the LLC Operating Agreement, so long as an affiliate of GMH is serving as Managing Member of the Borrower (as contemplated), any such removal by the Borrower shall be exercised solely by the Army acting on behalf of the Borrower. The Master Trustee and the Servicer also have the ability to remove GMH Management as the Property Manager in certain circumstances as provided in the Master Indenture.

DESCRIPTION OF THE 2004 SERIES A BONDS

General

The 2004 Series A Bonds shall be dated their date of delivery, which is expected to be on or about June 1, 2004 (the “Date of Delivery”) and shall bear interest from their date of delivery payable semi-annually on June 1 and December 1 of each year commencing December 1, 2004 at the rates and shall mature on the dates and in the amounts as shown on the inside front cover page hereof.

The 2004 Series A Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiples thereof, with respect to the 2004 Series A Class I Bonds, and in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof, with respect to the 2004 Series A Class II Bonds. Subject to the provisions described below under “Book-Entry Only System,” the 2004 Series A Bonds are exchangeable or transferable at the corporate trust office of the Bond Trustee.

Classes of 2004 Series A Bonds

Priority of Payment. The 2004 Series A Bonds are offered and sold as Class I Bonds and Class II Bonds in the amounts and classes and designated as set forth on the cover page and in the table set forth under “INTRODUCTION” above. The 2004 Series A Class I Bonds are senior in priority of payment of Debt Service to the 2004 Series A Class II Bonds.

Remedies for Nonpayment of Debt Service. Failure by the Corporation to pay principal or Redemption Price of or interest on the 2004 Series A Class I Bonds when due constitutes an Event of Default under the Resolution. Failure by the Corporation to pay principal or Redemption Price of or interest on the 2004 Series A Class II Bonds when due prior to the final maturity date does not constitute an Event of Default under the Resolution if the amounts on deposit in the Accounts established therefor under the Resolution are not sufficient to make such payments. In such event, the amount of the insufficiency will accrue and be added to the next scheduled installment of principal or Redemption Price of or interest on such 2004 Series A Class II Bonds until paid. Since payments by the Borrower on the 2004 Series A Master Notes are expected to be the primary source of funds for payments on the 2004 Series A Bonds, the Bond Trustee will not have sufficient funds to make payment on the 2004 Series A Class II Bonds when due if the Borrower does not pay all amounts when due on the 2004 Series A Class II Master Note. Unpaid interest due and payable on the 2004 Series A Class II Bonds will not accrue additional interest.

Failure by the Borrower to pay Debt Service on the 2004 Series A Class I Master Note when due constitutes an Event of Default under the Master Indenture. If the amount on deposit in the Class II Debt Service Account of the Debt Service Fund established under the Master Indenture is not sufficient to pay on any Interest Payment Date the principal or redemption price of and interest on the 2004 Series A Class II Master Note due and payable on such date, the amount of the insufficiency will accrue and be added to the next scheduled installment of principal or redemption price of or interest on such Class II Obligations until paid. **The failure to pay principal or redemption price of or interest on a Class II Obligation or a Class III Obligation when due prior to the final maturity date thereof is not an Event of Default under the Master Indenture if sufficient moneys for such payment are not available in the Class II Debt Service Account or the Class III Debt Service Account of the Debt Service Fund established under the Master Indenture. Unpaid principal due and payable on a Class II Obligation and a Class III Obligation will continue to accrue interest at the rate of interest borne by such Class II Obligation or Class III Obligation until paid or until final maturity. Unpaid interest due and payable will not accrue additional interest.**

Redemption Prior to Maturity

General. Other than with respect to redemptions from the proceeds of refunding Bonds or other financing provided by the Corporation, all redemptions of the 2004 Series A Class I Bonds shall result from identical redemptions of the 2004 Series A Class I Master Note and all redemptions of the 2004 Series A Class II Bonds shall result from identical redemptions of the 2004 Series A Class II Master Note.

Sinking Fund Redemption. The 2004 Series A Class I Bonds are subject to redemption prior to maturity through Sinking Fund Payments established by the Resolution on June 1 and December 1 in each of the years set forth below and in the respective principal amounts set forth opposite each such date (the particular 2004 Series A Class I Bonds or portions thereof are to be selected pro rata among the beneficial owners of such 2004 Series A Class I Bonds based on the principal amount of such 2004 Series A Class I Bonds owned by the beneficial owners and not by lot), in each case at a Redemption Price of 100% of the principal amount of the 2004 Series A Class I Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption:

2004 Series A Class I Bonds Due December 1, 2021

<u>Date</u>	<u>Sinking Fund Payment</u>	<u>Date</u>	<u>Sinking Fund Payment</u>
June 1, 2008	\$105,000	June 1, 2015	\$155,000
December 1, 2008	105,000	December 1, 2015	160,000
June 1, 2009	110,000	June 1, 2016	165,000
December 1, 2009	115,000	December 1, 2016	170,000
June 1, 2010	115,000	June 1, 2017	175,000
December 1, 2010	120,000	December 1, 2017	180,000
June 1, 2011	125,000	June 1, 2018	185,000
December 1, 2011	130,000	December 1, 2018	190,000
June 1, 2012	130,000	June 1, 2019	195,000
December 1, 2012	135,000	December 1, 2019	200,000
June 1, 2013	140,000	June 1, 2020	210,000
December 1, 2013	145,000	December 1, 2020	215,000
June 1, 2014	150,000	June 1, 2021	220,000
December 1, 2014	150,000	December 1, 2021 (maturity)	225,000

2004 Series A Class I Bonds Due June 1, 2036

<u>Date</u>	<u>Sinking Fund Payment</u>	<u>Date</u>	<u>Sinking Fund Payment</u>
June 1, 2022	\$235,000	December 1, 2029	\$375,000
December 1, 2022	240,000	June 1, 2030	385,000
June 1, 2023	250,000	December 1, 2030	400,000
December 1, 2023	255,000	June 1, 2031	410,000
June 1, 2024	265,000	December 1, 2031	425,000
December 1, 2024	275,000	June 1, 2032	440,000
June 1, 2025	280,000	December 1, 2032	450,000
December 1, 2025	290,000	June 1, 2033	465,000
June 1, 2026	300,000	December 1, 2033	480,000
December 1, 2026	310,000	June 1, 2034	495,000
June 1, 2027	320,000	December 1, 2034	515,000
December 1, 2027	330,000	June 1, 2035	530,000
June 1, 2028	340,000	December 1, 2035	545,000
December 1, 2028	350,000	June 1, 2036 (maturity)	565,000
June 1, 2029	365,000		

2004 Series A Class I Bonds Due June 1, 2049

<u>Date</u>	<u>Sinking Fund Payment</u>	<u>Date</u>	<u>Sinking Fund Payment</u>
December 1, 2036	\$580,000	June 1, 2043	\$885,000
June 1, 2037	600,000	December 1, 2043	915,000
December 1, 2037	620,000	June 1, 2044	945,000
June 1, 2038	640,000	December 1, 2044	975,000
December 1, 2038	660,000	June 1, 2045	1,005,000
June 1, 2039	685,000	December 1, 2045	1,040,000
December 1, 2039	705,000	June 1, 2046	1,070,000
June 1, 2040	730,000	December 1, 2046	1,105,000
December 1, 2040	750,000	June 1, 2047	1,145,000
June 1, 2041	775,000	December 1, 2047	1,180,000
December 1, 2041	800,000	June 1, 2048	1,220,000
June 1, 2042	830,000	December 1, 2048	1,260,000
December 1, 2042	855,000	June 1, 2049 (maturity)	1,300,000

The amounts accumulated for each Class I Sinking Fund Installment may be applied by the Bond Trustee, at the direction of the Corporation, prior to the giving of notice of mandatory sinking fund redemption of 2004 Series A Class I Bonds from such Class I Sinking Fund Installment, to the purchase for cancellation of 2004 Series A Class I Bonds for which such Class I Sinking Fund Installments were established at a price (including any brokerage and other charges) not exceeding the redemption price thereof, plus accrued interest to the date of purchase.

The 2004 Series A Class II Bonds are subject to redemption prior to maturity through Sinking Fund Payments established by the Resolution on June 1 and December 1 in each of the years set forth below and in the respective principal amounts set forth opposite each such date (the particular 2004

Series A Class II Bonds or portions thereof are to be selected pro rata among the beneficial owners of such 2004 Series A Class II Bonds based on the principal amount of such 2004 Series A Class II Bonds owned by the beneficial owners and not by lot), in each case at a Redemption Price of 100% of the principal amount of the 2004 Series A Class II Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption:

2004 Series A Class II Bonds Due June 1, 2049

Sinking Fund		Sinking Fund	
<u>Date</u>	<u>Payment</u>	<u>Date</u>	<u>Payment</u>
June 1, 2008	\$20,000	June 1, 2029	\$80,000
December 1, 2008	20,000	December 1, 2029	85,000
June 1, 2009	20,000	June 1, 2030	90,000
December 1, 2009	20,000	December 1, 2030	90,000
June 1, 2010	20,000	June 1, 2031	95,000
December 1, 2010	25,000	December 1, 2031	95,000
June 1, 2011	25,000	June 1, 2032	100,000
December 1, 2011	25,000	December 1, 2032	105,000
June 1, 2012	25,000	June 1, 2033	110,000
December 1, 2012	25,000	December 1, 2033	110,000
June 1, 2013	25,000	June 1, 2034	115,000
December 1, 2013	30,000	December 1, 2034	120,000
June 1, 2014	30,000	June 1, 2035	125,000
December 1, 2014	30,000	December 1, 2035	130,000
June 1, 2015	30,000	June 1, 2036	130,000
December 1, 2015	35,000	December 1, 2036	135,000
June 1, 2016	35,000	June 1, 2037	140,000
December 1, 2016	35,000	December 1, 2037	145,000
June 1, 2017	35,000	June 1, 2038	150,000
December 1, 2017	35,000	December 1, 2038	155,000
June 1, 2018	40,000	June 1, 2039	160,000
December 1, 2018	40,000	December 1, 2039	165,000
June 1, 2019	40,000	June 1, 2040	175,000
December 1, 2019	45,000	December 1, 2040	180,000
June 1, 2020	45,000	June 1, 2041	185,000
December 1, 2020	45,000	December 1, 2041	190,000
June 1, 2021	45,000	June 1, 2042	200,000
December 1, 2021	50,000	December 1, 2042	205,000
June 1, 2022	50,000	June 1, 2043	210,000
December 1, 2022	50,000	December 1, 2043	220,000
June 1, 2023	55,000	June 1, 2044	225,000
December 1, 2023	55,000	December 1, 2044	235,000
June 1, 2024	60,000	June 1, 2045	245,000
December 1, 2024	60,000	December 1, 2045	250,000
June 1, 2025	60,000	June 1, 2046	260,000
December 1, 2025	65,000	December 1, 2046	270,000
June 1, 2026	65,000	June 1, 2047	280,000
December 1, 2026	70,000	December 1, 2047	290,000
June 1, 2027	70,000	June 1, 2048	300,000
December 1, 2027	75,000	December 1, 2048	310,000
June 1, 2028	75,000	June 1, 2049 (maturity)	320,000
December 1, 2028	80,000		

If the amount on deposit in the Class II Debt Service Account is not sufficient on any date set forth for Sinking Fund Payments on the 2004 Series A Class II Bonds to pay the scheduled amount for such date, the amount of the insufficiency is to be added to the next scheduled Class II Sinking Fund Payment, until paid. **Failure to pay Class II Debt Service when due prior to maturity is not an Event**

of Default under the Resolution unless amounts sufficient for such payment are on deposit in the Class II Debt Service Account. The amounts accumulated for each such Class II Sinking Fund Installment may be applied by the Bond Trustee, at the direction of the Corporation, prior to the giving of notice of mandatory sinking fund redemption of 2004 Series A Class II Bonds from such Class II Sinking Fund Installment, to the purchase for cancellation of 2004 Series A Class II Bonds for which such Class II Sinking Fund Installments were established at a price (including any brokerage and other charges) not exceeding the redemption price thereof, plus accrued interest to the date of purchase.

Credits Against Sinking Fund Payments. Upon any redemption (other than by Class I Sinking Fund Payment or Class II Sinking Fund Payment) of 2004 Series A Bonds for which Class I Sinking Fund Payment or Class II Sinking Fund Payment have been established, there shall be credited by the Bond Trustee toward the Class I Sinking Fund Payments or Class II Sinking Fund Payments thereafter to become due with respect thereto, on a proportionate basis and in increments of the applicable minimum denomination, an amount bearing the same ratio to each such Class I Sinking Fund Payment or Class II Sinking Fund Payment as the total principal amount of such Class and maturity of 2004 Series A Bonds so purchased or redeemed bears to the total amount of all such Class I Sinking Fund Payments or Class II Sinking Fund Payments to be credited; provided, however, that, if there shall be filed with the Bond Trustee a Borrower Request approved in writing by the Corporation specifying a different method for crediting Class I Sinking Fund Payments or Class II Sinking Fund Payments upon any such purchase or redemption of 2004 Series A Bonds and certifying that such Borrower Request is consistent with the most recently filed Cash Flow Statement and the 2004A Series Indenture together with a Confirmation, then such Sinking Fund Payments shall be so credited as shall be provided in such Borrower Request. The portion of any such Class I Sinking Fund Payment or Class II Sinking Fund Payment remaining after the deduction of any such amounts credited towards the same (or the original amount of any such Class I Sinking Fund Payment or Class II Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Class I Sinking Fund Payment or Class II Sinking Fund Payment for the purpose of calculation of Class I Sinking Fund Payments and Class II Sinking Fund Payments due on or scheduled for a future date.

Optional Redemption. The 2004 Series A Bonds are subject to redemption prior to maturity, in whole or in part at any time, at the option of the Corporation, from (a) the proceeds of refunding bonds or other financing provided by the Corporation, (b) funds provided, directly or indirectly, by an entity that is rated investment grade by the Rating Agencies, or (c) other moneys paid to the Bond Trustee with respect to which the Bond Trustee has received an opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that the use of such moneys to pay the redemption price will not constitute an avoidable transfer under Section 547 of the Bankruptcy Code in the event of a bankruptcy case by or against the Borrower, as debtor, at a Redemption Price equal to the greater of (i) 100% of the principal amount of the 2004 Series A Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of Debt Service on the 2004 Series A Bonds to be redeemed, discounted, on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the relevant Treasury Rate plus 25 basis points, plus accrued interest, if any, to the Redemption Date.

Extraordinary Mandatory Redemption. The 2004 Series A Bonds are subject to extraordinary mandatory redemption in whole or in part, on any Business Day, at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest, if any, to the Redemption Date, in the event of damage to or destruction or Condemnation of the Project or any part thereof to the extent proceeds are received by the Corporation as a result of a redemption of 2004 Series A Notes required by the Master Indenture from available Proceeds (as defined in the Master Indenture).

Selection of 2004 Series A Bonds to be Redeemed

In the case of the application of monies to the redemption in part of the 2004 Series A Bonds as described under “DESCRIPTION OF THE 2004 SERIES A BONDS – Redemption Prior to Maturity – *Optional Redemption*” and “– *Extraordinary Mandatory Redemption*,” the Bond Trustee shall select a pro rata amount of the 2004 Series A Bonds of each Class and maturity for redemption; provided, however, that (i) if there shall be filed with the Bond Trustee a Borrower Request approved in writing by the Corporation specifying a different method for selecting 2004 Series A Bonds for redemption and certifying that such Borrower Request is consistent with the most recently filed Related Cash Flow Statement and the 2004A Series Indenture together with a Confirmation, then the 2004 Series A Bonds shall be selected for redemption as shall be provided in such Borrower Request, and (ii) any amounts received by the Corporation or the Bond Trustee that derive from redemption of the 2004 Series A Master Notes in connection with the purchase of the Project by the Borrower, the Managing Member or any designee thereof pursuant to the Purchase Option Agreement shall be applied first to redeem 2004 Series A Class I Bonds (pro rata among maturities) and second to redeem 2004 Series A Class II Bonds.

In connection with any redemption of less than all the Outstanding 2004 Series A Bonds of like Class and maturity, the particular 2004 Series A Bonds or portions thereof to be redeemed shall be selected pro rata among the beneficial owners of such 2004 Series A Bonds based on the principal amount of such 2004 Series A Bonds owned by the beneficial owners and not by lot.

Notice of Redemption

When the Bond Trustee receives notice from the Corporation of its election or direction to redeem the 2004 Series A Bonds, or is required pursuant to the Resolution to redeem the 2004 Series A Bonds, the Bond Trustee is to give notice, in the name of the Corporation, of the redemption of such 2004 Series A Bonds. Such notice is to specify, among other things, the 2004 Series A Bonds to be redeemed, the Redemption Price, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. The Bond Trustee is to mail a copy of such notice postage prepaid to the registered owners of any 2004 Series A Bonds or portions of 2004 Series A Bonds which are to be redeemed, at their last addresses appearing upon the registry books not less than fifteen (15) days before the Redemption Date. If the conditions precedent to the redemption, if any, have been satisfied, interest shall cease to accrue and be payable on the 2004 Series A Bonds after the Redemption Date if notice has been given, or is not required to be given, and if sufficient moneys have been deposited with the Bond Trustee to pay the applicable Redemption Price and interest on the 2004 Series A Bonds on such date. So long as the 2004 Series A Bonds are in book-entry form, notice of redemption shall be given to Cede & Co., as nominee for DTC. See “DESCRIPTION OF THE 2004 SERIES A BONDS – Book-Entry-Only System.”

Corporation’s Right to Purchase

The Corporation retains the right to purchase the 2004 Series A Bonds at such times, in such amounts and at such prices less than or equal to par as the Corporation shall determine, subject to the provisions of the Resolution, and thereby reduce its obligations, if any, for the 2004 Series A Bonds.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2004 Series A Bonds. The 2004 Series A Bonds will be issued as fully-registered bonds without coupons 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 2004 Series A Bond certificate

will be issued for each maturity of each Class of the 2004 Series A Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2004 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2004 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2004 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2004 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2004 Series A Bonds, except in the event that use of the book-entry system for the 2004 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2004 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2004 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2004 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2004 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2004 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2004 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2004 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2004 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Bond Trustee, on 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 Bond 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 Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2004 Series A Bonds at any time by giving reasonable notice to the Corporation or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2004 Series A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Borrower believe to be reliable, but the Corporation and the Borrower take no responsibility for the accuracy thereof.

SECURITY FOR THE 2004 SERIES A BONDS

Pledge of the Resolution

The Resolution constitutes a contract among the Corporation, the Bond Trustee and the owners of the 2004 Series A Bonds issued thereunder and its provisions are for the equal benefit, protection and security of the owners of all Bonds of the same Class, each of which, regardless of the time of issue thereof, shall be secured under the Resolution on a parity, but subject to the provisions regarding subordination of the Class II Bonds to the Class I Bonds.

The 2004 Series A Bonds are special obligations of the Corporation payable from the Revenues and amounts on deposit in the Accounts as described herein. Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of Revenues, which consists of all payments received by the Corporation on the 2004 Series A Master Notes. Payment of the Bonds is also secured by

a pledge by the Corporation of the rights and interest of the Corporation in all amounts held in any Accounts established pursuant to the Resolution (including the investments of such Accounts, if any). The primary source of payment and security for the 2004 Series A Master Notes and all other Obligations Outstanding from time to time under the Master Indenture is the BAH paid as lease rental payments by military servicemembers living within the Project. The BAH is a component of wages paid to military servicemembers who do not reside in Government-owned housing and, in most cases, will be deposited directly with the Master Trustee. If the BAH paid to a military servicemember is not automatically deposited with the Master Trustee, the Property Manager will collect such BAH and pay it to the Master Trustee. The BAH is anticipated to constitute nearly all of the Operating Revenues pledged under the Master Indenture to secure the Obligations.

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

Until and unless a payment Event of Default with respect to either Class of the 2004 Series A Bonds shall occur, the 2004 Series A Master Notes will not be assigned to the Bond Trustee. Upon the occurrence of such a payment Event of Default and upon request by the Bond Trustee or the owners of 25% in aggregate principal amount of the 2004 Series A Bonds, the Corporation will assign the 2004 Series A Master Notes to the Bond Trustee.

The 2004 Series A Class I Bonds will be secured on a parity with all other Class I Bonds under the Resolution. The 2004 Series A Class II Bonds will be secured on a parity with all other Class II Bonds under the Resolution, but subordinate in right of payment of Class I Bonds.

Failure by the Corporation to pay principal or Redemption Price of or interest on the 2004 Series A Class I Bonds when due constitutes an Event of Default under the Resolution. Failure by the Corporation to pay principal or Redemption Price of or interest on the 2004 Series A Class II Bonds when due prior to the final maturity date does not constitute an Event of Default under the Resolution if the amounts on deposit in the Accounts established therefor under the Resolution are not sufficient to make such payments. In such event, the amount of the insufficiency will accrue and be added to the next scheduled installment of principal or redemption price of or interest on such 2004 Series A Class II Bonds until paid. Since payments by the Borrower on the 2004 Series A Master Notes are expected to be the primary source of funds for payments on the 2004 Series A Bonds, the Bond Trustee will not have sufficient funds to make payment on the 2004 Series A Class II Bonds when due if the Borrower does not pay all amounts when due on the 2004 Series A Class II Master Note. Unpaid interest due and payable on the 2004 Series A Class II Bonds will not accrue additional interest.

2004 Series A Bonds Not a Debt of the State or the City

The 2004 Series A 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 2004 Series A Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

Master Indenture Trust Estate

General. The 2004 Series A Master Notes are special obligations of the Borrower payable under and secured by a pledge and assignment by the Borrower to the Master Trustee, for the benefit of the holders, from time to time, of Obligations issued under the Master Indenture, including, without limitation, the 2004 Series A Master Notes, of all of the Borrower's right, title and interest in and to the following collateral (the "Master Indenture Trust Estate"):

- the proceeds derived from the sale of a Series of Notes or the issuance and delivery of a Series of Notes to a Bond Issuer and the sale of the Related Bond Issuer Bonds until used as set forth in the Master Indenture; and
- the Pledged Revenues (including Operating Revenues, which consist primarily of rental payments) and all moneys and securities in the Funds and Accounts from time to time held by the Master Trustee under the terms of the Master Indenture (except moneys and securities in a Note Purchase Fund) and investments, if any, thereof; and
- the Mortgaged Property (as defined in the Mortgage) and the Loan Documents (other than the Regulatory Agreement between the Corporation and the Borrower) and all proceeds of insurance, condemnation proceeds, guaranty benefits and other security related to Loans and Obligations received by the Borrower or the Master Trustee under the Master Indenture; and
- any Credit Enhancement Facility and any Liquidity Facility hereafter delivered under the Master Indenture (there will be no Credit Enhancement Facility or Liquidity Facility in effect for the benefit of the 2004 Series A Master Notes or the 2004 Series A Class III Notes upon the issuance thereof); and
- any Derivative Product and any Reciprocal Payments hereafter delivered under the Master Indenture (there will be no Derivative Product or Reciprocal Payments in effect upon the issuance of the 2004 Series A Master Notes and the 2004 Series A Class III Notes); and
- all moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security under the Master Indenture to the Master Trustee by the Borrower or by anyone in its behalf, or with its written consent and to hold and apply such property.

The pledge and lien of the Master Indenture is created and established in the following order of priority: *first*, to secure the payment of the principal of and interest on the Class I Obligations and the Class I Reserve Account Contract Obligations in accordance with the terms and the provisions of the Master Indenture, *second*, to secure the payment of the principal of and interest on the Class II Obligations and Class II Reserve Account Contract Obligations in accordance with the terms and the provisions of the Master Indenture, and *third*, to secure the payment of the principal of and interest on any Class III Obligations and the Class III Reserve Account Contract Obligations in accordance with the terms and the provisions of the Master Indenture.

The Pledged Revenues pledged by the Borrower under the Master Indenture to secure the Obligations, including the 2004 Series A Master Notes, are expected to consist primarily of lease rental payments from tenants of the housing units on the Mortgaged Property. It is anticipated that nearly all units will be leased to military servicemembers or key and essential military or DoD personnel. Military servicemembers renting housing units within the Project will receive a BAH which generally will be paid directly to the Master Trustee, or in some instances transferred by the Property Manager from the tenant to the Master Trustee, for deposit to the Operating Revenue Fund established under the Master Indenture. See “The Basic Allowance for Housing” below.

Amounts on deposit in the Operating Revenue Fund will be used in accordance with the Master Indenture in the following general priority; *first*, to pay Operating Expenses, *second*, to pay Impositions and insurance premiums, *third*, to pay fees and expenses of the Servicer, *fourth*, to fund Debt Service on

the 2004 Series A Master Notes and the 2004 Series A Class III Notes by Class and deposits to the related Debt Service Reserve Accounts; *fifth*, to pay fees and expenses of the Master Trustee and the Bond Trustee, *sixth*, to fund deposits to the Capital Repair/Replacement Fund, *seventh*, to fund deposits to the Operating Expense Reserve Fund, *eighth*, to fund deposits to the Utility Cost Reserve Fund, *ninth*, prior to completion of the Project, to the Residual IDP Project Cash Flow Account of the Construction Fund to pay Costs of the Project, and after completion of the Project, to the Surplus Cash Fund for disbursement outside the lien of the Master Indenture in accordance with the terms of the Master Indenture and the Operating Agreement. See “THE MASTER INDENTURE – Operating Revenue Fund” herein.

The Mortgage. The performance by the Borrower of its obligations under the Master Indenture and the other Loan Documents, including its obligation to make payments under the 2004 Series A Master Notes and any additional Obligations issued from time to time under the Master Indenture, will be secured by a Mortgage, Assignment of Rents and Leases, Security Agreement and Financing Agreement (the “Mortgage”) from the Borrower, as mortgagor, to the Corporation, which will assign the same to the Master Trustee, as mortgagee, for the benefit of the holders of all outstanding Class I, Class II and Class III Obligations. Pursuant to the Mortgage, the Borrower will convey, grant, assign, pledge, mortgage and transfer to the Corporation, which will assign the same to the Master Trustee, as mortgagee, and will grant a lien on, and security interest in, all of the Borrower’s right, title and interest in and to the Mortgaged Property (as more particularly described herein under “THE MORTGAGE AND ASSIGNMENT OF LEASES AND RENTS”), which Mortgaged Property includes, among other things, a 50-year term leasehold interest in the real estate on which the Project is located and a fee interest in the Improvements located thereon (for so long as the Ground Lease is in effect). See “THE MORTGAGE AND ASSIGNMENT OF LEASES AND RENTS – Grant of Mortgaged Property” for a description of issues relating to the priority of the lien of the Mortgage.

Debt Service Reserve Fund. The Master Indenture establishes a Debt Service Reserve Fund and within the Debt Service Reserve Fund, a Class I Debt Service Reserve Account, a Class II Debt Service Reserve Account and a Class III Debt Service Reserve Account. The Borrower is required to cause to be deposited into each Account within the Debt Service Reserve Fund an amount set forth in the 2004A Series Indenture to be not less than the maximum regularly scheduled Debt Service (including all principal, if any, and interest payments) to become due with respect to all outstanding Obligations of the Related Class during any twelve calendar month period so long as any Obligations of such Class remain Outstanding (in each case, the “Maximum Annual Debt Service”). The Borrower expects to initially fund the Class I Debt Service Reserve Account and the Class II Debt Service Reserve Account with Reserve Account Contracts meeting the requirements set forth below. If such Reserve Account Contracts are not obtained, then proceeds of the sale of the 2004 Series A Bonds will be used to fund such Debt Service Reserve Accounts. Such an alternative use of proceeds would require modifications to the scope of the Project including, possibly, reducing the number of new, as opposed to renovated, housing units.

Disbursements from each Account within the Debt Service Reserve Fund shall be made by the Master Trustee (without the need for further direction) on any Revenue Account Monthly Disbursement Date to pay Debt Service payable pursuant to the Obligations of the Related Class on such date to the extent amounts in the Capitalized Interest Fund or the Operating Revenue Fund as applicable pursuant to the terms of “THE MASTER INDENTURE – Capitalized Interest Account” and “THE MASTER INDENTURE – Operating Revenue Fund” are not sufficient to pay such amounts. Any such disbursement from an Account within the Debt Service Reserve Fund shall be made, *first*, from available cash on deposit in such Account and, *second*, from amounts drawn pro rata from all Reserve Account Contracts, if any, deposited therein, to the Operating Revenue Fund. Immediately prior to each Revenue Account Monthly Disbursement Date, the Master Trustee shall disburse into the Operating Revenue Fund any cash on deposit in each Account within the Debt Service Reserve Fund in excess of the then current Debt Service Reserve Requirement applicable to such Class. Any amounts withdrawn from an Account

within the Debt Service Reserve Fund which cause the amounts available therein to fall below the applicable Debt Service Reserve Fund Requirement for the Related Class of Obligations shall be replenished from amounts transferred from the Operating Revenue Fund in accordance with the Master Indenture, or from reinstatement of amounts available to be drawn under any Reserve Account Contract deposited in such Account.

Reserve Account Contracts. In lieu of depositing funds required by the Master Indenture in an Account within the Debt Service Reserve Fund or in the Impositions Fund, the Operating Expense Reserve Fund, the Utility Cost Reserve Fund and/or the Capital Repair/Replacement Fund (or one or more Accounts thereof, as applicable) upon delivery of the 2004 Series A Master Notes (or an additional Series of Notes in the future), the Borrower may deliver to the Master Trustee a surety bond, insurance policy, letter of credit, investment agreement, investment contract or similar instrument which provides for payment on demand, in form and substance reasonably satisfactory to the Master Trustee and the Servicer, naming the Master Trustee as beneficiary, which can be drawn upon in accordance with the terms of the Master Indenture and which otherwise complies with the provisions of the Master Indenture (a “Reserve Account Contract”). Any Reserve Account Contract delivered under the Master Indenture must be issued by a Reserve Account Contract Provider licensed to do business in New York, whose obligations under the Reserve Account Contract are (i) rated, individually or together with an affiliated guarantor of its obligations, at least “AA” by S&P or “Aa2” by Moody’s, and (ii) not on a credit watch for a downgrading below “AA-” by S&P or “Aa3” by Moody’s. Any Reserve Account Contract entered into with respect to initial proceeds on the 2004 Series A Bonds must also comply with the Corporation’s investment guidelines.

Reserve Account Contract Requirements. If at any time any issuer of a Reserve Account Contract shall no longer have such required debt rating, the Borrower shall, at its option, within ten Business Days after notice from the Master Trustee or the Servicer, either cause a replacement Reserve Account Contract to be issued by an issuer licensed to do business in New York which has such required debt rating or replace such Reserve Account Contract with immediately available funds in the requisite amount (provided that the failure to do either of such acts shall not, in and of itself constitute an Event of Default). Each Reserve Account Contract shall be irrevocable, shall be in effect for an initial period of not less than one year, and shall provide that the same shall be automatically renewed for successive periods of at least one year, without any action whatsoever on the part of the Master Trustee or the Servicer. The Reserve Account Contract Provider shall have the right to elect not to renew such Reserve Account Contract only on written notice to the Master Trustee and the Servicer given not less than 30 days prior to the then current expiration date thereof. However, the privilege of the Reserve Account Contract Provider to elect not to renew such Reserve Account Contract shall not diminish the obligation of the Borrower to maintain such Reserve Account Contract in accordance with the terms of the Master Indenture or to deposit immediately available funds in the requisite amount. In addition, each Reserve Account Contract shall expressly provide by its terms that (A) the Master Trustee shall have the right to draw down an amount up to the face amount of the Reserve Account Contract (and in multiple partial draws) at any time upon presentation to the issuer thereof of the original of such Reserve Account Contract and the Master Trustee’s certified statement that the Master Trustee is entitled to draw such amount under the provisions of the Master Indenture (and without any other condition or qualification as to any such draw), and (B) the Reserve Account Contract Provider will honor such draw request by the Master Trustee immediately upon such presentation and without inquiry as to the accuracy of the statement and regardless of whether the Borrower or other account party contests the draw.

Substitution and Replacement. If a Reserve Account Contract Provider notifies the Master Trustee that it will not renew any then current Reserve Account Contract it has issued, the Master Trustee will accept a replacement thereof (to be in effect not later than 10 days prior to the expiration of the then expiring Reserve Account Contract), upon the terms and conditions described in this section. If as of the

10th day prior to the expiration of a Reserve Account Contract, such Reserve Account Contract has not been renewed or replaced and the Borrower, at its option, has not delivered to the Master Trustee cash or immediately available funds in an amount equal to the face amount of such Reserve Account Contract for deposit into the Impositions Fund, the Capital Repair/Replacement Fund, the Operating Expense Reserve Fund, the Utility Cost Reserve Fund or the Debt Service Reserve Fund, as applicable, then on the next succeeding Business Day the Master Trustee shall (immediately and without the need for further direction from the Servicer and regardless of any contest or protest by the Borrower) draw on such existing Reserve Account Contract prior to its expiration and the proceeds therefrom shall be deposited by the Master Trustee to the Impositions Fund, the Capital Repair/Replacement Fund, the Operating Expense Reserve Fund, the Utility Cost Reserve Fund or the Debt Service Reserve Fund, as applicable.

Drawings. The Master Trustee shall (immediately and without the need for further direction from the Servicer and regardless of any contest or protest by the Borrower) draw upon each Reserve Account Contract in a Fund or Account on a pro rata basis or such other basis as set forth in the Reserve Account Contract(s) (i) to the extent there are insufficient moneys in the Fund or Account for which such Reserve Account Contract was delivered (after all other money and proceeds from Investment Securities on deposit therein have been exhausted) to fund any disbursement required from such Fund or Account pursuant to the Master Indenture, (ii) in the full face amount thereof, if it is not extended or replaced as provided in the immediately preceding paragraph at least ten days prior to its expiration (or upon the expiration of the 10-day period described in the first paragraph under this subheading, if not replaced within such period, in the case of the Reserve Account Contract Provider failing to maintain a required debt rating), or (iii) if and to the extent the Master Trustee is directed by the Servicer or any Credit Enhancer to make such draw upon the occurrence and continuation of an Event of Default under the Master Indenture. The proceeds of any draw by the Master Trustee under any Reserve Account Contract pursuant to this paragraph shall be deposited into the Fund(s) and/or Account(s) for which such Reserve Account Contract was delivered.

Initial Reserve Account Contracts. Simultaneously with the delivery of the 2004 Series A Class I Bonds, the Borrower shall cause an initial Reserve Account Contract (the “Initial Class I Reserve Account Contract”) to be issued by AIG Financial Products Corp. (“AIG-FP” or the “Initial Reserve Account Contract Provider”) to the Master Trustee for deposit in the Class I Debt Service Reserve Account in lieu of a cash deposit in the amount of the Class I Debt Service Reserve Account Requirement. The Initial Class I Reserve Account Contract shall permit the Master Trustee to draw from the Initial Class I Reserve Account Contract Provider an amount not less than the Class I Debt Service Reserve Account Requirement (\$2,690,910). The obligations of the Initial Reserve Account Contract Provider shall be guaranteed by American International Group, Inc.

Simultaneously with the delivery of the 2004 Series A Class II Bonds, the Borrower shall cause an initial Reserve Account Contract (the “Initial Class II Reserve Account Contract”) to be issued by the Initial Reserve Account Contract Provider to the Master Trustee for deposit in the Class II Debt Service Reserve Account in lieu of a cash deposit in the amount of the Class II Debt Service Reserve Account Requirement. The Initial Class II Reserve Account Contract shall permit the Master Trustee to draw from the Initial Reserve Account Contract Provider an amount not less than the Class II Debt Service Reserve Account Requirement (\$666,519). The obligations of the Initial Reserve Account Contract Provider shall be guaranteed by American International Group, Inc.

Any draws under the Initial Class I Reserve Account Contract or the Initial Class II Reserve Account Contract shall be reinstated only upon satisfaction of the following conditions:

- (1) the Initial Reserve Account Contract Provider has been fully reimbursed for such draw (including any interest and expenses) from moneys disbursed from the Operating Revenue

Fund to the applicable Debt Service Reserve Account as described under “THE MASTER INDENTURE – Operating Revenue Fund – *Disbursements When No Event of Default has Occurred and is Continuing,*” and

(2) the amount then on deposit in the Reinvestment Account is not less than the amount set forth below:

<u>Period</u> <u>(both dates inclusive)</u>	<u>Minimum</u> <u>Balance</u>
June 1, 2004 through May 31, 2014	\$2,000,000
June 1, 2014 through May 31, 2019	2,500,000
June 1, 2019 through May 31, 2029	3,000,000
June 1, 2029 and thereafter	3,800,000

AIG Financial Products Corp. The Initial Reserve Account Contract Provider is AIG Financial Products Corp. ("AIG-FP"), which commenced operations in 1987. AIG-FP and its subsidiaries conduct, primarily as a principal, a financial derivatives products business. AIG-FP also enters into investment contracts and other structured transactions and invests in a diversified portfolio of securities. In the course of conducting its business, AIG-FP also engages in a variety of other related transactions.

American International Group, Inc. ("AIG") is the guarantor of the payment obligations of its subsidiary, AIG-FP, with respect to both the Initial Class I Reserve Account Contract and the Initial Class II Reserve Account Contract. AIG, a Delaware corporation, is a holding company which through its subsidiaries is primarily engaged in a broad range of insurance and insurance-related activities and financial services in the United States and abroad. Reports, proxy statements and other information filed by AIG with the SEC pursuant to the informational requirements of the Securities Exchange Act of 1934, as amended, can be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The SEC also maintains a web site at <http://www.sec.gov> which contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. AIG's Common Stock is listed on the New York Stock Exchange and reports, proxy statements and other information can also be inspected at the Information Center of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

The Basic Allowance for Housing

The following description of the Basic Allowance for Housing (“BAH”) is based on current law and DoD procedures. The United States Congress can change the law and the DoD can revise its procedures at any time. No assurance can be given that such changes will not be made and, if changes are made, such changes may have a material adverse effect on the level of Operating Revenues generated by the Borrower from the Project.

General. Pursuant to the Master Indenture, all Outstanding Obligations are secured by the Master Indenture Trust Estate, which consists of, among other things, the Pledged Revenues. The Pledged Revenues consist primarily of rent from military servicemembers and key and essential personnel, which rent will be equal to the BAH. Military servicemembers and key and essential personnel have a preferential right under the Ground Lease to lease the Project housing units. Rent for military servicemembers and key and essential personnel will be capped at the BAH, however, after the Transition Period, rent will be capped at the BAH less the Utility Set-Aside (defined below). The BAH is receivable

by each military servicemember occupying a residential unit at the Project and, in most cases, is expected to be automatically remitted by wire transfer for deposit directly with the Master Trustee to the Operating Revenue Fund established under the Master Indenture.

Payment of BAH. The BAH is receivable by each tenant who is a military servicemember and occupies a housing unit within the Project, once per month. The Borrower has covenanted in the Master Indenture to condition the leasing of any such unit to a servicemember on the execution of a Defense Financing and Accounting Service (“DFAS”) Allotment Form which will direct the deposit of the BAH payable to such servicemember directly to the Military Assistance Corporation (“MAC”). MAC was established to assist the timely and accurate payment of BAH to mortgagees of military housing units. MAC will consolidate all payments received from DFAS with respect to the Project during the prior month, and, after deducting its processing fee, will make a single electronic transfer of such funds to the Operating Revenue Fund on or about the first day of each month in accordance with the Payment Processing Agreement then in effect between the Army and MAC (or its designee).

Although servicemembers will be required to execute a DFAS Allotment Form as a condition to leasing a housing unit in the Project, any servicemember may cancel his or her DFAS Allotment Form at any time. Any servicemember residing in a housing unit who has not executed or who has cancelled a DFAS Allotment Form will be required to pay the BAH it receives to the Borrower on a monthly basis in arrears. There can be no assurance that any such servicemember’s BAH will not be reduced automatically upon receipt by the servicemember to the extent necessary to satisfy any applicable legal obligation imposed on such servicemember. Any failure by a servicemember to pay its rent and utilities in whole in accordance with the lease between the servicemember and the Borrower, will be grounds for termination of such lease and eviction in accordance with applicable law.

BAH must be appropriated by Congress on an annual basis and there can be no assurances that such appropriations will be made in any given year, that the appropriation each year will occur on a timely basis, or that the amount of BAH appropriated will be sufficient to keep up with escalations in costs of living expenses. Moreover, there can be no assurances that the method of calculation, timing of payment, analysis of comparable market rents, cost of living increases or other issues affecting the amount and receipt of BAH by servicemembers will not change from time to time, with possible materially adverse consequences for the amount of Operating Revenues generated by the Project and received by the Master Trustee.

Utilities. The Borrower is responsible for paying all tenant water, sewer, gas and electricity costs as part of Project operating expenses. The “Utility Transition Period” for the Project commences upon the execution of the Operating Agreement and ends one year after the last individual electric meter has been installed in all housing units within the Project. After the Utility Transition Period, the Master Trustee will set aside (prior to payment of any other Project costs, including Debt Service) a portion of the BAH known as the “Utility Set-Aside” in an amount not to exceed 115% of the estimated tenant gas and electricity charges. After the Utility Transition Period, an average utility usage will be established for the various categories of housing units. Thereafter, the Borrower will continue to pay for utilities as Operating Expenses, however, tenants using less than a certain percentage under the estimated usage costs will receive a rebate or credit and tenants using more than a certain percentage over the estimated usage costs will be billed separately for the excess as additional rent.

Calculation of BAH. Under current law, the DoD attempts to set the BAH at levels reflective of local housing costs; however, no assurances can be made that the BAH will accurately reflect actual market rents or be sufficient to generate Operating Revenues necessary to pay Debt Service on the 2004 Series A Bonds.

Members of the United States armed services receive a BAH when they live in privately-owned housing. The BAH is based on geographic duty location, pay-grade, and dependency status. The intent of the BAH is to provide uniformed servicemembers equivalent and equitable housing compensation based on housing costs in local housing markets. The BAH is computed by estimating the market price of housing that a particular military servicemember would be expected to rent, based upon his or her geographic area and pay grade/dependent status, and then subtracting the median out-of-pocket costs (as described below). BAH distinguishes between servicemembers with-dependents and without-dependents, but does not take into account the number of dependents. BAH rates are computed in whole dollar amounts, rounding to the nearest dollar. The goal of the BAH is to provide more accurate housing allowances based upon market price of rental housing (rather than servicemember-reported rents).

BAH rates are adjusted each January 1 based on housing costs in a particular geographic area (called a "Military Housing Area" or "MHA"). In computing BAH, MHA price data of rentals, average utilities and insurance are collected annually in the spring and summer when housing markets are most active. Data includes apartments, townhomes/duplexes, as well as single-family rental units of various bedroom sizes. The BAH is calculated by subtracting the median out-of-pocket cost from the individual servicemember's market rental price (based on MHA and pay grade/dependent status).

Although BAH rates can decrease for a geographic duty location, customarily Permitted Tenants that collect BAH cannot have the amount of their BAH decreased unless a change in status occurs, defined as (1) a Permanent Change of Station move, (2) a decrease in grade, or (3) change in dependency status.

MHA Market Price Analysis. The shelter cost of housing for each MHA is computed annually by Runzheimer International pursuant to a contract with the DoD. Runzheimer International collects data on comparable housing by consulting real estate professionals, major utility providers and the Bureau of the Census to ascertain each MHA's market rate housing costs. In determining comparable housing, the first screen considers reasonable commuting criteria. Next the selected units are reviewed to see if they are in a neighborhood in which military servicemembers would choose to reside. Data process is used to identify appropriate neighborhoods where the typical civilian income is in the range of the appropriate military pay-grade. The review process also includes on-site visits, to insure that the housing used to determine the BAH is of the quality that military service personnel would be expected to live in. For example, a military service tenant with an E-6 with dependents pay scale would be expected to rent a three bedroom town home. If this person lived in the Brooklyn, New York area, his or her market price would be determined by the contractor's assessment of the fair market rental value of a three bedroom town home, the price of utilities (considering utility rates and average usage of a Brooklyn, New York resident with a three bedroom town home) and the price of obtaining renter's insurance in the Brooklyn, New York area.

Out-of-Pocket Expenses. Median out-of-pocket costs are computed by calculating the median housing costs of the entire United States taking into account rental rates, utility prices and usage rates, and renter's insurance premiums. As part of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (the "Cohen Initiative"), the DoD and Congress began working to reduce the out-of-pocket costs military servicemembers pay with BAH. The Cohen Initiative proposes to eliminate the out-of-pocket expenses associated with BAH in steps by fiscal year 2005, allowing the DoD to subsidize the entire cost of a servicemember's expected housing costs. Out-of-pocket expenses are expected to be reduced to \$0 by 2005. The implementation of the Cohen initiative has resulted in increases in the BAH in many MHAs, which increases exceed the rate in growth in housing costs in such MHAs. Upon full implementation of the Cohen Initiative, if the current system of BAH calculation is maintained, the rate of increase in the BAH should reflect actual increases in housing costs and is not expected to maintain the rates of growth in BAH experienced during implementation of the Cohen Initiative.

The table below illustrates the monthly BAH rates (assuming dependents) for 2004 for the MHA located around Fort Hamilton.

2004 BAH Rates (With Dependents) for the housing units located around Fort Hamilton	
Pay Grade	BAH Rate w/Dependents
0-7-010	\$2,886
06	\$2,833
05	\$2,810
04	\$2,575
03	\$2,240
03E ⁽¹⁾	\$2,392
02	\$2,001
02E ⁽¹⁾	\$2,227
01	\$1,946
01E ⁽¹⁾	\$2,108
W5	\$2,514
W4	\$2,369
W3	\$2,244
W2	\$2,128
W1	\$2,004
E9	\$2,335
E8	\$2,185
E7	\$2,089
E6	\$2,002
E5	\$1,939
E4	\$1,873
E3	\$1,873
E2	\$1,873
E1	\$1,873

(1) Former Enlisted Personnel

Source: Department of Defense

The table below illustrates the anticipated pay-grade occupancy mix of all of the completed units located on the Mortgaged Property. The Army and the Borrower may change the anticipated pay-grade mix set forth in the table as the mission of Fort Hamilton and the configuration and staffing of servicemembers stationed in Fort Hamilton changes over time, provided that such adjustments do not result in a material adverse change in Operating Revenues. No assurance can be given that the pay-grade mix will not change at any time.

The table below outlines the anticipated pay-grade occupancy mix of all of the units to be located on the Mortgaged Property.

Housing Area	Paygrades					
	JNCO (E1-E6)	SNCO (E7-E9)	CGO (W1-O3)	FGO (W4-O5)	SGO (O6)	GFOQ
Ocean View						
- Townhomes		53	12	5		
- Single Family Homes					1	1
Doubleday Apartments	150					
Colonel's Row					6	
Total:	150	53	12	5	7	1

Rental to Non-Military Tenants

Pursuant to the Ground Lease, the Borrower must provide preferential leasing rights to (i) key and essential personnel (which may include civilians who are entitled to receive a BAH-equivalent rental rate but may also include civilians who do not receive BAH), (ii) DoD military personnel, active duty reserve personnel, international students/officers and active duty Coast Guard, all of whom receive a BAH, and (iii) DoD civilians (including the FBI), military retirees and their respective families and military bachelors, none of whom receive BAH. In order to accomplish this goal, the Army will maintain, and provide to the Borrower, a list of personnel desiring to lease housing units in order of priority. Housing units cannot be leased to prospective tenants with a lower priority when the list contains higher priority individuals without the Army's approval. The Property Manager has the right to lease housing units to civilians at market rental rates (i) if the occupancy rate, based on 228 total rentable units in effect on the Closing Date, decreases by 5% or more for each of three consecutive months during the Initial Development Period, (ii) the occupancy rate of total rentable dwelling units constructed and renovated pursuant to the Borrower's initial development plan is less than 95% for each of three consecutive months beginning on the first month following completion of the Initial Development Period, or (iii) with the Army's permission. Any rentals to civilians who are not granted preferential leasing rights under the Ground Lease will be subject to the restrictions contained in a Regulatory Agreement (the "Regulatory Agreement") between the Borrower and the Corporation which provides that available units may only be leased to families whose annual income does not exceed the lesser of (i) 250% of the City's median annual income or (ii) either seven or eight times the annual rent of the applicable housing unit, depending on the size of the prospective tenant's family. In addition, each prospective civilian tenant is subject to the Army's approval. In the event of a base closure occurring under the Base Realignment and Closure procedures (as described herein under CERTAIN INVESTMENT RISKS – Base Closure, Force Reduction and Deployment"), all tenants shall pay rentals in accordance with the then-existing guidelines of the Corporation with respect to middle income housing.

Rental Market Conditions

See Appendix E — “Market Analysis Study” for an analysis of the civilian rental market in housing areas near the Project performed by The Danter Company, a national real estate research firm providing market feasibility studies, performance projections, consulting services and demographic information for builders, lenders, developers, government bodies and housing agencies in a variety of commercial markets throughout the United States. The Danter Company believes that the current military rents for the housing units are below what would be the appropriate market rents for the subject properties, which should result in strong demand for the housing units in the event housing units were leased to civilians. Under the Master Indenture, the Borrower has covenanted that the rents it charges to civilian tenants who are not entitled to a BAH-equivalent rent will be sufficient to cause the Pledged Revenues to be sufficient to pay debt service on the 2004 Series A Master Notes and all other outstanding Obligations. However, the Borrower would not likely be able to charge civilian tenants rates higher than comparable market rents. In addition, any such rentals would be subject to the restrictions contained in the Regulatory Agreement, as described above under “Rental to Non-Military Tenants.”

Additional Bonds; Additional Obligations

The Resolution permits the issuance of additional Bonds on a parity with all Outstanding Bonds of the same Class. As a condition to issuance of additional Bonds, the Resolution requires that the Corporation certify to the Bond Trustee that Master Notes and other assets held under the Resolution are sufficient to provide for full and timely payment of all Outstanding Bonds (including the Bonds proposed to be issued), as evidenced by a confirmation from each Rating Agency then providing a rating on any Outstanding Bonds that the issuance of such additional Obligations will not result in the lowering or withdrawal of its then current rating on the 2004 Series A Bonds then outstanding. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Issuance of Additional Obligations.”

The Master Indenture permits the issuance by the Borrower, with the consent of the Corporation, of additional Obligations in accordance with the Master Indenture on a parity with the respective Classes of Obligations. Concurrently with the issuance of the 2004 Series A Master Notes, the Borrower will also issue its 2004 Series A Class III Notes. Additional Obligations will all be secured by the pledge and lien of the Master Indenture and issued upon satisfaction of the terms and conditions of the Master Indenture, including the condition that, so long as there are Outstanding Obligations rated by a Rating Agency, the Borrower will obtain a rating confirmation. See Appendix C – “Summary of Certain Provisions of the Master Indenture – Authorization and Issuance of Notes – Conditions Precedent to Delivery of Notes” for a discussion of the conditions precedent required by the Master Indenture for the delivery of additional Obligations.

Investment Agreements

[to come]

LIMITED LIABILITY

The 2004 Series A Bonds are special obligations of the Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2004 Series A Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2004 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

The 2004 Series A Master Notes are limited obligations of the Borrower which are payable solely from the Master Indenture Trust Estate, including the Pledged Revenues and assets derived from the operation of the Project, including the money and securities held in certain Funds and Accounts established by the Master Indenture. Neither the Borrower nor the Managing Member nor any member or officer, director or employee of the Borrower or the Managing Member is obligated to pay Debt Service on the Obligations under the Master Indenture. Excess Pledged Revenues will be released to the Borrower pursuant to the Master Indenture after which it will not be available to pay debt service on the 2004 Series A Master Notes. See “SECURITY FOR THE 2004 SERIES A BONDS – The Master Indenture Trust Estate” for a more complete description of the Master Indenture Trust Estate pledged under the Master Indenture.

THE 2004 SERIES A BONDS AND THE 2004 SERIES A MASTER NOTES ARE NOT A PLEDGE OF THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA, THE DEPARTMENT OF DEFENSE, THE DEPARTMENT OF THE ARMY OR ANY AGENCY THEREOF. THE 2004 SERIES A BONDS AND THE 2004 SERIES A MASTER NOTES ARE NOT TO BE CONSTRUED AS A DEBT OR INDEBTEDNESS OF, AND PAYMENT OF THE 2004 SERIES A BONDS AND THE 2004 SERIES A MASTER NOTES ARE NOT GUARANTEED OR INSURED BY, THE UNITED STATES OF AMERICA, THE DEPARTMENT OF DEFENSE OR THE DEPARTMENT OF THE ARMY.

THE GROUND LEASE

The Ground Lease contains terms and conditions relating to the lease of the Leased Premises and the conveyance of the Conveyed Premises from the Government to the Borrower, including various conditions, covenants and lease provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Ground Lease, to which reference is hereby made, copies of which are available from the Corporation or the Bond Trustee. This summary uses various terms defined in the Ground Lease and such terms as used herein shall have the same meanings as so defined.

Term of Ground Lease; Leased Premises

The Borrower and the Army will enter into a Ground Lease (the “Ground Lease”) pursuant to which the Army will (i) lease to the Borrower the Leased Premises, (ii) (subject to the Army’s right of reversion upon termination of the Ground Lease) grant and quitclaim to the Borrower all Improvements located on the Leased Premises, specifically excluding certain buildings, improvements, fixtures and systems to be retained by the Army (including, without limitation, underground storage tanks located on the Leased Premises), and (iii) sell and deliver to the Borrower the personal property located on or used in connection with the Leased Premises and owned by the Army. A portion of one of the parcels of land included in the Leased Premises that is currently being used by the Army for parade ground purposes, will not be leased to the Borrower on June 1, 2004, the effective date of the Ground Lease (the “Effective Date”), but rather will be leased by the Army to the Borrower on the earlier of (i) completion by the Army of a new parade ground on land not subject to the Ground Lease, or (ii) October 1, 2004. The initial term of the Ground Lease is fifty (50) years, renewable for an additional period of up to twenty-five (25) years upon request by the Army and acceptance thereof by the Borrower with the consent of the Master Trustee, as the mortgagee under the Mortgage (if the Mortgage is still in effect). As described above under “THE PROJECT – Development Plan,” certain buildings within the Hamilton Manor housing area will be conveyed to the Borrower on the Effective Date to provide housing while the housing units in the Project are being constructed or renovated. The Borrower will have the right to lease to the Army portions of such buildings as they are no longer needed and the right to reconvey to the Army each such building as it is no longer needed at any time prior to the end of the Initial Development Period. By the end of the

Initial Development Period, any such leases will be terminated and any Hamilton Manor buildings that have not previously been reconveyed will be reconveyed to the Army and released from the lien and effect of the Mortgage.

Consideration for Ground Lease

As partial consideration for the Army's execution of the Ground Lease and performance of its obligations therein, the Borrower will agree to design, develop, manage, rehabilitate, renovate and maintain the Project in accordance with the terms of the Ground Lease.

Municipal Services, Access and Easements

Municipal Services. Pursuant to a Municipal Services Agreement by and between the Army and the Borrower, the Borrower will pay for any utilities and other municipal services furnished by or on behalf of the Army to and for the Project. During the term of the Ground Lease, the Army will either provide municipal services to the Project or provide reasonable grants of access to and from the Project to municipal service providers and vice-versa via the declaration and granting of easements on, over, under and through Fort Hamilton to and for the benefit of the Borrower and such providers.

Access by Borrower. At all times during the term of the Ground Lease, the Army will provide the Borrower and other Lessee Parties access, subject to certain restrictions and requirements which the Army deems reasonably advisable for purposes of security, force protection, or military necessity, to Fort Hamilton and the Project. Such access will include vehicular and pedestrian access among the various parcels comprising the Project.

Supervision by Army/Army's Right to Enter. The use and occupancy of the Project will be subject to the general supervision and approval of the Army and to such rules and regulations as the Army may prescribe, provided that the Army's supervision, approval, rules, regulations and entry onto the premises shall at all times comply with applicable law. The Army and its officers, agents and employees will have the right to enter the Project for any purpose necessary in connection with the Army's purposes at the Project, provided that the Army will enter the Project only during regular business hours and give the Borrower at least twenty-four (24) hours prior notice of entry and permit a representative of the Borrower to be present, unless the Army determines that emergency entry is required.

Additional Encumbrances. The Ground Lease is subject to all existing outgrants and to certain easements, permits, and licenses subsequently granted by the Army in accordance with the Ground Lease, as well as to established access routes for roadways and utilities located, or to be located, on the premises. The Army will not grant any new easement, permit, license or route that will materially interfere with any present or proposed use of, or access to, the Project without the consent of the Borrower and if the Mortgage is still in effect, the Master Trustee, as mortgagee. Neither the Army nor the Borrower shall close or materially limit any established access routes without the consent of the other or if the Mortgage is still in effect, the Master Trustee, as mortgagee, unless required by the Army for purposes of security, force protection or military necessity.

Rental and Occupancy Requirements

The Borrower must operate the Project as a residential rental development for Permitted Tenants. Permitted Tenants are those persons who fit any or all of certain descriptions contained in the Ground Lease. The categories are ranked in order of priority, from "Key and Essential accompanied or unaccompanied military or civilian personnel assigned or attached for duty at Fort Hamilton" (highest priority) to "Non-military or non-DoD or non-Federal Agency personnel" (lowest priority). Residential

rental units may not be rented to prospective tenants with lower priority if higher priority tenants are available to rent the units, unless the Army approves an exception. The Borrower has the right to lease housing units to non-military or non-DoD tenants if vacancy rates hit certain levels, provided that any rentals to non-military tenants (other than those with certain priority) will be subject to the terms of the Regulatory Agreement. See “SECURITY FOR THE 2004 SERIES A BONDS – Rental to Non-Military Tenants.”

Transfers, Assignment or Subleases

The Borrower may not assign or transfer its interest in the Ground Lease or sublet any part of the Project, other than rental of dwellings to Permitted Tenants and Mortgages contemplated in the Ground Lease, without the prior written approval of the Army and, so long as the Mortgage is in effect, the Master Trustee, as mortgagee. Any such assignment granted by the Borrower shall be consistent with all of the terms and conditions of the Ground Lease. The Government may not assign or transfer the Ground Lease or its interest in the Project except pursuant to the Purchase Option Agreement (described below under “Base Closure; Purchase Option”), or pursuant to a base closure occurring under the Base Realignment and Closure (“BRAC”) procedures or such authority as the Government is entitled to exercise (see “CERTAIN INVESTMENT RISKS – Base Closure, Force Reduction and Deployment.”)

Condition of Leased Premises

The Borrower acknowledges in the Ground Lease that it has inspected the Leased Premises, knows the condition of the Leased Premises, and understands that, except as otherwise provided in the Ground Lease, the Leased Premises are leased “as is” to the Borrower without any representation or warranty whatsoever and without obligation on the part of the Army to make any repairs, alterations or additions, unless otherwise agreed to in writing by the Army and the Borrower. The Army shall not be liable for any latent or patent defects in the Leased Premises except as described below under “Environmental Provisions.”

Permissible and Prohibited Uses

The Borrower may use the Project for the design, development, management, rehabilitation, renovation, and maintenance of family housing units and related ancillary facilities, as well as any other use the Army approves in its sole discretion. The Ground Lease prohibits the Borrower from (i) knowingly permitting unlicensed gambling on the Project, (ii) installing or operating, or knowingly permitting to be operated or installed, any illegal device, (iii) using or knowingly permitting the Project to be used for any illegal business or purpose, (iv) knowingly allowing activities that would constitute a nuisance, or (v) selling, or commercially storing or dispensing, or knowingly permitting the sale, or commercial storage or dispensing of beer or other intoxicating liquors on the Project, without the Army’s permission. Additionally, the Borrower may not construct or place any structure, improvement or advertising sign on the Project without the Army’s consent, it being specifically acknowledged that the Army has approved the construction of improvements constituting the Project.

Base Closure; Purchase Option

The Ground Lease provides that in the event Fort Hamilton or any portion thereof or the Leased Premises is subject to a base closure under BRAC procedures or such other authority as the Army may be entitled to exercise, the Managing Member shall have, subject to then existing applicable law, the option to acquire the fee simple title to the Leased Premises (the “Purchase Option”) pursuant to a Purchase Option Agreement by and between the Army and the Managing Member (the “Purchase Option Agreement”).

Pursuant to the Ground Lease and the Purchase Option Agreement, the Army shall provide notice of base closure to the Borrower, the Managing Member and, during the period that the Mortgage shall remain outstanding, the Master Trustee, as mortgagee under the Mortgage. Upon the determination of the actual closure date, the Army shall provide notice of the same to the Managing Member and, during the period that the Mortgage shall remain outstanding, the Master Trustee, as mortgagee under the Mortgage, and the Corporation, as Servicer. The Managing Member must exercise the Purchase Option unless authorization for occupancy, if required, has been obtained for the housing units, either through obtaining waivers to local building codes or bringing the housing units into compliance with such codes, in which case the Managing Member may exercise the Purchase Option in its discretion. In the event of a base closure as to all or a portion of the Leased Premises, the Borrower may terminate the Ground Lease or portion thereof subject to such notice provided that, during the period that the Mortgage shall remain outstanding, any such termination shall require the prior written consent of both the Master Trustee, as mortgagee, and the Corporation, as Servicer. If the Purchase Option is exercised and authorization for occupancy, if required, is not obtained, the Managing Member must use the proceeds of a financing or sale of the property purchased under the Purchase Option and the Improvements thereon to redeem the 2004 Series A Bonds and any outstanding obligations under the Master Indenture. See "CERTAIN INVESTMENT RISKS – Base Closure, Force Reduction and Deployment."

If the Managing Member shall exercise the Purchase Option then, as a condition precedent to the completion of closing thereunder, either (at the option of the Managing Member) (i) the Mortgage and all debts secured or evidenced thereby and by any Loan Document(s) will be satisfied in full with respect to the Leased Premises or that portion thereof subject to the Purchase Option, or (ii) (a) the Ground Lease shall continue in full force and effect and the Borrower shall continue to be bound by all of its obligations as the mortgagor under the Mortgage or, as applicable, the debtor or obligor under the Mortgage and the Loan Document(s) and all conditions to the exercise of the Purchase Option set forth in the Mortgage and the Loan Documents shall be satisfied and (b) the Master Trustee (as assignee of the Corporation) shall be granted a mortgage on the Managing Member's fee interest in the Leased Premises, or that portion thereof subject to the Purchase Option, and shall be named as the obligee and/or creditor under financing document(s) executed and delivered to the Master Trustee, as mortgagee, by the Managing Member to reflect the Managing Member's interest in any and all collateral and types of collateral identified under the Loan Document(s), all to the satisfaction of the Master Trustee, as mortgagee, in its sole discretion.

The Purchase Price for the Leased Premises or portion thereof, if less than the entirety of the Leased Premises is purchased by the Managing Member pursuant to the Purchase Option, shall be the fair market value of (a) the Leased Premises, or portion thereof, as applicable, taking into account the fact that the Leased Premises are encumbered by the Ground Lease, (b) the Army's reversionary interest in the Improvements located thereon, and (c) the Army's interest in Borrower. The Army's interest in Borrower shall be equal to the amount which would be distributed to the Army upon the dissolution of the Borrower if the entire business of the Borrower were sold to a third party and will take into account the outstanding debt of the Borrower; provided, however, if less than the entirety of the Leased Premises are purchased by the Managing Member pursuant to the Purchase Option, then the "business" of the Borrower shall be deemed to be only those activities conducted on the portion of the Leased Premises purchased by the Managing Member.

In the event that the Managing Member shall decline or fail to exercise, or be precluded due to legal impairment imposed by any Act of Congress or the Constitution of the United States from exercising, the Purchase Option, the Ground Lease shall continue in full force and effect (unless the Ground Lease is terminated by the Borrower as provided above with the consent of the Master Trustee and the Servicer) and the Mortgage and the Loan Document(s) shall continue in full force and effect. In the event that the Army shall desire to convey any interest in the Leased Premises or any portion thereof, such conveyance shall, in all circumstances, be subject to the Ground Lease.

The Purchase Option may be limited in its effectiveness to the extent that the law in effect at the time that the Managing Member elects to exercise the option limits the Army's ability to perform its obligations under the Purchase Option Agreement. There is no guarantee that the Purchase Option Agreement will be enforceable or that the Purchase Option will be exercisable in the scenario of BRAC procedures. Furthermore, there is the possibility of the Congress of the United States eliminating the Ground Lease and/or the Purchase Option Agreement and the Purchase Option via legislative action.

Taxes

The Borrower is required to pay any and all applicable taxes the State of New York or any of its political subdivisions impose on the Leased Premises or the Borrower's interest in the Project. The Borrower will not be liable for taxes or other impositions imposed on the Army's interest in the Project, and has the right to contest any taxes, assessments or similar charges imposed on the Borrower. The Borrower believes that no amounts will be due for mortgage recording tax, transfer taxes or property taxes based on exemptions from such taxes. However, there can be no assurance that the State and City taxing authorities will not disagree with the Borrower's position regarding transfer taxes, or that circumstances or law will not change.

Default and Termination

Either party's material failure to comply with any provision of the Ground Lease shall constitute a "Default" under and breach of the Ground Lease. Additionally, the following actions by the Borrower or the Managing Member shall also constitute a Default under the Ground Lease: (i) seeking an order for relief or initiating proceedings of any nature under any laws of the United States or any state seeking relief as a debtor; (ii) applying for a receiver, trustee, custodian or like officer to be appointed for all or substantially all of its business or assets on the ground of insolvency; (iii) instituting a proceeding under any bankruptcy or insolvency law of the United States or any state; (iv) making a general assignment for the benefit of its creditors; (v) permitting the attachment or sequestration of any of the Project and/or assets that is not promptly discharged or bonded; (vi) admitting in writing the inability to pay its debts generally as they become due; (vii) being terminated or dissolved without being reconstituted or reincorporated within sixty (60) days; or (viii) being adjudicated a bankrupt or insolvent or a petition for reorganization shall be granted (each referred to herein as an "Insolvency Default").

Except with respect to any Insolvency Default, the non-defaulting party may exercise self-help or pursue other remedies available to it under the Ground Lease if the Default is not cured within ninety (90) days after delivery of notice of such Default to the defaulting party, provided that if the cure cannot be completed within ninety (90) days, there shall be no Default if the defaulting party commences the actions necessary to cure within such ninety (90) day period and diligently pursues such cure. In the event a party is rendered unable to comply with the Ground Lease due to a Force Majeure Event, the cure period shall be extended for so long as the Force Majeure Event exists. For ninety (90) days after the expiration of the period afforded the Borrower to cure any Default under the Ground Lease, the Mortgagee has the right to cure any Default by the Borrower. For those Defaults not constituting Termination Defaults under the Ground Lease, the non-defaulting party may, after expiration of any applicable cure period, seek damages, any other remedy available under law, or specific performance, but may not terminate the Ground Lease. The non-defaulting party may terminate the Ground Lease in the event of a Termination Default. Termination Defaults include any default by the other party that (i) has not been cured upon the expiration of the applicable cure period and (ii) constitutes fraud or results in material adverse impact on the other party that can not be cured by specific performance or the payment of money. If the Army terminates the Ground Lease in the event of a Termination Default, the Borrower is required to surrender and convey all of the Improvements on the Project to the Army without compensation. So long as the

Mortgage is in effect, the Borrower may only terminate the Ground Lease with the prior written consent of the Master Trustee, as Mortgagee. If the Borrower terminates the Ground Lease in the event of a Termination Default, the Borrower may pursue any available legal remedy. If a Termination Default by either party affects only a portion of the Project and the remainder of the Project remains physically and financially viable for the purposes of the Ground Lease, then, subject to obtaining consent from the Mortgagee, if required under the terms of the Mortgage, the parties will operate the remainder of the Project in accordance with the requirements of the Ground Lease and will modify their respective obligations thereunder in a manner appropriate to the loss of the applicable portion of the Project and any remedy or damages shall be based on the portion of the Project with respect to which the Termination Default occurred. If the Ground Lease is terminated as to Borrower (except with respect to the expiration of the term of the Ground Lease), the Master Trustee, as Mortgagee, may enter into a replacement ground lease with the Government on the same terms as the Ground Lease. If federal or other applicable law shall not permit such successor ground lease, the Government and Master Trustee, as Mortgagee, shall take such other action as may be mutually agreed upon by them including, but not limited to, recognizing the Master Trustee as a substitute lessee under the Ground Lease or otherwise suspending termination of the Ground Lease.

The Master Trustee, as Mortgagee, or any other purchaser in any foreclosure action or their respective assignees, nominees or designees may acquire Borrower's interest in the Project. Such party may not, however, operate, develop or manage any portion of the Project without obtaining the prior written approval of the Secretary of the Army, provided that such approval shall not be unreasonably or arbitrarily withheld, conditioned or delayed so long as the Master Trustee or such purchaser or their respective assignees, nominees or designees meet certain capacity and experience criteria set forth in the Ground Lease. Notwithstanding the foregoing, the Master Trustee or any other purchaser in any foreclosure action or their respective assignees, nominees or designees shall be entitled to operate and/or manage the Project for a period of sixty (60) days after acquiring Borrower's interest in the Project without meeting the capacity and experience criteria set forth in the Ground Lease.

Contract Disputes Act

The Ground Lease, and the availability of remedies thereunder, is subject to compliance with the Contract Disputes Act of 1978 (41 U.S.C. §§ 601-613) (the "CDA"). Pursuant to the CDA, all disputes must be submitted, within six (6) years of the accrual of the dispute, to the contracting officer responsible for the Ground Lease for a decision. Appeals of decisions by the contracting officer are taken to a Board of Appeals and then, if necessary, to the United States Court of Federal Claims.

Responsibility for Damage

The Borrower is responsible for damage caused to the Project or to the Army's property to the extent such damage results from the Borrower's negligence or willful misconduct except as arising or resulting from negligence or willful misconduct of the Army and provided that the Borrower shall only be responsible for damage to that portion of the Leased Premises and related Improvements that have been transferred by the Army to the Borrower under the Ground Lease, and then only until such Leased Premises or Improvements are transferred back to the Army. Prior to each transfer of the Leased Premises or Improvements, or portions thereof, the Army shall be responsible for any damage caused to the same, except that to the extent that such damage results from the Borrower's negligence or willful misconduct, the Borrower shall promptly repair or replace the damaged property to the extent reasonably practicable.

Environmental Provisions

The Ground Lease generally provides that, except where the Borrower specifically assumes responsibility for such environmental matters, responsibility and liability for all hazardous substances on the property on or before the Effective Date remains with the Army. Specifically:

Hazardous Substances: Governed by the general allocation.

Petroleum Storage: Borrower shall be responsible for removal of underground storage tanks (“USTs”) only if (i) such removal is part of the ordinary renovation of the property, and (ii) the USTs to be removed have not leaked. Except for such instances, the Borrower shall not be responsible for the abatement and/or disposal of any USTs or any soils or groundwater contaminated by them. In the event that USTs are encountered and will not be removed in the course of ordinary renovation, or in the event leaking USTs or contaminants from USTs are found, the Army will at its sole cost remove such USTs and abate any soil contaminated in connection with such USTs, in accordance with applicable laws, regulations and guidelines. In addition, the Army shall, prior to the transfer of the Project, remove impacted soil identified in the Ground Lease and the Environmental Documents, and shall report and document such cleanup in accordance with applicable laws and regulations.

Asbestos: The Borrower further covenants and agrees that the Army assumes no liability for future remediation of asbestos or damages for personal injury, illness, disability, or death to the Borrower or to any other person, including members of the general public, arising from or incident to the purchase, transportation, removal, handling, use, disposition, or other activity causing or leading to contact of any kind whatsoever with asbestos in the Improvements on or after the Effective Date, whether or not the Borrower has properly warned the individual(s) injured. The Borrower agrees to be responsible for any necessary future remediation of asbestos in the Improvements.

Lead-Based Paint: If there is lead-based paint existing as of the Effective Date that is required to be abated by applicable law, or that is required to be abated after transfer prior to occupancy, the Army will at its sole cost abate such lead-based paint in accordance with applicable laws, regulations and guidelines.

Mold: The Borrower covenants and agrees that its use and occupancy of the Improvements will be in compliance with applicable laws and regulations relating to mold; and that the Army assumes no liability for future remediation of mold or damages for personal liability, illness, disability or death, to the Borrower, its successors or assigns, or to any other person, including members of the general public, arising from or incident to exposure to or any other activity causing or leading to contact of any kind whatsoever with mold on the property after the Effective Date, whether the Borrower, its successors or assigns have properly warned or failed to properly warn the individuals affected. The Borrower agrees to be responsible for any future remediation of mold found to be necessary on the property.

Mineral Rights

The Ground Lease is subject to all outstanding mineral rights. The United States Bureau of Land Management (“BLM”) has responsibility of mineral rights on Fort Hamilton. Surface mineral rights will not be made available to BLM, except as consented to by the Borrower and, if the Mortgage is still in effect, the Master Trustee, as mortgagee. The Army shall make recommendations to BLM for the inclusion of clauses in future mineral leases as may be reasonably necessary to protect the Project.

Historical and Archeological Leased Premises

The Ground Lease provides that the Borrower will notify the Army of any unknown archeological materials or sites that are encountered by the Borrower during renovation or construction activities and that the Army will then make a determination about whether to consult regarding the same with the New York State Historic Preservation Office and the need to conduct additional archeological investigations.

The Ground Lease also includes a Notice of an Historic Property and Preservation Covenant.

Anti-Deficiency Act

Nothing in the Ground Lease shall be construed to require an obligation or appropriation of funds by the Army in violation of the Anti-Deficiency Act, 31 U.S.C. §§1341-1351, which provides that no officer or employee of the United States Government may make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for such expenditure or obligation or involve the government in a contract for the payment of money before an appropriation is made unless authorized by law.

THE MORTGAGE AND ASSIGNMENT OF LEASES AND RENTS

The Mortgage contains terms and conditions relating to the use, control and disposition of the Mortgaged Property and the revenues and proceeds of and from the Mortgaged Property, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Mortgage, to which reference is hereby made, copies of which are available from the Corporation or the Bond Trustee. This summary uses various terms defined in the Mortgage and such terms as used herein shall have the same meanings as so defined.

Grant of Mortgaged Property

As security for payment of all Outstanding Obligations, including the 2004 Series A Notes, and performance of the Borrower's covenants set forth in the Master Indenture and the other Loan Documents, the Borrower will enter into an instrument, called a "Mortgage, Assignment of Rents and Leases, Security Agreement and Financing Statement," which is defined as the "Mortgage" under the Master Indenture, for the benefit of the Corporation which will assign the same to the Master Trustee, for the benefit of the Owners of all Obligations Outstanding under the Master Indenture. Pursuant to the Mortgage, the Borrower will: (i) convey, grant, assign, pledge, mortgage and transfer to the Master Trustee, for the benefit of the Owners of all Obligations Outstanding under the Master Indenture, the Mortgaged Property, with warranties and with power of sale and right of entry and possession; and (ii) grant a lien on and security interest in the Mortgaged Property. The Mortgaged Property consists of, among other things, all of the Borrower's right, title and interest in and to the Ground Lease, the Land, the Improvements, the Fixtures, the Permits, the Personalty, the Contracts, the Leases, the Rents and any Claims and the proceeds of each of the foregoing items. See "SECURITY FOR THE 2004 SERIES A BONDS – The Mortgage."

There is currently a lien against the Mortgaged Property in favor of the City of New York in connection with certain unpaid water and sewer charges, which lien is prior to the lien of the Mortgage. The Army has represented to the Borrower, the Master Trustee, the Corporation and Commonwealth Land Title Insurance Company (the "Title Company") that it will work towards a settlement with the City, pay all amounts agreed to or otherwise legally determined to be due and owing to the City and take

appropriate action to prevent the outstanding bills from being disruptive to title. On the basis of such representations, the Title Company will provide affirmative title insurance related to the water and sewer lien. There can be no assurance that the Army will satisfy the unpaid charges and remove the lien, nor that the City will not seek to enforce its lien against the Mortgaged Property or otherwise exercise remedies available to it. In either such event, even though the flow of revenues could be interrupted, the Master Trustee will have a claim for any resulting losses by virtue of the affirmative coverage provided by the Title Company.

Assignment of Leases and Rents

Assignment of Leases. As part of the consideration for the issuance of the Obligations, the Borrower shall absolutely and unconditionally assign and transfer to the Corporation, which will assign the same to the Master Trustee for the benefit of the Owners of all Obligations Outstanding under the Master Indenture, all of the Borrower's right, title and interest in, to and under the Leases, including Borrower's right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease. It is the intention of the Borrower to establish a present, absolute and irrevocable transfer and assignment to the Corporation which will assign the same to the Master Trustee for the benefit of the Owners of all Obligations Outstanding under the Master Indenture of all of the Borrower's right, title and interest in, to and under the Leases. Prior to the occurrence of an Event of Default and in accordance with the terms of the Mortgage, the Borrower shall have a revocable license to exercise all rights, power and authority granted to the Borrower under any Lease (except as otherwise limited by the Mortgage), including the right, power and authority to modify the terms of any Lease or extend or terminate any Lease. Upon the occurrence of an Event of Default and notice to the Borrower by the Master Trustee, the permission given to the Borrower pursuant to the preceding sentence to exercise all rights, power and authority under Leases shall automatically terminate.

Assignment of Rents. As part of the consideration for the issuance of the Obligations, the Borrower will absolutely and unconditionally assign and transfer to the Corporation, which will assign the same to the Master Trustee for the benefit of the Owners of all Obligations Outstanding under the Master Indenture, all of the Borrower's right, title and interest in and to all Rents. It is the intention of the Borrower to establish a present, absolute and irrevocable transfer and assignment to the Corporation which will assign the same to the Master Trustee for the benefit of the Owners of all Obligations Outstanding under the Master Indenture of such Rents and to authorize and empower the Master Trustee, as mortgagee under the Mortgage, to collect and receive all Rents without the necessity of further action on the part of the Borrower. Upon the occurrence of an Event of Default, the Borrower (i) authorizes the holder of the Mortgage to collect, sue for and compromise, to the extent commercially reasonable, Rents and (ii) directs each tenant of the Real Property to pay all Rents to, or as directed by, such holder. However, until the occurrence of an Event of Default, the Borrower shall enjoy a revocable license to collect and receive all Rents, to hold all Rents in trust for the benefit of such holder and to apply all Rents, as necessary, to pay the principal of, premium, if any, and interest, if any, then due and payable under the Obligations and the other amounts then due and payable by the Borrower under the other Loan Documents, and to pay Operating Expenses, taxes and insurance premiums, and improvements and other capital expenditures, and otherwise as permitted by the Master Indenture, all subject, however, to the terms of the Master Indenture.

Certain Covenants and Agreements of the Borrower

Among other things, the Borrower agrees in the Mortgage: (i) to comply with all Governmental Requirements and procure and maintain and comply with all permits, licenses and other authorizations required for the occupancy or use of the Mortgaged Property and any construction thereon in accordance with the terms and conditions of the Master Indenture; (ii) not to allow changes in the use of the

Mortgaged Property; (iii) to pay prior to delinquency all taxes, levies, charges and assessments in accordance with the terms and conditions of the Master Indenture; (iv) to provide, maintain and keep the insurance policies required under the Master Indenture; (v) to keep the Mortgaged Property in good condition and repair in accordance with the terms of the Master Indenture; (vi) to be bound by its environmental obligations, including indemnification obligations, set forth in the Master Indenture and the Agreement of Environmental Indemnification; (vii) to protect and preserve the lien and security interest status of the Mortgage and the other Loan Documents and not to incur, create, assume or permit to be created or to exist any mortgage, pledge, security interest, lien, charge or other encumbrance of any nature on a parity with, superior to, or inferior to, any of the liens or security interests of the Mortgage and the other Loan Documents, except for Permitted Encumbrances; (viii) to comply with certain prohibitions and restrictions on the sale, conveyance, leasing, assignment, transfer or other dispositions of the Mortgaged Property (or Borrower's interest therein), and any interests in Borrower as set forth in the Master Indenture; (ix) to comply with the single purpose entity covenants and requirements contained in the Master Indenture; and (x) to comply with certain covenants and agreements relating to the Ground Lease.

Event of Default under the Mortgage

Each of the following events shall constitute an "Event of Default" under the Mortgage: (i) the occurrence of an Event of Default under the Master Indenture or any other Loan Document, or a default (after any applicable notice or cure period) by the Borrower under the Ground Lease; (ii) the failure by the Borrower to perform any obligation to pay money which arises under the Mortgage, and such failure is not cured within five (5) days after written notice from the Master Trustee or the Servicer; (iii) the Ground Lease shall terminate prior to its stated expiration date or be surrendered by the Borrower without the prior written consent of Mortgagee or if the Borrower shall be in default under the Ground Lease beyond any applicable cure period; (iv) any representation or warranty given by the Borrower in the Mortgage proves to be false or misleading in any material respect, as a result of which there is an adverse effect on the Mortgagee or the Loan or there is an impairment to the Mortgaged Property or the Mortgagee's interest therein, subject to certain cure rights of the Borrower; or (v) the Borrower fails to perform or observe any other covenant, agreement or condition on its part contained in the Mortgage and such failure continues for a period of 60 days after written notice thereof to the Borrower by the Master Trustee or the Servicer.

Remedies

Upon the occurrence of an Event of Default under the Mortgage, the Master Trustee may, subject to the terms and conditions of the Master Indenture, take such action, without notice or demand, as it deems necessary to protect and enforce its rights against the Borrower and in and to the Mortgaged Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as the Master Trustee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of the Master Trustee: (i) requesting the appointment of a receiver for the Mortgaged Property; or (ii) causing the Mortgaged Property or any part thereof to be sold in the manner set forth in the Mortgage and New York law by instituting and maintaining an action of judicial foreclosure against all or any part of the Mortgaged Property. See "CERTAIN INVESTMENT RISKS – Defaults and Limitation or Remedies" and " – New York Foreclosure Procedures and Bankruptcy" and "THE GROUND LEASE – Default and Termination."

Additional Obligations

The Master Indenture permits the Borrower to issue additional Obligations, including Class IV Obligations, subject to the terms and conditions set forth in the Master Indenture, in order to finance the renovation and/or construction of additional housings units on the Land and/or other parcels of land within Fort Hamilton. In the event additional Obligations are issued, (i) the Mortgage may be amended to add additional leasehold interests in the land and fee interests in the improvements and other Mortgaged Property associated with such additional parcels to the lien of the Mortgage as additional collateral, and (ii) the 2004 Series A Master Notes of each Class will rank *pari passu* in right of payment with any other Obligations of the same Class issued under the Master Indenture and will be secured ratably with the other Obligations of such Class by a lien and security interest in the Mortgaged Property established under the Master Indenture and the Mortgage.

Title Insurance

In connection with the Mortgage, the Borrower is required, pursuant to the terms of the Master Indenture, to obtain mortgagee title insurance insuring the lien held by the Master Trustee in the Mortgaged Property in an amount equal to not less than the principal amount of all Outstanding Obligations. See “THE MORTGAGE AND ASSIGNMENT OF LEASES AND RENTS – Grant of Mortgaged Property.”

Amendment

The Mortgage may be amended from time to time to add any fee or easement interest in real estate obtained by the Borrower in connection with its construction or operation of the Project.

CERTAIN INVESTMENT RISKS

Inaccuracy of Financial Forecasts/Forward Looking Statements

The Borrower expects that the Pledged Revenues and other amounts to be received by the Master Trustee pursuant to the Master Indenture will be sufficient to pay principal of and interest on the 2004 Series A Master Notes, and therefore the principal of and interest on the 2004 Series A Bonds, when due, and to pay the other amounts payable under the Master Indenture and necessary to operate the Project until the final maturity of the 2004 Series A Bonds. This expectation is based upon financial forecasts, which are based on many factors, including, but not limited to, current market conditions, evaluation of the existing condition of the Project, estimates of transaction and construction costs and operating expenses, public policy, and state and federal laws, including particularly the continued operation of Fort Hamilton as a military base and the maintenance of the military housing compensation system embodied in the BAH, any or all of which may change from time to time, and assumptions regarding the rate of return on moneys to be invested in various Funds and Accounts under the Master Indenture, and the occurrence of future events and conditions. There can be no assurance that these assumptions are accurate. Furthermore, future events, over some of which the Borrower has no control, may adversely affect the Master Trustee's actual receipt of Pledged Revenues. If actual receipt of Pledged Revenues under the Master Indenture or actual expenditures vary significantly from those projected, the Borrower may be unable to pay the principal of and interest on the 2004 Series A Master Notes (and therefore the 2004 Series A Bonds) when due.

In addition to the financial projections set forth in Appendix F, this Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "anticipate," "expect," "assume" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

Failure to Deposit Equity

Although funds in the full amount of the Government Equity have been appropriated by the United States Government for use by the Army for the purpose of funding the Government Equity, such funds may not be available at closing. Pursuant to the Operating Agreement, the Army has until August 1, 2004 to fund its equity contribution. If the Army does not contribute the Government Equity by August 1, 2004, the Borrower will modify the scope of the Project so that available funds will be sufficient to complete the Project, including, possibly, by reducing the number of new, as opposed to renovated, housing units. Any such reduction in the number of new units might adversely affect the Borrower's ability to generate sufficient revenues to pay Debt Service.

The Managing Member is expected to contribute \$2,200,000 in equity funding after the depletion of bond proceeds and the Army's equity contribution and if Net Operating Income is insufficient to complete construction of the Project. The Borrower has agreed that within 90 days of Closing, it will either deliver an equity commitment acceptable to the Army to ensure payment or deposit the \$2,200,000 with the Master Trustee.

Construction and Renovation Risks

Cost Increases and Delays. Although the Construction Agreement and the Renovation Agreement for the Initial Development Period of the Project are both guaranteed maximum price contracts, such guaranteed maximum prices can increase under certain circumstances, as described in the Construction Agreement and the Renovation Agreement. Furthermore, the Construction Agreement and Renovation Agreement do not include construction and renovation activities after the Initial Development Period, and there is no assurance that the Borrower will be able to engage contractors to perform such work after the Initial Development Period on acceptable terms or on a cost-effective or timely basis. In addition, there can be no assurance that the construction and/or renovation of the housing units will be completed by the estimated completion dates. In projects of this magnitude, there is a significant possibility of cost increases and delays resulting from, among other things, (i) design, renovation and construction problems and resulting change orders; (ii) site conditions, environmental and other physical conditions, safety and health conditions, permitting or approvals, compliance with environmental and historic preservation laws, administrative proceedings or litigation; (iii) utility relocation problems; (iv) labor or material price increases, shortages or interruptions; or (v) force majeure events including inclement or severe weather. There is also a possibility of insolvency or bankruptcy of the contractors or subcontractors during construction or renovation. While the Construction Contractor for the Project is required to provide payment and performance bonds in an amount equal to the cost of the work to be performed under the Construction Agreement and the Renovation Agreement, there can be no assurance that such bonds will be sufficient to assure timely completion of the new construction. If a default occurs under the Construction Agreement or the Renovation Agreement, there is a possibility of litigation among the Borrower, the Construction Contractor, subcontractors, the providers of the payment and performance bonds and/or the Developer or Architect, which could further delay the construction of the housing units. In addition, the Developer and the Architect are affiliates of the Managing Member.

Permits and Approvals. The Borrower will not obtain demolition or building permits or certificates of occupancy for the construction and renovation work, nor will the buildings comply with local building codes, because (a) the Borrower does not believe that the local law applies to, or state and local authorities have jurisdiction over, the majority of the federally owned land that is subject to the Ground Lease and (b) the Borrower believes that although local law may apply to the balance of the land that is subject to the Ground Lease, under the Supremacy Clause of the United States Constitution, the Borrower does not have to comply with local building codes. The Borrower will cause the construction and renovation work to comply with the Uniform Building Code 1997 as published by the International Board of Code Officials, which has been approved by the Army and the United States Congress, and the Borrower will hire independent third party engineers to perform review and inspection services to oversee such compliance. However, an attempt by the local authorities to assert jurisdiction and apply local codes and regulations could potentially increase costs and delay completion of the construction and renovation of the Project. In addition, should the underlying land be transferred to a state, local or private entity due to a base closure (a BRAC) or any other event, the local building codes and regulations will become applicable and the absence of appropriate authorization for occupancy may delay or prevent continued rental of units or the collection of rent. Lack of certificates of occupancy could therefore interrupt revenues from the Project and/or adversely affect the Borrower's ability to refinance the Project. In addition, other permits, certificates, determinations and approvals, including those arising under environmental laws, may be required and the obtaining or failure to obtain such permits or approvals may result in increased cost and/or an inability to develop or use the property or operate the Project.

On-Base Security. All of the housing areas are located within the boundaries of Fort Hamilton, an active military base. The contractors will be subject to base security policies and regulations. Compliance with such security policies may potentially cause delays in completion of the work. Additionally, if housing units are leased to civilians due to a shortage of demand from available military

or DoD personnel, such civilian tenants may have more difficulty approaching Fort Hamilton, particularly during times of heightened national security concerns, than non-military rental units. This difficulty could have a material adverse effect on the Borrower's ability to market and lease housing units to civilians.

Historical Preservation. Colonel's Row consists of six townhouses constructed in 1911, and is eligible for the National Register of Historic Places. The Army, the New York Historic Preservation Office ("SHPO") and the federal Advisory Council on Historic Preservation have entered into a Programmatic Agreement that governs the historic preservation of Colonel's Row. The Programmatic Agreement sets forth the terms and conditions under which any rehabilitation of Colonel's Row must be conducted. The Borrower has engaged an architect and historic preservation consultant to develop the scope and extent of the rehabilitation efforts and to coordinate any required consultations with the SHPO. However, compliance with the Programmatic Agreement and consultations with the SHPO may cause delays in the completion of the scheduled work and/or may result in higher costs for the rehabilitation work.

Operating Risks

Insufficient Revenues. The ability to repay the 2004 Series A Bonds will be dependent on, among other things, the Borrower's ability to generate sufficient revenue from the Project. The amount of such revenue will be influenced by a number of factors, including, without limitation, the demand for the Project housing, military rent adjustments by the military, and the location and condition of the units.

Military Rental Rate. Pursuant to the Ground Lease, key and essential personnel and military servicemembers, which are included in Permitted Tenants (as defined in the Ground Lease), have a preferential right to lease housing units in the Project. The rent for key and essential personnel and military servicemembers will be equal to the BAH, which is subject to continuation and adjustment on an annual basis solely at the discretion of the United States Congress. Further, the Pledged Revenues (which consists primarily of the BAH paid by such military tenants) generated by the Project is contingent upon the size, mission and continued operation of Fort Hamilton. Although the BAH is intended to approximate local market rents, there is no guaranty that increases in the BAH will keep pace with market rental changes or that the method of calculation and timing of payment used by the DoD will not change. During the Utility Transition Period, the Borrower is entitled to receive the entire BAH and the Borrower is responsible for payment of all utilities. Following the Utility Transition Period, the Borrower will continue to receive the entire BAH, but a portion of the BAH known as the Utility Set-Aside will be segregated and used for the payment of tenant gas and electric costs. Although the Borrower is entitled to seek reimbursement from tenants whose actual utility usage costs exceed the Utility Set-Aside, the Borrower bears the risk of any such excess costs if such reimbursements are not collected. Therefore, both during and after the Utility Transition Period, if utility costs increase at a faster rate than the BAH increases, the net rental income realized by the Borrower will be diminished.

Civilian Rental Rate. The Borrower may lease units within the Project to civilians, but only to the extent such units are not leased by key and essential personnel and military servicemembers and other tenants with a higher priority and only to the extent that such rentals do not violate the terms of the Regulatory Agreement. Each rental to a civilian is also subject to approval by the Army. Subject to the restrictions set forth in the Regulatory Agreement, the applicable rental rate for civilian tenants within the Project who do not receive a BAH-equivalent rate will be market rates, which are subject to fluctuations in the economy and other events that affect market rental rates in the applicable areas related to the Project. (See "SECURITY FOR

THE 2004 SERIES A BONDS – Rental to Non-Military Tenants” herein.) The Borrower will have limited ability to arrange for direct deposit of rent paid by non-military, non-governmental tenants and, therefore, ensure timely receipt of rental revenue.

Demand for Housing. Military personnel are not and will not be required to live in the Project housing units. Instead, military personnel may collect the BAH and apply it to rent payments for any housing on or off the Fort Hamilton installation. Whether military personnel choose to live in Project housing units and the resulting demand for such units will be influenced by numerous factors, including, among others, population, employment growth and income trends within the area, the construction or renovation of competitive housing projects, changes in governmental rules and fiscal policies, acts of nature (which may result in uninsured losses) and the extent to which the Army requires Army housing in and around the Project area. Although key and essential personnel and military servicemembers have a preferential right to lease the housing units in the Project, the Army is not required to keep its Army operations in and around the Fort Hamilton installation and may elect at any time to close or reduce the size of such operations. If the Army elected to close or reduce its Army operations in and around the Fort Hamilton installation, the Borrower would have the right to lease the Project units to civilians. However, a potential purchaser of the 2004 Series A Bonds should not anticipate that the leasing of the Project could be accomplished rapidly, on favorable terms, or at all, if Army and other military personnel do not occupy a substantial portion of the available units. See also “Construction and Renovation Risks – Permits and Approvals” and “Base Closure, Force Reduction and Deployment.”

Property Location and Condition. The location, condition (including but not limited to indoor air quality and environmental condition) and construction quality of a particular building and surrounding area (including soils, water and general environment) may affect habitability and occupancy of the units, and the rents that may be charged to military and nonmilitary personnel. See “Environmental Risk” below. The characteristics of an area or neighborhood in which the Project units are located and the condition of the units may change over time or in relation to competing facilities. Such factors may adversely affect the rental value of the Project units to potential tenants.

Operating Expense Overruns. The ability to repay the 2004 Series A Bonds will also be dependent on the Borrower’s ability to keep actual operating expenses within the projected estimates. The amount of such operating expenses will be influenced by a number of factors, including, without limitation, the cost of repairs and capital expenditures and utility costs.

Operating Costs. The Borrower is responsible for maintenance and repair of all the housing units and associated improvements and for other obligations and liabilities associated with ownership of real property. The Property Manager (which is an affiliate of the Managing Member of the Borrower) is responsible for preparing annual operating and renovation budgets that are based upon historical costs and reflect the Property Manager’s reasonable estimate of projected costs of maintaining and operating the Project. The Borrower believes that such budgets will be reasonable, but there can be no assurance that such estimates will prove to be accurate. If the expense of maintaining and operating the Project exceeds amounts budgeted therefor, or if rental revenues (which are based on the BAH) are less than projected, then amounts that would otherwise be used to pay principal and interest on the 2004 Series A Bonds may be required to pay such operating expense shortfalls. For example, the Borrower is responsible for paying all of the utility costs for the Project. Although a portion of each Military Tenant’s rent equal to the “Utility Set-Aside” is intended to cover such tenant’s share of utility costs, the Borrower bears the risk of its inability to collect reimbursement from a tenant whose utility costs

exceed its Utility Set-Aside. In recent years, the cost of energy in the United States has periodically spiked in some locations; therefore, utility costs could be subject to further substantial and unpredictable increases.

Poor Construction of Units. If any of the existing or new housing units is poorly renovated or constructed, the effects of such poor renovation or construction will increase over time in the form of increased maintenance and capital improvement costs. Even good construction will deteriorate over time if not adequately maintained. Such factors may adversely affect the rental value of and/or demand for the housing units. In order to mitigate any future maintenance and/or capital improvement costs, the Borrower will establish and maintain certain reserve accounts. The first of these accounts will be established under the Master Indenture as the Capital Repair/Replacement Fund (which is pledged to the Master Trustee under the Master Indenture), and will be funded at an initial rate of \$250 per year for each housing unit in service. In addition, the Borrower will start setting aside a certain percentage of net operating income (after payment of any Debt Service and certain other fees, including management fees) into an account known as the Reinvestment Account (which is not pledged to the Master Trustee) once all the construction and renovation work is substantially complete. However, there can be no assurance that the amounts set aside in these reserve accounts, together with other revenues from the Project, will be sufficient to cover all of the cost of any necessary capital expenditures over the term of the 2004 Series A Bonds.

Inadequate Deposits into Reinvestment Account. Funding for future renovation and replacement of Project units during the term of the 2004 Series A Bonds is expected to be funded by amounts on deposit in the Reinvestment Account which will be established and held by the Borrower and is not subject to the lien of the Master Indenture. The Borrower anticipates that the vast majority of funds released by the Master Trustee to the Borrower in accordance with the terms of the Master Indenture (after payment of operating expenses, debt service and building or replenishing reserves), after the Borrower repays any member loans, pays management incentive fees and pays to the Managing Member its preferred return, will be deposited into the Reinvestment Account. If there are insufficient revenues, operating expense overruns or substantial member loans needed to cover construction cost overruns, the funds on deposit in the Reinvestment Account may be insufficient to fund such future renovations and replacements. In the absence or delay of such future renovations and replacements, the Project units may become increasingly undesirable by military servicemembers or other potential tenants causing revenues to decrease which may jeopardize the long-term viability of the Project and the ability to cover debt service on the 2004 Series A Bonds.

Dependence on Management. The Project will be managed by the Property Manager, which is an affiliate of the Managing Member. The Property Manager is responsible for causing maintenance and capital improvements to be carried out in a timely fashion, re-leasing available housing units, carrying out the Borrower's responsibilities as tenant under the Ground Lease, responding to changes in the local markets for the facilities offered at the properties, planning and implementing the rental or pricing structure, including staggering the duration of leases and establishing levels of rent payments, and facilitating a community environment among residents. Management errors could materially adversely affect the long-term viability of the Project, and thus the Borrower's ability to successfully operate the Project and generate sufficient revenues to pay the 2004 Series A Bonds.

Environmental Risk. The Project is subject to certain requirements and potential risks and liabilities under environmental laws. For example, certain environmental laws impose liability upon property owners (including lessees) for the presence of hazardous substances on their property regardless of whether the owner was responsible for the release of such substances. Under the terms of the Ground Lease, the Borrower is responsible for remediating environmental releases that first occur during the term

of the Ground Lease. The costs of any required remediation or removal of such substances may be substantial and may result in liability, including but not limited to liability arising out of claims by third parties and may result in a material adverse effect on Operating Expenses. The Borrower's potential liability therefor as to any property is generally not limited under such laws and regulations and could significantly exceed the value of such property and/or the aggregate assets of the Borrower. If the Borrower does not have sufficient funds to effect any required remediation or otherwise discharge any liabilities associated with the environmental condition, its ability to finance the Project and make the payments on its Obligations would be materially adversely affected.

Asbestos or asbestos-containing material (collectively, "ACM"), lead and lead-based paint materials ("LBP"), mold and certain other hazardous or toxic materials are present within the Project and adjacent land, including, but not limited to, those described in the Environmental Documents, copies of which may be obtained from the Master Trustee. Such other hazardous materials include, without limitation, petroleum products from pipelines and storage tanks on Project property and adjacent land. Pursuant to the Ground Lease, the Army is not responsible for any remediation, handling, removal, disposal or containment of ACM in the Project Improvements or for any remediation, removal or disposal of LBP (other than certain LBP that is required to be abated under the terms of the Ground Lease), or mold in the Project Improvements; provided, however, the Army will retain liability for certain pre-existing environmental conditions as set forth in the Ground Lease (but expressly excluding any claims or liability to the extent resulting from the Borrower's failure to properly remediate or dispose of ACM, LBP, or mold in the Project Improvements). The drinking water in certain units in Hamilton Manor were found to contain elevated levels of lead upon first draw which dissipated after running the water. The Borrower will educate the tenants regarding the issue and advise them to run the water before drinking or using. The Borrower will be responsible for, among other things: (i) remediation, removal and/or disposal of mold, ACM and certain LBP in the Project Improvements (including residential housing); and (ii) any claims or liability to the extent resulting from the Borrower's failure to properly remediate, remove and/or dispose of all mold, ACM, and certain LBP in the Project improvements. The Construction Contractor has included the removal and remediation of the ACM and LBP in units to be demolished in the guaranteed maximum price set forth in the Construction Agreement with the Borrower, and the Borrower has included the remediation of any mold in its development budget. As described above, under the terms of the Ground Lease, the Army accepts responsibility for certain pre-existing environmental conditions. However, except as set forth in the Ground Lease, the Army has not agreed to be responsible to the Borrower or the Master Trustee for any losses due to any other claims, and furthermore, the Borrower is indemnifying the Master Trustee for any claims relating to hazardous materials regardless of whether such claim is related to a pre-existing condition. Despite any contractual obligation under the Ground Lease, there is no guaranty that the Army will have sufficient appropriated funds to satisfy its obligations; therefore, as the owner of the Project, the Borrower may be forced to pay certain remediation and associated costs for pre-existing conditions. For further information regarding the allocation of environmental risks between the Borrower and the Army, see the "THE GROUND LEASE – Environmental Provisions" herein. The Borrower and GMH Capital Partners, L.P., will indemnify the Corporation, the Master Trustee and the Underwriter against environmental liability related to the Project.

It is also possible that there are other unidentified hazardous or toxic materials present within or in the vicinity of the Project and environmental conditions could be discovered and could result in the housing units being uninhabitable. Such possibilities include, but are not limited to, the result of the discovery of previously unknown contamination, the determination that levels of contamination are deemed unsafe, the introduction or migration of contaminants from off site (for example, from a nearby gas station), or the necessity for environmental investigation or remediation activities on site or water or air or soil quality or sewage issues. In such an event, there would be the potential for impairment of rental income, which in turn would have a material adverse effect on the Borrower's ability to generate revenues in an amount sufficient to make payments on the 2004 Series A Bonds.

Sufficiency of Insurance. Although the Project is required to be insured against certain risks, there is a possibility of casualty and other loss (including losses relating to hazardous materials and mold in the housing units) with respect to the Project for which insurance proceeds may not be adequate or which may result from risks not covered by insurance. There can be no assurance that the Borrower has complied or will in the future be able to comply with requirements to maintain adequate insurance with respect to the Project, and any uninsured loss could have a material adverse impact on the amount available to make Debt Service payments on the 2004 Series A Bonds when due. As with all real estate, if reconstruction (for example, following fire or other casualty) or any major repair or improvement is required to the property, changes in laws and governmental regulations may be applicable, including the potential necessity of certificates of occupancy, and may materially affect the cost to, or ability of, the Borrower to effect such reconstruction, major repair or improvement. As a result, the amount available to pay Debt Service on the 2004 Series A Bonds could be reduced. In addition, there can be no assurance that the amount of insurance required or provided would be sufficient to cover damages caused by any casualty or other loss or that such insurance will be commercially available in the future.

Real Estate Risks

The obligations of the Borrower under the Loan Documents are non-recourse, which means that the Revenues pledged under the Resolution, which are payable from the Master Indenture Trust Estate, including the Mortgaged Property, provide the sole recourse against the Borrower in the event of a default by the Borrower. The Borrower's ability to pay Debt Service on the Obligations (including the 2004 Series A Master Notes) when due and the value of the Mortgaged Property in the event of a default by the Borrower depends primarily on the performance of the Mortgaged Property and the ability of the Mortgaged Property to generate sufficient Operating Revenues and, consequently, Net Operating Income, both of which may decline over time. Various factors will affect the performance of the Mortgaged Property and the ability of the Mortgaged Property to generate Operating Revenues. The following are certain factors that will affect the performance of the Mortgaged Property and the production of Operating Revenues. The relative importance of any factor affecting the value or operation of a residential rental housing community will depend on the type and use of the property. In addition, the type and use of a particular rental property may present special risks.

Property Management. The demand for housing units within the Mortgaged Property will depend in large part upon the viability of the Property Manager and the Property Manager's successful operation, management and maintenance of the housing units at the Mortgaged Property. The Property Manager generally is responsible for:

- leasing the units, including any marketing or advertising;
- collecting rent and enforcing leases;
- planning and implementing the rental structure for any civilian tenants, including staggering durations of leases and establishing levels of rent payments;
- operating the property and providing building services;
- ensuring compliance with applicable laws, leases and loan documents;
- managing Operating Expenses; and
- ensuring that maintenance and capital improvements are carried out in a timely fashion.

The Property Manager's efforts are expected to impact the occupancy rates, through proper management of advertising, leasing, maintenance and turnover preparation. By controlling costs, providing appropriate and efficient services to Permitted Tenants and maintaining improvements in good condition, the Property Manager can maintain or improve occupancy rates, business and cash flow, reduce operating and repair costs, and preserve building value. On the other hand, management errors can, in some cases, impair the long term viability of an income-producing property.

Effective Maintenance. In connection with the management, maintenance and operation of the Mortgaged Property, the Borrower may be required to expend a substantial amount to maintain, renovate or refurbish the housing units. Failure to do so may materially impair the demand for the housing units and, therefore, the Operating Revenues. The effects of poor construction quality will increase over time in the form of increased maintenance and capital improvements. Even superior construction will deteriorate over time if management does not schedule and perform adequate maintenance in a timely fashion. The costs of renovating, refurbishing or expanding the housing units in order to remain competitive with current or future comparable rental properties may be substantial. There can be no assurance that sufficient Operating Revenues will be generated to cover the increased costs of maintenance and capital improvements in addition to paying Debt Service on the Obligations.

Demand and Competitive Housing. Military servicemembers will not be required to live in the housing units in the Project. Demand for the housing units will depend, in large part, on the value of the housing units within the Mortgaged Property as compared to other rental housing alternatives in the greater Brooklyn, New York area. Comparable residential rental properties located in the same area compete on the basis of a number of factors including:

- the existence, proximity, construction and attractiveness of competing properties;
- rental rates;
- type of services and amenities offered; and
- nature and condition of the particular property and the neighborhood or community of such property.

If the Property Manager and the housing units do not compete effectively with other residential rental properties in the area, occupancy rates may be reduced and, therefore, revenues will be lower than expected which would negatively impact the Borrower's ability to pay Debt Service.

Vacancy and Re-letting Housing Units. The success of any income-producing rental project depends on the lessor's ability to promptly re-let vacant spaces. The Operating Revenues will be adversely affected if the Borrower or the Property Manager is unable to renew leases or re-let housing units on comparable terms when existing leases expire and/or become defaulted. Even if a vacated housing unit is successfully re-let, the costs associated with re-letting, including market-driven improvements and leasing expenses, if any, could be substantial and could reduce Net Operating Income. Moreover, if a Permitted Tenant defaults in its lease obligations, the Borrower may incur substantial costs and experience significant delays associated with enforcing its rights and protecting its investment, including costs incurred in renovating and re-letting the property. If a rental income-producing property has multiple tenants, re-leasing expenditures may be more frequent than in the case of property with fewer tenants, thereby reducing the cash flow generated by the multi-tenanted rental property. Multi-tenanted properties may also experience higher continuing vacancy rates and greater volatility in rental income and expenses.

Factors Generally Affecting Ability to Generate Operating Revenues. The following factors, among others, will also affect the ability of the Mortgaged Property to generate Operating Revenue:

- Perceptions regarding the safety, convenience and attractiveness of the housing units;
- The age, design and construction quality of the housing units and related improvements;
- The characteristics of the neighborhood where the housing units are located;
- National, regional or local economic conditions, including military realignments and force reductions, military deployments, plant closings, industry slowdowns and unemployment rates;
- Local real estate conditions, including an increase in or oversupply of comparable commercial or residential space;
- Demographic factors;
- Tenant tastes and preferences;
- Application of or retroactive changes in building codes;
- Changes in applicable governmental rules, regulations and fiscal policies, including environmental legislation; and
- Decreases or absence of increases in the amount of rent that can be charged to servicemembers due to Army regulations or to civilians pursuant to the Regulatory Agreement.

Tenant Bankruptcy Adversely Affects Property Performance. Residential rental properties with less creditworthy sources of revenue can be expected to have more volatile cash flows than similar properties with leases from more creditworthy tenants. The bankruptcy or insolvency of a number of tenants may adversely affect the income produced by the housing units.

Factors Particular to the Project.

BAH Component of Operating Revenues. The primary source of Operating Revenues from the Mortgaged Property is lease or rental payments, including the BAH, and, therefore, the successful operation of the Mortgaged Property depends on the amount of the BAH and the Permitted Tenants. The Borrower will use lease or rental payments, including the BAH, for the following purposes:

- To pay for maintenance and other Operating Expenses associated with the Mortgaged Property;
- To pay Debt Service on the Obligations;
- To fund repairs, replacements and capital improvements at the Mortgaged Property; and
- To pay the fees and expenses of the Corporation, the Servicer, the Master Trustee and the Bond Trustee.

If any of the foregoing factors materialize, thereby reducing occupancy rates or increasing costs, then the aggregate amount of BAH received for the Project will cover less of the expenses, Debt Service, maintenance and fees than anticipated, which would negatively impact the success and viability of the Project.

Limited Alternative Uses for the Mortgaged Property. Given the nature of the rights granted to the Master Trustee in connection with any foreclosure on the Mortgage and the requirement that any use of the Project other than the uses set forth in the Ground Lease be approved by the Army, the housing units will not be automatically convertible to alternative uses if their use as residential rental housing is not successful. Even if such an alternative use is permitted by the Army, the same may require significant capital expenditures to effect any conversion to such alternative use. As a result, the liquidation value of any of those types of property would be substantially less than would otherwise be the case.

Prior Lien of City of New York on Mortgaged Property

There is currently a lien against the Mortgaged Property in favor of the City of New York in connection with certain unpaid water and sewer charges, which lien is prior to the lien of the Mortgage. The Army has represented to the Borrower, the Master Trustee, the Corporation and the Title Company that it will work towards a settlement with the City, pay all amounts agreed to or otherwise legally determined to be due and owing to the City and take appropriate action to prevent the outstanding bills from being disruptive to title. On the basis of such representations, the Title Company will provide affirmative title insurance related to the water and sewer lien. There can be no assurance that the Army will satisfy the unpaid charges and remove the lien, nor that the City will not seek to enforce its lien against the Mortgaged Property or otherwise exercise remedies available to it. In either such event, even though the flow of revenues could be interrupted, the Master Trustee will have a claim for any resulting losses by virtue of the affirmative coverage provided by the Title Company.

Base Closure, Force Reduction and Deployment

There can be no assurance that Fort Hamilton will remain an active military base or that its functions and/or staffing levels will not be materially reduced such that the Borrower is unable to rent the units to military servicemembers or other military and governmental personnel and employees. The DoD has, from time to time, closed military bases, and realigned and/or reduced the functions and staffing levels at certain bases.

As part of the DoD's substantial reduction in the size of the United States' armed services following the end of the Cold War, the federal government undertook four rounds of military base realignment and closure ("BRAC"), first in 1988, then again in 1991, 1993 and 1995. In 1995, Fort Hamilton was recommended for realignment by the Department of Defense. Ultimately the recommendation was rejected by the Defense Base Closure and Realignment Committee, which recommended to the President that Fort Hamilton remain open. Fort Hamilton was subsequently removed from the BRAC list. The fifth round of BRAC began in 2004 and may culminate in the latter half of 2005 with a list of additional bases recommended for realignment or closure. The BRAC law sets out a process that includes specific dates for Government action and the creation of an independent commission appointed by the President of the United States to recommend closure of specific bases. The commission will analyze the list of proposed bases provided by the DoD and make recommendations to the President on the list. The final list of bases subject to BRAC should, if the full process proceeds as set forth in the Defense Base Closure and Realignment Act of 1990 (Pub. L. 101-510), as amended, be completed by the end of 2005.

The time between the commission recommending that a military installation be closed to the time that such installation is actually closed and ownership is transferred to another party can be significant. During this time, the installation generally continues operating as a military installation with servicemembers working at and living on or near the installation. The number of servicemembers may dwindle during this period of time as the military transitions functions to other installations. If Fort Hamilton were to be included in a BRAC, occupancy rates may decline over this time period putting pressure on the Borrower and the Property Manager to seek Permitted Tenants other than military servicemembers in order to keep Project revenues at anticipated levels. During this period, the Borrower is also likely to begin working towards obtaining authorization for occupancy of the housing units, if required either through obtaining waivers to local building codes or bringing the Improvements into compliance with such codes. See “CERTAIN INVESTMENT RISKS – Construction and Renovation Risks – *Permits and Approvals.*”

In the event of a BRAC, the Managing Member must exercise the Purchase Option, unless authorization for occupancy, if required, is obtained for the housing units, in which case the Managing Member may exercise the Purchase Option at its option. If the Purchase Option is exercised and authorization for occupancy, if required, is not obtained, the Managing Member must use the proceeds of a financing or sale of the property purchased under the Purchase Option and the Improvements thereon to redeem the 2004 Series A Bonds and any outstanding Obligations under the Master Indenture. The Purchase Option may be limited in its effectiveness to the extent that the law in effect at the time that the Managing Member elects to exercise the option limits the Army’s ability to perform its obligations under the Purchase Option Agreement. There is no guarantee that the Purchase Option Agreement will be enforceable or that the Purchase Option will be exercisable in the scenario of BRAC procedures. Furthermore, there is the possibility of the Congress of the United States eliminating the Purchase Option Agreement and the Purchase Option via legislative action. Even if the Managing Member acquires the Project, there is no guarantee that any Certificates of Occupancy could be obtained nor that a financing or sale of the Project would result in proceeds sufficient to pay off the 2004 Series A Bonds and any outstanding Obligations. See “THE GROUND LEASE – Base Closure; Purchase Option.”

It is inherent in the nature of military service that each and every servicemember may be deployed and stationed away from base for an extended period of time. During such absences, dependents may move out of military housing facilities resulting in vacant housing units.

Appropriation Risk

The Borrower anticipates that, while the 2004 Series A Bonds remain outstanding, each housing unit in the Project will be rented and occupied by the family of a Permitted Tenant who receives a BAH as a portion of such Permitted Tenant’s income. Payment of the BAH is subject to the requirement of continuing appropriation by Congress, which may alter or eliminate the methods of calculation or payment of the BAH. Any such alteration or elimination could have a material adverse effect on the Borrower’s ability to generate sufficient Operating Revenues in order to pay the principal of and interest on all Outstanding Obligations.

Subordination of Class II Bonds

The 2004 Series A Class II Master Note constitutes a Class II Obligation under the Master Indenture. The 2004 Series A Class III Notes that are being issued concurrently with the 2004 Series A Bonds by the Borrower constitute Class III Obligations under the Master Indenture. If Class II Obligations and Class III Obligations are Outstanding but the amount on deposit in the Class II Debt Service Account or the Class III Debt Service Account of the Debt Service Fund established under the Master Indenture is not sufficient to pay on any Interest Payment Date the principal or redemption price

of and interest on such Class II Obligations or Class III Obligations, respectively, due and payable on such date, the amount of the insufficiency will accrue and be added to the next scheduled installment of principal or redemption price of interest on such Class II Obligations or Class III Obligations, as applicable, until paid. **The failure to pay principal or redemption price of or interest on a Class II Obligation or a Class III Obligation when due prior to the final maturity date of such Class II Obligations or Class III Obligations, as applicable, is not an Event of Default under the Master Indenture if sufficient moneys for such payment are not available in the Class II Debt Service Account or the Class III Debt Service Account, respectively, of the Debt Service Fund established under the Master Indenture. Unpaid principal on a Class II Obligation or a Class III Obligation will continue to accrue interest at the rate of interest borne by such Class II Obligation or Class III Obligation, as applicable, until paid or until final maturity. Unpaid interest will not accrue additional interest.**

Since payments received by the Corporation on the 2004 Series A Master Notes are anticipated to be the primary source of Revenues available under the Resolution to pay principal or Redemption Price of and interest on the 2004 Series A Bonds, any deficiency in amounts available to make payments on the 2004 Series A Master Notes will likely result in a corresponding deficiency in amounts available to pay principal or Redemption Price of and interest on the 2004 Series A Bonds. **If there are no funds available under the Resolution to pay principal or Redemption Price of and interest on the 2004 Series A Class II Bonds when due prior to final maturity, the failure to make such payments is not an Event of Default under the Resolution. Unpaid principal on the 2004 Series A Class II Bonds will continue to accrue interest at the rate of interest borne by such 2004 Series A Class II Bonds until paid or until final maturity. Unpaid interest will not accrue additional interest. The Bond Trustee will not be permitted to take remedial action on behalf of the holders of the 2004 Series A Class II Bonds until payment is due at their stated maturity date.**

The Borrower expects that there will be sufficient moneys available from the operation of the Project for payment of the principal of and interest on the 2004 Series A Master Notes when due. However, if the Borrower's assumptions regarding the Project do not occur as expected, including particularly assumptions regarding timely completion of the Project and achieving sustaining occupancy of the Project by the end of the anticipated Initial Development Period, there can be no assurance that there will be sufficient funds available for payment of principal of or interest on the 2004 Series A Class II Master Note or the 2004 Series A Class II Bonds when due.

While the Class II Obligations and the Class III Obligations will be secured by the liens and security interests created under the Master Indenture and the Mortgage, the security interest granted in favor of the Class II Obligations will be subject in all respects to the prior payment of all Outstanding Class I Obligations, and the security interest granted in favor of the Class III Obligations will be subject in all respects to the prior payment of all Outstanding Class I Obligations and Class II Obligations. If there are no funds available for the payment of principal of or interest on such Class II Obligations or Class III Obligations due prior to the final maturity thereof in accordance with the provisions of the Master Indenture, then failure to make such payments will not constitute an Event of Default under the Master Indenture and the Master Trustee will not be permitted to take remedial action on behalf of the holders of the Class II Obligations or the Class III Obligations until payment is due at their stated final maturity date.

Defaults and Limitation on Remedies

Borrower Default; Nonrecourse Obligations. The 2004 Series A Bonds and the 2004 Series A Master Notes are not insured or guaranteed by any bond insurance company, private mortgage insurer, or by the Managing Member, the Borrower, the Master Trustee or any of their respective affiliates, and are

not insured, guaranteed or backed in any way by the Corporation, the Army or any other governmental entity. Although the United States Army has leased the Real Property, has agreed to contribute equity to pay costs of the Project and has conveyed the Improvements under the Ground Lease, the Army has no obligation with respect to the 2004 Series A Bonds, except as a member of the Borrower. Further, the 2004 Series A Bonds are special obligations of the Corporation and are payable solely from the Revenues pledged under the Resolution.

Limited Interest in Land and Improvements; New Lease after Termination. The Master Indenture Trust Estate includes all the Borrower's right, title and interest in and to the Leased Premises demised and conveyed to the Borrower under the Ground Lease. The leasehold interest in the Leased Premises will expire at the end of the stated term of the Ground Lease and may be terminated sooner as provided therein (see "THE GROUND LEASE"). If the Ground Lease is terminated before the end of its stated term, an Event of Default under the Master Indenture will occur. In that instance, if the Master Trustee delivers written notice to the Army within thirty (30) days following such termination, then, subject to the terms and conditions set forth in the Ground Lease, the Army must enter into a new lease with the Master Trustee or its assignee, which new lease would be substantially on the same terms and conditions as the Ground Lease. Upon expiration or earlier termination of the Ground Lease (including pursuant to acts of Congress), the Improvements must be abandoned in place and would become the property of the then-current owner of the Land. Therefore, if the Ground Lease is terminated without replacement by a new ground lease, it is possible that neither the Land nor the Improvements will be part of the Master Indenture Trust Estate from which the 2004 Series A Bonds could be repaid.

Limited Ability to Foreclose on Interest in Real Property and Improvements. After an Event of Default under the Master Indenture, the Master Trustee may cause to be sold the Borrower's leasehold interest in the Land and fee interest in the Improvements through judicial foreclosure, involving court proceedings. Following a foreclosure, the Improvements must be abandoned in place upon termination of the Ground Lease. Therefore, it would be unlikely that any third party would purchase such interest in the Improvements unless they were also purchasing the leasehold interest in the Land. If the Master Trustee or a third party acquired the leasehold interest at a foreclosure sale (or by assignment-in-lieu of foreclosure) then such entity would be required to assume the Borrower's obligations under the Ground Lease. It is anticipated that a new lessee would then enter into an operating agreement with the Army on terms similar to the Operating Agreement. This new operating agreement would provide, among other things, that (a) key and essential personnel and military servicemembers continue to have a preferential right to lease the housing units in the Project and (b) the vast majority of the excess cash flow from operations (after payment of operating expenses, Debt Service, fees and reserves) would be deposited in the Reinvestment Account. These terms may limit the Master Trustee's ability to find a third party interested in acquiring the leasehold interest and to recover the full amount of the outstanding principal of and interest on the 2004 Series A Bonds at a foreclosure sale. Although the Ground Lease purports to subordinate the Army's right to receive funds to the payment of debt service, there is no assurance that this subordination, after foreclosure, will be enforceable under applicable law.

Delay in Obtaining Possession of the Project. Any delay in the ability of the Master Trustee to obtain possession of the Project following an Event of Default may result in delays in the payment of Debt Service on the 2004 Series A Bonds. An unscheduled reduction or cessation of payments due under tenant leases resulting from an inability to obtain possession, and not covered by payments under a business interruption insurance policy, is likely to result in depletion of reserves or the inability of the Borrower to pay Debt Service on the 2004 Series A Master Notes when due.

Limitations under Applicable Laws. If an Event of Default occurs under the Master Indenture or other Loan Documents, the practical realization of any rights upon any default will depend on the exercise of various remedies specified in the Master Indenture and the other Loan Documents and will be subject

to the limitations placed on those rights under applicable laws. For example, the enforcement of any remedies granted to the Master Trustee under the Master Indenture may be affected by the following matters: (i) federal bankruptcy laws; (ii) rights of third parties in cash, securities and instruments not in possession of the Master Trustee, including accounts and general intangibles converted for cash; (iii) rights arising in favor of the United States of America or any agency or instrumentality thereof; (iv) present or future prohibitions against assignments in any federal statutes or regulations; (v) constructive trusts, equitable liens, or other rights or defenses imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (vi) with respect to certain remedies, the necessity for judicial action which is often subject to judicial discretion and delay; (vii) claims that might obtain priority if New York Uniform Commercial Code continuation statements are not filed in accordance with applicable laws; (viii) rights to proceeds of any collateral which may be impaired if appropriate action is not taken to continue the perfection of a security interest therein as required by the New York Uniform Commercial Code; (ix) statutory liens; (x) present or future prohibitions on the enforceability of “due-on-sale” or “due-on-encumbrance” clauses in any federal statutes or regulations or by any state or federal court; (xi) changes in laws or regulations or other acts of Congress affecting the BAH, Fort Hamilton or the enforceability of the documents and agreements and with the Army; and (xii) present or future changes in the limitations, or exceptions therefrom, on the permissible amounts to be charged to borrowers for late charges, additional interest charges and prepayment charges, whether such prepayment is voluntary or involuntary. As a result of the foregoing considerations, among others, the ability to realize upon the Mortgage may be limited by applicable laws. The Master Trustee’s actions may also, in certain circumstances, subject the Master Trustee to liability as a “mortgagee-in-possession” or result in the equitable subordination of the claims of the Master Trustee to the claims of other creditors of the Borrower. The Master Trustee may take these laws into consideration in deciding which remedy to choose following a default by the Borrower. The various legal opinions to be delivered concurrently with the issuance of the 2004 Series A Bonds will be qualified as to the enforceability of the remedies provided under the Master Indenture and Loan Documents, including as a result of limitations imposed by bankruptcy, reorganization, insolvency, fraudulent conveyance, or other similar laws affecting the rights of creditors generally and by general principles of equity and public policy considerations. If any of such limitations are imposed, they may adversely affect the ability of the Master Trustee and the holders of the 2004 Series A Bonds to enforce their claims and rights against the Borrower and the Project. Consequently, if an Event of Default occurs, it is uncertain that the Master Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the 2004 Series A Bonds.

New York Foreclosure Procedures and Bankruptcy

In addition to the limitations on remedies described above, below are descriptions of current foreclosure procedures in New York State and current bankruptcy provisions for mortgage loans generally.

New York Foreclosure Procedures. In order to recover the debt due on a defaulted mortgage loan, the holder of the mortgage loan may either commence an action on the mortgage debt or commence an action to foreclose the mortgage. New York law restricts the ability of the holder of a mortgage loan to simultaneously bring an action to recover the mortgage debt and foreclose the mortgage. For purposes of these restrictions, actions to recover the mortgage debt include actions against the party primarily liable on the mortgage debt, actions against any guarantor of the mortgage debt and actions on insurance policies insuring the mortgaged premises. If an election is made to commence an action to foreclose the mortgage, no other action on the mortgage debt may be commenced to recover any part of the mortgage debt without leave of court. If an election is made to commence an action on the mortgage debt, where final judgment has been rendered in such an action, an action may not be commenced to foreclose the mortgage unless the sheriff has been issued an execution against the property of the defendant, which has been returned wholly or partially unsatisfied. In addition, there is New York case law indicating that if an

action is commenced on the mortgage debt where final judgment has not been rendered and a subsequent action is commenced to foreclose the mortgage, then the action on the mortgage debt must be stayed or discontinued to prevent the mortgagee from pursuing both actions simultaneously.

Where a foreclosure action is brought, every person having an estate or interest in possession or otherwise in the property whose interest is claimed to be subject and subordinate to the mortgage must be made a party defendant to the action in order to have its interest in the property extinguished. At least twenty (20) days before a final judgment directing a sale is rendered, the mortgagee must file, in the clerk's office for the county where the mortgaged property is located, a notice of the pendency of the action. Judicial foreclosure in New York is a lengthy process, as judicial intervention is required at all stages, including but not limited to (1) the appointment of a referee to compute the amount due, (2) the appointment of a receiver to operate the property during the pendency of the action, (3) the confirmation of the referee's oath and report, (4) the issuance of the judgment of foreclosure and sale, (5) the confirmation of the sale, and (6) the issuance of a deficiency judgment and/or rights to surplus monies. If during the pendency of the action the mortgagor pays into court the amount due for principal and interest and the costs of the action together with the expenses of the proceedings to sell, if any, the court will (i) dismiss the complaint without costs against the mortgagor if the payment is made before judgment directing the sale or (ii) stay all proceedings upon judgment if the payment is made after judgment directing sale but before sale.

Where the mortgage debt remains partly unsatisfied after the sale of the property, the court, upon application, may award the mortgagee a deficiency judgment for the unsatisfied portion of the mortgage debt, or as much thereof as the court may deem just and equitable, against a mortgagor who has appeared or has been personally served in the action. Prior to entering a deficiency judgment the court determines the fair and reasonable market value of the mortgaged premises as of the date such premises were bid in at auction or such nearest earlier date as there shall have been any market value thereof. In calculating the deficiency judgment, the court will reduce the amount to which the mortgagee is entitled by the higher of the sale price of the mortgaged property and the fair market value of the mortgaged property as determined by the court.

The mortgagee may also, at its discretion, negotiate with the delinquent mortgagor to offer a deed in lieu of foreclosure to the mortgagee, where appropriate. In some situations this would allow the mortgagee to reduce the cost of, and the time involved in, acquiring the property.

The Mortgage Loan is non-recourse to the Borrower. Therefore, the Master Trustee, as mortgagee, has limited rights to pursue the enforcement of an action on the debt. Consequently, with respect to the Mortgage Loan, the above provisions relating to an action on the mortgage debt, as opposed to an action to foreclose the mortgage, are less likely to be pursued.

Bankruptcy. If a petition for relief under federal bankruptcy law is filed voluntarily by a mortgagor, or involuntarily against a mortgagor by its creditors and an order for relief is entered, the filing operates as an automatic stay of the commencement or continuation of any judicial or other proceedings, including without limitation, foreclosure proceedings, against such mortgagor and its property. Under certain circumstances and if a bankruptcy court so ordered, the mortgagor's property, including its revenues, could be used for the benefit of the mortgagor, despite the rights granted the mortgagee. Certain provisions of a mortgage that make the initiation of bankruptcy and related proceedings by or against the mortgagor an event of default thereunder and similar provisions are presumptively invalid pursuant to the Bankruptcy Code.

In addition, if a bankruptcy court concludes that a mortgagee is "adequately protected," it might substitute other security for the property presently pledged or subordinate the lien of the mortgage to a

lien granted a lender providing funds to the mortgagor during the pendency of the bankruptcy case. Furthermore, the reasonable, necessary costs and expenses of preserving, or disposing of, the property may be recovered out of the mortgaged property.

In bankruptcy proceedings initiated by the filing of a petition under Chapter 11 of the United States Bankruptcy Code, a mortgagor or another party-in-interest could file a plan of reorganization which seeks to modify the rights of creditors generally, or any class of creditors, including secured creditors. Thus, a Chapter 11 plan may modify the terms of the mortgage note and the mortgage. With respect to the mortgagee's secured claim, if the mortgagor intends to retain the premises, the plan will generally propose to treat the mortgage as unimpaired by curing any defaults and reinstating the terms of the mortgage. Alternatively, a plan may seek to alter the terms of the mortgage, but the mortgagee is entitled to retain its lien under a plan and must receive deferred cash payments totaling the amount of the claim with a present value not less than the value of the mortgaged premises. If the premises are to be sold by the mortgagee in bankruptcy, the mortgagee can bid at the bankruptcy court sale and use the mortgage debt to make a "credit bid," *i.e.*, the mortgagee may offset all or part of the outstanding mortgage debt against the selling price at such sale and, to such extent, will not be obligated to pay cash or other consideration.

In any bankruptcy case, post-petition interest is payable only to the extent of the excess of the value of the mortgaged premises over the mortgage debt. If the value of the mortgaged premises is less than the mortgage debt, the deficiency will generally be treated as an unsecured claim.

2004 Series A Bonds are Special Obligations

The 2004 Series A Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2004 Series A Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2004 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

Limited Nature of Ratings; Reliance on Rating Confirmations for Certain Actions

The ratings to be assigned by a Rating Agency to the 2004 Series A Bonds are based on the Rating Agency's analyses, but reflect only the current views of the Rating Agency. Future events could have an adverse impact on the ratings of the 2004 Series A Bonds, and there is no assurance that any such rating will continue for any period of time or that it will not be qualified, downgraded or withdrawn entirely by the assigning Rating Agency if, in its judgment, circumstances so warrant. There is no obligation of the Borrower or any of its affiliates to maintain any particular rating, and a qualification, downgrade or withdrawal of a rating on the 2004 Series A Bonds may have an adverse effect on the liquidity and market price thereof. A rating is not a recommendation to buy, sell or hold securities.

The Master Indenture provides that the Borrower and the Master Trustee may undertake various actions based upon receipt by the Master Trustee of confirmation from each of the Rating Agencies that the underlying ratings then assigned by such Rating Agencies to the 2004 Series A Bonds are not thereby impaired (a "Confirmation"). To the extent such actions are taken after issuance of the 2004 Series A Bonds, investors in the 2004 Series A Bonds will be relying on the evaluation by the Rating Agencies of such actions and their impact on credit quality. Currently the only Rating Agencies rating the 2004 Series A Bonds are S&P and Moody's.

Nature of the 2004 Series Master Notes; Limited Assets

The Borrower is structured to be a limited liability company. The Borrower will have no significant assets other than its interest in the Project and the other assets comprising the Master Indenture Trust Estate granted to the Master Trustee for the benefit of the Owners of the 2004 Series A Master Notes. Payments on the 2004 Series A Master Notes from amounts on deposit in the Funds and Accounts will depend solely on (i) the amount and timing of payments and collections in respect of the Project, (ii) the respective Class designation of such 2004 Series A Master Notes, (iii) interest paid or earnings on the various Funds and Accounts established pursuant to the Master Indenture, (iv) the payment priority of any additional Obligations or other obligations to be issued or entered into in the future in accordance with the Master Indenture, and (v) amounts on deposit in the Debt Service Reserve Fund and other Funds established under the Master Indenture. There will be no additional recourse to the Corporation, the Borrower or any other Person if such proceeds are insufficient.

Repayment of 2004 Series A Bonds from Liquidation Proceeds

If an Event of Default occurs under the Master Indenture, subject to certain conditions and limitations set forth in the Master Indenture and, as described above under “Defaults and Limitations on Remedies – Limited Ability to Foreclose on Interest in Real Property and Improvements,” the Master Trustee is authorized to sell the Master Indenture Trust Estate. If the net proceeds of any such sale, together with amounts then on deposit in the applicable accounts within the Debt Service Reserve Fund and other Funds and Accounts, do not at least equal the aggregate principal amount of all Obligations then Outstanding and accrued interest thereon, Owners of the 2004 Series A Bonds not paid in full will likely be unable to recover the full amount of their investment.

Parity Obligations Under Master Indenture

The 2004 Series A Master Notes of each Class will rank *pari passu* in right of payment with any other Obligations of the same Class issued under the Master Indenture and will be secured ratably with the other Obligations of such Class by a lien and security interest in the Master Indenture Trust Estate established under the Master Indenture. As a result, a payment or other default with respect to any Obligations of the same Class will constitute a default under the Master Indenture with respect to all Obligations of such Class, including the 2004 Series A Master Notes of such Class. In such event and after any applicable notice and cure periods, the Master Trustee has the right, among other things, to declare the entire balance of the principal of the Obligations of all such Class (and any Classes senior in priority of payment) to be immediately due and payable.

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 Bond Trustee, for a complete statement of the rights, duties and obligations of the Corporation, the Bond Trustee and the Bond owners thereunder.

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 be deemed to be and shall constitute a contract among the Corporation, the Bond 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 in the Resolution set forth to be performed by or on behalf of the Corporation shall be for 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.

Authorization, Designation, Principal Amount and Purpose of Bonds

In order to provide sufficient funds to finance the Project, Bonds of the Corporation are authorized to be issued without limitation as to amount except as may be provided by law. No Bonds shall be issued unless and until the conditions contained in the Resolution are satisfied.

The Corporation has authorized the issuance of Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project), 2004 Series A Class I in the aggregate principal amount of \$38,580,000 and Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project), 2004 Series A Class II in the aggregate principal amount of \$8,965,000, for the purpose of making deposits into the Bond Proceeds Account in order to initially finance the Mortgage Loan through the purchase of the 2004 Series A Master Notes. The Corporation is of the opinion and determines that the issuance of the 2004 Series A Bonds in the said amount is necessary to provide sufficient funds for such purpose.

Unless otherwise specified in a Supplemental Resolution, the Bonds shall bear the title “Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project)” and an appropriate Series and Class designation.

Issuance and Delivery of Bonds

After their authorization by the Corporation, Bonds may be executed by or on behalf of the Corporation and delivered to the Bond Trustee for authentication and, upon compliance by the Corporation with the requirements of the Resolution, the Bond Trustee shall thereupon authenticate and deliver such Bonds upon the order of the Corporation.

Conditions Precedent to Delivery of Bonds

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

1. 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 in 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;
2. a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Corporation;

3. the amount of the proceeds of such Bonds to be deposited with the Bond Trustee pursuant to the Resolution;

4. a Certificate of an Authorized Officer of the Corporation to the effect that the Corporation will apply the proceeds of the Bonds to the purchase of specified Master Notes in such principal amounts and bearing interest, such principal and interest payable at such times and in such amounts, as shall be sufficient, when combined with payments due on all other Master Notes held by the Corporation and amounts available therefor in the Revenue Account, to timely pay the Debt Service due on all Outstanding Bonds (including the Bonds to be so issued), accompanied, but only with respect to Bonds other than the 2004 Series A Bonds, by a Rating Confirmation;

5. an opinion of Counsel to the effect that (i) the Master Indenture has been duly authorized, executed and delivered by the parties thereto and is in full force and effect and is valid and binding upon the parties thereto, enforceable in accordance with its 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 Master Indenture creates the valid pledge and lien which it purports to create of and on the Master Indenture Trust Estate, subject to the use and application thereof for or to the purposes and on the terms and conditions permitted by the Master Indenture, and (iii) upon the execution, authentication and delivery thereof, the Master Notes to be purchased under the Resolution in connection with the issuance of said Bonds will have been duly and validly authorized and issued in accordance with the laws of the State and in accordance with the Master Indenture;

6. executed copies of the Master Indenture, the Loan Agreement and the Regulatory Agreement, and with respect to Additional Bonds, such documents as are specified in the Supplemental Resolution authorizing same; and

7. 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 of the same Class then Outstanding, for the purposes of (i) financing increases in the Mortgage Loan, or (ii) refunding 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.

Application of Bond Proceeds, Accrued Interest and Premium

(A) The proceeds of sale of a Series of Bonds, shall, as soon as practicable upon the delivery of such Bonds by the Bond 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 balance remaining after such deposits have been made as specified in (1) above shall be applied as specified in the Supplemental Resolution authorizing such Series; and

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

Any amounts held under the Resolution by the Bond Trustee, as such, may, if and as directed in writing by the Corporation, be deposited in the corporate trust department of the Bond Trustee which may honor checks and drafts on such deposit with the same force and effect as if it were not the Bond Trustee. The Bond Trustee shall allow and credit on such amounts at least such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(B) All amounts deposited by the Bond Trustee pursuant to subsection (A) above shall be continuously and fully secured (a) by lodging with the Bond Trustee as custodian, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such deposit, and (b) in such other manner as may then be required by applicable Federal or state laws and regulations regarding security for the deposit of public funds. It shall not be necessary, unless required by applicable law, for the Bond Trustee to give security under this heading for the deposit of any amounts to the extent that such deposit is insured by the Federal Deposit Insurance Corporation, or its successor, or which are held in trust and set aside by the Bond Trustee for the payment of any Bonds, or for the Bond Trustee to give security for any moneys which shall be represented by obligations or certificates of deposit (of issuers other than the Bond Trustee) purchased as an investment of such moneys.

(C) All amounts so deposited by the Bond Trustee shall be credited to the particular Account from which such amounts were derived.

Investment of Certain Funds

(A) Subject to the right of the Corporation to direct the investment or deposit of funds pursuant to the Resolution, moneys in any Account shall be continuously invested and reinvested or deposited and redeposited by the Bond Trustee in the highest yield Investment Securities that may be reasonably known to the Bond Trustee, or deposited and redeposited as provided under this heading, with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds. The Corporation shall consult with the Bond Trustee from time to time as to the investment of amounts in the Accounts established or confirmed by the Resolution. The Corporation shall (except as provided below) direct the Bond Trustee to invest and reinvest the moneys in any Account in Investment Securities so that the maturity date or date of redemption at the option of the owner thereof shall coincide as nearly as practicable with (but in no event later than) the times at which moneys are needed to be expended. The Investment Securities purchased shall be held by the Bond Trustee, or for its account as Bond Trustee, and shall be deemed at all times to be part of such Account, and the Bond Trustee shall keep the Corporation advised as to the details of all such investments.

(B) Investment Securities purchased as an investment of moneys in any Account held by the Bond Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such Account but the income or interest earned and gains realized in excess of losses suffered by an Account due to the investment thereof shall be deposited in the Revenue Account or shall be credited as Revenues to the Revenue Account from time to time and reinvested, except as otherwise provided in 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.

(C) To the extent permitted by law, the Bond Trustee may commingle any amounts on deposit in the Accounts held under the Resolution for the purpose of purchasing Investment Securities. However, the Bond Trustee shall maintain and keep separate accounts of such Accounts at all times.

(D) The Bond Trustee shall, at the direction of the Corporation, sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Account for which such investment was made. The Bond Trustee shall advise the Corporation in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Account in its custody under the provisions of the Resolution as of the end of the preceding month.

(E) Upon receipt of written instructions from an Authorized Officer of the Corporation, the Bond 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.

Establishment of Funds and Accounts

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

- (1) Bond Proceeds Account;
- (2) Revenue Account (consisting of a Class I Subaccount and a Class II Subaccount); and
- (3) Redemption Account.

(B) All such Accounts shall be held and maintained by the Bond Trustee and shall be identified by the Corporation and the Bond Trustee according to the designations in the Resolution provided in such manner as to distinguish such Accounts from the accounts established by the Corporation for any other of its obligations. All moneys or securities held by the Bond Trustee pursuant to the Resolution shall be held in trust and applied only in accordance with the provisions of the Resolution and the Act.

Bond Proceeds Account

(A) 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.

(B) Amounts in the Bond Proceeds Account shall be expended upon written requisition of the Corporation only (i) to finance the Mortgage Loan through the purchase of Master Notes, in accordance with the Resolution; and (ii) 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. Costs of Issuance shall be paid by the Borrower from amounts derived from the sale of the Master Notes.

Revenue Account; Debt Service

(A) Except with respect to Revenues consisting of amounts required by the terms of the 2004 Series A Bonds or a Supplemental Resolution to be applied to the redemption of Bonds (which shall be deposited to the credit of the Redemption Account), the Corporation shall cause all Revenues to be deposited promptly with the Bond Trustee in the Revenue Account in the following amounts and in the following priority: (i) to the Class I Subaccount, the amount necessary, when added to amounts on deposit therein, to provide for the payment of Debt Service due on all Class I Bonds on the next succeeding Interest Payment Date (or such date of deposit, if an Interest Payment Date), and then (ii) to the Class II Subaccount, the amount necessary, when added to amounts on deposit therein, to provide for the payment of Debt Service due on all Class II Bonds on the next succeeding Interest Payment Date (or such date of deposit, if an Interest Payment Date).

(B) On or before each Interest Payment Date, the Bond Trustee shall pay, from the sources described below and in the order of priority indicated (including the priority of payment of Class I Bonds pursuant to clauses (1) through (4) below prior to the payment of Class II Bonds pursuant to clauses (5) through (8) below), 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, the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed or purchased on such date, as follows:

- (1) first, from the Class I Subaccount of the Revenue Account and then from the Class II Subaccount of the Revenue Account, to pay Debt Service due on all Class I Bonds, and to the extent the moneys therein are insufficient for said purpose,
- (2) second, from the Redemption Account, and to the extent the moneys therein are insufficient for said purpose,
- (3) third, from the Bond Proceeds Account, and to the extent the moneys therein are insufficient for said purpose,
- (4) fourth, from any other moneys held by the Bond Trustee under the Resolution and available for such purpose, and
- (5) fifth, from the Class II Subaccount of the Revenue Account, to pay Debt Service due on all Class II Bonds, and to the extent the moneys therein are insufficient for said purpose,
- (6) sixth, from the Redemption Account, and to the extent the moneys therein are insufficient for said purpose,
- (7) seventh, from the Bond Proceeds Account, and to the extent the moneys therein are insufficient for said purpose,
- (8) eighth, from any other moneys held by the Bond Trustee under the Resolution and available for such purpose.

(C) Except with respect to any moneys in the Class II Subaccount of the Revenue Account which are required to be set aside for the payment of Class I Bonds pursuant to paragraph (B) above, 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 Bond 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 for such Bonds when such Bonds are redeemable by application of such Sinking Fund Payment plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Bond Trustee shall determine, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

(D) Upon the purchase or redemption of any Bond pursuant to paragraph (C) above, 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 Bond Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer of the Corporation at the time of such purchase or redemption. Any such instructions shall be given in such manner as, in the best judgment of the Corporation, shall provide for the payment of the Sinking Fund Payments thereafter to become due from the remaining Revenues expected to be available for such payments after considering the amounts payable from Master Notes held under the Resolution at such time. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in the Resolution (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date. In the event the Bond Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, after payment by the Bond Trustee of the purchase price of such Bonds and after payment of any other Debt Service due on the due date of such Sinking Fund Payment, the Bond Trustee shall pay an amount not greater than the difference between the amount of such purchase price and the amount of such Redemption Price to, or at the direction of, the Corporation.

(E) Except with respect to any moneys in the Class II Subaccount of the Revenue Account which are required to be set aside for the payment of Class I Bonds pursuant to paragraph (B) under this heading, as soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Bond Trustee shall proceed to call for redemption pursuant to the Resolution, 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 Bond 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. The Bond Trustee shall pay the amount required for the redemption of the Bonds so called for redemption from the Accounts specified in paragraph (B) under the heading "Redemption Account" below, in the order of priority indicated, and such amount shall be applied by the Bond Trustee to such redemption.

(F) On each Interest Payment Date, the Bond Trustee shall deliver to the Corporation a Certificate of an Authorized Officer of the Bond Trustee containing a statement which sets forth, as of such date, the amount remaining in the Revenue Account as of such date after deducting all payments required to have been made pursuant to paragraph (B) under this heading and the amount, if any, required to be transferred to the Bond Trustee and the Corporation in order to satisfy the requirement under this heading. Concurrently with the delivery of such Certificate, the Bond Trustee shall transfer from the Revenue Account (after providing for all payments required to have been made pursuant to paragraph (B) under this heading), if so directed by the Corporation, to the Bond Trustee, an amount equal to the Bond Trustee's unpaid fees and expenses after crediting thereto all amounts paid for such purpose under the

Master Indenture. The amount remaining after making the transfers or payments required by this heading shall be retained in the Revenue Account.

Redemption Account

(A) There shall be deposited in the Redemption Account all amounts which are required to be deposited therein pursuant to the Resolution and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of the Resolution or any Supplemental Resolution authorizing the issuance of Bonds, Revenues consisting of amounts required by the terms of the Bonds or a Supplemental Resolution to be applied to the redemption of Bonds shall not be deposited in the Revenue Account but shall be deposited in the Redemption Account. 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 Bond 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.

(B) At any time before the forty-fifth day prior to the day upon which Bonds are to be paid or redeemed from such amounts, the Bond Trustee shall, if so directed in writing by the Corporation, apply amounts from the sources described in the following paragraph equal to amounts in the Redemption Account to the purchase of any of the Bonds in lieu of redemption. The Bond Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Corporation shall from time to time direct. In the event that Sinking Fund Payments have been established for the Bonds so purchased or redeemed, such Sinking Fund Payments shall be credited in the manner provided in the Resolution. The purchase price paid by the Bond Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the Redemption Price on such Bonds, if then subject to redemption, or if not subject to redemption, the Redemption Price payable on any such date upon which such Bond is next subject to redemption other than from Sinking Fund Payments. In the event the Bond Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, after the payment by the Bond Trustee of the purchase price of such Bonds and after payment of any amounts due on the Redemption Date following such purchase, the Bond Trustee shall pay an amount not greater than the difference between the amount of such purchase price and the amount of such Redemption Price to, or at the direction of, the Corporation.

(C) On or before a Redemption Date or date of purchase of Bonds in lieu of redemption, the Bond Trustee shall pay, from the sources described below and in the order of priority indicated (including the priority of payment of Class I Bonds pursuant to clauses (1) through (4) below prior to the payment of Class II Bonds pursuant to clauses (5) through (8) below), the amounts required for the payment of the principal of Outstanding Bonds to be redeemed or purchased and cancelled on such date, as follows:

- (1) first, from the Redemption Account, to pay principal due on all Class I Bonds, and to the extent the moneys therein are insufficient for said purpose,
- (2) second, from the Class I Subaccount of the Revenue Account and then from the Class II Subaccount of the Revenue Account, and to the extent the moneys therein are insufficient for said purpose,
- (3) third, from the Bond Proceeds Account, and to the extent the moneys therein are insufficient for said purpose,

(4) fourth, from any other moneys held by the Bond Trustee under the Resolution and available for such purpose, and

(5) fifth, from the Redemption Account, to pay principal due on all Class II Bonds, and to the extent the moneys therein are insufficient for said purpose,

(6) sixth, from the Class II Subaccount of the Revenue Account, and to the extent the moneys therein are insufficient for said purpose,

(7) seventh, from the Bond Proceeds Account, and to the extent the moneys therein are insufficient for said purpose,

(8) eighth, from any other moneys held by the Bond Trustee under the Resolution and available for such purpose.

(D) Except as otherwise specifically provided in the Resolution, the Bond Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below par or at any other price and any arms length purchase by the Bond Trustee shall conclusively be deemed fair and reasonable.

Payment of Bonds

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

Covenants with Respect to Master Notes

To secure the payment of the principal or Redemption Price of and interest on the Bonds, the Corporation does hereby pledge for the benefit of the Bond owners all of its right, title and interest in and to the Master Notes, which pledge shall be valid and binding from and after the date of adoption of this Resolution. The Master Notes shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation, irrespective of whether such parties have notice thereof. Upon the happening of an Event of Default specified in paragraph (1) under the heading "Events of Default" below and the written request of the Bond Trustee or the owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, the Corporation shall effectuate the assignment and delivery of the 2004 Series A Master Notes to the Bond Trustee. If, however, the Bond Trustee and the Bond owners are restored to their positions pursuant to the Resolution, the Bond Trustee shall assign the Master Notes back to the Corporation. In order to pay the Principal Installments of and interest on the Bonds when due, the Corporation 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 this 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 hereby, to finance the Mortgage Loan through the purchase of 2004 Series A Master Notes pursuant to the Act and this Resolution and any applicable Supplemental Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues, and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights under the Master Trust Indenture. In order to pay the Principal Installments of and interest on the

Bonds when due, the Corporation 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 through the purchase of Master Notes 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 Revenues, and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights under the Master Trust Indenture. The Corporation shall promptly advise the Bond Trustee of the occurrence of a default on any of the Master Notes and shall keep the Bond Trustee advised as to any actions taken with respect thereto.

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, charge and lien on the Revenues and assets pledged under the Resolution. In addition, the Corporation shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness, other than Bonds, which will be secured by an equal charge and lien on the Revenues and assets pledged under the Resolution.

Accounts and Reports

(A) 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 Accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Bond Trustee 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 Bond Trustee to keep such books on behalf of the Corporation.

(B) 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 Bond Trustee, within forty-five (45) days after the close of such fiscal year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Account under the Resolution.

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

(1) the balance sheet with respect to the Bonds, showing the assets and liabilities of the Corporation at the end of such fiscal year;

(2) 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 during such fiscal year;

(3) a statement of changes in fund balances, as of the end of such fiscal year;
and

- (4) 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.

(D) Except as provided in paragraph (B) under this heading, any such financial statements may be presented on a consolidated or combined basis with other reports of the Corporation.

(E) 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.

Powers of Amendment

Any modification of an 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, Class and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified Series and maturity remain Outstanding however, 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 Bond Trustee without its written assent thereto. A Bond shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the owner of such Bond. The Bond Trustee may in its sole discretion determine whether or not in accordance with the foregoing powers of amendment any Bonds would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Corporation and all owners of Bonds.

Consent of Bond Owners

(A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of the Resolution (or a brief summary thereof or reference thereto in form approved by the Bond Trustee), together with a request to Bond owners for their consent thereto in form satisfactory to the Bond Trustee, shall be mailed by the Corporation to the owners of the Bonds. Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Bond Trustee (a) the written consents of owners of the percentages of Outstanding Bonds specified in the foregoing paragraph and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Corporation in accordance with the provisions of the Resolution, is

authorized or permitted and is valid and binding upon the Corporation and enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and similar laws affecting rights and remedies of creditors), and (ii) a notice shall have been made as provided in the Resolution.

(B) The consent of a Bond owner to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A Certificate by the Bond Trustee filed with the Bond Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive that the consents have been given by the owners of the Bonds described in such Certificate of the Bond Trustee. Any such consent shall be binding upon the owner of the Bonds giving such consent and upon any subsequent owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent owner thereof has notice thereof) unless such consent is revoked in writing by the owner of such Bonds giving such consent or a subsequent owner thereof by filing with the Bond Trustee, prior to the time when the written statement of the Bond Trustee hereinafter provided for under this heading is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Bond Trustee filed with the Bond Trustee to the effect that no revocation thereof is on file with the Bond Trustee.

(C) At any time after the owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Bond Trustee shall make and file with the Corporation and the Bond Trustee a written statement that the owners of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Bond Trustee) has been consented to by the owners of the required percentages of Bonds and will be effective as provided under this heading, shall be given to Bond owners by the Corporation by mailing such notice to the Bond owners not more than ninety (90) days after the owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Bond Trustee hereinabove provided for is filed. The Corporation shall file with the Bond Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by the Resolution to be filed with the Bond Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Bond Trustee and the owners of all Bonds at the expiration of forty (40) days after the filing with the Bond Trustee of the proof of the mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period, except that the Bond Trustee and the Corporation during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Modifications by Unanimous Consent

Subject to the provisions of the Resolution, the terms and provisions of the Resolution and the rights and obligations of the Corporation and of the owners of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by the Corporation of a Supplemental Resolution and the consent of the owners of all the Bonds then Outstanding, such consent to be given as provided above, but no such modification or amendment shall change or modify any of the rights or obligations of the Bond Trustee without the filing with the Bond Trustee of the written assent thereto of the Bond

Trustee in addition to the consent of the Bond owners. No notice of any such modification or amendment either by mailing or publication shall be required to be given to Bond owners.

Events of Default

Each of the following events set forth below constitutes an “Event of Default” with respect to the Bonds:

(1) payment of the principal or Redemption Price, if any, of or interest on any Class I Bond 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; or

(2) (i) payment of the principal or Redemption Price, if any, of or interest on any Class II Bond when and as the same shall become due, prior to the maturity date of such Class II Bond, shall not be made when and as the same shall become due, provided that sufficient moneys for such payment are available pursuant to the provisions of the Resolution or (ii) payment of the principal of and accrued interest on any Class II Bond when and as the same shall become due on the maturity date of such Class II Bond shall not be made on such maturity date; or

(3) the Corporation shall fail or refuse to comply with the provisions of the Resolution or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Resolution or in any applicable Supplemental Resolution or the Bonds (other than any such default resulting in an Event of Default described in paragraph (1) or paragraph (2) above), and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Bond Trustee or the owners of not less than five percent (5%) in principal amount of the Outstanding Class I Bonds (or, when no Class I Bonds shall be Outstanding, five percent (5%) in principal amount of the Outstanding Class II Bonds).

Remedies

(A) Upon the happening and continuance of any Event of Default specified in clause (1) or (2) above, the Bond Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) above, the Bond Trustee may proceed and, upon the written request of the owners of not less than 100% in principal amount of the Bonds (subject to the proviso at the end of this paragraph), shall proceed, in its own name, subject, in each 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 paragraphs (1) through (6) below, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. Each of the following is declared to be a remedy with respect to the Bonds (provided, that any provision under this heading regarding Bond owner direction of remedies, taking of actions, or direction to the Bond Trustee to take actions shall be deemed, during such time as there are Class I Bonds Outstanding and with reference to any Event of Default described in paragraphs (1) or (3) under the previous heading, to refer solely to the owners of the Class I Bonds, and, when no Class I Bonds are Outstanding, shall be deemed to refer to the owners of the Class II Bonds):

(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 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) by immediately declaring all Bonds due and payable whereupon, with respect to any affected 2004 Series A Bonds, such Bonds shall be immediately redeemed pursuant to the terms of the 2004 Series A Bonds, provided that upon the happening and continuance of an Event of Default specified in paragraph (1) or (2) under the heading "Events of Default" hereinabove, the Bond Trustee shall declare all Bonds due and payable; and
- (6) in the event that all Outstanding Bonds are declared due and payable, by requiring the Corporation to convey the Master Notes to the Bond Trustee and by selling the Master Notes and any Investment Securities securing such Bonds.

(B) In the enforcement of any rights and remedies under the Resolution, the Bond Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Corporation for principal, Redemption Price, interest or otherwise, under any provisions of the Resolution or a Supplemental Resolution or of the Bonds with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all fees and expenses of the Bond Trustee and costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Bond Trustee or of the Bond owners, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorneys' fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond owners under the Resolution, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and of the assets of the Corporation relating to the Bonds pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default, the Corporation expressly reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Master Notes and the proceeds and collections therefrom, and neither the Bond Trustee nor any Bond owner shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Priority of Payments After Default

(A) In the event that upon the happening and continuance of any Event of Default the funds held by the Bond Trustee shall be insufficient for the payment of the principal or Redemption Price, if any, of and interest then due on the Bonds affected, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Bond Trustee acting pursuant to the Act and the provisions with respect to Events of Default in the Resolution, after making provision for the payment of

any expenses necessary in the opinion of the Bond 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 Bond Trustee in the performance of its duties under the Resolution, shall be applied 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 on the Class I Bonds 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; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Class I 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 Class I Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

THIRD: To the payment to the persons entitled thereto of all installments of interest then due on the Class II Bonds 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; and

FOURTH: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Class II 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 Class II 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.

(2) If the principal of all such Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Class I 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 then to the payment of the principal and interest then due and unpaid upon the Class II 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.

(B) Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions under this heading, such moneys shall be applied by the Bond Trustee at such times, and from time to time, as

the Bond Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The deposit of such moneys with the Bond Trustee, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Bond Trustee and the Bond Trustee shall incur no liability whatsoever to the Corporation, to any Bond owner or to any other person for any delay in applying any such moneys, so long as the Bond Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Bond Trustee. Whenever the Bond Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Bond Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Bond Trustee shall not be required to make payment to the owner of any Bond unless such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

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.

Resignation of Bond Trustee

A Bond Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty (60) days written notice to the Corporation and mailing notice thereof specifying the date when such resignation shall take effect, to each of the registered owners, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor; provided, however, no such resignation shall take effect until a successor Bond Trustee has been appointed.

Removal of Bond Trustee

A Bond Trustee shall be removed by the Corporation if at any time so requested by an instrument or concurrent instruments in writing, filed with the Bond Trustee and the Corporation and signed by the owners of a majority in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of the Corporation; provided, however, no such removal shall take effect until a successor Bond Trustee has been appointed. The Corporation may remove the Bond Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Corporation by filing with the Bond Trustee an instrument signed by an Authorized Officer of the Corporation; provided, however, no such removal shall take effect until a successor Bond Trustee has been appointed.

Appointment of Successor Bond Trustee

(A) In case at any time a Bond Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Bond Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of a Bond Trustee, or of its property or affairs, the Corporation covenants and agrees that it will

thereupon appoint a successor Bond Trustee. The Corporation shall, in whichever manner it deems most economical, either (i) publish notice of any such appointment made by it in Authorized Newspapers, such publication to be made within twenty (20) days after such appointment, or (ii) mail notice of any such appointment made by it to the registered owners of the Bonds, at their last addresses, if any, appearing upon the registry books.

(B) If in a proper case no appointment of a successor Bond Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Bond Trustee shall have given to the Corporation written notice of its resignation, or after a vacancy in the office of the Bond Trustee shall have occurred by reason of its inability to act, the Bond Trustee or the owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Bond Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Bond Trustee.

(C) Any Bond Trustee appointed under the provisions of this Section in succession to the Bond Trustee shall be a trust company or commercial bank having the powers of a trust company within the State, having capital, surplus and undivided profits aggregating at least \$100,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

Defeasance

(A) If the Corporation shall pay or cause to be paid to the owners of all Bonds then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, and if the Corporation shall pay or cause to be paid the fees and expenses of the Bond Trustee, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Bond Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Bond Trustee shall pay over or deliver to the Corporation all moneys or securities held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(B) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Bond Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) above. All Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) above: (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Bond Trustee in form satisfactory to it irrevocable instructions to give as provided in the notice of redemption on said date of such Bonds, (2) there shall have been set aside and shall be held in trust by the Bond Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) either (a) moneys in an amount which shall be sufficient, or (b) Government Obligations purchased with moneys or (c) obligations (which obligations shall be rated by the national rating agency or agencies then rating said Bonds no lower than the highest rating category assigned by such rating agency or agencies) purchased with moneys (i) validly issued by or on behalf of a state or political subdivision thereof, and (ii) fully secured by a first lien on Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Bond Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date

thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Bond Trustee in form satisfactory to the Bond Trustee irrevocable instructions to give by mail, as soon as practicable, notice to the owners of such Bonds that the deposit required by this subsection has been made with the Bond Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds. To the extent required for the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds, neither moneys deposited with the Bond Trustee pursuant to this section nor principal or interest payments on any Government Obligations or obligations described in clause (c) above deposited with the Bond Trustee pursuant to this section shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations or obligations described in clause (c) above deposited with the Bond Trustee pursuant to this section, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations described in clause (b) or (c) above maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and any moneys deposited with the Bond Trustee pursuant to this section and principal and interest payments on the obligations described in clause (b) or (c) above, if not required for the payment of said Bonds, and after the payment of the fees and expenses of the Bond Trustee, shall be paid over to the Corporation, as received by the Bond Trustee, free and clear of any trust, lien or pledge. The Bond Trustee may sell, transfer or otherwise dispose of the obligations described in clauses (b) and (c) above deposited with the Bond Trustee pursuant to this section; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other obligations described in clauses (b) and (c) above, the principal of and the interest on which when due will provide moneys which, together with the moneys on deposit with the Bond Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, in accordance with this section.

(C) If, through the deposit of moneys by the Corporation or otherwise, the Bond Trustee shall hold, pursuant to the Resolution, moneys sufficient to pay the principal and interest to maturity on all Bonds, or in the case of Bonds in respect of which the Corporation shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the Corporation, all moneys shall be held by the Bond Trustee for the payment or the redemption of Bonds.

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

THE MASTER INDENTURE

The Master Indenture contains terms and conditions relating to the issuance and terms of 2004 Series A Master Notes under it, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Master Indenture, to which reference is hereby made, copies of which are available from the Corporation or the Bond Trustee. This summary uses various terms defined in the 2004A Series Indenture and the Master Trust Indenture and such terms as used herein shall have the

same meanings as set forth in Appendix A – “Glossary of Defined Terms.” See also Appendix C - “Summary of Certain Provisions of the Master Indenture” for a further summary of the Master Indenture.

The 2004 Series A Master Notes

The 2004 Series A Master Notes, together with the 2004 Series A Class III Notes (which are not offered hereby) constitute the initial Series of Notes issued under the Master Indenture. ***All references in this Section to “Notes” include the 2004 Series A Master Notes and the 2004 Series A Class III Notes.***

Pledge of Operating Revenues

(A) In consideration of the acceptance by the Owners of the Obligations issued under the Master Indenture and the loan of the proceeds of the Notes or any Related Bond Issuer Bonds to the Borrower, subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Borrower pledges and irrevocably assigns, and grants a security interest, to the Master Trustee, for the benefit of the Owners of the Obligations, in all of the Operating Revenues and the Borrower’s interest in the Funds and Accounts created under the Master Indenture to secure the payment and the performance by the Borrower of the Obligations issued under the Master Indenture.

(B) As a condition to the leasing and occupancy of a Housing Unit in the Project by a military servicemember, the Borrower shall use its best efforts to cause such Permitted Tenant to execute a Defense Finance and Accounting Service (“DFAS”) Allotment Form, which will direct DFAS to direct deposit the BAH for such Permitted Tenant with the Military Assistance Corporation (“MAC”). MAC will deduct its processing fee and electronically transfer all BAH transmitted from DFAS for the Project to the Master Trustee on the last day of each calendar month subject to up to three days grace period for delivery of such money. The Master Trustee shall deposit all sums received from MAC into the Operating Revenue Fund. Upon the Borrower’s certification to the Master Trustee that all residential rental units in the Project are individually metered for utilities, and that a portion of the BAH which is attributable to such metered utilities (the “Utility Set-Aside”) has been segregated or otherwise identified from the remainder of the BAH, such portion shall be deposited into the Utility Revenue Account of the Operating Revenue Fund.

(C) The Borrower further covenants that it shall remit or cause to be remitted to the Master Trustee for deposit in the Operating Revenue Fund all Operating Revenues (except as otherwise provided in the Master Indenture with respect to investment earnings on any Fund or Account established thereunder) received by the Borrower. The Borrower covenants to instruct the Property Manager to remit to the Master Trustee for deposit to the Operating Revenue Fund, within two Business Days after the Property Manager’s receipt thereof, all Operating Revenues received by the Property Manager.

Establishment of Funds and Accounts

As of the date of the Master Indenture, the Master Trustee will establish the following Funds and Accounts, which Funds and Accounts shall each be in the name of the Borrower, shall reflect a security interest in favor of the Master Trustee, and shall be under the exclusive control of the Master Trustee:

A. Accounts initially funded from proceeds of Notes or Related Bond Issuer Bonds and equity contributions from the Government and the Managing Member:

1. Capitalized Interest Fund;

2. Construction Fund, which will be divided into the Government Equity Account, the GMH Equity Account, the Bond Proceeds Account, the Costs of Issuance Account, the Residual IDP Project Cash Flow Account, the Insurance/Condemnation Proceeds Account, the Backlog, Maintenance and Repair Account and the Additional Contributions Account;
 3. Debt Service Reserve Fund, which will be divided into the Class I Debt Service Reserve Account, the Class II Debt Service Reserve Account and the Class III Debt Service Reserve Account;
 4. Operating Expense Reserve Fund;
 5. Utility Cost Reserve Fund; and
 6. Working Capital Reserve Fund.
- B. Accounts funded from Operating Revenues:
1. Operating Revenue Fund, which will include the Utility Revenue Account;
 2. Impositions Fund;
 3. Debt Service Fund, which will be divided into the Class I Debt Service Account, the Class II Debt Service Account, the Class III Debt Service Account and the Redemption Account;
 4. Capital Repair/Replacement Fund;
 5. Servicer and Fiduciary Fee Fund;
 6. Credit Enhancer's Premium Fund;
 7. Debt Service Reserve Fund;
 8. Operating Expense Reserve Fund;
 9. Utility Cost Reserve Fund;
 10. Surplus Cash Fund; and
 11. Residual IDP Project Cash Flow Account.

Amounts on deposit in the Funds and Accounts may be disbursed only by the Master Trustee as provided in the Master Indenture. Subaccounts may be created in all Funds and Accounts created under the Master Indenture for each Series of Notes.

Construction Fund

Deposits. The Construction Fund shall be funded through deposits made to the Government Equity Account, GMH Equity Account, the Bond Proceeds Account, the Residual IDP Project Cash Flow Account, the Costs of Issuance Account, the Insurance/Condemnation Proceeds Account, the Backlog, Maintenance and Repair Account and the Additional Contributions Account.

Disbursements. The Construction Fund is intended to fund both “costs of improvement” (as defined in the New York Lien Law) and other Project Costs, and the parties to the Master Indenture agree that any building loan agreement and project loan agreement among the parties will distinguish between the two and separately identify such costs in connection with disbursement from the Construction Fund. Except as provided below and in the Related Series Indenture, disbursements from the Construction Fund shall be made not more frequently than once each month (and up to one additional disbursement per calendar year if requested by the Borrower) only to pay Project Costs and only upon delivery to the Master Trustee of a Disbursement Request executed by the Borrower and approval of such Disbursement Request by the Servicer and, to the extent required by the Servicer, the Consulting Agent, on behalf of the holders of the Notes, in accordance with, and subject to, the Related Series Indenture. The Consulting Agent and the Servicer shall review the Disbursement Request to determine whether or not to approve such Disbursement Request. Disbursements for Project Costs (other than Costs of Issuance) made from the Construction Fund shall be funded from monies on deposit in each Account in the Construction Fund (other than the Costs of Issuance Account and the Insurance/Condemnation Proceeds Account) in the following order of priority: first, the Government Equity Account, second, the Bond Proceeds Account, third, the Residual IDP Project Cash Flow Account, fourth, the GMH Equity Account and fifth, the Additional Contributions Account. Disbursements from the Construction Fund shall be made after the Master Trustee’s receipt of a completed Disbursement Request executed by the Borrower and approved by the Servicer and the Consulting Agent, subject to satisfaction of the applicable requirements of the Related Series Indenture. Monies remaining in the Bond Proceeds Account, GMH Equity Account, Government Equity Account, and Residual IDP Project Cash Flow Account of the Construction Fund with respect to a Project for which a Completion Certificate has been delivered to the Master Trustee shall be deposited into the Operating Revenue Fund except to the extent the Related Series Indenture requires or permits the deposit of such monies into the Redemption Account to be used to redeem Related Obligations.

Earnings on Deposits in Construction Fund. Earnings attributable to investment of funds in the Accounts of the Construction Fund shall be retained in the applicable Account until disbursed in accordance with the foregoing provisions.

Government Equity Account.

Deposits. Upon the issuance and delivery of a Series of Notes under the Master Indenture and the closing of the related Loan, the Borrower shall cause the Government to deposit, within ninety (90) calendar days of such closing or as otherwise provided in the Related Series Indenture, from its own funds into the Government Equity Account an amount equal to the amount, if any, identified in the Related Series Indenture as the “Government Equity.” The Government Equity with respect to the 2004 Series A Master Notes is required to be deposited by August 1, 2004.

Disbursements. The Master Trustee shall (A) disburse amounts from the Government Equity Account as necessary to fund disbursements from the Construction Fund as described above under “THE MASTER INDENTURE – Construction Fund – *Disbursements*,” and the Related Series Indenture, and (B) disburse and deposit into the Operating Revenue Fund or the Redemption Account, as required by the Master Indenture and the Related Series Indenture, all amounts then on deposit in the Government Equity Account upon delivery to the Servicer and the Master Trustee of the Completion Certificate for the Project.

GMH Equity Account.

Deposits. Except as otherwise provided in the Related Series Indenture, the Borrower shall cause the Managing Member to deposit into the GMH Equity Account, at the time or times required by the Related Series Indenture, cash or a letter of credit or other cash equivalent or other form of equity guaranty in form and substance satisfactory to the Servicer, in an amount equal to the amount, if any, identified in the Related Series Indenture as the “GMH Equity.”

Disbursements. The Master Trustee shall (A) disburse amounts from the GMH Equity Account as necessary to fund disbursements from the Construction Fund as described above under “THE MASTER INDENTURE – Construction Fund – *Disbursements*” and the Related Series Indenture, and (B) disburse or, in the case of a letter of credit or other cash equivalents, draw any remaining balance and deposit into the Operating Revenue Fund or the Redemption Account, as required by the Master Indenture and the Related Series Indenture, all amounts then on deposit in the GMH Equity Account upon delivery to the Master Trustee and the Servicer of the Completion Certificate for the Project.

Bond Proceeds Account.

Deposits. Upon the issuance and delivery of a Series of Notes and any Related Bond Issuer Bonds and the closing of the related Loan, a portion of the proceeds of the Notes or any Related Bond Issuer Bonds shall be deposited into the Bond Proceeds Account in an amount equal to the amount identified in the Related Series Indenture as the “Bond Proceeds Deposit.”

Disbursements. The Master Trustee shall (A) disburse amounts from the Bond Proceeds Account as necessary to fund disbursements from the Construction Fund as described above under “THE MASTER INDENTURE – Construction Fund - *Disbursements*” and (B) disburse and deposit into the Operating Revenue Fund or the Redemption Account, as required by the Master Indenture, all amounts then on deposit in the Bond Proceeds Account upon delivery to the Master Trustee and the Servicer of the Completion Certificate for the Project.

Residual IDP Project Cash Flow Account.

Deposits. The Master Trustee shall deposit into the Residual IDP Project Cash Flow Account the amounts disbursed from the Operating Revenue Fund pursuant to the Master Indenture.

Disbursements. The Master Trustee shall (A) disburse funds held in the Residual IDP Project Cash Flow Account to fund disbursements from the Construction Fund as described above under “THE MASTER INDENTURE – Construction Fund - *Disbursements*”; and (B) on each Revenue Account Monthly Disbursement Date, so long as the Debt Service Coverage Ratio for each twelve month period immediately preceding and immediately following such Revenue Account Monthly Disbursement Date is not less than the Debt Service Coverage Ratio Requirement, as evidenced by the information delivered by the Borrower to the Servicer and the Master Trustee pursuant to the Master Indenture (such Debt Service Coverage Ratio to be calculated by including the actual Debt Service owed during such period net of any Debt Service paid from the Capitalized Interest Fund during such period) and the Borrower is not in default under the Loan Documents, then disburse the incentive management fees due under the Management Agreement in accordance with the terms of the Management Agreement and the Operating Agreement, but not to exceed the following amounts for each of the following years: \$60,000 for 2004, \$110,000 for 2005, \$130,000 for 2006, \$150,000 for 2007 and \$150,000 for

2008; *provided*, however that if such funds are not disbursed in accordance with this clause (B) because the Borrower fails to demonstrate pursuant to this clause (B) that the Debt Service Coverage Ratio is at least equal to the Debt Service Coverage Ratio Requirement then transfer all amounts on deposit in the Residual IDP Project Cash Flow Account not needed in accordance with clause (A) of this paragraph to the Operating Revenue Fund; provided, however, that the amounts transferred shall not be treated as Net Operating Income for any purpose; and (C) upon delivery to the Master Trustee and the Servicer of the Completion Certificate for the Project, disburse into the Operating Revenue Fund, to the Borrower or to the Redemption Account as described in “THE MASTER INDENTURE – Construction Fund – *Disbursements*” and the Related Series Indenture all amounts then on deposit in the Residual IDP Project Cash Flow Account.

Costs of Issuance Account.

Deposits. Upon the closing of a Loan, a portion of the proceeds of the Notes or any Related Bond Issuer Bond proceeds shall be deposited into the Costs of Issuance Account in an amount equal to the amount identified in the Related Series Indenture as the “Costs of Issuance.”

Disbursements. The Master Trustee shall disburse amounts from the Costs of Issuance Account to pay the Costs of Issuance to the certain payees in the amounts listed in a Closing Statement in the form attached to the Master Indenture. Any amounts remaining in Costs of Issuance Account ninety (90) days after the related Closing Date shall be transferred to the related Bond Proceeds Account of the Construction Fund.

Insurance/Condemnation Proceeds Account.

Deposits. The Master Trustee shall deposit in the Insurance/Condemnation Proceeds Account the amounts equal to (A) all Proceeds or other damage awards or proceeds received as a result or on account of casualty or Condemnation of the Project, plus (B) all other amounts to be deposited by the Borrower with the Master Trustee pursuant to the Loan Documents to the extent the amounts deposited pursuant to clause (A) are insufficient to complete repair or restoration of all or a portion of the Project damaged or taken.

Disbursements to Debt Service Fund. Money in the Insurance/Condemnation Proceeds Account shall be transferred by the Master Trustee to the Debt Service Fund to pay principal of and interest on the Notes when due to the extent required by the sections described under “THE MASTER INDENTURE – Debt Service Fund” to make payment on the Notes when due.

Disbursements for Repair or Restoration. To the extent not disbursed in accordance with the preceding section “*Disbursements to Debt Service Fund*” the Master Trustee shall (A) disburse amounts from the Insurance/Condemnation Proceeds Account as necessary to pay Project Costs associated with the repair or restoration of all or a portion of the Project damaged due to casualty or that portion of the Project remaining following a taking due to Condemnation, subject in each instance to compliance with the requirements set forth under “*Preconditions*” below and (B) to the extent required or permitted by the Related Series Indenture, or if the Borrower fails to comply with the requirements set forth under “*Preconditions*” below, but subject to other provisions of the Master Indenture, to the Redemption Account to redeem Related Notes, in whole or in part, or to pay the principal of, and accrued interest on, the Related Notes upon the acceleration of the maturity thereof as provided under “THE MASTER INDENTURE – Defaults and Remedies.” The Master Trustee’s use of Proceeds from the

Insurance/Condemnation Proceeds Account is further subject to the provisions set forth in “*Preconditions*” below.

Preconditions. (A) If the Project Costs of the repair or restoration of the Project for which the Borrower seeks disbursements from the Insurance/Condemnation Proceeds Account does not exceed \$500,000 as to any one casualty or Condemnation with respect to which Proceeds are deposited in the Insurance/Condemnation Proceeds Account, the Master Trustee shall disburse Proceeds from the Insurance/Condemnation Proceeds Account to the Borrower for application to the Project Costs of such repair or restoration; provided, that the Borrower shall certify to the Master Trustee that it has obtained all necessary authorizations, permits and licenses, and is otherwise in compliance with all applicable laws in respect of, and relating to, such repairs or restoration to be made and in compliance with the terms of the Master Indenture; and provided further, that, upon completion of such repair or restoration, the Borrower shall deliver a certificate of the Consulting Agent, together with other supporting documentation which the Master Trustee or Servicer may reasonably request, verifying the application of such Proceeds to Project Costs for the completion of such repair or restoration.

(B) If the Project Costs of the repair or restoration of the Project for which the Borrower seeks disbursements from the Insurance/Condemnation Proceeds Account exceeds \$500,000 as to any one casualty or Condemnation with respect to which Proceeds are deposited in the Insurance/Condemnation Proceeds Account, amounts on deposit in the Insurance/Condemnation Proceeds Account shall be disbursed in accordance with the disbursement requirements applicable to the Construction Fund as provided in any Related Series Indenture and applied to pay or to reimburse the Borrower for such Project Costs, but only if the Master Trustee and the Servicer shall have received within 120 days after the date of such casualty or Condemnation: (1) a written opinion of the Consulting Agent based upon plans, specifications and cost estimates provided to such Consulting Agent by the Borrower, that such Project can be restored to its condition immediately prior to such casualty, or in the case of a Condemnation, to a condition suitable for the continued operation of the remaining portion of such Project, within a period of 360 days after the date of such casualty or Condemnation; (2) a contract (the “Insurance/Condemnation Construction Contract”) between the Borrower and a general contractor, reasonably acceptable to the Servicer, whereby the general contractor agrees (I) to repair or restore the Project and (II) to subordinate any liens to the liens of the Master Trustee and otherwise attorns to the Master Trustee, and its successors and assigns, (3) copies of all subcontracts relating to such repair or restoration; (4) assignments by the Borrower to the Master Trustee of the Insurance/Condemnation Construction Contract and all such subcontracts and consents thereto executed by the general contractor and the subcontractors, as the case may be, all in form and substance satisfactory to the Servicer; (5) a Cash Flow Statement evidencing that the rental income from the Project during the repair or restoration (taking into account business loss insurance proceeds) and after completion of the repair or restoration will be sufficient to pay the Debt Service on all Notes, Administrative Expenses and Operating Expenses; (6) a line item budget or cost itemization setting forth, in form and level of detail satisfactory to the Servicer, all costs of such repair or restoration; and (7) such additional documentation as the Consulting Agent may reasonably request.

(C) The Proceeds deposited in the Insurance/Condemnation Proceeds Account, together with money deposited in the Insurance/Condemnation Proceeds Account by the Borrower pursuant to the section described under “THE MASTER INDENTURE – Insurance/Condemnation Proceeds Amount – *Deposits*,” to pay for such repair or restoration must be sufficient to complete such repair or restoration as reflected in the budget delivered by the Borrower pursuant to the section described in clause (6) the preceding paragraph;

(D) The Master Trustee shall disburse money in the Insurance/Condemnation Proceeds Account only upon receipt from the Borrower of a Disbursement Request and the written consent of the Servicer to such Disbursement Request each in accordance with and subject to the provisions of the Related Series Indenture.

(E) The Master Trustee shall not honor any Disbursement Request to the extent the repair or restoration sought is not in compliance with the Master Indenture or the amount requested exceeds the Project Costs allocated to or allowed for such work per the itemized cost statement or line item budget provided as described above in clause (6) of paragraph (B) above, unless the Servicer consents or directs otherwise. All Disbursement Requests and all other statements, orders, certifications and approvals received by the Master Trustee, as required by this provision as conditions of payment from the Insurance/Condemnation Proceeds Account, may be conclusively relied upon by the Master Trustee, and shall be retained by the Master Trustee, subject at all reasonable times to examination by the Borrower, the Servicer and the agents and representatives of each of them.

(F) In the event that the Borrower does not complete the repair or restoration of the Project in accordance with the terms set forth above (subject to Unavoidable Delays), the Master Trustee upon written direction of the Servicer shall, after 30 days' written notice from the Master Trustee to the Borrower of such failure and continuance of such failure at the end of such period, either disburse money in the Insurance/Condemnation Proceeds Account, including retainage, for the payment of Project Costs of the repair or restoration of a Project or disburse money in the Insurance/Condemnation Proceeds Account to the Redemption Account of the Debt Service Fund to redeem Notes as permitted by the terms of the Related Series Indenture.

(G) Upon the completion of the repair or restoration of the Project (as evidenced by a certificate of the Consulting Agent), the accumulated retainage shall be disbursed to the Borrower and, upon delivery by the Borrower to the Master Trustee and the Servicer of Cash Flow Statement evidencing that the rental income from the Project after completion of the restoration will be sufficient to pay the Debt Service on all Notes, Administrative Expenses and Operating Expenses, the balance, if any, in the Insurance/Condemnation Proceeds Account shall be deposited by the Master Trustee into the Operating Revenue Fund. If the Borrower fails to provide the Cash Flow Statement required in the preceding sentence, or if directed by the Borrower, the Master Trustee shall transfer from the Insurance/Condemnation Proceeds Account to the Redemption Account of the Debt Service Fund the lesser of (1) all funds then on deposit therein and (2) the amount necessary to permit the Borrower to deliver the Cash Flow Statement required by the preceding sentence, and then apply such amount to the redemption of Notes as required or permitted by the terms of the Related Series Indenture.

Backlog, Maintenance and Repair Account

Deposits. Upon the issuance and delivery of a Series of Notes and the funding of the related Loan, a portion of the proceeds of the Notes or Related Bond Issuer Bonds in an amount equal to the amount, if any, identified in the Related Series Indenture as the "Backlog, Maintenance and Repair Deposit" shall be deposited into the Backlog, Maintenance and Repair Account.

Disbursements. To the extent not needed for disbursement to the Debt Service Fund, disbursements from the Backlog, Maintenance and Repair Account shall be made pursuant to the Borrower Standing Disbursement Instructions to pay specified capital repair and replacement expenses set forth in a schedule attached to the Related Series Indenture during the related Initial Development Period plus any other expenses relating to the Project agreed to by the Servicer.

Additional Contributions Account.

Deposits. The Master Trustee shall deposit into the Additional Contributions Account all payments under the Construction Completion Guaranty, and all payments of additional equity contribution from or behalf of the Borrower and/or the Managing Member.

Disbursements. The Master Trustee shall (A) disburse amounts from the Additional Contributions Account as necessary to fund disbursements from the Construction Fund as described under “THE MASTER INDENTURE – Construction Fund – *Disbursements*” hereof and the Related Series Indenture, and (B) disburse any remaining available balance and deposit into the Operating Revenue Fund or the Redemption Account as described under “THE MASTER INDENTURE – Construction Fund – *Disbursements*” and the Related Series Indenture all amounts then on deposit in the Additional Contributions Account upon delivery to the Master Trustee and the Servicer of the Completion Certificate for the Project.

Capitalized Interest Fund

Deposits. Upon the funding of a Loan, a portion of the proceeds of the Notes or Related Bond Issuer Bonds shall be deposited into the Capitalized Interest Fund in an amount equal to the amount, if any, identified in the Related Series Indenture as the “Capitalized Interest Deposit.” Earnings attributable to investment of funds in the Capitalized Interest Fund shall be retained therein until disbursed in accordance with this section.

Disbursements. On each Interest Payment Date specified in the Related Capitalized Interest Fund Disbursement Schedule as set forth in the Related Series Indenture, the Master Trustee shall disburse from the Capitalized Interest Fund (without the need for a Disbursement Request or other instruction) directly to the Debt Service Fund, the greater of (i) the amount payable to such Fund and the designated Account therein pursuant to the Related Capitalized Interest Fund Disbursement Schedule on the next succeeding Interest Payment Date as set forth in the Related Series Indenture or (ii) the amount necessary to pay Debt Service due on the Notes, after taking into consideration amounts available therefor in the Debt Service Fund on the next succeeding Interest Payment Date. Any amounts payable pursuant to the Capitalized Interest Fund Disbursement Schedule and not needed on such date of payment to pay amounts required by this paragraph shall be applied pursuant to, and in the priority set forth in paragraphs 4 through 11 under “THE MASTER INDENTURE – Operating Revenue Fund – *Disbursements When No Event of Default has Occurred and is Continuing.*”

Operating Revenue Fund

Deposits. Pursuant to the Master Indenture, the Borrower shall remit or cause to be remitted to the Master Trustee for deposit to the Operating Revenue Fund all Operating Revenues (except as otherwise provided in the Master Indenture with respect to investment earnings on any Fund or Account). Immediately before applying funds in the Operating Revenue Fund on the first Revenue Account Monthly Disbursement Date of each calendar quarter, the Master Trustee shall transfer to the Operating Revenue Fund investment earnings on amounts on deposit in all other Funds and Accounts which are not required to be retained in such Funds and Accounts pursuant to the terms of the Master Indenture. The Master Trustee shall deposit into the Operating Revenue Fund all Fund and Account balances (or portions thereof) as and when required by the Master Indenture. The Master Trustee shall deposit into the Operating Revenue Fund all other moneys received by it that are accompanied by directions of the Borrower, the Property Manager and/or the Servicer, as applicable, that such moneys are to be deposited into the Operating Revenue Fund. Following the Utility Transition Period, at the direction of the Borrower, the Master Trustee shall deposit the Utility Set-Aside portion of the BAH, to the extent paid

separately or otherwise identifiable from the remainder of the BAH, into the Utility Revenue Account upon receipt as described below in an amount certified in writing by an Authorized Officer of the Borrower and the Property Manager.

Disbursements When No Event of Default has Occurred and is Continuing. Unless the Master Trustee has declared an Event of Default pursuant to the Master Indenture and such default has not been remedied or waived, on each Revenue Account Monthly Disbursement Date, all moneys in the Operating Revenue Fund shall be paid or transferred from, or retained in, the Operating Revenue Fund by the Master Trustee in the following order of priority:

1. To the Borrower in accordance with Borrower Operating Expense Request and the Borrower Standing Disbursement Instructions, an amount equal to Operating Expenses (other than costs of taxes, insurance and capital repair and replacement, which costs are to be paid from the Impositions Fund or the Capital Repair/Replacement Fund, as applicable, or any other Operating Expense payable from another Account pursuant to the terms of the Indenture) for the current month to the extent set forth in the Operating Budget, which amount shall be used by the Borrower solely to pay such Operating Expenses. Following the Utility Transition Period, amounts on deposit in the Utility Revenue Account shall be paid to the Borrower as an Operating Expense. To the extent the Utility Set Aside relating to any Permitted Tenant falls below or exceeds the DoA-specified percentage of the average utility costs, as set forth in the Operating Agreement, of such Permitted Tenant, the Borrower shall refund or credit any amount below such percentage to such Permitted Tenant, or charge such Permitted Tenant for any excess above such percentage in accordance with the terms of such Permitted Tenant's residential lease.

2. To the Impositions Fund, 1/12 of the amount budgeted by the Borrower set forth in the Operating Budget for annual premiums for insurance required to be maintained pursuant to the Master Indenture, for annual real estate taxes (or payments in lieu of taxes), assessments and for other governmental charges, until such amount is fully funded; *provided, however*, that distribution by the Master Trustee to the Impositions Fund in respect of the first date or dates on which premiums for insurance, taxes, assessments and other governmental charges described above are payable shall be made in amounts equal to the respective quotients obtained by dividing the amount of such premiums, the amount of such taxes, assessments or the amount of such other governmental charges by the respective number of months, including the month of computation, to and including the month prior to the month in which such premiums, taxes, assessments or other governmental charges are payable;

3. To the Servicer and Fiduciary Fee Fund, all accrued and unpaid Servicer's Fees.

4. To the specified Accounts within the Debt Service Fund and the Debt Service Reserve Fund in the following order of priority:

(A) *First*, to the Class I Debt Service Account an amount necessary so that the funds on deposit in the Class I Debt Service Account (including amounts to be deposited therein from the Capitalized Interest Fund) are equal to the Principal Installment, if any, and interest due on the Class I Notes on the next succeeding Interest Payment Date as set forth on the amortization schedule in the Related Series Indenture and any Borrower Derivative Payments as set forth in the related Derivative Product and designated as Class I Obligations in the Related Series Indenture.

(B) *Second*, to the Class I Debt Service Reserve Account, first, if the Reserve Account Contract relating to the Class I Debt Service Reserve Account has been drawn on, to the Reserve Account Contract Provider thereof an amount equal to the full amount of all unreimbursed draws on such Reserve Account Contract and related expenses and interest, and,

second, the amount necessary, if any, to increase the balance in the Class I Debt Service Reserve Account (after taking into account all withdrawals, if any, therefrom with respect to the preceding month and draws and reinstatements on the Reserve Account Contract on deposit therein) to an amount equal to the aggregate of (1) the Class I Debt Service Reserve Account Requirement for each Series of Class I Notes Outstanding, and (2) the fees payable to any Reserve Account Contract Provider with respect to all Reserve Account Contracts deposited in the Class I Debt Service Reserve Account; *provided*, that unless and until the Master Trustee has notified the Borrower and the Servicer that the Reserve Account Contract, if any, delivered on the Closing Date with respect to the Class I Debt Service Reserve Account is no longer in full force and effect in an amount, together with any moneys on deposit in the Class I Debt Service Reserve Account, equal to the Class I Debt Service Reserve Account Requirement, no funds shall be deposited to the Class I Debt Service Reserve Account pursuant to this section.

(C) *Third*, to the Class II Debt Service Account an amount necessary so that the funds on deposit in the Class II Debt Service Account (including amounts to be deposited therein from the Capitalized Interest Fund) are equal to the Principal Installment, if any, and interest due on the Class II Notes on the next succeeding Interest Payment Date as set forth on the amortization schedule in the Related Series Indenture and any Borrower Derivative Payments as set forth in the related Derivative Product and designated as Class II Obligations in the Related Series Indenture.

(D) *Fourth*, to the Class II Debt Service Reserve Account, first, if the Reserve Account Contract Relating to the Class II Debt Service Reserve Account has been drawn on, to the Reserve Account Contract Provider thereof an amount equal to the full amount of all unreimbursed draws on such Reserve Account Contract and related expenses and interest, and, second, the amount necessary, if any, to increase the balance in the Class II Debt Service Reserve Account (after taking into account all withdrawals, if any, therefrom with respect to the preceding month and draws and reinstatements on the Reserve Account Contract on deposit therein) to an amount equal to the aggregate of (1) the Class II Debt Service Reserve Account Requirement for each Series of Class II Notes Outstanding, and (2) the fees payable to any Reserve Account Contract Provider with respect to all Reserve Account Contracts deposited in the Class II Debt Service Reserve Account; *provided*, that unless and until the Master Trustee has notified the Borrower and the Servicer that the Reserve Account Contract, if any, delivered on the Closing Date with respect to the Class II Debt Service Reserve Account is no longer in full force and effect in an amount, together with any moneys on deposit in the Class II Debt Service Reserve Account, equal to the Class II Debt Service Reserve Account Requirement, no funds shall be deposited to the Class II Debt Service Reserve Account pursuant to this section.

(E) *Fifth*, to the Class III Debt Service Account an amount necessary so that the funds on deposit in the Class III Debt Service Account (including amounts to be deposited therein from the Capitalized Interest Fund) are equal to the Principal Installment, if any, and interest due on the Class III Notes on the next succeeding Interest Payment Date as set forth on the amortization schedule in the Related Series Indenture.

(F) *Sixth*, to the Class III Debt Service Reserve Account, first, if the Reserve Account Contract Relating to the Class III Debt Service Reserve Account has been drawn on, to the Reserve Account Contract Provider thereof an amount equal to the full amount of all unreimbursed draws on such Reserve Account Contract and related expenses and interest, and, second, the amount necessary, if any, to increase the balance in the Class III Debt Service Reserve Account (after taking into account all withdrawals, if any, therefrom with respect to the preceding month and draws and reinstatements on the Reserve Account Contract on deposit

therein) to an amount equal to the aggregate of (1) the Class III Debt Service Reserve Account Requirement for each Series of Class III Notes Outstanding, and (2) the fees payable to any Reserve Account Contract Provider with respect to all Reserve Account Contracts deposited in the Class III Debt Service Reserve Account; *provided*, that unless and until the Master Trustee has notified the Borrower and the Servicer that the Reserve Account Contract, if any, delivered on the Closing Date with respect to the Class III Debt Service Reserve Account is no longer in full force and effect in an amount, together with any moneys on deposit in the Class III Debt Service Reserve Account, equal to the Class III Debt Service Reserve Account Requirement, no funds shall be deposited to the Class III Debt Service Reserve Account pursuant to this section.

(G) *Seventh*, to the issuer of any letter of credit or other cash equivalent or equity guaranty deposited into the GMH Equity Account, any amount owed under the terms of such instrument.

(H) *Eighth*, to the applicable Reciprocal Payor, all termination payments, if any, due and owing to such Reciprocal Payor.

5. To the Servicer and Fiduciary Fee Fund, all accrued and unpaid Fiduciary Fees and Bond Issuer Fees.

6. To the Credit Enhancer's Premium Fund, if applicable, all accrued and unpaid Credit Enhancer fees.

7. To the Capital Repair/Replacement Fund, the amount necessary, if any, to increase the balance in the Capital Repair/Replacement Fund to an amount equal to the amount required to be deposited therein as described below under "THE MASTER INDENTURE – Capital Repair/Replacement Fund."

8. To the Operating Expense Reserve Fund, the amount necessary, if any, to increase the balance in the Operating Expense Reserve Fund (after taking into account all withdrawals with respect to the preceding month) to an amount equal to the Operating Expense Reserve Requirement.

9. To the Utility Cost Reserve Fund, the amount necessary, if any, to increase the balance in the Utility Cost Reserve Fund (after taking into account all withdrawals with respect to the preceding month) to the Utility Cost Reserve Requirement.

10. Prior to delivery of the Completion Certificate, to the Residual IDP Project Cash Flow Account the amount remaining in the Operating Revenue Fund.

11. After delivery of the Completion Certificate, to the Surplus Cash Fund, the amount remaining in the Operating Revenue Fund. Moneys in the Surplus Cash Fund shall be disbursed as described below under "THE MASTER INDENTURE – Surplus Cash Fund."

In the event that on any Revenue Account Monthly Disbursement Date there are insufficient funds in the Operating Revenue Fund to make the full amount of any payment or deposit required to be made on such date pursuant to any of (1) through (9) above, to the extent such deficiency remains as of the next Revenue Account Monthly Disbursement Date, such deficiency shall be added to the amounts to be deposited or paid under such clause as of such subsequent Revenue Account Monthly Disbursement Date in the same order of priority.

Disbursements When An Event of Default has Occurred and is Continuing. Upon the occurrence and continuation of an Event of Default, and until (i) all Events of Default have been cured (or waived in accordance with the Master Indenture) and the Master Trustee has delivered to the Servicer and the Borrower a written notice of the waiver of such Event(s) of Default, or (ii) a Loan is accelerated (unless such acceleration is rescinded), on each Revenue Account Monthly Disbursement Date, the Master Trustee shall withdraw from the Operating Revenue Fund and disburse Operating Revenues as described in Appendix C “Summary of Certain Provisions of the Master Indenture – Default Provisions and Remedies of the Master Trustee and Owners of the Bonds – Application of Revenues and Other Moneys After Default.”

Impositions Fund

Deposits. The Master Trustee shall deposit into the Impositions Fund the amounts required to be deposited therein from the Operating Revenue Fund as described above under “THE MASTER INDENTURE – Operating Revenue Fund.”

Disbursements. Immediately prior to each Revenue Account Monthly Disbursement Date, the Master Trustee shall transfer to the Operating Revenue Fund any amount on deposit in the Impositions Fund in excess of the aggregate of the amounts required to have been deposited pursuant to the Master Indenture on all preceding Revenue Account Monthly Disbursement Dates in the then current Fiscal Year. Disbursements from the Impositions Fund shall be made subject to the terms of the Master Indenture, pursuant to a Disbursement Request to pay the cost of insurance premiums and real estate taxes, if any, applicable to the Project as and when due.

Capital Repair/Replacement Fund

Deposits. On each Revenue Account Monthly Disbursement Date during the Initial Development Period for the Project, the Master Trustee shall transfer from the Operating Revenue Fund an amount equal to 1/12 of the product of \$250 and the number of units in the Project available for occupancy but not to exceed 228 units to the Capital Repair/Replacement Fund. Thereafter, commencing with the calendar month immediately following receipt by the Borrower of a Completion Certificate for the Project, to the Capital Repair/Replacement Fund, the amount calculated by the Master Trustee to equal the sum of 1/12 of the product of \$250 and the number of units in the Project (as increased each year by the most recent annual increase in the Consumer Price Index for the succeeding Fiscal Year), or such other amount as may be determined in accordance with information provided by the Borrower to the Master Trustee in accordance with the Master Indenture. See Appendix C “Summary of Certain Provisions of the Master Indenture – Particular Representations, Warranties and Covenants of the Borrower - Reporting Requirements” for a summary of the Borrower’s annual capital expenditure plans and contributions to the Capital Repair/Replacement Fund.

Disbursements. Funds on deposit in the Capital Repair/Replacement Fund shall be disbursed to pay amounts required to pay Debt Service pursuant to the section described under “THE MASTER INDENTURE – Debt Service Fund.” To the extent not needed for disbursement to the Debt Service Fund as described under “THE MASTER INDENTURE – Debt Service Fund,” disbursements from the Capital Repair/Replacement Fund shall be made (A) subject to the terms of the Master Indenture, pursuant to a Disbursement Request, which request shall be consistent with the Operating Budget, Capital Plan or otherwise approved by the Managing Member and the Servicer, or (B) to the Operating Revenue Fund, pursuant to a written direction of the Borrower delivered to the Master Trustee and the Servicer, upon delivery to the Master Trustee of a Reserve Account Contract having a face amount equal to the amount of the proposed disbursement then requested by the Borrower; *provided*, that in no event shall any

withdrawal pursuant to this paragraph be made prior to the first anniversary of the date of the Related Series Indenture without the prior written consent of the Servicer.

Earnings. Earnings attributable to the investment of funds in the Capital Repair/Replacement Fund shall be retained in the Capital Repair/Replacement Fund until disbursed in accordance with the preceding section.

Operating Expense Reserve Fund

Deposits. Upon the issuance and delivery of a Series of Notes and the funding of the related Loan, a portion of the proceeds of the Notes or Related Bond Issuer Bonds in an amount equal to the amount identified in the Related Series Indenture as the “Operating Expense Reserve Requirement” shall be deposited into the Operating Expense Reserve Fund for extraordinary Operating Expenses. The Master Trustee shall deposit into the Operating Expense Reserve Fund the amounts required to be deposited therein from the Operating Revenue Fund as described above under “THE MASTER INDENTURE – Operating Revenue Fund.”

Disbursements. Funds on deposit in the Operating Expense Reserve Fund shall be disbursed to pay amounts required to pay Debt Service pursuant to the section described under “THE MASTER INDENTURE – Debt Service Fund.” To the extent not needed for disbursement to the Debt Service Fund as described under “THE MASTER INDENTURE – Debt Service Fund,” disbursements from the Operating Expense Reserve Fund shall be made (A) pursuant to a Disbursement Request to pay for unexpected or extraordinary Operating Expenses not paid pursuant to the Master Indenture, or (B) to the Operating Revenue Fund, pursuant to a written direction of the Borrower delivered to the Master Trustee and the Servicer, upon delivery to the Master Trustee of a Reserve Account Contract having a face amount equal to the amount of the proposed disbursement then requested by the Borrower.

Debt Service Reserve Fund

Class I Debt Service Reserve Account Deposits. Upon the issuance and delivery of a Series of Notes and the funding of the related Loan, either (A) a portion of the proceeds of the Notes or Related Bond Issuer Bonds in an amount equal to the amount, if any, identified in the Related Series Indenture as the “Class I Debt Service Reserve Account Requirement” shall be deposited into the Class I Debt Service Reserve Account or (B) the Borrower shall deliver to the Master Trustee, as of such date, a Reserve Account Contract relating to the Class I Debt Service Reserve Account equal to the Related Class I Debt Service Reserve Account Requirement. The Master Trustee shall deposit into the Class I Debt Service Reserve Account the amounts required to be deposited therein from the Operating Revenue Fund as described above under “THE MASTER INDENTURE – Operating Revenue Fund.”

Class I Debt Service Reserve Account Disbursements. Immediately prior to each Revenue Account Monthly Disbursement Date, the Master Trustee shall disburse into the Operating Revenue Fund any cash on deposit in the Class I Debt Service Reserve Account in excess of the then current Class I Debt Service Reserve Account Requirement. Disbursements from the Class I Debt Service Reserve Account shall be made first, from available cash on deposit in the Class I Debt Service Reserve Account and, second, from amounts drawn pro rata from all Reserve Account Contracts, if any, on deposit in the Class I Debt Service Reserve Account, by the Master Trustee (without the need for further direction) on the Revenue Account Monthly Disbursement Date immediately preceding an Interest Payment Date for deposit into the Class I Debt Service Account to pay amounts payable to the Debt Service Fund as described above in Paragraph 3 under “THE MASTER INDENTURE – Operating Revenue Fund – Disbursements When No Event of Default has Occurred and is Continuing” on such date, to the extent

amounts in the Operating Revenue Fund and the Capitalized Interest Fund are not sufficient to pay such amounts.

The Master Trustee shall disburse amounts in the Class I Debt Service Reserve Account to the Operating Revenue Fund, pursuant to a written direction from the Borrower delivered to the Master Trustee and the Servicer, upon delivery to the Master Trustee of a Reserve Account Contract having a face amount equal to the lesser of (A) the amount of the proposed disbursement by the Master Trustee then requested by the Borrower and (B) the Class I Debt Service Reserve Account Requirement.

Class II Debt Service Reserve Account Deposits. Upon the issuance and delivery of a Series of Notes and the funding of the related Loan, either (A) a portion of the proceeds of the Notes or Related Bond Issuer Bonds in an amount equal to the amount identified in the Related Series Indenture as the “Class II Debt Service Reserve Account Requirement” shall be deposited into the Class II Debt Service Reserve Account or (B) the Borrower shall deliver to the Master Trustee, as of such date, a Reserve Account Contract relating to the Class II Debt Service Reserve Account equal to the Related Class II Debt Service Reserve Account Requirement. The Master Trustee shall deposit into the Class II Debt Service Reserve Account the amounts required to be deposited therein from the Operating Revenue Fund as described above under “THE MASTER INDENTURE – Operating Revenue Fund.”

Class II Debt Service Reserve Account Disbursements. Immediately prior to each Revenue Account Monthly Disbursement Date, the Master Trustee shall disburse into the Operating Revenue Fund any cash on deposit in the Class II Debt Service Reserve Account in excess of the then current Class II Debt Service Reserve Account Requirement. Disbursements from the Class II Debt Service Reserve Account shall be made first, from available cash on deposit in the Class II Debt Service Reserve Account and, second, from amounts drawn pro rata from all Reserve Account Contracts, if any, on deposit in the Class II Debt Service Reserve Account, by the Master Trustee (without the need for further direction) on the Revenue Account Monthly Disbursement Date immediately preceding an Interest Payment Date for deposit into the Class II Debt Service Reserve Account to pay amounts payable to the Debt Service Fund as described above in Paragraph 3 under “THE MASTER INDENTURE – Operating Revenue Fund – *Disbursements When No Event of Default has Occurred and is Continuing*” on such date, to the extent amounts in the Operating Revenue Fund and the Capitalized Interest Fund are not sufficient to pay such amounts.

The Master Trustee shall disburse amounts in the Class II Debt Service Reserve Account to the Operating Revenue Fund, pursuant to a written direction from the Borrower delivered to the Master Trustee and the Servicer, upon delivery to the Master Trustee of a Reserve Account Contract having a face amount equal to the lesser of (A) the amount of the proposed disbursement by the Master Trustee then requested by the Borrower and (B) the Class II Debt Service Reserve Account Requirement.

Class III Debt Service Reserve Account Deposits. Upon the issuance and delivery of a Series of Notes and the funding of the related Loan, either (A) a portion of the proceeds of the Notes or Related Bond Issuer Bonds in an amount equal to the amount identified in the Related Series Indenture as the “Class III Debt Service Reserve Account Requirement” shall be deposited into the Class III Debt Service Reserve Account or (B) the Borrower shall deliver to the Master Trustee, as of such date, a Reserve Account Contract relating to the Class III Debt Service Reserve Account equal to the Related Class III Debt Service Reserve Account Requirement. The Master Trustee shall deposit into the Class III Debt Service Reserve Account the amounts required to be deposited therein from the Operating Revenue Fund as described above under “THE MASTER INDENTURE – Operating Revenue Fund.”

Class III Debt Service Reserve Account Disbursements. Immediately prior to each Revenue Account Monthly Disbursement Date, the Master Trustee shall disburse into the Operating Revenue Fund

any cash on deposit in the Class III Debt Service Reserve Account in excess of the then current Class III Debt Service Reserve Account Requirement. Disbursements from the Class III Debt Service Reserve Account shall be made by first, from available cash on deposit in the Class III Debt Service Reserve Account and, second, from amounts drawn pro rata from all Reserve Account Contracts, if any, on deposit in the Class III Debt Service Reserve Account, by the Master Trustee (without the need for further direction) on the Revenue Account Monthly Disbursement Date immediately preceding an Interest Payment Date for deposit into the Class III Debt Service Account to pay amounts payable to the Debt Service Fund as described above in Paragraph 4(E) under “THE MASTER INDENTURE – Operating Revenue Fund – *Disbursements When No Event of Default has Occurred and is Continuing*” on such date, to the extent amounts in the Operating Revenue Fund and the Capitalized Interest Fund are not sufficient to pay such amounts.

The Master Trustee shall disburse amounts in the Class III Debt Service Reserve Account to the Operating Revenue Fund, pursuant to a written direction from the Borrower delivered to the Master Trustee and the Servicer, upon delivery to the Master Trustee of a Reserve Account Contract having a face amount equal to the lesser of (A) the amount of the proposed disbursement by the Master Trustee then requested by the Borrower and (B) the Class III Debt Service Reserve Account Requirement.

Working Capital Reserve Fund

Deposits. Upon the issuance and delivery of a Series of Notes and the funding of the related Loan, a portion of the proceeds of the Notes or Related Bond Issuer Bonds in an amount, if any, identified in the Related Series Indenture as the “Working Capital Reserve Deposit” shall be deposited into the Working Capital Reserve Fund.

Disbursements. Funds on deposit in the Working Capital Reserve Fund shall be disbursed to pay amounts required to pay Debt Service pursuant to the section described under “THE MASTER INDENTURE – Debt Service Fund.” To the extent not needed for disbursement to the Debt Service Fund as described below under “THE MASTER INDENTURE – Debt Service Fund,” disbursements from the Working Capital Reserve Fund shall be made, prior to the Master Trustee’s receipt of the second installment of BAH, pursuant to the Borrower Standing Disbursement Instructions to pay ordinary operating expenses in accordance with the Operating Budget. Upon receipt by the Master Trustee of the second installment of BAH, all amounts then on deposit in the Working Capital Reserve Fund shall be deposited into the Operating Revenue Fund.

Debt Service Fund

Class I Debt Service Account Deposits. The Master Trustee shall deposit into the Class I Debt Service Account (1) the amounts required to be deposited therein from the following Funds and Accounts in the following priority: the Insurance/Condemnation Proceeds Account, from the Capitalized Interest Fund, from the Operating Revenue Fund, from the Debt Service Reserve Fund, from the Working Capital Reserve Fund, from the Operating Expense Reserve Fund, from the Utility Cost Reserve Fund and from the Capital Repair/Replacement Fund pursuant to the Master Indenture; (2) funds representing Reciprocal Payments due pursuant to a Derivative Product; (3) from such of the Funds and Accounts as may be directed by the Master Trustee upon an Event of Default under the Master Indenture; and (4) amounts paid to the Master Trustee by the provider of a Reserve Account Contract relating to the Debt Service Reserve Fund.

Class I Debt Service Account Disbursements. The Master Trustee on each Interest Payment Date shall disburse from the Class I Debt Service Account to the Owners of the Class I Obligations, on a *pari passu* basis, the Principal Installment, if any, and interest then due and payable on the Class I Notes

on such Interest Payment Date as set forth on the amortization schedule in the Related Series Indenture, and any Borrower Derivative Payments to the related Reciprocal Payor as set forth in the related Derivative Product and designated as Class I Obligations in the Related Series Indenture.

Class II Debt Service Account Deposits. The Master Trustee shall deposit into the Class II Debt Service Account (1) the amounts required to be deposited therein from the following Funds and Accounts in the following priority: the Insurance/Condemnation Proceeds Account, from the Capitalized Interest Fund, from the Operating Revenue Fund, from the Debt Service Reserve Fund, from the Working Capital Reserve Fund, from the Operating Expense Reserve Fund, from the Utility Cost Reserve Fund, and from the Capital Repair/Replacement Fund pursuant to the Master Indenture; (2) funds representing Reciprocal Payments due pursuant to a Derivative Product; (3) funds from such of the Funds and Accounts as may be directed by the Master Trustee upon an Event of Default under the Master Indenture; and (4) amounts paid to the Master Trustee by the provider of a Reserve Account Contract relating to the Debt Service Reserve Fund.

Class II Debt Service Account Disbursements. The Master Trustee on each Interest Payment Date shall disburse from the Class II Debt Service Account to the Owners of the Class II Obligations, on a *pari passu* basis, the Principal Installment, if any, and interest then due and payable on the Class II Notes on such Interest Payment Date as set forth on the amortization schedule in the Related Series Indenture and any Borrower Derivative Payments to the related Reciprocal Payor as set forth in the related Derivative Product and designated as Class II Obligations in the Related Series Indenture.

Class III Debt Service Account Deposits. The Master Trustee shall deposit into the Class III Debt Service Account (1) the amounts required to be deposited therein from the following Funds and Accounts in the following priority: the Insurance/Condemnation Proceeds Account, from the Capitalized Interest Fund, from the Operating Revenue Fund, from the Debt Service Reserve Fund, from the Working Capital Reserve Fund, from the Operating Expense Reserve Fund, from the Utility Cost Reserve Fund, and from the Capital Repair/Replacement Fund pursuant to the Master Indenture; (2) funds from such of the Funds and Accounts as may be directed by the Master Trustee pursuant to the Master Indenture; and (3) amounts paid to the Master Trustee by the provider of a Reserve Account Contract relating to the Debt Service Reserve Fund.

Class III Debt Service Account Disbursements. The Master Trustee on each Interest Payment Date shall disburse from the Class III Debt Service Account to the Owners of the Class III Obligations, on a *pari passu* basis, first, the interest due and payable on the Class III Obligations on such Interest Payment Date (including any previous interest not paid when due) and then the Principal Installments, if any, due and payable on the Class III Obligations on such interest Payment Date as set forth in the Related Series Indenture (including any previous Principal Installment not paid when due), and any Borrower Derivative Payments to the related Reciprocal Payor as set forth in the related Derivative Product and designated as Class III Obligations in the Related Series Indenture.

Redemption Account. The Master Trustee shall deposit to the Redemption Account funds transferred from the Bond Proceeds Account, from the Government Equity Account, the GMH Equity Account, the Insurance/Condemnation Proceeds Account, the Residual IDP Project Cash Flow Account and the Additional Contribution Account, in each case pursuant to the terms of the Master Indenture, and funds paid to the Master Trustee to effect a mandatory or an optional redemption of Notes as permitted by the Related Series Indenture. Funds so deposited shall be applied by the Master Trustee to the redemption of Obligations in accordance with the provisions of the Related Series Indenture; *provided*, that prior to using such funds to redeem Obligations of any Class, the Master Trustee shall apply such funds to the payment of any outstanding Reserve Account Contract Obligations with respect to such Class.

In the event of a foreclosure of the Mortgage and the occurrence of an Event of Default under the Master Indenture, the Net Proceeds realized from the foreclosure sale shall be deposited in the Redemption Account and shall be disbursed by the Master Trustee as provided in the Master Indenture. Additionally, if the Master Trustee recovers or otherwise receives moneys on, or with respect to, the policy of title insurance with respect to the Project, such moneys shall be deposited in the Redemption Account and shall be disbursed by the Master Trustee as provided in the Master Indenture.

To the extent the Master Trustee receives funds for the redemption of Obligations resulting from the financing or sale of the Land and Improvements following the purchase of the Land and Improvements by the Borrower, the Managing Member or any designee thereof pursuant to the Purchase Option Agreement, and the Servicer directs the Borrower to optionally redeem the Obligations pursuant to the provisions of each applicable Related Series Indenture, such moneys shall be deposited into the Redemption Account and used by the Borrower to redeem, pursuant to all applicable optional redemption provisions set forth in such Related Series Indenture, Obligations in the following order of priority:

- (i) *first*, to the redemption of all Outstanding Class I Obligations and the payment of all Outstanding Class I Reserve Account Contract Obligations, and, if the amount available shall not be sufficient to redeem or pay all such Class I Obligations and Class I Reserve Account Contract Obligations in full, then to the partial redemption or payment of such Class I Obligations or Class I Reserve Account Contract Obligations, without any preference or priority, ratably according to the aggregate amounts due, to the Persons entitled thereto;
- (ii) *second*, to the redemption of all Outstanding Class II Obligations and the payment of all Outstanding Class II Reserve Account Contract Obligations, and, if the amount available shall not be sufficient to redeem or pay all such Class II Obligations and Class II Reserve Account Contract Obligations in full, then to the partial redemption or payment of such Class II Obligations or Class II Reserve Account Contract Obligations, without any preference or priority, ratably according to the aggregate amounts due, to the Persons entitled thereto; and
- (iii) *third*, to the redemption of all Outstanding Class III Obligations and the payment of all Outstanding Class III Reserve Account Contract Obligations, and, if the amount available shall not be sufficient to redeem or pay all such Class III Obligations and Class III Reserve Account Contract Obligations in full, then to the partial redemption or payment of such Class III Obligations or Class III Reserve Account Contract Obligations, without any preference or priority, ratably according to the aggregate amounts due, to the Persons entitled thereto.

Servicer and Fiduciary Fee Fund

Deposits. The Master Trustee shall deposit into the Servicer and Fiduciary Fee Fund the amounts required to be deposited from the Capitalized Interest Fund and from the Operating Revenue Fund and all indemnity payments when and as required to be made pursuant to the Master Indenture.

Disbursements. The Master Trustee shall disburse from the Servicer and Fiduciary Fee Fund (A) to the Servicer pursuant to the Borrower Standing Disbursement Instructions, when due and payable, the Servicer's Fee and reimbursable expenses; (B) to each Fiduciary pursuant to the Borrower Standing Disbursement Instructions, when due and payable, the Fiduciary Fees; (C) to the Servicer and the Master Trustee and related indemnified Parties all indemnity payments when and as required to be made pursuant

to the Master Indenture; and (D) to each Bond Issuer pursuant to the Borrower Standing Disbursement Instructions, when due and payable, the Bond Issuer Fees.

Credit Enhancer's Premium Fund

Deposits. The Master Trustee shall deposit into the Credit Enhancer's Premium Fund the amounts, if any, required to be deposited therein from the Operating Revenue Fund pursuant to the Master Indenture.

Disbursements. The Master Trustee shall disburse from the Credit Enhancer's Premium Fund to the Credit Enhancer and the Reserve Account Contract Provider pursuant to a Borrower Standing Disbursement Instructions, the Credit Enhancer's periodic premium or fees and the Reserve Account Contract Provider's periodic premium or fees when due.

Utility Cost Reserve Fund

Deposits. Upon the issuance and delivery of a Series of Notes and the funding of the related Loan, a portion of the proceeds of the Notes or Related Bond Issuer Bonds in an amount, if any, equal to the amount, if any, identified in the Related Series Indenture as the "Utility Cost Reserve Requirement" shall be deposited into the Utility Cost Reserve Fund. The Master Trustee shall deposit into the Utility Cost Reserve Fund the amounts required to be deposited from the Operating Revenue Fund pursuant to the Master Indenture.

Disbursements. Funds on deposit in the Utility Cost Reserve Fund shall be disbursed to pay amounts required to pay Debt Service pursuant to the section described under "THE MASTER INDENTURE – Debt Service Fund." To the extent not needed for disbursement to the Debt Service Fund as described under "THE MASTER INDENTURE – Debt Service Fund," disbursements from the Utility Cost Reserve Fund shall be made pursuant to the Borrower Standing Disbursement Instructions to pay extraordinary costs of utility service to the Project not paid for with money disbursed as part of Operating Expenses or pursuant to "THE MASTER INDENTURE – Operating Expense Reserve Fund", or (B) to the Operating Revenue Fund, pursuant to a written direction of the Borrower delivered to the Master Trustee and the Servicer, upon delivery to the Master Trustee of a Reserve Account Contract having a face amount equal to the amount of the proposed disbursement then requested by the Borrower.

Surplus Cash Fund

Deposits. The Master Trustee shall deposit into the Surplus Cash Fund all amounts required to be deposited therein as described above under "THE MASTER INDENTURE – Operating Revenue Fund."

Disbursements. So long as no Event of Default shall have occurred and be continuing under the Master Indenture, disbursements from the Surplus Cash Fund shall be made no later than five Business Days following each Revenue Account Monthly Disbursement Date as follows:

- (a) So long as (i) the Debt Service Coverage Ratio for each twelve month period immediately preceding and immediately following such Revenue Account Monthly Disbursement Date is not less than the Debt Service Coverage Ratio Requirement as evidenced by the information delivered by the Borrower to the Servicer and the Master Trustee pursuant to the Master Indenture (such Debt Service Coverage Ratio to be calculated by netting out any Debt Service paid from the Capitalized Interest Fund during such period) and (ii) the Borrower is not in default under any Loan Document, then all amounts then on deposit in the Surplus Cash Fund shall be disbursed to the Borrower and applied in accordance with the Operating Agreement; and

(b) if the Borrower either (i) fails to demonstrate, pursuant to the previous paragraph, that the Debt Service Coverage Ratio is at least equal to the Debt Service Coverage Ratio Requirement or (ii) is then in default under any Loan Document, then all amounts remaining in the Surplus Cash Fund shall be transferred to the Operating Revenue Fund; provided however, that the amounts so transferred shall not be treated as Net Operating Income for any purpose.

Investment of Moneys on Deposit in Funds and Accounts

The moneys deposited in the Construction Fund, the Debt Service Reserve Fund and the Capitalized Interest Fund may be invested in one or more Investment Agreement(s). All other moneys held as part of any Fund or Account, including any moneys drawn from, or available upon termination of, any investment agreement described in the immediately preceding sentence of this paragraph, shall be invested by the Master Trustee at the direction of the Borrower (or, if an Event of Default has occurred and is continuing, the Servicer or the Credit Enhancer) in Investment Securities. The Master Trustee shall be authorized to withdraw funds from and provide directions to the provider of any investment agreement or similar investment unless and until the Servicer or the Credit Enhancer notifies the provider not to honor withdrawal requests or directions from the Master Trustee. The Master Trustee shall, subject to this paragraph, sell and reduce to cash a sufficient amount of the investments held in any Fund and Account in order to permit the cash balance therein to be sufficient to make any disbursement when required to be made therefrom. Except as otherwise provided in this section, investments shall be valued at the lower of cost plus accrued interest or market value plus accrued interest, as of the date of determination. Fees and costs incurred by the Master Trustee in connection with investments shall be included in its Fiduciary Fees. The Master Trustee, at the direction of the Borrower or, upon the occurrence and continuation of an Event of Default, the Servicer, shall select Investment Securities with maturity dates two Business Days prior to the anticipated disbursement of the applicable funds under the Master Indenture or, with respect to an Investment Security payable on demand, the Master Trustee, at the direction of the Borrower or, upon the occurrence and continuation of an Event of Default, the Servicer, shall demand payment thereof two Business Days prior to the anticipated disbursement of the applicable funds thereunder. Thereafter, the proceeds of such Investment Securities shall be held uninvested. Absent a default thereof, no such Investment Security shall be sold prior to its maturity.

The Investment Securities purchased shall be held by the Master Trustee and shall be deemed at all times to be part of the Fund or Account or combination of Funds and/or Accounts from which funds were invested in the Investment Securities.

The Master Trustee shall use its best efforts to sell at the best price obtainable, or present for redemption, any Investment Securities purchased by it as an investment whenever it shall be necessary to provide money to meet any payment from the applicable Fund or Account.

Money in any Fund and Account may be pooled for the purpose of making investments. Any purchase of Investment Securities may be made by or through the Master Trustee or any of its affiliates.

Notwithstanding the foregoing, the Master Trustee shall not be responsible or liable for any losses on investments made by it under the Master Indenture or for keeping all Funds and Accounts held by it fully invested at all times, its only responsibility being to comply with the investment instructions of the Borrower or the Servicer, as applicable, pursuant to the Master Indenture in a reasonably prudent manner.

THE SERVICER

The Corporation has been appointed by the Borrower and the Master Trustee to serve as Servicer under the Master Indenture. The Corporation has performed loan servicing functions since 1987. The

Corporation performs loan servicing activities for its own portfolio of loans as well as for other governmental agencies such as the New York City Department of Housing Preservation and Development (“HPD”) and the United States Department of Housing and Urban Development (“HUD”). Its activities currently include asset management, loan servicing and disbursements for subordinate lenders, treasury and accounting services, portfolio risk analysis and compliance supervision.

With respect to its own portfolio, the Corporation services permanent mortgage loans made to approximately 540 developments under its bond, mortgage loan and other loan programs in the approximate aggregate outstanding amount of \$1.8 billion. The Corporation also services certain construction and permanent housing loan programs of HPD pursuant to several agreements with HPD. As of February 29, 2004, the Corporation was servicing construction and permanent loans made to approximately 450 developments in the approximate face amount of \$1.6 billion. A third category of loan servicing requires the Corporation to service a complex portfolio originally consisting of 37 subordinate permanent mortgage loans, with an aggregate outstanding principal balance of approximately \$210.6 million as of February 29, 2004, held by a trustee for the benefit of a NYC Mortgage Loan Trust.

In addition to the Corporation’s direct responsibilities for servicing the above described loans, the Corporation monitors the loan servicing activities of other servicers who service approximately 250 mortgage loans made under the Corporation’s various bond, mortgage loan and other loan programs with an aggregate outstanding amount of approximately \$1.35 billion. The Corporation’s servicing activities involve the supervision and management of a diverse portfolio of taxable, tax-exempt, senior and subordinate real estate debt which finances projects which provide a wide range of affordable housing including 100% low income housing, 80/20 projects, staff housing, senior housing, middle and mixed income housing requiring an indepth understanding of government restrictions and regulations.

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 2004 Series A Bonds, that it will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with the owners of the 2004 Series A Bonds, or in any way impair the rights and remedies of such owners until the 2004 Series A Bonds, together with the interest thereon with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners of the 2004 Series A Bonds, are fully met and discharged.

TAX MATTERS

In the opinion of Bond Counsel to the Corporation, interest on the 2004 Series A Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

In the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2004 Series A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel 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.

NO LITIGATION

The Corporation

At the time of delivery and payment for the 2004 Series A Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation substantially to the effect that there is no litigation or other proceeding now pending or threatened against the Corporation of which the Corporation has notice or, to the knowledge of the Corporation, any basis therefor, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2004 Series A Bonds, or in any way contesting or affecting the validity of the 2004 Series A Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the financing of the Loan or the pledge or application of any moneys or security provided for the payment of the 2004 Series A Bonds or the existence or powers of the Corporation, or contesting in any material respect the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or challenging the exemption of interest on the 2004 Series A Bonds from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York).

For a description of the recent developments at the Corporation, see “THE CORPORATION – Recent Developments” herein.

The Borrower

At the time of delivery and payment for the 2004 Series A Bonds, the Borrower will deliver, or cause to be delivered, a certificate of the Borrower substantially to the effect that, there is no litigation of any nature now pending or, to the knowledge of the Borrower, its manager or officers, as applicable, threatened against or adversely affecting in any way the existence of the Borrower or its manager, or the ability of the Borrower to own, operate or develop the Project, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2004 Series A Bonds or the 2004 Series A Master Notes or the financing of the Loan, or the leasing, demolition, construction, renovation, maintenance or operation of the Project, or in any way contesting or affecting the validity or enforceability of the 2004 Series A Bonds, the 2004 Series A Master Notes or the Loan Documents to which the Borrower is a party or the Letter of Representation and Indemnity Agreement (the “Letter of Representation and Indemnity Agreement”) executed by the Borrower or any proceedings of the Borrower or its manager taken with respect to the sale, execution or delivery thereof, or the application of any moneys or security provided for the payment of the 2004 Series A Bonds, or contesting in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereof, or contesting the powers or authority of the Borrower or its manager to execute, deliver or perform under the 2004 Series A Bond documents to which it is a party or with respect to the Letter of Representation and Indemnity Agreement or, to the knowledge of the Borrower without independent inquiry, challenging the exemption of interest on the 2004 Series A Bonds from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York) and no litigation is pending or, to the knowledge of the Borrower threatened in any court in any way affecting the Borrower which could materially adversely affect the ability of the Borrower to satisfy its obligations under the Letter of Representation and Indemnity Agreement or the Financing Commitment and Agreement executed by the Borrower.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2004 Series A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for: the Borrower by its counsel, McKenna Long & Aldridge LLP, Atlanta, Georgia and Patterson Belknap, Webb & Tyler, LLP, New

York, New York; the Underwriter by its counsel, Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania; and the Corporation by its General Counsel.

LEGALITY OF 2004 SERIES A BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 2004 Series A Bonds are made securities in which all public officers and bodies of the State of New York and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings bank 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 2004 Series A Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or hereafter authorized.

UNDERWRITING

Lehman Brothers Inc., as the Underwriter, has entered into a Bond Purchase Agreement dated the date hereof relating to the offering and sale of the 2004 Series A Bonds. In the Bond Purchase Agreement, the Corporation agrees to sell to the Underwriter, and the Underwriter has agreed to purchase from the Corporation, the 2004 Series A Bonds. The Underwriter will be paid an underwriting fee of \$324,606. Those obligations are also subject to various conditions in the Bond Purchase Agreement being satisfied. The Underwriter has agreed to purchase all of the 2004 Series A Bonds if any of them are purchased. In a Letter of Representation and Indemnity Agreement delivered by the Borrower, the Borrower will agree to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Underwriter may be required to make in respect of those liabilities.

The Underwriter expects to enter into a separate agreement with the Borrower to purchase the 2004 Series A Class III Notes, of which the Underwriter may retain ownership. The Underwriter and its affiliates may from time to time perform in the future certain investment banking, commercial banking and financial advisory services for Borrower and its affiliates.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies ("S&P") are expected to assign to the 2004 Series A Class I Bonds ratings of "Aa3" and "AA-", respectively. Moody's and S&P are expected to assign to the 2004 Series A Class II Bonds ratings of "A3" and "A-", respectively. The Underwriter's obligation to purchase the 2004 Series A Bonds is conditioned on Moody's and S&P giving the respective aforementioned ratings to the 2004 Series A Bonds. Such respective ratings assigned to the 2004 Series A Bonds reflect only the view of the respective rating agency and an explanation of the significance of such ratings may be obtained from the rating agencies. There is no assurance that the ratings which have been assigned to the 2004 Series A Bonds will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies, if in the judgment of a rating issuer, circumstances so warrant. A revision or withdrawal of the ratings may have an adverse effect on the market price of the 2004 Series A Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the provisions of Rule 15c2-12, as promulgated by the Securities and Exchange Commission, the Borrower has covenanted with the Bond Trustee for the benefit of Bondholders in a Continuing Disclosure Agreement dated as of June 1, 2004 (the "Continuing Disclosure Agreement") to provide or cause to be provided (a) notices of the occurrence of certain enumerated events; and (b) certain financial information and operating data relating to the Borrower by not later than 120 days after the end of the Borrower's fiscal year, commencing with the fiscal year ending December 31, 2004 (the "Annual Report"). The Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and the applicable state repository. The notices of significant events will be filed by the Borrower or the Bond Trustee in its capacity as dissemination agent for the Borrower with the Municipal Securities Rulemaking Board ("MSRB") and any state repository, if any. A proposed form of Continuing Disclosure Agreement is provided in Appendix D. The Corporation has no obligations under the Continuing Disclosure Agreement and shall have no responsibility to provide secondary market disclosure with respect to the 2004 Series A Bonds.

FURTHER INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the 2004 Series A 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 Bond Trustee and the owners of not less than 5% in aggregate principal amount of the 2004 Series A Bonds then outstanding 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 2004 Series A Bond.

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

APPENDICES

Appendices A through G are integral parts of this Official Statement and should be read in conjunction with the foregoing material.

MISCELLANEOUS

"CUSIP" identification numbers will be imprinted on the 2004 Series A Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2004 Series A Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2004 Series A Bonds. In addition, failure on the part of the Borrower to use such CUSIP numbers in any notice to Owners of the 2004 Series A Bonds shall not constitute an event of default or any similar violations of the Borrower's contract with such Owners.

All quotations from, and summaries and explanations of, the Resolution, the Ground Lease, the Master Indenture, the Mortgage, the Assignment of Leases and Rents, the 2004 Series A Bonds, the Continuing Disclosure Agreement and Federal and State laws and regulations contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and

complete statements of their provisions. Copies, in reasonable quantity, of the documents may be obtained upon request directed to the Corporation or the Bond Trustee.

Any statements in this Official Statement involving matters of estimate or opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation or the Borrower and the purchasers or Owners of any of the 2004 Series A Bonds.

This Official Statement is submitted in connection with the sale of the 2004 Series A Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement and the distribution thereof have been duly authorized and approved by the Corporation and the Official Statement has been duly executed and delivered on behalf of the Corporation.

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION

By: /s/ Lisa A. Gomez
Senior Vice President

Dated: May 28, 2004

GLOSSARY OF DEFINED TERMS

The following terms shall, for all purposes of the Official Statement, have the following meanings unless the context shall clearly indicate some other meaning:

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. As of February 29, 2004, the Corporation had bonds outstanding in the aggregate principal amount of approximately \$3,672,205,137. All of the bonds are separately secured, except for the bonds issued under the Corporation's Multi-Family Housing Revenue Bond Resolution (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 the Federal National Mortgage Association ("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 a General Resolution dated July 1993 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 February 29, 2004, thirty-seven (37) 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 February 29, 2004:

	<u>No. of Units</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Year of Issue</u>
<u>MULTI-FAMILY PROGRAM</u>				
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Related-Carnegie Park	461	\$66,800,000	\$66,800,000	1997
Related-Columbus Green	95	\$13,775,000	\$13,775,000	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	\$143,600,000	1998

Parkgate Development	207	\$37,315,000	\$36,500,000	1998
100 Jane Street Development	148	\$17,875,000	\$16,775,000	1998
Brittany Development	272	\$57,000,000	\$57,000,000	1999
West 43 rd Street Development	375	\$55,820,000	\$53,720,000	1999
Related-West 89 th Street Development	265	\$53,000,000	\$53,000,000	2000
Westmont Apartments	163	\$24,200,000	\$24,200,000	2000
Queenswood Apartments	296	\$10,800,000	\$10,800,000	2001
Related-Lyric Development	285	\$91,000,000	\$90,400,000	2001
James Tower Development	201	\$22,200,000	\$22,060,000	2002
The Foundry	222	\$60,400,000	\$60,100,000	2002
Related Sierra Development	212	\$56,000,000	\$56,000,000	2003
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Columbus Apartments Project	166	\$23,570,000	\$21,870,000	1995
West 48 th Street Development	109	\$22,500,000	\$20,000,000	2001
First Avenue Development	231	\$44,000,000	\$44,000,000	2002
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				
Fountains at Spring Creek Project	102	\$7,500,000	\$7,500,000	2001
Fox Street Project	106	\$7,000,000	\$7,000,000	2001
Related-West 55 th Street Development	371	\$130,000,000	\$130,000,000	2001
The Lafayette Project	47	\$3,700,000	\$3,700,000	2001
Ninth Avenue Development	259	\$44,000,000	\$44,000,000	2002
400 West 55 th Street Development	149	\$65,000,000	\$65,000,000	2002
Atlantic Court Apartments	321	\$92,700,000	\$92,700,000	2003
Related-Upper East	262	\$70,000,000	\$70,000,000	2003
92 nd & First Residential Tower	196	\$57,300,000	\$57,300,000	2003
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				

<i>Projects; Letter of Credit Enhanced</i>				
Chelsea Centro	356	\$86,900,000	\$85,200,000	2002
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; FHA-Insured Mortgage Loan</i>				
Manhattan Park Project	1,107	\$164,645,000 \$13,910,000	\$146,945,000 \$3,970,000	1993 1995
Manhattan West Development	1,000	\$141,735,000	\$141,735,000	1993
<i>MBIA Insured Residential Revenue Refunding Bonds – Hospital Staff Housing</i>				
Royal Charter Properties East, Inc. Project	520	\$103,300,000	\$93,925,000	1998
<i>Residential Revenue Bonds – Hospital Staff Housing; Letter of Credit Enhanced</i>				
East 17 th Street Properties	236	\$36,600,000	\$30,900,000	1993
Montefiore Medical Center Project	116	\$8,400,000	\$8,300,000	1993
The Animal Medical Center	42	\$10,140,000	\$10,140,000	2003
<i>Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan</i>				
Maple Court Cooperative	134	\$12,330,000	\$11,270,000	1994
Maple Plaza Cooperative	154	\$16,750,000	\$15,870,000	1996
<i>Multi-Family Mortgage Revenue Bonds –Rental Project; REMIC-Insured Mortgage Loan</i>				
Barclay Avenue Development	66	\$5,620,000	\$5,335,000	1996
<i>Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced</i>				
55 Pierrepont Development	189	\$6,100,000	\$5,400,000	2000
<u>HOUSING REVENUE BOND PROGRAM</u>				
<i>Multi-Family Housing Revenue Bonds*</i>	79,753	\$1,369,860,000	\$1,045,040,000	1994-2003

(continued...)

				2003
<u>LIBERTY BOND PROGRAM</u>				
<i>Multi-Family Mortgage Revenue Bonds</i>				
2 Gold Street	650	\$178,500,000	\$178,500,000	2003
63 Wall Street	476	\$143,800,000	\$143,800,000	2003
90 Washington Street	398	\$82,000,000	\$82,000,000	2003
<u>SECTION 223(f) REFINANCING PROGRAM</u>				
<i>Multifamily Housing Limited Obligations Bonds; FHA-Insured Mortgage Loan</i>	5,252	\$79,998,100	\$65,661,438	1977
	<u>22,225</u>	<u>\$299,886,700</u>	<u>\$170,813,699</u>	1978
TOTAL	<u>119,886</u>	<u>\$4,203,529,800</u>	<u>\$3,672,205,137</u>	

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

A. *Affordable Housing Permanent Loan Program.* The Corporation has established a program to make permanent mortgage loans for projects constructed or rehabilitated, often in conjunction with The City of New York Department of Housing Preservation and Development (“HPD”) and other lender loan programs. All of the mortgage loans under this program have been financed by monies of the Corporation or proceeds of the 1997 Series C Bonds.

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 Program.* Under the Mixed-Income Program, the Corporation combines the use of credit-enhanced variable rate tax-exempt private activity bonds with subordinate loans funded from the Corporation’s unrestricted reserves to finance mixed-income multi-family rental housing.

(...continued)

* Aggregate information for all thirty-seven (37) series of bonds that the Corporation has issued under its Housing Revenue Bond Program from 1994 through 2003 as described in Section B above.

Typically, the developments in this program 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 senior 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 participates 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 NewVIP program is intended to provide up to \$40 million per year in loans for a period of up to five (5) years for acquisition and pre-development costs to encourage residential development in derelict manufacturing areas which are appropriate for rezoning into residential use. The Corporation will (i) originate all of the NewVIP loans that are approved by the NewVIP loan committee; (ii) sell 100% participation to member banks with an absolute right to put the loans to the banks under the terms of the loan purchase and servicing agreement; and (iii) service the NewVIP loans on behalf of the member banks. The Corporation will also assume the obligation to purchase any defaulted NewVIP loan up to \$8 million. The Corporation maintains an equal voting position on the NewVIP loan committee.

B. Other. Among other programs, 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 an 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. In 1987, the Corporation commenced loan servicing. Such loan servicing activities, which are described below, are funded by monies drawn from the Corporation’s unrestricted reserves and relate to approximately 1,270 mortgage loans with an approximate aggregate outstanding amount of \$4.9 billion.

A. Portfolio Servicing. The Corporation acts as loan servicer in connection with the permanent mortgage loans made to approximately 540 developments under its bond, mortgage loan and other loan programs (including its Housing Revenue Bond Program) in the approximate aggregate outstanding amount of \$1.8 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 February 29, 2004, the Corporation was servicing construction and permanent loans made to approximately 450 developments in the approximate aggregate outstanding amount of \$1.6 billion.

C. Section 223(f) Loan Servicing. The Corporation acts as a loan servicer in connection with thirty-three (33) subordinate permanent mortgage loans, with an aggregate outstanding principal balance of \$210,577,639 as of February 29, 2004, held by State Street Bank and Trust Company as trustee for the NYC Mortgage Loan Trust. In the case of thirty-one (31) of these mortgage loans, each such

mortgage loan is subordinate to one of the FHA-insured mortgage loans which secure certain of the bonds issued by the Corporation under its Section 223(f) Refinancing Program described above in “Section D—Section 223(f) Refinancing Program” in “PART I—BOND PROGRAMS” above.

D. 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 250 mortgage loans made under the Corporation’s various bond, mortgage loan and other loan programs in the approximate aggregate outstanding amount of \$1.335 billion.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Fort Hamilton Housing LLC (the “Borrower”) and The Bank of New York, as bond trustee (the “Bond Trustee”) in connection with the issuance of \$47,545,000 New York City Housing Development Corporation, Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) 2004 Series A (the “Bonds”). The Bonds are being issued pursuant to a resolution entitled “Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) Bond Resolution” adopted by the Members of the New York City Housing Development Corporation (the “Corporation”) on April 15, 2004 (as amended and supplemented from time to time, the “Resolution”). The proceeds of the Bonds are being loaned by the Corporation to the Borrower pursuant to a Loan Agreement dated as of May 1, 2004 between the Corporation and the Borrower (the “Loan Agreement”) through the purchase by the Corporation of two notes issued by the Borrower under a Master Indenture of Trust, Lockbox and Servicing Agreement dated as of May 1, 2004, as supplemented (the “Master Indenture”), by and among the Borrower, The Bank of New York, as master trustee, and New York City Housing and Development Corporation, as Servicer. The Borrower 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 Borrower and the Bond Trustee for the benefit of the Bondowners (defined below) and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Borrower and the Bond Trustee acknowledge that the Corporation has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures. The Bond Trustee, except as provided in Section 3(c), has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3(c).

Section 2. Definitions. In addition to the definitions set forth in the Master Indenture, 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 Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondowner” means any person who shall be the registered owner of any Outstanding Bond (as defined in the Resolution).

“Dissemination Agent” shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Borrower and which has filed with the Borrower, the Bond Trustee and the Corporation a written acceptance of such designation. The same entity may serve as both Bond Trustee and Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York. In the absence of a third-party Dissemination Agent, the Borrower shall serve as the Dissemination Agent.

“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 as of the date of execution of this Disclosure Agreement are listed in Exhibit B.

“Underwriter” shall mean Lehman Brothers Inc.

“Repository” shall mean each National Repository and each 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 Repository” shall mean any public or private repository or entity designated by the State of New York as a state repository for the purpose of the Rule. As of the date of this Disclosure Agreement, no State Repository exists for the State of New York.

Section 3. Provision of Annual Reports.

(a) The Borrower shall, or shall cause the Dissemination Agent to, not later than 120 days after the end of the Borrower’s Fiscal Year commencing with Fiscal Year ending December 31, 2004 (the “Filing Deadline”), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than ten (10) Business Days prior to said date, the Borrower (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. 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 financial statements of the Borrower may be submitted separately from, and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If the Borrower submits the audited financial statements at a later date, it shall provide unaudited financial statements by the above-specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available. The Borrower shall submit the audited financial statements to the Dissemination Agent and the Bond Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to each Repository as soon as practicable thereafter. The Borrower shall provide a copy of the Annual Report to the Corporation and the Bond Trustee.

(b) The Dissemination Agent shall:

(i) determine each year within five (5) Business Days of the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any (insofar as determinations regarding National Repositories are concerned, the Dissemination Agent or the Borrower, as applicable, may rely conclusively on the list of National Repositories maintained by the United States Securities and Exchange Commission); and

(ii) file a report with the Borrower, the Corporation and the Bond Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided (the “Compliance Certificate”); such report shall include a certification from the Borrower that the Annual Report complies with the requirements of this Disclosure Agreement.

(c) If the Bond Trustee has not received a Compliance Certificate by the Filing Deadline, the Bond Trustee shall send, and the Borrower hereby authorizes and directs the Bond Trustee to submit on

its behalf, a notice to the Municipal Securities Rulemaking Board and the State Repository in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent has not provided the Annual Report to the Repositories by the Filing Deadline, the Borrower shall send, or cause the Dissemination Agent to send, a notice substantially in the form of Exhibit A irrespective of whether the Bond Trustee submits such notice.

Section 4. Content of Annual Reports. The Borrower's Annual Report shall contain or incorporate by reference the following:

- a) annual audited or independently prepared balance sheets, and statements of income, retained earnings and cash flows;
- b) a statement showing all changes in the financial condition of the Borrower occurring during the preceding Fiscal Year; and
- c) the Debt Service Coverage Ratio for such period.

The financial statements provided pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared by an Independent Accountant in conformity with generally accepted accounting principles (with tax-based depreciation), as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower 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 incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Borrower shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Receipt by the Corporation of an adverse tax opinion or the occurrence of an event affecting the tax-exempt status of the Bonds.
- (vii) Modifications to rights of the Owners of the Bonds.
- (viii) Bond calls.
- (ix) Defeasance of the Bonds or any portion thereof.

- (x) Release, substitution or sale of property securing repayment of the Bonds.
- (xi) Rating changes.

(b) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event, if such Listed Event is material, the Borrower shall, in a timely manner, direct the Dissemination Agent to file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. The Borrower shall provide a copy of each such notice to the Corporation and the Bond Trustee. The Dissemination Agent, if other than the Borrower, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Borrower, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

Section 6. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Corporation and the Bond Trustee of an opinion of counsel expert in federal securities laws selected by the Borrower and acceptable to the Bond Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Borrower'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 Borrower and the Borrower shall have no further responsibility hereunder.

Section 7. Dissemination Agent. The Borrower may, from time to time with notice to the Bond Trustee and the Corporation, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Bond Trustee and the Corporation, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Borrower is not the Dissemination Agent, the Borrower agrees to pay any third-party Dissemination Agent its reasonable fees and expenses as agreed to by the Borrower and the Dissemination Agent. The Dissemination Agent (if other than the Borrower) may resign upon 30 days' written notice to the Borrower, the Bond Trustee and the Corporation.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Bond Trustee may amend this Disclosure Agreement (and the Bond Trustee shall agree to any amendment so requested by the Borrower) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Borrower and the Bond Trustee to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Borrower and the Bond Trustee may amend this Disclosure Agreement if (a) such amendment is 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 the Borrower or of the type of business conducted by the Borrower, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) (i) the Bond Trustee determines, or the Bond Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Bond Trustee to the effect that, the amendment does not materially impair the interests of the Bondowners or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the Loan Agreement. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Bond Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure

Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower 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 Borrower 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 Borrower shall have no obligation under this Disclosure 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 Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, which failure is not cured within thirty (30) days after written notice thereof, the Bond Trustee may (and, at the request of Bondowners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower or the Dissemination Agent, 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 Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Bond Trustee and Dissemination Agent. As to the Bond Trustee, Article XI 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. The Dissemination Agent (if other than the Borrower) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent (if other than the Borrower), its officers, director, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Borrower covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

If an officer of the Bond Trustee obtains actual knowledge of the occurrence of an event described in Section 5 hereof, whether or not such event is material, the Bond Trustee shall timely notify the Borrower of such occurrence, provided, however, that any failure by the Bond Trustee to give such notice to the Borrower shall not affect the Borrower's obligations under this Disclosure Agreement or give rise to any liability by the Bond Trustee for such failure.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Bond Trustee, the Dissemination Agent, the Underwriter and the Bondowners, and shall create no rights in any other person or entity.

Section 13. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Borrower under this Disclosure Agreement shall obligate the Borrower to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Borrower or raise any inference that no other material events have occurred with respect to the Borrower or the Bonds or that all material information regarding the Borrower or the Bonds has been disclosed. The Borrower shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Date: June 1, 2004

FORT HAMILTON HOUSING LLC,
a Delaware limited liability company

By: GMH Military Housing – Fort Hamilton LLC,
a Delaware limited liability company, its Manager

By: GMH Military Housing Investments LLC,
a Delaware limited liability Company, its
Manager

By: GMH Military Housing, LLC,
a Delaware limited liability
Company, its Manager

By: _____
Bruce Robinson, President

THE BANK OF NEW YORK, as Bond Trustee

By: _____
Authorized Officer

EXHIBIT A
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Corporation: New York City Housing Development Corporation

Name of Bond Issue: \$ _____
Military Housing Revenue Bonds
(Fort Hamilton Housing LLC Project)
2004 Series A

Name of Obligated Person: _____

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that Fort Hamilton Housing LLC (“the Borrower”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of May 1, 2004 between the Borrower and The Bank of New York (the “Bond Trustee”).

Dated: _____

[BOND TRUSTEE/DISSEMINATION AGENT]
on behalf of FORT HAMILTON HOUSING LLC

cc: Fort Hamilton Housing LLC

EXHIBIT B
NATIONAL REPOSITORIES

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpccdata.com>
Email: nrmsir@dpccdata.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)
<http://www.interactivedata.com>
Email: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

MARKET ANALYSIS STUDY

CERTAIN PROJECTED FINANCIAL INFORMATION

FORM OF BOND COUNSEL OPINION

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 Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project), 2004 Series A, consisting of \$38,580,000 aggregate principal amount of 2004 Series A Class I Bonds and \$8,965,000 aggregate principal amount of 2004 Series A Class II Bonds (collectively, the “2004 Series A Bonds”), of the New York City Housing Development Corporation (the “Corporation”), a corporate governmental agency, constituting a public benefit corporation, created and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the “Act”).

The 2004 Series A Bonds are authorized to be issued pursuant to the Act and the Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) Bond Resolution of the Corporation, adopted April 15, 2004 (herein called the “Resolution”). The 2004 Series A Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2004 Series A Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolution.

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

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 2004 Series A Bonds, and to perform its obligations under the terms and conditions of the Resolution, including financing the Mortgage Loan, as covenanted in the Resolution.

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

3. The 2004 Series A Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State of New York (the "State"), including the Act.

4. The 2004 Series A Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

5. The Bonds, including the 2004 Series A Bonds, are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Revenues (as defined in the Resolution) and all the Accounts 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 2004 Series A Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2004 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged for the payment thereof.

8. Interest on the 2004 Series A Bonds is included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. In addition, under existing statutes, interest on the 2004 Series A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the 2004 Series A Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2004 Series A Bonds and the Resolution may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 2004 Series A Class I Bond and an executed 2004 Series A Class II Bond and in our opinion the forms of said Bonds and their execution are regular and proper.

Very truly yours,

GLOSSARY OF DEFINED TERMS

This Appendix A does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Master Trust Indenture, 2004A Series Indenture, Resolution, Mortgage, Ground Lease, the Agreement of Environmental Indemnification and Operating Agreement. The following terms shall, for all purposes of the Official Statement, have the following meanings unless the context shall clearly indicate some other meaning:

“Account” or “Accounts” (including any subaccount therein) means one or more of the special trust accounts created and established pursuant to the Master Trust Indenture, a Series Indenture or the Resolution.

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

“ACM” means asbestos or asbestos-containing material.

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

“Additional Bonds” means Bonds, other than the 2004 Series A Bonds, authorized pursuant to the Resolution.

“Additional Contributions Account” means the account by that name established under the Master Trust Indenture.

“Administrative Expenses” means all the Borrower’s expenses of administering its activities under the Master Indenture. Such expenses may include, without limiting the generality of the foregoing, (i) Fiduciary Fees and Servicer Fees, (ii) the fees and expenses of any auction agent, market agent and any broker-dealer then acting under a Series Indenture with respect to auction rate Notes or Related Bond Issuer Bonds, (iii) the fees and expenses of any calculation agent then acting under a Series Indenture with respect to index-based Notes or Related Bond Issuer Bonds, (iv) the costs of any remarketing of any Notes or Related Bond Issuer Bonds, including the fees and expenses of any remarketing agent then acting under a Series Indenture or Bond Issuer Bond Indenture with respect to such Notes or Related Bond Issuer Bonds, (v) the fees and expenses due to any Credit Enhancer or any Liquidity Facility Provider with respect to any Notes or Related Bond Issuer Bonds for which any Credit Enhancement Facility or a Liquidity Facility is in place, (vi) the fees and expenses of any Bond Issuer incurred in connection with the issuance of Related Bond Issuer Bonds, preparation of legal opinions and other authorized reports or statements attributable to the Related Bond Issuer Bonds, (vii) fees and expenses associated with the delivery of a substitute Credit Enhancement Facility or Liquidity Facility under a Series Indenture, (viii) fees and expenses associated with the monitoring of the Notes, any Related Bond Issuer Bonds, the Loans, the Housing Units, the Projects by the Rating Agencies, (ix) fees and expenses associated with (but not payments under) Derivative Products and (x) Costs of Issuance not paid from proceeds of Obligations or Related Bond Issuer Bonds.

“**Affiliate**” of a Person means (i) any officer, director, trustee, partner, employee or holder of ten percent (10%) or more of any class of the voting interests of or equity interests in such Person; (ii) any corporation, partnership, trust or other entity controlling, controlled by or under common control with such Person; (iii) any officer, director, trustee, partner, employee or holder of ten percent (10%) or more of the outstanding voting interests of or equity interest in any corporation, partnership, trust or other entity controlling, controlled by or under common control with such Person; (iv) any relative or spouse (or any relative of such spouse) of any natural Person included in clauses (i) or (iii) above, any one of whom has the same principal residence as such natural Person; and (v) the estate of any of the above, or a trust of which any of the above is a grantor or the primary income beneficiary.

“**Aggregate Principal Amount**” means, as of any date of calculation, the principal amount or Compound Accreted Value of the Obligation or Related Bond Issuer Bond referred to.

“**Agreement of Environmental Indemnification**” means the Agreement of Environmental Indemnification made as of May __, 2004 by the Borrower and GMH Capital Partners, L.P. in favor of the Master Trustee, the Corporation, the Servicer and the Bond Trustee.

“**Architect**” means The Benham Companies, Inc., a Delaware corporation.

“**Architectural and Engineering Agreement**” means the Agreement for Architectural and Engineering Services to be entered into between the Borrower and The Benham Companies, Inc.

“**Assignment of Leases and Rents**” and “**Assignment of Leases**” mean that certain Assignment of Leases and Rents ~~executed as of May __, 2004~~, to be effective June __, 1, 2004 from the Borrower to the Master Trustee, as secured party, together with any amendments and supplements thereto.

“**Authorized Newspaper**” means a newspaper or financial journal, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five (5) days in each calendar week, which is of general circulation in the Borough of Manhattan, City and State of New York.

“**Authorized Officer**” means, with respect to the Master Indenture, the president, treasurer or chief financial officer of the Managing Member, and any other officer designated from time to time as an Authorized Officer by resolution of the Borrower and, when used with reference to any act or document, also means any other person authorized by resolution of the Borrower to perform such act or sign such document and, with respect to the Resolution, means (a) when used with respect to the Corporation, the Chairperson, Vice-Chairperson, President, or any Senior Vice President of the Corporation and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Corporation then authorized to perform such act or discharge such duty; (b) when used with respect to the Borrower, the president, treasurer or chief financial officer of the Managing Member of the Borrower and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Borrower then authorized to perform such act or discharge such duty; and (c) when used with respect to the Bond Trustee, any Vice President or corporate trust administrator of the Bond Trustee, and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Bond Trustee then authorized to perform such act or discharge such duty.

“**BAH**” means the basic allowance for housing for military personnel announced from time to time by the United States Department of Defense or, if “BAH” is no longer applicable, the successor to BAH.

“**Benham**” means ~~the~~The Benham Companies, Inc., a Delaware corporation.

“Benham Communities” means Benham Military Communities, LLC, an Oklahoma limited liability company.

“BLM” means the United States Bureau of Land Management.

“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 and satisfactory to the Bond Trustee.

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

“Bondholders” means the holders of the 2004 Series A Bonds.

“Bond Issuer” means, as applicable, the Corporation or any other legal entity issuing a series of Bond Issuer Bonds.

“Bond Issuer Bonds” means any series of bonds issued by a Bond Issuer designated and specified in a Related Series Indenture pursuant to which a Related Series of Notes are issued under the Master Indenture evidencing the Borrower’s obligation to make Loan Repayments secured by the Master Indenture in amounts sufficient to pay Debt Service on such Related Bond Issuer Bonds.

“Bond Issuer Fee” means the Bond Issuer’s periodic fee, if any, as set forth in the Related Series Indenture.

“Bond Issuer Indenture” means the trust indenture or bond resolution pursuant to which a Bond Issuer issues a series of Bond Issuer Bonds, including the Resolution.

“Bond owner” or **“owner”** 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, with respect to the Master Trust Indenture, the Account by that name of the Construction Fund established pursuant to the Master Trust Indenture or, with respect to the Resolution, the Bond Proceeds Account established pursuant to the Resolution.

“Bond 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. Initially, the Bond Trustee will be The Bank of New York, a New York banking corporation.

“Borrower Certificate” means a document signed by an Authorized Officer either (a) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (b) setting forth matters to be determined by such Authorized Officer pursuant hereto.

“Borrower Derivative Payment” means a payment (excluding any termination payment, if so provided in the Derivative Product) required to be made by or on behalf of the Borrower due to a Reciprocal Payor pursuant to a Derivative Product.

“Borrower Operating Expense Request” means the Borrower’s monthly written request for disbursement of funds to pay current Operating Expenses.

“Borrower Request” means a written request or direction of the Borrower signed by an Authorized Officer.

“Borrower Standing Disbursement Instructions” means the disbursement instructions attached to a Series Indenture, pursuant to which, in the absence of any contrary instruction by the Borrower, amounts distributable to the Borrower pursuant to the terms of the Master Indenture shall be disbursed (as such Instructions may be modified or replaced by the Borrower from time to time with the consent of the Servicer).

“BRAC” means Base Realignment and Closure.

“Business Day” means any day, other than (a) a Saturday or Sunday, (b) any day on which the banking institutions located in the City of New York, New York, or the city or cities in which the corporate trust office of the Master Trustee designated for the purpose of presentation of and payments on the Obligations is located are required or authorized to close, (c) a day on which the New York Stock Exchange is closed, or (d) so long as any Obligations or Related Series of Bond Issuer Bonds is held in book-entry form, a day on which the applicable securities depository is closed.

“Capital Plan” means a capital expenditure plan detailing capital expenditures for the Project for the succeeding Fiscal Year.

“Capital Repair/Replacement Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Capitalized Interest Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Capitalized Interest Fund Disbursement Schedule”, with respect to a Series of Notes, shall have the meaning set forth in the Related Series Indenture.

“Cash Flow Statement” means, with respect to any particular Obligations, a certificate prepared by or on behalf of the Borrower with respect to Cash Flows setting forth, for the period extending from the date of such certificate to the latest maturity of the Obligations then outstanding, (i) all Operating Revenues expected to be received during such period; (ii) the application of all such Operating Revenues in accordance with the Master Indenture; (iii) the resulting balances on each Note Payment Date and Derivative Payment Date, if any; and establishing under all scenarios included in the Cash Flows, that anticipated Operating Revenues will be at least sufficient to pay the principal of and interest on the Obligations when due and all Administrative Expenses and Operating Expenses payable under the Master Indenture when due and to fund all reserves required under the Master Indenture. Each Cash Flow Statement shall be accompanied by all supporting Cash Flows. Reference to a Cash Flow Statement with respect to a Series shall be taken to mean a Cash Flow Statement with respect to such Series and any other Series to which it has been linked for Cash Flow Statement purposes.

“Cash Flows” means cash flow schedules prepared by or on behalf of the Borrower, presented in sufficient detail acceptable to the Rating Agencies and the Corporation (in its reasonable discretion) and including a listing of all assumptions and scenarios used in the preparation of such cash flow schedules. The assumptions used and scenarios included shall be acceptable to the Rating Agencies.

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq.

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

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

“Claims” means all claims and causes of action relating directly or indirectly to the Mortgaged Property (or any part thereof or interest therein), whether such claims or causes of action arise in Borrower’s name or such claims or causes of action are acquired by Borrower, directly or indirectly, by subrogation or otherwise; and the right, in the name and on behalf of Borrower, to appear in and defend any action or proceeding brought with respect to the Real Property (or any part thereof or interest therein) and to commence any action or proceeding to protect the interest of Mortgagee in the Real Property (or any part thereof or interest therein).

“Class I Bonds” means any of the Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) of Class I, including the 2004 Series A Class I Bonds.

“Class I Debt Service Account” means the Account so designated, which is created and established by the Master Trust Indenture.

“Class I Debt Service Reserve Account” means the Account by that name established pursuant to the Master Trust Indenture.

“Class I Debt Service Reserve Account Requirement,” with respect to each Series of Class I Notes, shall have the meaning set forth in the Related Series Indentures, in the aggregate.

“Class I Notes” means the Military Housing Revenue Class I Notes authorized by, and at any time Outstanding pursuant to, the Master Indenture, including the 2004 Series A Class I Master Note.

“Class I Obligations” means Class I Notes and any Derivative Product the priority of payment of which is equal with that of Class I Notes.

“Class I Reserve Account Contract Obligation” means the Borrower’s obligation to reimburse the Reserve Account Contract Provider for drawings on the Reserve Account Contract on deposit in the Class I Debt Service Reserve Account.

“Class I Sinking Fund Installment” means the amount designated for any particular due date in the Related Series Indenture for the retirement of all or a portion of Class I Notes on an unconditional basis, less any amount credited pursuant to the Master Trust Indenture.

“Class II Bonds” means any of the Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) of Class II, including the 2004 Series A Class II Bonds.

“Class II Debt Service Account” means the Account so designated, which is created and established by the Master Trust Indenture.

“Class II Debt Service Reserve Account” means the Account by that name established pursuant to the Master Trust Indenture.

“Class II Debt Service Reserve Account Requirement,” with respect to each Series of Class II Notes, shall have the meaning set forth in the Related Series Indentures, in the aggregate.

“Class II Notes” means the Military Housing Revenue Class II Notes authorized by, and at any time Outstanding pursuant to, the Master Indenture, including the 2004 Series A Class II Master Note.

“Class II Obligations” means Class II Notes and any Derivative Product the priority of payment of which is equal with that of Class II Notes.

“Class II Reserve Account Contract Obligation” means the Borrower’s obligation to reimburse the Reserve Account Contract Provider for drawings on the Reserve Account Contract on deposit in the Class II Debt Service Reserve Account.

“Class II Sinking Fund Installment” means the amount designated for any particular due date for the retirement of all or a portion of Class II Notes, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class II Debt Service Account, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Trust Indenture.

“Class III Debt Service Account” means the Account so designated, which is created and established by the Master Trust Indenture.

“Class III Debt Service Reserve Account” means the Account by that name established pursuant to the Master Trust Indenture.

“Class III Debt Service Reserve Account Requirement,” with respect to each Series of Class III Notes, shall have the meaning set forth in the Related Series Indentures, in the aggregate.

“Class III Notes” means the Military Housing Revenue Class III Notes authorized by, and at any time Outstanding pursuant to, the Master Indenture, including the 2004 Series A Class III Notes.

“Class III Obligations” means Class III Notes and any Derivative Product the priority of payment of which is equal with that of Class III Notes.

“Class III Reserve Account Contract Obligation” means the Borrower’s obligation to reimburse the Reserve Account Contract Provider for drawings on the Reserve Account Contract on deposit in the Class III Debt Service Reserve Account.

“Class III Sinking Fund Installment” means the amount designated for any particular due date for the retirement of all or a portion of Class III Notes, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class III Debt Service Account, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Trust Indenture.

“Class IV Obligations” means Class IV Obligations, if any, issued under the Master Indenture following an amendment to the Master Indenture as described in Appendix C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE, in clause (K) under the heading “Supplemental Indentures Effective Upon Consent of the Master Trustee.”

“Closing” or “Closing Date” means the date of the issuance and delivery of a Series of Obligations under the Master Indenture, which is expected to be on or about [June 1, ~~2004~~]2004.

“Comparable Treasury Issue” means a United States Treasury security selected by Lehman Brothers Inc. as having a maturity comparable to the remaining term of the 2004 Series A Bonds to be redeemed and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such securities.

“Comparable Treasury Price” means, with respect to any redemption date for the 2004 Series A Bonds: the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations; or if the Master Trustee obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Master Trustee.

“Completion Certificate” means a certificate executed by the Borrower certifying the completion of the Project in accordance with the applicable Plans and Specifications and with any applicable governmental and/or DoA standards, conditions, and requirements and accompanied by occupancy permits for all Housing Units in the Project, or if occupancy permits are not to be issued by the appropriate authority, a certificate of substantial completion issued by the Consulting Agent in form required by the Construction Contract or such other form as may be satisfactory to the Servicer.

“Completion Guarantor” mean GMH Capital Partners, L.P. a Delaware limited partnership, and, to the extent permitted under the Completion Guaranty, its successors and assigns.

“Completion Guaranty” means the Guaranty of Completion of the Completion Guarantor relating to the Project.

“Compound Accreted Value” means, with respect to each Capital Appreciation Note as of any date of calculation, an amount equal to the sum of (i) the principal amount of such Note, plus (ii) any interest that has been compounded, i.e., any interest amount that is itself then bearing interest, all determined as of such date.

“Condemnation” as used in the Master Trust Indenture shall include the taking or requisition by governmental authority or by a person, firm or corporation acting under governmental authority or a conveyance made under threat of such taking or requisition, and “Condemnation Award” shall mean payment for property condemned or conveyed under Condemnation or threat of Condemnation.

“Confirmation” means a letter from each Rating Agency then rating a Series of Notes or Related Bond Issuer Bonds confirming that, without regard to any Credit Enhancement Facility, the action proposed to be taken by the Borrower will not, in and of itself, result in a lowering, suspension or withdrawal of the ratings then applicable to such Notes or Related Bond Issuer Bonds.

“Construction Agreement” means the agreement to be entered into between the Borrower and the Construction Contractor for the performance by the Construction Contractor of construction services for the Initial Development Period of the Project.

“Construction Contract” means, collectively, any construction contract, design build agreement, renovation agreement or construction manager agreement between the Borrower and one or more general contractors, design builders, renovators or construction managers providing for the construction of any portion of the Project, and includes the Construction Agreement and the Renovation Agreement.

“**Construction Contractor**” and “**JMB Associates**” mean Jeffrey M. Brown Associates, Inc., a Pennsylvania corporation.

“**Construction Fund**” means the Fund by that name established pursuant to the Master Trust Indenture.

“**Construction Schedule**” means the Construction Schedule attached as an exhibit to the Construction Contract, or, if not so attached as an exhibit, the schedule of construction and completion provided for in each Construction Contract.

“**Consulting Agent**” shall mean an Independent architect, engineer or firm of architects or engineers which is appointed by the Servicer and approved by the Borrower for the purpose of passing on questions relating to the design and construction of all or any portion of the Project has all licenses and certifications necessary for the performance of such services, and has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature; provided that notice of such appointment shall be given to the Master Trustee.

“**Consumer Price Index**” means the Consumer Price Index based on All Urban Consumers (Housing) for Brooklyn, New York published by the United States Bureau of Statistics or any successor index thereto.

“**Continuing Disclosure Agreement**” means the Continuing Disclosure Agreement ~~dated as of May __, 2004~~ between the Bond Trustee and the Borrower **entered into with respect to the 2004 Series A Bonds**.

“**Contractor**” means the general contractor, design builder, renovator and/or the construction manager responsible for the ~~development~~ **construction or renovation** of any Project.

“**Contracts,**” with respect to the Mortgage means, collectively, any and all of the following, whether now or hereafter existing: (i) all contracts and rights relating to the operation, maintenance, or ownership of the Real Property, including but not limited to management agreements, maintenance agreements and service contracts; (ii) warranties and guarantees relating to the Real Property; and (iii) contracts for the purchase of the Real Property, including all deposits and letters of credit provided by the purchasers thereunder, together with all payments, income, and profits arising from sale of the Real Property or from such contracts.

“**Corporation**” means the New York City Housing Development Corporation, a corporate governmental agency constituting a public benefit corporation of the State of New York or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions thereof.

“**Costs of Issuance**” means the items of expense, payable or reimbursable directly or indirectly by or to the Borrower or a Bond Issuer and other costs incurred by the Borrower or a Bond Issuer, all related to the authorization, sale and issuance of Notes, Related Bond Issuer Bonds and Derivative Products or otherwise pursuant to the Master Indenture, which costs and items of expense shall include, but not be limited to, underwriters’ compensation, initial fees and expenses due to any Credit Enhancer or Liquidity Facility Provider, printing costs, costs of developing, reproducing, storing and safekeeping documents and other information processing or storage of materials, equipment and software related to the Notes and any Related Bond Issuer Bonds, filing and recording fees, travel expenses incurred by the Borrower or a Bond Issuer in relation to such issuance of the Notes and any Related Bond Issuer Bonds or otherwise pursuant to the Master Indenture, initial fees and charges of the Servicer, Master Trustee, the

Note Registrar and the Paying Agent, the trustee or any other fiduciary with respect to any Related Bond Issuer Bonds, initial premiums with respect to insurance required by the Master Indenture to be paid by the Borrower or by the Master Trustee, legal fees and charges, consultants' fees, accountants' fees, costs of bond ratings, fees and charges for execution, transportation and safekeeping of the Notes and any Related Bond Issuer Bonds, and accrued interest paid in connection with the purchase of any Investment Securities with the proceeds of Notes or Related Bond Issuer Bonds, including all costs of issuance set forth in any Related Bond Issuer Indenture; provided that, with regard to the Resolution, "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 Bond Trustee, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit rating(s), 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.

"Costs of Issuance Account" means the Account by that name of the Construction Fund established pursuant to the Master Trust Indenture.

"Counsel" means an attorney or firm of attorneys employed to deliver opinions with respect to the Master Indenture and 2004 Series A Master Notes issued thereunder and acceptable to the Corporation and to the Bond Trustee.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys (who may be counsel to the Borrower or an attorney or firm of attorneys retained by the Borrower in other connections) licensed to practice in the state in which such attorney or firm of attorneys maintains an office.

"Credit Enhancement Facility" means an insurance policy insuring, or a letter of credit, surety bond or other financial instrument providing a direct or indirect source of funds for, the timely payment of principal of and interest on a Series of Notes or Related Series of Bond Issuer Bonds or portion thereof (but not necessarily principal due upon acceleration thereof under the Events of Default provisions of the Master Trust Indenture) and any related insurance or other agreement, as shall be designated pursuant to a Series Indenture with respect to such Series and approved by the Corporation.

"Credit Enhancer" means a commercial bank or other Person providing a Credit Enhancement Facility pursuant to any Series Indenture with respect to a Series of Notes or a Related Series of Bond Issuer Bonds.

"Credit Enhancer's Premium Fund" means the Fund by that name established pursuant to the Master Trust Indenture.

"Date of Delivery" means the date of delivery of the 2004 Series A Bonds, which is expected to be on or about [June 1, 2004].2004.

"Debt Service" means, (a) under the Resolution, with respect to any particular Interest Payment Date and particular Outstanding Bonds, an amount equal to the sum of (i) all interest payable on such Bonds on such Interest Payment Date, plus (ii) any Principal Installment of such Bonds payable on such Interest Payment Date; and (b) under the Master Indenture, with respect to the Obligations and any Related Bond Issuer Bonds, and for any period of time under review, the sum of (i) interest payable on such Obligations or Related Bond Issuer Bonds during such period and (ii) the total amount of the principal of such Obligations or Related Bond Issuer Bonds payable, or for which provision for payment must be made, during such period whether at stated maturity or upon sinking fund redemption thereof.

“Debt Service Coverage Ratio” means, for any consecutive twelve (12) month period of time under review, the Net Operating Income for the Project for such period, divided by the Maximum Annual Debt Service on the Obligations; provided, however, that actual Debt Service instead of Maximum Annual Debt Service shall be used in determining the Debt Service Coverage Ratio with respect to disbursing funds pursuant to the Master Trust Indenture. In connection with determining the Debt Service Coverage Ratio for any future period, Net Operating Income shall be based on the projected Operating Budget for such future period.

“Debt Service Coverage Ratio Requirement” means, with respect to Class I Obligations, ~~1.50~~ and 1.55; with respect to Class I Obligations and Class II Obligations, ~~1.15~~ 1.15; and, with respect to Class I Obligations, Class II Obligations and Class III Obligations, ~~1.05~~ 1.05, or such other ratio(s) as may be set forth in a Series Indenture and identified as the “Debt Service Coverage Ratio Requirement.”

“Debt Service Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Debt Service Payment” means, when used with respect to any Note Payment Date, the sum of the (a) interest, if any, and (b) Principal Installments, if any, due and payable on such date with respect to the Notes referred to.

“Debt Service Reserve Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Debt Service Reserve Fund Requirement,” with respect to each Series of Notes, shall have the meaning set forth in the Related Series Indentures, in the aggregate.

“Defeasance Securities” means any Investment Securities used to effect defeasance of Obligations and any Related Bond Issuer Bonds in accordance with the defeasance provisions of the Master Trust Indenture and related Bond Issuer Indenture if upon such defeasance the Obligations and any Related Bond Issuer Bonds so defeased are rated in the highest rating category by each Rating Agency rating such Obligations or Bond Issuer Bonds, and which are not subject to redemption by the issuer thereof prior to their maturity. With respect to any Obligations or Bond Issuer Bonds secured by a Credit Enhancement Facility, “Defeasance Securities” shall only include those Investment Securities that meet the criteria established by the Credit Enhancer.

“Depository” means any bank, trust company, or savings and loan association (including any Fiduciary) selected by the Borrower and approved by the Master Trustee and the Corporation as a depository of moneys, Loans, Investment Securities or Loan Documents held under the provisions of the Master Indenture, and its successor or successors.

“Derivative Payment Date” means, with respect to a Derivative Product, any date specified in the Derivative Product on which both or either of the Borrower Derivative Payment and/or a Reciprocal Payment is due and payable under the Derivative Product.

“Derivative Product” means a written contract or agreement between the Borrower and a Reciprocal Payor, which provides that the Borrower’s obligations thereunder will be conditioned on the absence of (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and:

(a) under which the Borrower is obligated to pay (whether on a net payment basis or otherwise) on one or more scheduled and specified Derivative Payment Dates, the Borrower Derivative

Payments in exchange for the Reciprocal Payor's obligations to pay (whether on a net payment basis or otherwise), or to cause to be paid, to the Borrower, Reciprocal Payments on one or more scheduled and specified Derivative Payment Dates in the amounts set forth in the Derivative Product;

(b) for which the Borrower's obligations to make Borrower Derivative Payments may be secured by a pledge of and lien on the Master Indenture Trust Estate on an equal and ratable basis with the Outstanding Class I Obligations, Class II Obligations or Class III Obligations, as the case may be; and

(c) under which the Reciprocal Payments are to be made directly to the Master Trustee for deposit into the Operating Revenue Fund.

"DFAS" means the Defense Financing and Accounting Service.

"Design Agreement" means the agreement to be entered into between the Borrower and the Architect for the performance by the Architect of all design services for the Initial Development Period of the Project.

"Developer" and **"GMH Development"** mean GMH Military Housing Development LLC, a Delaware limited liability company, and its successors and assigns.

"Development Agreement" means that certain agreement for development services for the Project in effect from time-to-time between the Borrower and the Developer in the form approved pursuant to the Operating Agreement.

"Development Budget" means for each calendar year, or remaining portion thereof, a budget prepared by the Borrower in accordance with the Master Indenture to be delivered by the Borrower to the Servicer and the Master Trustee (i) at Closing for the initial Fiscal Year and (ii) not later than the forty-fifth (45th) day after the commencement of each subsequent Fiscal Year for such Fiscal Years, provided that until a subsequent Fiscal Year's budget is so delivered, the prior Fiscal Year's Development Budget, as the same may have been amended in accordance with the Master Indenture, shall apply, and such Development Budget shall be certified by the Borrower as setting forth the Borrower's best estimate of all Project Costs, reserves and costs for capital improvements that are projected by the Borrower for the forthcoming Fiscal Year in connection with the Projects.

"Disbursement Request" means a written request for disbursement of funds relating to a Loan from the Construction Fund as provided for in a Related Series Indenture.

"DoD" means Department of Defense.

"DOI" means The City of New York Department of Investigation.

"Effective Date" means June 1, 2004, the effective date of the Ground Lease.

"Environmental Documents," with respect to a Series of Notes, shall have the meaning set forth in the Related Series Indenture, and with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, means the documents listed on an exhibit attached to and made part of the 2004 Series A Indenture.

"Environmental Inspections" means any environmental inspections, reviews, tests or audits.

“Environmental Laws” means all present and future federal, state and local laws, ordinances, rules and regulations and standards, policies and other governmental requirements, administrative rulings and court judgments and decrees, including all amendments, that relate to: (1) pollution; (2) the protection of health and safety; (3) the protection or regulation of the environment, including without limitation, air, soils, wetlands, surface and underground water, marine and coastal areas; (4) aboveground or underground storage tank regulation or removal; (5) wildlife; (6) protection or regulation of natural resources; (7) radioactive materials, including without limitation radon; (8) biologically hazardous materials; (9) indoor air quality; and (10) mold or fungus or similar substances. “Environmental Laws” include, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.*, the Toxic Substance Control Act, 15 U.S.C. Section 2601, *et seq.*, the Federal Water Pollution Control Act, 33 U.S.C. Section 1251, *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, *et seq.*, the Clean Air Act, 42 U.S.C. Section 7401, *et seq.*, the Safe Drinking Water Act, 42 U.S.C. Section 300f, *et seq.*, the Occupational Safety and Health Act, 29 U.S.C. Section 651, *et seq.*, the Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. Section 11001, *et seq.*, The Atomic Energy Act, 42 U.S.C. Section 2014, *et seq.*, the National Environmental Policy Act, 42 U.S.C. Section 4321, *et seq.*, the Endangered Species Act, 16 U.S.C. Section 1531, *et seq.*, the Federal Insecticide, Fungicide & Rodenticide Act, 7 U.S.C. Section 136, *et seq.*, the Coastal Zone Management Act, 16 U.S.C. Section 1451, *et seq.*, and their state analogs, all applicable state superlien or environmental clean-up or disclosure statutes in the state in which the property is located, and all similar statutes and local ordinances, all as amended from time to time.

“Environmental Permit” means all environmental permits, licenses and other authorizations.

“Event of Default,” with respect to the Master Trust Indenture, means any one of the following:

(a) The Borrower shall fail to pay any Principal Installment of or interest on any Class I Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The Borrower shall fail to pay (1) any Principal Installment of or interest on any Class II Obligation when due and payable prior to the maturity date thereof, provided that sufficient moneys for such payment are available in the Class II Debt Service Account or the Project Recapitalization Account, or (2) the Principal Installments and accrued interest due on any Class II Obligation on the final maturity date thereof;

(c) The Borrower shall fail to pay (1) any Principal Installment of or interest on any Class III Obligation when due and payable prior to the maturity date thereof, provided that sufficient moneys for such payment are available in the Class III Debt Service Account or the Project Recapitalization Account, or (2) the Principal Installments and accrued interest due on any Class III Obligation on the final maturity date thereof;

(d) The Borrower shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Master Indenture, the Obligation or in any Project Documents and such failure shall continue for a period of 60 days after written notice thereof to the Borrower by the Master Trustee, the Servicer or to the Borrower and to the Master Trustee by the Owners of not less than 10% in Aggregate Principal Amount of the Obligations Outstanding; provided, however, that if the failure is such that it cannot be corrected within such 60-day period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Outstanding Obligations or the Project and if corrective action is instituted by the Borrower within such

period and diligently pursued until the failure is corrected, and provided further that any such failure shall have been cured within 120 days of receipt of notice of such failure; or

(e) The Borrower shall voluntarily file or there shall be filed against the Borrower involuntarily a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

(f) The Ground Lease shall have been terminated or an Event of Default (as defined in the Ground Lease) shall have occurred and be continuing under the Ground Lease.

Each of the following events shall constitute an “Event of Default” under the Mortgage:

(a) The occurrence of an Event of Default under the Master Indenture or any other Loan Document;

(b) Borrower fails to perform any obligation to pay money which arises under this Mortgage, and does not cure such failure within five (5) business days after written notice from Mortgagee or Servicer;

(c) The Ground Lease shall terminate prior to its stated expiration date or be surrendered by Borrower without the prior written consent of Mortgagee or if Borrower shall be in default under the Ground Lease beyond any applicable cure period;

(d) Any representation or warranty given by Borrower in the Mortgage proves to be false or misleading in any material respect and, as a result of which, there is an adverse effect on Mortgagee or the Loan or there is an impairment to any of the Mortgaged Property or Mortgagee’s interest therein which is not cured by Borrower, to the extent reasonably capable of being cured, within thirty (30) days after written notice thereof from Mortgagee; or

(e) Borrower fails to perform or observe any other covenant, agreement or condition on its part contained in this Mortgage and such failure continues for a period of 60 days after written notice thereof to Borrower by Mortgagee or Servicer.

Under the Resolution, each of the following events is hereby declared an “Event of Default” with respect to the Bonds:

(a) payment of the principal or Redemption Price, if any, of or interest on any Class I Bond 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; or

(b) payment of the principal or Redemption Price, if any, of or interest on any Class II Bond when and as the same shall become due, prior to the maturity date of such Class I Bonds, shall not be made when and as the same shall become due, provided that sufficient moneys for such payment are available pursuant to the provisions of the Resolution or payment of principal and accrued interest on any Class II Bond when and as the same shall become due at the maturity date of such Class II Bond shall not be made on such maturity date; or

(c) 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 herein or in any applicable Supplemental Resolution or the Bonds (other than any such default resulting in an Event of Default described in paragraph (1) or paragraph (2) above),

and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Bond Trustee or the owners of not less than five percent (5%) in principal amount of the Outstanding Class I Bonds (or when no Class I Bonds shall be outstanding, five percent (5%) in principal amount of the outstanding Class II Bonds).

“Fiduciary” means the Master Trustee, the Note Registrar, the Paying Agent or a Depository or any or all of them, as may be appropriate, and any such fiduciary with respect to a Related Series of Bond Issuer Bonds as specified in the Related Series Indenture, which may include a remarketing agent, auction agent or broker-dealer for Obligations or Bond Issuer Bonds bearing interest at variable or auction rates and, with respect to the 2004 Series A Bonds, includes the Bond Trustee.

“Fiduciary Fees” means the scheduled periodic fees and expenses of each Fiduciary as set forth in the Related Series Indenture and all out-of-pocket expenses of each Fiduciary incurred under the Master Indenture or under the other Loan Documents, and with respect to the 2004 Series A Notes, the fee payable by the Borrower to the Master Trustee in connection with standard services rendered by the Master Trustee, the Paying Agent and the Note Registrar under the Master Indenture, in an amount equal to (i) a one-time fee in the amount of \$_____ paid to the Master Trustee on the ~~2004 Series A~~-Closing Date and (ii) \$_____ per annum, payable, in equal monthly installments in advance on each Revenue Account Monthly Disbursement Date, commencing _____, 2004, as such fee may be amended from time to time upon agreement of the Borrower and the Master Trustee, plus all out-of-pocket expenses of the Master Trustee incurred under the Master Indenture or under the other Loan Documents.

“Final Completion” means the point at which a Project, including all punch list items with respect to such Project, has been completed in accordance with the terms and conditions of the Related Construction Contract, as evidenced by the issuance of a Completion Certificate by the Borrower.

“Fiscal Year” means a period beginning on January 1 in any year and ending December 31 of the same year, or such other twelve month period as may be adopted by the Borrower in accordance with law, and approved in writing by the Servicer.

“Fixtures” means collectively, all materials, supplies, equipment, machinery, goods, systems, apparatus, and other items now owned or hereafter acquired by Borrower and now or hereafter attached to or installed in the Improvements or the Land, together with all appurtenances, replacements, betterments, and substitutions for any of the foregoing.

“Fort Hamilton” means Fort Hamilton, Brooklyn, Kings County, New York.

“Fund” or “Funds” means one or more of the special trust funds created and established pursuant to the Master Trust Indenture or a Series Indenture.

“GMH” means GMH Military Housing-Fort Hamilton, LLC, a Delaware limited liability company.

“GMH/Benham” means GMH/Benham Military Communities LLC, a Delaware limited liability company.

“GMH Entities” means the privately held GMH family of companies, headquartered outside of Philadelphia, Pennsylvania.

“GMH Equity” means, with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, the equity to be contributed by the Managing Member, as a member of the Borrower, in the amount of

\$~~_____~~2,200,000 to be deposited into the 2004 Series A subaccount of the GMH Equity Account of the Construction Fund under the Master Indenture on the earlier of (i) delivery by the Borrower of a Completion Certificate and (ii) the expenditure of all funds on deposit in the Government Equity Account, the Bond Proceeds Account and the Residual IDP Project Cash Flow Account within the Construction Fund and disbursed in accordance with the Master Indenture to pay Project Costs associated with the Project.

“**GMH Equity Account**” means the account of that name established and held pursuant to the Master Trust Indenture.

“**GMH Investments**” means GMH Military Housing Investments LLC, a Delaware limited liability company.

“**GMH Management**” means GMH Military Housing Management LLC, a Delaware limited liability company.

“**GMH Military**” means GMH Military Housing LLC, a Delaware limited liability company.

“**Government,**” “**Government Member,**” “**DoA,**” “**United States Army,**” or “**Army**” means the United States of America acting by and through the Department of the Army.

“**Government Equity**” or “**Government Equity Contribution**” means, with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, the equity to be contributed ~~within ninety (90) days of the 2004 Series A Closing Date~~ no later than August 1, 2004 by the Army, as a member of the Borrower, in the amount of \$~~_____~~2,175,000 to be deposited into the 2004 Series A subaccount of the Government Equity Account of the Construction Fund under the Master Indenture and disbursed in accordance with the Master Indenture to pay Project Costs associated with the ~~2004 Series A Project~~.

“**Government Equity Account**” means the Account by that name of the Construction Fund established pursuant to the Master Trust Indenture.

“**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.

“**Governmental Authority**” means the United States of America (excluding the DoA in its capacity as a member of the Borrower); the State; the county, the city or any other political subdivision in which the Leased Premises is located; and any court or political subdivision, agency, or instrumentality having jurisdiction over the Borrower or the Project or any applicable portion or activity thereof.

“**Governmental Requirements**” means all applicable statutes, laws, ordinances, rules, regulations, policies, orders, writs, injunctions or decrees of any Governmental Authority ~~applicable to the Borrower or the Project~~.

“**Ground Lease**” means, except as set forth in a Related Series Indenture, the Department of the Army Ground Lease ~~dated May _____, 2004, to be effective [June 1, 2004],~~ 2004, between the Government, by the Secretary of the Army, and the Borrower relating to the leasing of certain real property and the conveyance in fee simple title of the improvements and personal property thereon to the Borrower for the

Project, as the same may be amended and restated in connection with the issuance of each Series of Obligations under the Master Indenture to finance the Project.

“Guaranteed Maximum Price” means the maximum sum of certain costs of work, contractor’s fees, contingency fees and incentive fees as enumerated under the ~~2004 Series A Construction Contract~~.

“Hazardous Materials” means any material, chemical or substance now or in the future defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “regulated substances,” “toxic substance,” “toxic pollutant,” “solid waste,” “pesticide,” “contaminant,” “pollutant” or words of similar import under any Environmental Law. Without limiting the generality of the foregoing, the term “Hazardous Materials” shall include: petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form; urea formaldehyde foam; infectious material; unexploded or discharged ordnance; pesticide or pesticide residues; mold; and radon gas.

“Housing Units” means individual residential dwellings at the Project that are intended for occupancy by Permitted Tenants and other residents under written leases.

“HPD” means the City of New York Department of Housing Preservation and Development.

“Impositions Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Improvements” means (a) with respect to the Ground Lease, all buildings, improvements, fixtures and systems of whatever nature currently located on the ~~Sites~~Leased Premises and all other buildings, improvements, fixtures and systems of whatever nature constructed in the future on the ~~Sites~~Leased Premises and (b) with respect to the Mortgage, collectively, all buildings, parking areas, structures and other improvements, and any and all additions or appurtenances thereto, now or hereafter located on the Land.

“Indemnified Parties” means, with respect to the Agreement of Environmental Indemnification, Lehman Brothers Inc., the Master Trustee, the Corporation, any Servicer, any Bond Issuer, the Bond Trustee and each of their respective successors, assigns, and transferees, and the officers, directors, shareholders, partners, trustees, employees, advisors, attorneys, and agents of such Indemnified Parties.

“Independent” shall mean, with respect to any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder (each, a "controlling person") who is a member of the Borrower or Affiliate, or an officer or employee of the Borrower or Affiliate. A Person which is or has a controlling person who is an officer or member of the Borrower or Affiliate (but not an employee of either) may nevertheless be deemed Independent with the consent of the holders of a majority in aggregate principal amount of the Obligations.

~~**“Initial Class I Reserve Account Contract”** means the initial Reserve Account Contract to be Issued by the Initial Class I Reserve Account Contract Provider to the Master Trustee for deposit in the Class I Debt Service Reserve Account in lieu of a cash deposit in the amount of the Class I Debt Service Reserve Account Requirement.~~

~~**“Initial Class I Reserve Account Contract Provider”** means [_____].~~

~~“Initial Class II Reserve Account Contract” means the initial Reserve Account Contract to be Issued by the Initial Class II Reserve Account Contract Provider to the Master Trustee for deposit in the Class II Debt Service Reserve Account in lieu of a cash deposit in the amount of the Class II Debt Service Reserve Account Requirement.~~

~~“Initial Class II Reserve Account Contract Provider” means [_____].~~

~~“Initial Development Period” means the period commencing on the date of issuance of the first Series of Notes under the Master Trust Indenture to finance the Project, and ending upon completion of construction of the Project, as evidenced by the issuance of a Completion Certificate. The Initial Development Period is expected to last approximately four years.~~

~~“Initial Reserve Account Contracts” means the Reserve Account Contracts from which the Master Trustee may draw amounts up to the maximum annual debt service on the 2004 Series A Master Notes.~~

~~“Insurance/Condemnation Construction Contract” means a contract between the Borrower and a general contractor, acceptable to the Servicer (including retainage provisions), whereby the general contractor agrees (i) to restore the Project for a guaranteed maximum price and (ii) to subordinate any liens to the liens of the Master Trustee and otherwise attorns to the Master Trustee, and its successors and assigns~~

~~“Insurance/Condemnation Proceeds Account” means the Account by that name established pursuant to the Master Trust Indenture.~~

~~“Insurance Consultant” shall mean an Independent firm of insurance agents, brokers or consultants which is appointed by the Borrower and approved by the Servicer for the purpose of reviewing and recommending insurance coverages for the Projects, and has a favorable reputation for skill and experience in performing such services in respect of facilities and operations of a comparable size and nature; provided that notice of such appointment shall be given to the Master Trustee.~~

~~“Interest Payment Date” means, for each Note, any date upon which interest on such Note is due and payable in accordance with the Related Series Indenture, and with respect to the 2004 Series A Notes, the Business Day immediately preceding each June 1 and December 1, commencing December 1, 2004, until final maturity or earlier redemption and the date of such final maturity or redemption.~~

~~“Investment Agreement” means the any investment agreement provided by an Investment Provider, which agreement, as of the date of execution thereof, shall have no adverse impact on the then current ratings assigned to any Notes or Bond Issuer Bonds by each Rating Agency, and with respect to the 2004 Series A Bonds, the Investment Agreement dated as of the date of delivery of the 2004 Series A Bonds among the Investment Provider, the Servicer and the Bond Trustee.~~

~~“Investment Provider” means any commercial bank or trust company, bank holding company, investment company or other entity (which may include the Master Trustee, the Note Registrar or the Paying Agent), which Investment Provider shall be approved by the Borrower and the Servicer for the purpose of providing Investment Agreements, and notice of which shall have been provided to each Rating Agency by the Master Trustee, and with respect to the 2004 Series A Bonds, Investment Provider means _____.~~

~~“Investment Securities,” with respect to the Master Trust Indenture, means and includes any of the following securities:~~

(a) Direct, general obligations, or obligations the timely payment of principal and interest of which are unconditionally guaranteed by, the United States of America;

(b) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Farm Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Fannie Mae (excluding “interest only” mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Farmers Home Administration; Federal Home Loan Mortgage Corporation (including participation certificates only if they guarantee timely payment of principal and interest); Government National Mortgage Association (excluding “interest only” mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal Financing Bank; or Federal Housing Administration; or any other agency or instrumentality of the United States of America (created by an Act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;

(c) Repurchase agreements, collateralized by Investment Securities described in clause (a) or clause (b) of this definition, with any institution, any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank rated by each Rating Agency rating the Notes or Bond Issuer Bonds sufficiently high to maintain the then current rating on such Notes or Bond Issuer Bonds by such Rating Agency, and collateralized in such manner to meet all requirements for collateralized repurchase agreements of each Rating Agency rating the Notes or Bond Issuer Bonds in order to maintain the then current ratings on such Notes or Bond Issuer Bonds by such Rating Agency;

(d) Any debt, debenture, evidence of indebtedness or other obligation which is rated by each Rating Agency then rating the Notes or Bond Issuer Bonds sufficiently high to maintain the then current rating on such Notes or Bond Issuer Bonds by such Rating Agency, or any money market or short term investment fund investing substantially in or consisting substantially of and secured by obligations described above in this item (d), which fund is rated by each Rating Agency then rating the Notes or Bond Issuer Bonds sufficiently high to maintain the then current ratings on such Notes or Bond Issuer Bonds by such Rating Agency;

(e) Any Investment Agreement;

(f) Certificates of deposit, interest-bearing time deposits, or other similar banking arrangements with a bank or banks (i) rated by each Rating Agency rating the Notes or Bond Issuer Bonds sufficiently high to maintain the then current rating on such Notes or Bond Issuer Bonds by such Rating Agency or (ii) collateralized in such manner to meet all requirements for collateralized agreements of each Rating Agency rating the Notes or Bond Issuer Bonds in order to maintain the then current ratings on such Notes or Bond Issuer Bonds by such Rating Agency;

(g) Commercial paper rated by each Rating Agency rating the Notes or Bond Issuer Bonds sufficiently high to maintain the then current ratings on such Notes or Bond Issuer Bonds by such Rating Agency; and

(h) Units of a money market fund or a money market mutual fund which has a rating from each Rating Agency then rating the Notes or Bond Issuer Bonds sufficiently high to maintain the then current ratings on such Notes or Bond Issuer Bonds by such Rating Agency;

provided, that it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Master Indenture,

thus permitting investments with different characteristics from those listed above which the Borrower deems from time to time to be in the interest of the Borrower to include as Investment Securities if at the time of inclusion the Master Trustee shall have received written confirmation from the Rating Agencies that such inclusion will not, in and of itself, impair, or cause any of the Notes or Bond Issuer Bonds to fail to retain, the then existing rating assigned to them by the Rating Agencies; provided, further that notwithstanding the foregoing Investment Securities, and so long as any Bond Issuer Bonds remain Outstanding, the proceeds of any Bond Issuer Bonds shall be invested in accordance with any investment limitations set forth in any Related Loan Agreement, Bond Issuer Indenture and/or Related Series Indenture.

With respect to the Resolution, "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 made, or under other applicable law:

- (1) Government Obligations;
- (2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit System Banks Consolidated Obligations, Banks for Cooperatives, Tennessee Valley Authority, Washington Metropolitan Area Transportation Authority, United States Postal Service, Farmers' Home Administration and Export-Import Bank of the United States;
- (3) any bond, debenture, note, participation certificate or other similar obligation issued by any Federal agency and backed by the full faith and credit of the United States of America;
- (4) any other obligation of the United States of America or any Federal agencies which may be purchased by New York State Savings Banks;
- (5) deposits in interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements (i) secured by any of the obligations described above, or (ii) fully insured by the Federal Deposit Insurance Corporation, or (iii) made with banking institutions, or their parents which either (a) have unsecured debt rated in one of the three highest rating categories of a nationally recognized rating service or (b) are deemed by a nationally recognized rating service to be an institution rated in one of the three highest rating categories of such rating service;
- (6) any participation certificate of the Federal Home Loan Mortgage Corporation and any mortgage-backed securities of the Federal National Mortgage Association;
- (7) short-term corporate obligations, known as Commercial Paper, with a maturity of up to ninety days which are issued by corporations that are deemed by a nationally recognized rating service to be in the highest rating category of such rating service;
- (8) obligations of the City and State of New York;
- (9) obligations of the New York City Municipal Water Finance Authority;
- (10) obligations, the principal and interest of which, are guaranteed by the City or State of New York;

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

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

“Land,” with respect to the Mortgage, means collectively, the streets, easements, right-of-ways, licenses, strips and gores and other rights appurtenant to or used in connection with such real property or the Improvements.

“LBP” means lead-based paint materials.

“Leased Premises” means collectively, the ~~Sites and all other property incorporated by reference~~ **parcels of land leased to the Borrower pursuant** to the Ground Lease.

“Leases,” with respect to the Mortgage, means collectively, any and all leases, master leases, subleases, licenses, concessions, or other agreements (written or oral, now or hereafter in effect), including any renewals, extensions, amendments and supplements, which grant to third parties a possessory interest in and to, or the right to use, all or any part of the Real Property, together with all security and other deposits or payments made in connection therewith.

“Lessee Parties,” with respect to the Ground Lease, means the Borrower, its constituent members and each of their respective officers, directors, partners, members, employees, Permitted Tenants, and other residents of the housing units which are part of the Project, contractors and subcontractors, representatives, invitees, Mortgagees, Financing Parties and agents.

“Liquidity Facility” means a standby bond purchase agreement, letter of credit or other agreement providing liquidity with respect to any Series of Notes or Bond Issuer Bonds or portion thereof for the Borrower's obligation to repurchase such Notes or Bond Issuer Bonds subject to remarketing which have not been remarketed, as shall be designated pursuant to the Related Series Indenture or Bond Issuer Bond Indenture.

“Liquidity Facility Provider” means a commercial bank or other Person providing a Liquidity Facility with respect to a Series of Notes or Related Series of Bond Issuer Bonds and approved by the Corporation.

“Loan” means a loan of money, including advances, in the form of a construction loan, a project loan, a permanent loan or a combined construction project and permanent loan, made to the Borrower with the proceeds of one or more Series of Notes or Bond Issuer Bonds (or obligations refunded by Notes or Bond Issuer Bonds) for the financing of certain costs of a Project.

“Loan Agreement” means the Loan Agreement dated as of the date of initial issuance of the 2004 Series A Bonds, by and between the Corporation and the Borrower, with respect to the Mortgage Loans, as the same may be amended or supplemented from time to time.

“Loan Documents” means any and all documents and instruments evidencing, relating to or securing the Obligations issued under the Master Trust Indenture, including, but not limited to, the Master Trust Indenture, the Related Series Indentures, the Notes, the Mortgage, the Assignment of Leases and Rents, the Completion Guaranty, the Agreement of Environmental Indemnification, financing statements duly executed and registered pursuant to the Uniform Commercial Code and such insurance, guaranties

and other security for the repayment of the Obligations as required by the Owners thereof, the Loan Agreement, Bond Issuer Bond Indentures, bond purchase agreements relating to the purchase of Notes or Bond Issuer Bonds, collateral assignments and any loan agreement, building loan agreement and project loan agreement, any regulatory agreement and any other agreement between a Bond Issuer and the Borrower relating to the making of a Loan and the operation of the Project; however, with respect to the Ground Lease, Loan Document means any instrument evidencing, securing, guaranteeing, insuring or providing credit enhancement for a loan secured by a mortgage.

“Loan Repayments” means, with respect to any Loan, the amounts to be paid by the Borrower in respect of scheduled payments of the principal of and/or interest on the Related Series of Notes but does not include Prepayments or Servicing Fees.

“MAC” means the Military Assistance Corporation.

“Management Agreement”, with respect to a series of Notes, shall have the meaning set forth in the Related Series Indenture, and with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, that certain Property Management Agreement between the Borrower and the Property Manager entered into as of May __, 2004.

“Manager,” with respect to the Operating Agreement, means initially, the Managing Member, or thereafter, the person designated as or who shall become Manager of the Borrower pursuant to the Operating Agreement.

“Manager Default,” with respect to the Operating Agreement, means (a) commission by the Manager of a felony or crime involving moral turpitude; (b) fraud, gross negligence or intentional misconduct of the Manager; (c) the occurrence and continuance beyond any applicable cure period of a material default or event of default by the Borrower under the Ground Lease, the Architectural and Engineering Agreement, the Construction Contract, the Development Agreement, the Property Management Agreement, or the Loan Documents as to which the Manager failed to take actions to address such default during the relevant cure period, and the Master Trustee exercises its remedies under the Loan Documents or Government has initiated action to terminate the Ground Lease; (d) the adjudication of the Manager as insolvent in any bankruptcy or equity proceedings, the filing of an involuntary petition in bankruptcy against the Manager which is not dismissed within ninety (90) days after such filing, the filing against the Manager of a petition for reorganization under the Federal Bankruptcy Code or any state bankruptcy or insolvency statute that is not dismissed within ninety (90) days after such filing, a general assignment by the Manager for the benefit of its creditors, the voluntary claim by the Manager that it is insolvent under any provisions of the Federal Bankruptcy Code or any state bankruptcy or insolvency statute, or the appointment for the Manager or its assets of a temporary or permanent receiver, trustee, custodian or sequestrator and such receiver, trustee, custodian or sequestrator is not dismissed within ninety (90) days after appointment; or (e) a material breach by the Manager of its duties and obligations under this Agreement, which breach is not remedied or cured within thirty (30) days after the occurrence thereof, unless such breach is not reasonably susceptible to cure during such period but the Manager is diligently pursuing a cure until corrected, provided that the breach is cured within 120 days of occurrence or notice of occurrence.

“Managing Member” means GMH Military Housing – Fort Hamilton, LLC, a Delaware limited liability company and managing member of the Borrower, and its successors and assigns as approved pursuant to the Master Trust Indenture.

“Master Indenture” and **“Notes Master Indenture”** means the Master Indenture of Trust, Lockbox and Servicing Agreement dated as of May 1, 2004, by and between the Borrower, the Master Trustee and the Servicer, and all amendments and supplements thereto.

“Master Indenture Trust Estate” means (a) the proceeds derived from the sale of a Series of Notes or the issuance and delivery of a Series of Notes to a Bond Issuer and the sale of the Related Bond Issuer Bonds until used as set forth in the Master Indenture; (b) the Pledged Revenues (including Operating Revenues) and all moneys and securities in the Funds and Accounts from time to time held by the Master Trustee under the terms of the Master Indenture (except moneys and securities in a Note Purchase Fund) and investments, if any, thereof; (c) the Mortgaged Property and the Loan Documents (other than the Regulatory Agreement between the Corporation and the Borrower), and all proceeds of insurance, condemnation proceeds, guaranty benefits and other security related to Loans and Obligations received by the Borrower or the Master Trustee under the Master Indenture; (d) any Credit Enhancement Facility and any Liquidity Facility; (e) any Derivative Product and any Reciprocal Payments (provided, however, that this pledge shall not be for the benefit of a Reciprocal Payor with respect to its Derivative Product); and (f) all moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security under the Master Indenture to the Master Trustee by the Borrower or by anyone in its behalf, or with its written consent and to hold and apply such property.

“Master Notes” means, with respect to the Resolution, the Class I Notes and the Class II Notes issued from time to time under the Master Indenture.

“Master Trust Indenture” and means the Master Indenture of Trust, Lockbox and Servicing Agreement dated as of May 1, 2004 by and between the Borrower, the Master Trustee and the Servicer.

“Master Trustee” means the Bank of New York, a New York banking corporation, together with any successor master trustee appointed pursuant to the Master Indenture.

“Maximum Annual Debt Service” means, for any calendar year, the greatest of the Debt Service due on the Obligations then Outstanding for such calendar year or for any future calendar year; provided that with respect to any Additional Obligations bearing interest at a variable or adjustable rate, the determination of Maximum Annual Debt Service shall be as provided in the Related Series Indenture.

“Members” means each of the Managing Member and the Government Member and any Person who is admitted to the Borrower as an additional Member in accordance with the provisions of the Operating Agreement, or as a substituted Member in accordance with the Operating Agreement, regardless of such Person’s right to a share of the Borrower’s net profits or net losses.

“MHA” or **“Military Housing Area”** means a particular geographic area on which BAH rates are adjusted each January 1 based on housing costs in that area.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns, if such successors and assigns shall continue to perform the function of a securities rating agency.

“Mortgage” means the Mortgage, Assignment of Rents and Leases, Security Agreement and Financing Statement ~~executed as of May~~, 2004, to be effective as of ~~_____~~ **June 1**, 2004 from the Borrower, as mortgagor, to the Corporation, as the secured party and assigned to the Master Trustee or any successor leasehold deed of trust, mortgage or other instrument creating a lien on real property within the State and improvements constructed thereon constituting the Leased Premises with respect to the related Project having a remaining term, at the time such instrument is acquired by the Master Trustee, of

not less than the term for repayment of the applicable Loan, and which secures the repayment of the Series of Notes evidencing the Borrower's payment obligations under the Loan and all other payments due pursuant to the Master Trust Indenture; and means generally with respect to the Resolution, the mortgage or other instruments securing the Mortgage Loans.

“Mortgage Loan” means, collectively, the interest-bearing loans to be made by the Corporation to the Borrower pursuant to the Loan Agreement.

“Mortgaged Property” means:

- (a) the Master Indenture Trust Estate; and
- (b) the leasehold estate created under and by virtue of the Ground Lease and all right, title and interest of tenant or lessee under the Ground Lease, any interest in any fee, greater or lesser title to the Real Estate that Borrower may own or hereafter acquire (whether acquired pursuant to a right or option contained in the Ground Lease or otherwise) and all credits, deposits, options, privileges and rights of Borrower under the Ground Lease (including all rights of use, occupancy and enjoyment) and under any amendments, supplements, extensions, renewals, restatements, replacements and modifications thereof (including, without limitation, (i) the right to give consents, (ii) the right to receive moneys payable to Borrower, (iii) the right, if any, to renew or extend the Ground Lease for a succeeding term or terms, (iv) the right, if any, to purchase the Real Estate and (v) the right to terminate or modify the Ground Lease); all of Borrower's claims and rights to the payment of damages arising under the Bankruptcy Code from any rejection of the Ground Lease by the Ground Lessor thereunder or any other party; together with all right, title, interest and privileges of Borrower in and to the Land; and
- (c) all existing and future right, title and interest of Borrower in and to the Improvements; and
- (d) the Fixtures; and
- (e) the Permits; and
- (f) all existing and future right, title and interest of Borrower in and to the Personalty; and
- (g) all of the right, title, and interest of Borrower in, to, and under any and all of the Contracts, whether now or hereafter existing; and
- (h) the Leases; and
- (i) the Rents; and
- (j) All right, title and interest of Borrower in and to all real estate interests subsequently acquired by or released to Borrower in connection with the construction or operation of the Project and all substitutes and replacements of, and all additions and improvements to, the Real Property and the Fixtures, subsequently acquired by or released to Borrower or constructed, assembled or placed by Borrower on the Real Estate, immediately upon such acquisition, release, construction, assembling or placement, including, without limitation, any and all building materials whether stored at the Real Property or offsite, and, in each such case, without any further encumbrance, mortgage, conveyance, assignment or other act by Borrower; and

(k) All right, title and interest of Borrower in and to all claims and causes of action relating directly or indirectly to the Mortgaged Property (or any part thereof or interest therein), whether such claims or causes of action arise in Borrower's name or such claims or causes of action are acquired by Borrower, directly or indirectly, by subrogation or otherwise; and the right, in the name and on behalf of Borrower, to appear in and defend any action or proceeding brought with respect to the Real Property (or any part thereof or interest therein) and to commence any action or proceeding to protect the interest of the Master Trustee in the Real Property (or any part thereof or interest therein); and

(l) All so-called "air rights," bulk, development rights, floor area, floor area ratio, zoning rights and other rights and privileges now or hereafter appurtenant to the Land, Improvements or leasehold under the Ground Lease or any part thereof, as defined in, under or with respect to the Zoning Resolution of the City of New York and any and all other zoning and building codes or ordinances of all applicable jurisdictions and the regulations and interpretations thereunder or thereof, whether or not transferable; any or all of the same that may now or hereafter be acquired for use with the Land, Improvements or leasehold under the Ground Lease (and including without limitation all right, title and interest of Borrower or the tenant or lessee under the Ground Lease, now existing or hereafter obtained, as a "party in interest", as such phrase is defined in the definition of "zoning lot" in Section 12-10 of the Zoning Resolution of the City of New York); all easements and restrictions burdening other premises from which any of the foregoing shall be obtained; and all agreements, instruments and documents for Borrower's acquisition of, or the utilization within the Land or Improvements of, any and all of the foregoing, including without limitation any and all declarations of zoning lot restrictions, zoning lot development and/or easement agreements, waivers of rights to execute any of the foregoing and any and all other instruments, documents and agreements similar thereto and/or executed in connection with the acquisition of any of the foregoing; and

(m) All moneys deposited or to be deposited in any funds or accounts maintained or deposited with the Mortgagee, or its assigns, in connection with the Mortgage or with the Master Trustee pursuant to and in accordance with the Master Indenture; and

(n) All agreements with construction managers, contractors, subcontractors, suppliers, materialmen, architects, engineers or other persons, whether now or hereafter in effect providing for the design, construction, installation, repair, maintenance, leasing or management of the Improvements or otherwise executed by the Borrower in respect of the Mortgaged Property (and including, without limitation, any right, title or interest to damages arising out of or for breach or default in respect of any such agreement, all other amounts from time to time paid or payable under or in connection with any such agreement and the right of the Borrower to amend, modify, supplement or terminate any such agreement or to perform and to exercise all remedies thereunder); all consents, licenses, approvals and building permits required for construction, completion, occupancy and operation of the Improvements in accordance with all applicable requirements of law; and all plans and specifications relating to the construction of the Improvements; and

(o) All property tax abatements and credits relating to any of the foregoing and all rights to refunds of real estate taxes and assessments with respect to the Mortgaged Property; and

(p) all cash or non-cash proceeds of each of the foregoing items specified in items (a) – **through** (k) above.

Notwithstanding anything to the contrary in the foregoing definition of the Mortgaged Property or otherwise in the Loan Documents, the Mortgaged Property shall not include the {Reinvestment Account} established pursuant to the {Operating Agreement}, any funds or deposits therein, or any cash or non-cash proceeds therefrom.

“Mortgagee,” with respect to the Ground Lease, means the Corporation and its successors and assigns, or any other holder, that may be designated from time to time, of a mortgage that is permitted to be created under the Ground Lease.

“MHPI” means the Military Housing Privatization Initiative.

“Municipal Services Agreement” means the municipal services agreement by and between the Secretary of the Army and the Borrower dated as of the Effective Date.

“Net Operating Income” means, with respect to the Master Indenture, (i) Operating Revenues received by the Borrower from the Projects for the period of time under review (other than specified amounts deposited in the Operating Revenue Fund pursuant to the Master Indenture), minus (ii) the sum of (A) Operating Expenses for the Project which accrue during such period (except to the extent such items are funded from reserves included in clause (B)), plus (B) amounts required to be ~~set aside~~ **deposited** in reserves required pursuant to the Loan Documents and the Master Indenture during such period **in order to cure any deficiency in such reserves**, plus the Fiduciary Fees, Servicer Fees, Bond Issuer Fees and Fees of any Credit Enhancer for such period.

“Net Proceeds” means the total amount realized from a foreclosure of the Mortgage after deduction of costs and expenses incurred in connection with such foreclosure.

“Note” or **“Notes”** means any Obligations in the form of bonds or notes of the Borrower authorized and issued under the Master Indenture either directly to investors or to Bond Issuers of Related Bond Issuer Bonds, evidencing the Borrower’s payment obligations under the Related Loan.

“Note Payment Date” means for each Note, each date on which interest or a Principal Installment or both are payable on such Note, and unless limited, means all such dates.

“Note Purchase Fund” means the Fund so designated, which is created and established by a Series Indenture.

“Note Registrar” means the bank, trust company or national banking association, appointed as Note Registrar under the Master Trust Indenture, and having the duties, responsibilities and rights provided for in the Master Indenture and its successor or successors, and any other person at any time substituted in its place as Note Registrar pursuant to the Master Indenture. Initially, the Note Registrar will be the Master Trustee.

“O&M Plans” means, collectively, the operation and management Plans proposed on behalf of the Borrower for the Project identified in the Related Series Indenture.

“Obligations” means, collectively, the Class I Obligations, the Class II Obligations and the Class III Obligations. For the purposes of the Official Statement, such Obligations include the 2004 Series A Master Notes, the 2004 Series A Class III Notes and any additional Obligations, if any, issued under the Master Indenture.

Operating Agreement” means the Limited Liability Company Operating Agreement of the Borrower dated May __, 2004 among the Managing Member, the Government and any additional Persons who may become future members of the Borrower, as the same may be amended, supplemented or restated from time to time in accordance with the Master Trust Indenture.

“Operating Budget” means for each calendar year, or remaining portion thereof, a budget prepared by the Borrower to be delivered by the Borrower to the Servicer and the Master Trustee at Closing (for 2004) in accordance with the Master Indenture provided that until a subsequent Fiscal Year’s budget is so delivered, the prior Fiscal Year’s Operating Budget shall apply, adjusted (a) consistent with the then current change in the Consumer Price Index, and (b) to reflect actual increases in insurance premiums, utilities expenses and real estate property taxes, if any. The Operating Budget shall also include any pre-agreed variance and shall be certified by the Borrower as setting forth the Borrower’s best estimate of all Operating Revenues, Operating Expenses, reserves and costs for capital improvements that are projected by the Borrower for the forthcoming Fiscal Year in connection with the Projects. In the event the Debt Service Coverage Ratio is less than the Debt Service Coverage Ratio Requirement as determined pursuant to the Master Trust Indenture or after the occurrence and during the continuance of a default under the Loan Documents under the Master Trust Indenture, the proposed Operating Budget shall be subject to the approval of the Servicer.

“Operating Expense Reserve Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Operating Expense Reserve Requirement”, with respect to a Series of Obligations, shall have the meaning set forth in the Related Series Indenture, and with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, the amount required to be deposited in the 2004 Series A Account of the Operating Expense Reserve Fund as set forth in the 2004A Series Indenture representing ~~one month~~ **two months** of Operating Expenses **(less amounts for utilities)** for the ~~2004 Series A Project~~ as set forth in the Operating Budget delivered to the Master Trustee and the Servicer by the Borrower in accordance with the requirements of the Master Trust Indenture.

“Operating Expenses” means, with respect to the period of time under review, all reasonable and customary expenses ~~payable~~ **incurred** by **and due from** the Borrower in connection with the normal operation, maintenance and repair of the Project, including, without limitation, (i) amounts payable by the Borrower relating to premiums for all insurance (including Renter’s Insurance), real estate taxes and other charges for government services, (ii) base property management fees in respect of the Project, which fees, for purposes of determining Operating Expenses for Debt Service Coverage Ratio, shall be calculated assuming the management fee for the Project is the greater of 2.5% of Operating Revenues or the actual management fee, (iii) administrative expenses, including advertising, (iv) legal fees associated with negotiating leases or other tenant matters, (v) other legal fees and accounting fees incurred in connection with the ordinary operation of the Projects, (vi) utility expenses for Housing Units which are not individually metered for utility consumption, and (vii) any other ordinary operation items not treated as capitalized expenses under generally accepted accounting principles, but excluding the cost of any capital expenditures to and replacements of the Projects and excluding non-cash expenditures such as depreciation. All of the foregoing items included as Operating Expenses shall be compiled on an accrual basis **(with tax-based depreciation)** with appropriate seasonal adjustments and in accordance with generally accepted accounting principles consistently applied. For purposes of determining Operating Expenses for Debt Service Coverage Ratio, Operating Expenses shall not include principal and interest payments on the Obligations.

“Operating Revenue Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Operating Revenues” means, with respect to the period of time under review, the operating revenues of the Projects from the normal operations of the Projects, consisting of the BAH and other rental receipts for retail space (if any) and for occupancy of apartment units or garages in the Projects, vending machine and laundry room receipts net of any costs or expenses, forfeited or applied deposits,

rent claim settlements net of any collection fees, lease termination or modification payments, reimbursements from tenants for utilities and other expenses borne by the Borrower and other ordinary operating receipts; provided however, that for purposes of determining any projected Debt Service Coverage Ratio, Operating Revenues shall be calculated assuming that the vacancy rate for Housing Unit rentals is the greater of 4% or the actual vacancy rate. The term “Operating Revenues” shall include all investment earnings on all Funds and Accounts established under the Master Indenture (other than the Construction Fund) and shall exclude revenues from condemnation awards or insurance proceeds (other than the proceeds of business income insurance carried pursuant to the Master Trust Indenture), any collections for utility charges to the extent that utilities are separately metered and borne by the tenants of the Projects, any furniture rental income to the extent not a tenant reimbursement, any loans or capital contributions to the Borrower from any Member or otherwise, revenues from a sale of personal or real property of the Borrower not mortgaged, pledged or assigned under the Mortgage or the other Loan Documents, security deposits (unless and until applied against obligations owed to the Borrower by the tenants who paid such deposits), revenues from any Affiliate of the Borrower (where such entity’s management and policies are controlled, directly or indirectly, by the Borrower or such entity controls, directly or indirectly, the management or policies of the Borrower) or any other extraordinary revenues.

“**Outstanding**” means, when used with respect to a Derivative Product, a Derivative Product which has not expired, been terminated or been deemed paid in accordance with the provisions of defeasance provisions of the Master Trust Indenture, and when used with reference to any Notes as of any date, all Notes theretofore authenticated and delivered under the Master Indenture except:

(a) any Note cancelled or delivered to the Note Registrar for cancellation on or before such date;

(b) any Note (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Master Indenture and set aside for such payment or redemption, moneys and/or Defeasance Securities maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Defeasance Securities prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Note (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Master Indenture or provided for in a manner satisfactory to the Note Registrar;

(c) any Note in lieu of or in exchange for which another Note shall have been authenticated and delivered pursuant to the Master Indenture; and

(d) any Note deemed to have been paid as provided in the defeasance provisions of the Master Trust Indenture.

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

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

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

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

(b) obligations, as described in the Resolution, in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Bond Trustee to apply such moneys to such payment or redemption on the date so specified; or

(c) any combination of (a) and (b) above;

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

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

“Owner” means (i) with respect to a Note, the registered owner of such Note, and (ii) with respect to a Derivative Product, any Reciprocal Payor, unless the context otherwise requires.

“Paying Agent” means the bank, trust company or national banking association, appointed as Paying Agent under the Master Trust Indenture and having the duties, responsibilities and rights provided for in the Master Indenture and its successor or successors, and any other corporation or association at any time substituted in its place as Paying Agent pursuant to the Master Indenture. Initially, the Paying Agent will be the Master Trustee.

“Permits” means all permits, licenses, certificates and approvals issued by any Governmental Authority, now or hereafter existing, or otherwise necessary for Borrower to comply with all Governmental Requirements.

“Permitted Encumbrances” means (i) the Mortgage; (ii) any encumbrances listed in the Title Insurance on the date of the Closing Date as approved by Servicer; (iii) any liens, taxes or other governmental charges which are not yet due and payable or that can be paid thereafter without penalty or which are being contested in good faith by appropriate proceedings; (iv) any lien, including, but not limited to, mechanics’, materialmen’s or similar liens, or other liens securing amounts not yet due and payable or resulting from a good faith dispute on the part of the Borrower, which dispute the Borrower agrees to resolve diligently and the Borrower has provided a surety bond therefor in form and substance acceptable to the Servicer sufficient to cause the real property to be discharged from the lien; (v) zoning restrictions required by law; (vi) encumbrances in the nature of zoning restrictions, environmental restrictions or regulations, easements, rights of way or restrictions which do not individually or in the aggregate, materially interfere with the intended use or operation of the Project; (vii) tenant leases permitted in accordance with the terms of the Master Indenture for portions of the Project; (viii) liens (other than mechanics’ liens or any other liens relating to construction or equipping of the Project) that attach solely to any personal property incident to conduct of business or to secure the performance of trade contracts, statutory obligations or other liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money, provided that the obligation secured is not overdue; (ix) banker’s liens and rights of set off arising by operation of law and contractual rights of set

off in respect of accounts which do not attach to any real property or fixtures; and ~~(x)~~ the lien of the City of New York with respect to certain unpaid and outstanding water and sewer charges for service to Fort Hamilton; and (xi) other liens or encumbrances, including liens or pledges subordinate to the lien of the Mortgage, approved from time to time by the Servicer.

“Permitted Indebtedness” means (i) any indebtedness for borrowed money or for the deferred purchase price of property or services (including trade obligations) or other liabilities under or permitted by this Indenture or any of the other Loan Documents; (ii) any other liabilities under or permitted by the Operating Agreement; (iii) unsecured current liabilities incurred by the Borrower in the day-to-day, ordinary course of operation of the Project; (iv) any other indebtedness or other liabilities approved in writing by the Servicer; and (v) lease financings for office equipment used in the ordinary course of Project operations and management.

“Permitted Tenants” means key and essential accompanied or unaccompanied military personnel assigned or attached for duty at Fort Hamilton; accompanied military personnel assigned or attached for duty at the Installation; accompanied military personnel assigned or attached for duty at other military installations within a 50 miles radius of Fort Hamilton; unaccompanied family members of military personnel; unaccompanied military personnel (married and single) assigned or attached for duty at Fort Hamilton; accompanied retired military personnel and spouses or widowed spouses of retired military personnel; accompanied DoD and Federal Agency civilians (other than designated Key & Essential); and non-military or non-DoD or non-Federal Agency personnel (general public).

“Person” means an individual, partnership, limited liability partnership, corporation, limited liability company, trust or unincorporated organization or a government or any agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

“Personal Property,” with respect to the Ground Lease, means all personal property located on the ~~Sites~~ Leased Premises and owned by the Government as of the date of the Effective Date.

“Personalty” means collectively, (i) furniture, furnishings, equipment, machinery, goods (including, but not limited to, crops, farm products, timber and timber to be cut, and extracted minerals located at or used in connection with the Real Property; (ii) general intangibles, money, insurance proceeds, accounts, investment property, securities, contract and subcontract rights, trademarks, trade names, and inventory relating to the Real Property; (iii) all refundable fees, deposits or other funds or evidences of credit or indebtedness deposited by or on behalf of Borrower with any Governmental Authority, corporation or provider of utility services relating to the Real Property; (iv) any awards, settlements, or compensation made by any Governmental Authority relating to the Real Property, including those for any change of grade in any streets and those for municipal utility district or other utility costs incurred or deposits made in connection with the Real Property; (v) all refunds, rebates or credits in connection with a reduction in taxes charged against the Real Property as a result of any applications or proceedings for reduction or abatement; (vi) unearned premiums on any insurance required to be maintained by Borrower; (vii) all books of account and records relating to the Real Property whether or not stored, managed or contained on computer software or hardware; and (viii) all other personal property of any kind or character as defined in and subject to the provisions of the Internal Revenue Code of 1986, as amended from time to time, which are now owned or hereafter acquired by Borrower, and which are now or hereafter situated in, on, or about the Real Property, or used in or necessary to the complete and proper planning, development, construction, financing, use, occupancy, or operation thereof, or acquired (whether delivered to the Real Property or stored elsewhere) for use in or on the Real Property, together with all accessions, replacements, and substitutions thereto or therefore.

“Plans and Specifications” means the plans and specifications for the Project to be financed with funds on deposit in the Construction Fund as approved by the Consulting Agent and the Servicer ~~in writing as of the Closing Date~~, as the same may be amended or modified from time to time by the Borrower pursuant to the Master Indenture.

“Pledged Revenues” means (i) all Loan Repayments and other amounts to be paid to the Master Trustee pursuant to the Loan Documents and all payments due with respect to Obligations issued under the Master Indenture, including, without limiting the generality of the foregoing, the Operating Revenues of the Borrower from the Project to be applied to the payment of Obligations and other costs, fees and expenses as set forth in the Master Indenture, (ii) all funds on deposit in all Funds and Accounts under the Master Indenture, and (iii) all Prepayments; and all rights to receive the same, whether in the form of accounts, accounts receivable, chattel paper, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence.

“Prepayment” means, with respect to any Loan, any moneys paid or payable to the Master Trustee from any payment of or with respect to the principal (including any applicable penalty, fee, premium or other additional charge for prepayment of principal) under any Note prior to the scheduled payment of such principal as called for by such Note, whether (a) by voluntary prepayment made by the Borrower, (b) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof, (c) by the sale, assignment, endorsement or other disposition of such Loan or any part thereof by the Borrower or (d) in the event of a default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Loan or by any other proceedings taken by the Master Trustee.

“Principal Installment,” (a) with respect to the Master Trust Indenture means, as of any date of calculation, and for any Note Payment Date, (i) the principal amount or Compound Accreted Value of all Notes due and payable on such date, plus (ii) any Class I, Class II and Class III Sinking Fund Installments due and payable on such date and (b) with respect to the Resolution 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.

“Proceeds” means the proceeds of any insurance recovery or payment for property condemned or conveyed under Condemnation or threat of Condemnation less all expenses incurred by and reimbursable to the Master Trustee and the Borrower in connection therewith.

“Programmatic Agreement” means the agreement between the Army, SHPO and the federal Advisory Counsel on Historic Preservation that governs the historic preservation of six brick row houses constructed in 1911 (Colonel’s Row) at Fort Hamilton.

“Prohibited Activities and Conditions” shall have the meaning assigned to such term in ~~“Appendix C – Summary of Certain Provisions of the Master Trust Indenture”~~ **SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE** – Hazardous Substances – Borrower’s Representations and Warranties.”

“Project” means the design, demolition, renovation, construction and operation of housing units and associated improvements in residential housing areas located at Fort Hamilton in the Borough of

Brooklyn, City and State of New York. However, with regard to the Ground Lease, **“Project”** means the ~~Sites~~ Leased Premises and the Improvements.

“Project Costs” means:

(a) costs of architectural and engineering services related to a Project, including, without limitation, the costs of preparation of studies, surveys, reports, tests, plans and specifications including all fees paid in connection with the provision of such services;

(b) costs of legal, accounting and other special services related to the Project;

(c) Costs of Issuance;

(d) fees and charges incurred in connection with applications to federal, state and local governmental agencies for the requisite approval or permits regarding the acquisition, development, construction and operation of the Project;

(e) costs incurred in connection with the acquisition of the site and site preparation for the Project, including any necessary rights-of-way, easements or other interests in real or personal property;

(f) all amounts payable under any Construction Contract and any other costs and fees incurred in connection with the acquisition, renovation, demolition, construction, improvement, development or extension of the buildings, structures and facilities comprising the Project;

(g) costs incurred in connection with the acquisition and installation of any machines, equipment, appliances, fixtures, appurtenances or personal property of any kind or nature (including equipment for cooking, heating and refrigeration) which are to comprise a part of the Project;

(h) premiums for any necessary title insurance which may reasonably be purchased in connection with the Project or the Loan;

(i) interest on the Notes accruing prior to the completion of the acquisition, construction, equipping and installation of the Project; and

(j) other costs and expenses relating to the Project which are incurred for the purpose of providing residential rental property and facilities related thereto.

“Project Documents” means and includes the Loan Documents, the Property Management Agreement, the Development Agreement, the Operating Agreement, any architectural and engineering agreement, the Ground Lease, the Purchase Option Agreement and each Construction Contract, all as amended or supplemented from time to time, subject to the terms of the Loan Documents.

“Property” means, with regard to the Agreement of Environmental Indemnification, such real property, improvements, and personalty as may be modified in the Ground Lease from time to time.

“Property Manager”, with respect to a Series of Notes, shall have the meaning set forth in the Related Series Indenture, and with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, GMH Military Housing Management, LLC, a Delaware limited liability company and its successors and assigns.

“Purchase Option” means the option of the Managing Member to purchase the Sites Leased Premises or any portion thereof pursuant to the Purchase Option Agreement.

“Purchase Option Agreement” means the purchase option agreement between the Managing Member and the Secretary of the Army ~~dated May __, 2004 and~~ to be effective as of June 1, 2004.

“Rating Agency” means, with respect to the Master Indenture, at any particular time, any nationally recognized credit rating service designated by the Borrower and approved by the Servicer, if and to the extent such service has at the time one or more outstanding ratings of Notes or Bond Issuer Bonds. The Borrower shall at all times have designated at least one such service, approved by the Servicer, as a Rating Agency. Rating Agency means, with respect to the Resolution, each nationally recognized bond rating service that has a rating assigned to any of the Bonds at the request of the Corporation. Initially, the Rating Agencies shall consist of Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc.

“Rating Confirmation” means, with respect to the issuance of a Series of Bonds, (i) if such Bonds are Class I Bonds, that the outstanding ratings assigned to the Class I Bonds and to the Class II Bonds shall not, as a result of such issuance, be lowered, withdrawn or suspended, and (ii) if such Bonds are Class II Bonds, that the outstanding ratings assigned to the Class II Bonds shall not, as a result of such issuance, be lowered, withdrawn or suspended, in each case as evidenced in writing by each Rating Agency.

“Real Property,” with respect to the Mortgage, means the Land and the Improvements.

“Reciprocal Payments” means any payment to be made to, or for the benefit of, the Borrower under a Derivative Product.

“Reciprocal Payor” means a third party which, at the time of entering into a Derivative Product, shall have no adverse impact on the rating assigned to any Notes or Bond Issuer Bonds by any Rating Agency, and which is obligated to make Reciprocal Payments under a Derivative Product, and which is approved by the Corporation.

“Record Date” means, except as otherwise provided in a Series Indenture providing details with respect to any Series, (a) with respect to each Note Payment Date, the Business Day next preceding such Note Payment Date; and (b) in the case of each redemption, such Record Date as shall be specified by the Note Registrar in the notice of redemption, provided that such Record Date shall not be less than fifteen calendar days before the transmission of such notice of redemption; and with respect to 2004 Series A Notes, the fifteenth day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

“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, (a) when used with respect to a Note or portion thereof to be redeemed, the principal amount or Compound Accreted Value of such Note or such portion thereof plus the applicable premium, if any, payable upon redemption thereof as determined by the Series Indenture authorizing the Series of Notes and (b) when used with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Reference Treasury Dealer” means a primary U.S. Government securities dealer, referred to as “Primary Treasury Dealer,” selected by Lehman Brothers Inc.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Master Trustee, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Master Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

“Refunding Notes” means Notes authenticated and delivered pursuant to the Master Trust Indenture.

“Regulatory Agreement” means the Regulatory Agreement, dated as of the date of initial issuance of the 2004 Series A Bonds, by and between the Corporation and the Borrower, as the same may be amended, restated or supplemented from time to time.

“Reinvestment Account” means an account set up for the benefit of Government into which amounts will be transferred pursuant to the Operating Agreement.

“Related” (whether capitalized or not) means, with respect to any particular Note, Bond Issuer Bond, Bond Issuer, Class, Series, Series Indenture, Supplemental Indenture, Cash Flow Statement, Fund, Account, moneys, investments, Project, Loan (or portion thereof), Loan Repayment or Prepayment, having been created in connection with the issuance of, or having been derived from the proceeds of, or having been reallocated to, or concerning, the same Series, as the case may be.

“Remedial Work” means, collectively, any investigation, site monitoring, containment, cleanup, restoration, other remedial work, or any other work.

~~{“Renovation Agreement” means the renovation agreement to be entered into between GMH Management, as Renovation~~**the Construction Contractor;** ~~and the Borrower~~**for the performance of renovation services for the Initial Development Period of the Project.**~~}~~

~~{“Renovator Contractor” means, for the initial development period of the Project, the Property Manager (GMH Military Housing Management LLC).}~~

“Rents,” with respect to the Mortgage, means all of the rents, revenues, income, proceeds, profits, security and other types of deposits, and other benefits paid or payable to Borrower for using, leasing, occupying, licensing, possessing, operating from, residing in, selling, or otherwise enjoying all or any portion of the Real Property, whether now due, past due, or to become due, including, without limitation, any payments made by a lessee arising out of the cancellation or termination of any Lease.

“Requirements” means the requirements that, along with all Environmental Laws, the Borrower will (i) keep the Project in safe repair and in such operating condition as is needed for its operations and maintain all units in a habitable condition; (ii) make all necessary repairs and replacements to the Project (whether ordinary or extraordinary, structural or nonstructural); (iii) operate the Project in a sound and economic manner in accordance with usual business practice; (iv) operate the Project in compliance with, and comply with, all applicable laws, codes, Environmental Laws, zoning laws, the Americans with Disabilities Act and the Fair Housing Act and laws regulating labor, health and safety, construction, occupancy or maintenance of property of a character included in the Project; and (v) comply in all material respects with all existing and future laws, regulations, orders, ~~building codes~~ and restrictions and requirements of, and all permits and approvals from, and agreements with and commitments to, all

governmental, judicial or legal authorities having jurisdiction over, and being applicable to, the Project or the Borrower's business conducted thereon or therefrom, and with all restrictive covenants and other title encumbrances encumbering the Project, including, without limitation, those contained in the Operating Agreement and the Ground Lease.

"Reserve Account Contract" means a surety bond, insurance policy, letter of credit, investment agreement, investment contract or similar instrument which provides for payment on demand, in form and substance reasonably satisfactory to the Servicer, naming the Master Trustee as beneficiary, which can be drawn upon in accordance with the terms of the Master Trust Indenture for disbursement from the Fund or Account for which the Reserve Account Contract is deposited and which otherwise complies with the provisions of the Master Trust Indenture.

"Reserve Account Contract Provider" means the provider of a Reserve Account Contract licensed to business in the State of New York, and its successors and assigns.

~~**"Residual IDP Construction Amount"** means an amount to be held in the Residual IDP Project Cash Flow Account from funds deposited monthly from the Operating Revenue Fund and investment earnings on the Construction Fund pursuant to the Master Indenture and held pursuant to the Master Indenture for payment of Project Costs sufficient to cause there to be held in the Residual IDP Project Cash Flow Account, after taking into account all amounts previously deposited and currently available in the Residual IDP Project Cash Flow Account for payment of Project Costs, the following aggregate amounts: \$ _____ at the end of Fiscal Year 2004, \$ _____ at the end of Fiscal Year 2005, \$ _____ at the end of Fiscal Year 2006, and \$ _____ at the end of Fiscal Year 2007; as such amounts may be modified from time to time in the Development Budget.~~

"Residual IDP Project Cash Flow Account" means the Account by that name of the Construction Fund established pursuant to the Master Trust Indenture.

"Resolution" means a resolution entitled "Military Housing Revenue Bonds (Fort Hamilton Housing LLC Project) Bond Resolution" pursuant to which the 2004 Series A Bonds will be issued, adopted by the Members of New York City Housing Development Corporation on April 15, 2004, and any amendments and supplements made in accordance with its terms.

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

"Revenue Account Monthly Disbursement Date" means the tenth Business Day of each month.

"Revenues," with respect to the Resolution, means (i) the scheduled or other payments under the 2004 Series A Master Notes paid to or to be paid to the Corporation, 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, and the proceeds of disposition of any of (i), (ii) and (iii) above, but shall not mean or include amounts required to be deposited into the rebate fund established under the Resolution.

"Series" means and refers to all of the Notes designated as such in the Related Series Indenture and authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in Class, dated date, maturity, interest rate or other provisions, and any Note thereafter delivered in lieu of or substitution for any of such Notes pursuant to the Master Trust Indenture and the

Related Series Indenture. However, with respect to the Resolution, “**Series**” means the 2004 Series A Bonds or any series of Additional Bonds.

“**Series Indenture**” means a Supplemental Indenture authorizing a Series of Notes and delivered pursuant to the Master Trust Indenture.

“**Servicer**” means 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, and any successor thereto, who shall serve as agent for the Owners of the Obligations and the Master Trustee.

“**Servicer and Fiduciary Fee Fund**” means the Fund by that name established pursuant to the Master Trust Indenture.

“**Servicer Fees**” means the scheduled monthly fees of the Servicer set forth in the Related Series Indenture and all out-of-pocket expenses of the Servicer incurred under the Master Trust Indenture, and with respect to the 2004 Series A Notes, the fee payable by the Borrower to the Servicer in connection with standard services rendered by the Servicer, in an amount equal to (i) a one-time fee in the amount of \$ _____ paid to the Servicer on the ~~2004 Series A~~ Closing Date and (ii) \$ _____ per annum, payable, in equal monthly installments in advance on each Revenue Account Monthly Disbursement Date, commencing May ___, 2005, as such fee may be amended from time to time upon agreement of the Borrower and the Master Trustee, plus all out-of-pocket expenses of the Servicer incurred under the Master Indenture or under the other Loan Documents.

“**SHPO**” means the New York State Historic Preservation Office.

“**Single Purpose Entity**” means any firm, corporation or partnership which can make the representations and warranties and satisfy the covenants describing a “Single Purpose Entity” as set forth in the Master Trust Indenture and as described further in Appendix C to this Official Statement under the heading “~~Summary of Certain Provisions of the Master Indenture~~ **SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE** – Particular Representations, Warranties and Covenants of the Borrower – Representations and Covenants of Borrower as Single Purpose Entity.”

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

“**Sites**” means ~~the property identified in an attachment to the Ground Lease and incorporated into the Ground Lease by reference, together with all rights, liberties, privileges, hereditaments and appurtenances thereto.~~

“**State**” means the State of New York.

“**Substantial Completion**” means the stage in the progress of the work for the ~~2004 Series A~~ Project when the work is sufficiently complete in accordance with the ~~2004 Series A~~ Construction Contract and applicable laws so that the ~~2004 Series A~~ Project can be utilized for its intended use.

“Supplemental Indenture” means any supplemental indenture (including a Series Indenture) approved by the Borrower, the Servicer and the Corporation in accordance with the Master Trust Indenture amending or supplementing the Master Indenture.

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

“Surplus Cash Fund” means the Fund by that name established and held pursuant to the Master Trust Indenture.

“Title Company” means the title company issuing the Title Insurance as specified in the Related Series Indenture, and with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, Commonwealth Land Title Insurance Company and its successors and assigns.

“Title Insurance” or **“Title Policy”** means a mortgagee title insurance policy (or policies), and any reinsurance agreement (or agreements) issued by the Title Company reasonably acceptable to Servicer.

“Treasury Rate” means, with respect to any redemption date for the 2004 Series A Bonds: the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption ‘Treasury Constant Maturities,’ for the maturity corresponding to the Comparable Treasury Issue; provided that if no maturity is within three months before or after the maturity date for the 2004 Series A Bonds, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or if that release, or any successor release, is not published during the week preceding the calculation date or does not contained such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

“2004 Series A Bonds” means the New York City Housing Development Corporation’s Military Housing Revenue Bonds (Fort Hamilton Housing, LLC Project) 2004 Series A, consisting of the Corporation’s 2004 Series A Class I Bonds and the Corporation’s 2004 Series A Class II Bonds.

“2004 Series A Class I Bonds” means the New York City Housing Development Corporation’s Military Housing Revenue Bonds (Fort Hamilton Housing, LLC Project) 2004 Series A Class I Bonds.

“2004 Series A Class I Debt Service Reserve Account Requirement” means, with respect to the 2004 Series A Class I Note, (a) as of the ~~2004 Series A Closing Date~~, \$_____, and (b) thereafter, as of any date of calculation, the maximum principal and interest payments due for any period of twelve consecutive calendar months on the 2004 Series A Class I Note.

“2004 Series A Class I Master Note” means the Borrower’s Military Housing Revenue Class I Note (Fort Hamilton Project), 2004 Series A.

“2004 Series A Class II Bonds” means the New York City Housing Development Corporation’s Military Housing Revenue Bonds (Fort Hamilton Housing, LLC Project) 2004 Series A Class II Bonds.

“2004 Series A Class II Debt Service Reserve Account Requirement” means, with respect to the 2004 Series A Class II Note, (a) as of the ~~2004 Series A Closing Date~~, \$_____, and (b) thereafter, as of any date of calculation, the maximum principal and interest payments due for any period of twelve consecutive calendar months on the 2004 Series A Class II Note.

“2004 Series A Class II Master Note” means the Borrower’s Military Housing Revenue Class II Note (Fort Hamilton Project), 2004 Series A.

“2004 Series A Class III Notes” means the Borrower’s 2004 Series A Class III Notes that will be issued under the Master Indenture concurrently with the issuance of the 2004 Series A Bonds. The 2004 Series A Notes are not being offered pursuant to this Official Statement.

~~**“2004 Series A Closing Date”** means the date on which the 2004 Series A Notes are delivered to the original Owners, being June 1, 2004.~~

~~**“2004 Series A Construction Contract”** means the [Agreement Between Owner and Contractor — Cost of the Work Not to Exceed a Guaranteed Maximum Price] between the Borrower and the Contractor as in effect on the 2004 Series A Closing Date and as thereafter modified from time to time in accordance therewith and the requirements of the Master Indenture.~~

“2004 Series A Master Notes” and the **“Master Trust Notes”** mean the Borrower’s Military Housing Revenue Notes (Fort Hamilton Project), 2004 Series A, consisting of its 2004 Series A Class I Note and its 2004 Series A Class II Note, evidencing and securing the Borrower’s payment obligations under the Loan Agreement with respect to the 2004 Series A Bonds.

~~**“2004 Series A Project”** means the design, demolition, renovation, construction and operation of housing units and associated improvements in residential housing areas located at Fort Hamilton as more fully described in an exhibit attached to the 2004 Series A Construction Contract, as the same may be modified in accordance with the requirements of the Master Indenture.~~

“2004A Series Indenture” means the 2004 Series A Indenture dated as of [May 1, 2004] by and among the Borrower, the Master Trustee and the Servicer.

“USTs” means Underground Storage Tanks.

“Unavoidable Delays” means delays due to labor strikes, slowdowns or lockouts, acts of God, inability to obtain labor or materials, war, enemy actions, civil commotion, fire, casualty, catastrophic weather conditions or natural disasters, a court order that causes a delay (unless resulting from disputes between or among the partners of the Borrower or Affiliates of the Borrower), the application of laws or regulations unforeseen at the time of issuance of the Notes, or any other cause beyond the control of the Borrower.

“Utility Cost Reserve Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

“Utility Cost Reserve Requirement” with respect to a Series of Notes, shall have the meaning set forth in the related Series Indenture, and with respect to the 2004 Series A Notes ~~and the 2004 Series A Project~~, the amount required to be deposited in the 2004 Series A Account of the Utility Cost Reserve Fund as set forth in the 2004A Series Indenture, representing one month of utility expenses for the ~~2004 Series A Project~~ as set forth in the Operating Budget delivered to the Master Trustee and the Servicer by the Borrower on the ~~2004 Series A Closing Date~~.

“Utility Revenue Account” means the Account by that name of the Operating Revenue Fund established pursuant to the Master Trust Indenture.

“Utility Set-Aside” means an amount not to exceed 115% of the estimated tenant gas and electricity charges to be deposited in the Utility Revenue Account.

“Utility Transition Period” means with respect to financing the Project under the Master Trust Indenture, the time period beginning when the initial Series Indenture related to the Project is executed and continuing until one year after the last individual electric and gas (if applicable) meter has been installed in all Housing Units in the Project.

“Working Capital Reserve Deposit” means the amount required to be deposited in the 2004 Series A Account of the Working Capital Reserve Fund as set forth in the 2004A Series Indenture.

“Working Capital Reserve Fund” means the Fund by that name established pursuant to the Master Trust Indenture.

Document comparison done by DeltaView on Tuesday, May 18, 2004 11:57:33 AM

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Insertions	42
Deletions	80
Moved from	0
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Format changed	0
Total changes	122

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE

The following statements are brief summaries of certain provisions of the Master Trust Indenture, pertaining to the authorization and issuance of notes, representations, warranties and covenants of the Borrower, default provisions and remedies, the Master Trustee and other Fiduciaries, supplemental indentures, defeasance, the Servicer, removal of the Managing Member and Property Manager and Hazardous Substances. These summaries do not purport to be complete, and reference is made to the actual document available from the Master Trustee for a full and complete statement of the provisions thereof.

AUTHORIZATION AND ISSUANCE OF NOTES**Conditions Precedent to Delivery of Notes**

A Series of Notes shall be executed by the Borrower for issuance and delivery to the Master Trustee and thereupon shall be authenticated by the Master Trustee and delivered to the Owner thereof upon the Borrower's order, but only upon receipt by the Master Trustee of the following:

(a) An original executed copy of the Series Indenture authorizing such Notes, which Series Indenture shall specify:

(i) the purpose or purposes for which such Series of Notes are being issued which shall be one or more of the purposes listed in the Master Indenture;

(ii) the Series and Class designation or designations of such Notes, the date or dates, and the maturity date or dates, of such Notes each of which maturity dates shall fall upon an Interest Payment Date;

(iii) the amount of Class I Notes, Class II Notes and/or Class III Notes, respectively, and the amount of each maturity of such Notes;

(iv) the interest rate or rates of such Notes or the manner of determining such rate or rates and the Interest Payment Dates therefor, if any;

(v) the denomination of, and the manner of dating and numbering such Notes;

(vi) the Record Dates, the place or places of payment of the principal or Redemption Price or Prices, if any, and the manner of payment of interest on, such Notes;

(vii) the Redemption Price or Prices, if any, of and, subject to the provisions of the Master Indenture with respect to redemptions, the redemption order and terms for such Notes;

(viii) the amount and due date of each Sinking Fund Payment, if any, for such Notes of like Class, tenor and maturity, but the due date of each such Sinking Fund Payment shall fall upon an Interest Payment Date;

(ix) if there are any Related Bond Issuer Bonds, similar information with respect thereto as set forth for the Related Notes in clauses (ii) through (viii) above, which information

may be referred to in the Related Bond Issuer Indenture authorizing such Related Bond Issuer Bonds and attached to the Series Indenture as an exhibit;

(x) the amounts to be deposited in the Funds and Accounts created and established by the Master Indenture and the Series Indenture authorizing such Notes;

(xi) the Debt Service Reserve Fund Requirement, the Operating Expense Reserve Requirement and the Utility Cost Reserve Requirement applicable to such Series of Notes and the timing and method of funding such requirements and fees;

(xii) the amount available for Costs of Issuance with respect to such Notes and any Related Bond Issuer Bonds;

(xiii) limitations on Administrative Expenses with respect to such Notes and any Related Bond Issuer Bonds;

(xiv) any limitations or requirements with respect to such Notes and any Related Bond Issuer Bonds, including interest rates and purchase prices;

(xv) if so determined by the Borrower, provisions for the sale and/or tender of such Notes and any Related Bond Issuer Bonds;

(xvi) designation of the Credit Enhancement Facility and Credit Enhancer and/or Liquidity Facility and Liquidity Facility Provider, if applicable;

(xvii) the Project Documents and the parties thereto; and

(xviii) any other provisions deemed advisable by the Borrower that are not in conflict with the provisions of the Master Indenture;

(b) A written order as to the delivery of such Notes, signed by an Authorized Officer;

(c) A certificate of an Authorized Officer stating that the Borrower is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;

(d) A Cash Flow Statement, together with a Confirmation, with respect to such Series of Notes or the Bond Issuer Bonds related to such Series of Notes (and any other Series of Notes or Bond Issuer Bonds to which it may be linked for Cash Flow Statement purposes) taking into account the proposed issuance of such Notes and any Related Bond Issuer Bonds and the application of the proceeds thereof;

(e) Subject to provision (c) described in “AUTHORIZATION AND ISSUANCE OF NOTES – Conditions Precedent to Delivery of Refunding Notes” below, the written consent of the Corporation; and

(f) Such further documents and moneys, including Investment Agreements, as are required by the provisions of the Related Series Indenture.

Conditions Precedent to Delivery of Refunding Notes

(a) All Refunding Notes shall be executed by the Borrower for issuance and delivered to the Master Trustee and thereupon shall be authenticated by the Master Trustee and delivered to the Borrower or upon its order, but only upon the receipt by the Master Trustee of:

(i) The documents and moneys, if any, described in “AUTHORIZATION AND ISSUANCE OF NOTES – Conditions Precedent to Delivery of Notes” above;

(ii) Irrevocable instructions to the Master Trustee to give due notice of the payment or redemption of all the Notes or other Obligations to be refunded and the payment or redemption date or dates, if any, upon which such Notes or other Obligations are to be paid or redeemed; and

(iii) If the Obligations to be refunded are Notes, either (A) moneys (which may include all or a portion of the proceeds of the refunding Notes or Related Bond Issuer Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the Notes and any Related Bond Issuer Bonds to be refunded, together with accrued interest on such Notes and any Related Bond Issuer Bonds to the due date or redemption date, or (B) Defeasance Securities, the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the refunding Notes or Related Bond Issuer Bonds to be issued), if any, contemporaneously deposited with the trustee or paying agent or escrow agent for any Related Bond Issuer Bonds to be refunded will be sufficient to pay when due the applicable principal or redemption price of the Notes and any Related Bond Issuer Bonds to be refunded, together with accrued interest on such Notes and Related Bond Issuer Bonds to the redemption date or redemption dates or date of maturity thereof, which moneys or Defeasance Securities shall be held by the Master Trustee or by the trustee or paying agent or escrow agent for the Related Bond Issuer Bonds, if applicable, to be refunded in a separate account irrevocably in trust for and assigned to the owners of the Notes or Bond Issuer Bonds to be refunded.

(b) Neither Defeasance Securities nor moneys deposited with the Master Trustee or the trustee or paying agent or escrow agent for any Related Bond Issuer Bonds to be refunded as described in paragraph (a)(iii) above under this heading nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than the payment of the applicable principal or redemption price of the Notes and any Related Bond Issuer Bonds to be refunded, together with accrued interest on such Notes and any Related Bond Issuer Bonds to the redemption date, and any cash received from such principal or interest payments, if not needed for such purpose, may be applied to the payment of any obligation issued to provide funds for the acquisition of such Defeasance Securities, but otherwise shall, to the extent practicable, be reinvested in such Defeasance Securities as are described in clause (B) of paragraph (a)(iii) above maturing at times and in amounts sufficient to pay when due the principal or applicable redemption price of such Notes and any Related Bond Issuer Bonds, together with such accrued interest.

(c) If such Refunding Notes are to be issued in connection with a refunding or defeasance of not less than all Outstanding Bond Issuer Bonds, the written consent of the Corporation required in “AUTHORIZATION AND ISSUANCE OF NOTES – Conditions Precedent to Delivery of Notes” above will not be required.

Ratings

Notwithstanding any provision of the Master Indenture described above under “AUTHORIZATION AND ISSUANCE OF NOTES – Conditions Precedent to Delivery of Notes” and “– Conditions Precedent to Delivery of Refunding Notes,” so long as there are Outstanding Notes or Related Bond Issuer Bonds rated by a Rating Agency, the Borrower will not issue any additional Notes (including Notes issued or to be issued on a forward purchase basis) if such issuance would result in a lowering, suspension or withdrawal of the ratings then applicable to any Notes or Related Bond Issuer Bonds.

PARTICULAR REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWER

Pursuant to the Master Trust Indenture, the Borrower has represented, warranted, covenanted and agreed with the Master Trustee and the Owners of the Obligations as follows:

Payment of Obligations

The Borrower will duly and punctually pay or cause to be paid, but only from the Trust Estate, in strict conformity with the terms of the Notes, any Derivative Products and the Master Indenture, the principal or Redemption Price of every Obligation and the interest thereon at the dates and places and in the manner mentioned in the Notes and Derivative Products according to the true intent and meaning thereof.

Extension of Payment of Notes

The Borrower will not directly or indirectly extend or assent to the extension of the maturity of any of the Notes or the time of payment of any claims for interest by the purchase or funding of such Notes or claims for interest or by any other arrangement without the written consent of the Owners of such Notes. Notwithstanding the foregoing, the Owner of any Note may extend the time for payment of the principal of or interest on such Note; provided, however, that upon the occurrence of an Event of Default, funds available under the Master Trust Indenture for the payment of the principal of and interest on the Notes will not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Nothing in the Master Trust Indenture will be deemed to limit the right of the Borrower to issue Refunding Notes, and such issuance will not constitute an extension of maturity of Notes.

Further Assurances

At any and all times the Borrower, so far as it may be authorized by law, will make, do, execute, acknowledge and deliver, all and every such further acts, deeds, conveyances, assignments, transfers and assurances as may be reasonably necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Pledged Revenues and other moneys, securities and property pledged or assigned by the Master Indenture, or intended so to be, or which the Borrower may become bound to pledge or assign.

Power to Issue Notes and Pledge Pledged Revenues and Other Funds

The Borrower is duly authorized under all applicable laws to issue the Notes and to execute and deliver the Master Trust Indenture and to pledge the Pledged Revenues and other moneys, securities, rights and interests purported to be pledged in the manner and to the extent provided in the Master Trust

Indenture. The Pledged Revenues and other moneys, securities, rights and interests so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto (other than liens of Fiduciaries) prior to, or of equal rank with, the pledge created by the Master Indenture and all action on the part of the Borrower to that end has been and will be duly and validly taken. The Obligations and the provisions of the Master Indenture are and will be the valid and binding obligations of the Borrower enforceable in accordance with their terms and the terms of the Master Indenture, subject to State and Federal bankruptcy, insolvency, and other similar laws affecting the enforcement of creditors' rights and the availability of equitable remedies. The Borrower, to the extent permitted by law, at all times will defend, preserve and protect the pledge of the Pledged Revenues and other moneys, securities, rights and interests pledged under the Master Indenture and all the rights of the Owners of the Obligations under the Master Indenture against all claims and demands of all persons whomsoever.

Use of Proceeds

The Borrower will use the proceeds of Notes or Related Bond Issuer Bonds and any other moneys deposited in the Funds and Accounts only in accordance with the provisions of the Master Indenture.

Application of Proceeds; Enforcement of Project Documents

The Borrower from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of the Master Indenture, will use and apply the proceeds of any Notes or Related Bond Issuer Bonds and other moneys deposited in the Construction Fund for the purposes provided in the Master Trust Indenture, and consistent with sound banking practices and principles will do all such acts and things necessary to receive and collect Pledged Revenues and will diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Borrower for the enforcement of all terms, covenants and conditions of the Project Documents.

Amendment of Obligations

Except as provided in the Master Trust Indenture, the Borrower will not consent or agree to or permit any amendment or modification of the financial terms of any Obligation or Related Bond Issuer Bonds or Loan or any security therefor in any manner materially adverse to the interests of the Owners of such Obligations, as determined in good faith by the Master Trustee or the Servicer.

Pledged Revenues

The Borrower at all times will charge and collect Operating Revenues from Permitted Tenants who do not receive BAH and are not entitled to pay a BAH-equivalent rate in amounts, after taking into consideration Operating Revenues generated from all other Permitted Tenants, sufficient to provide Pledged Revenues which, together with any other moneys estimated by the Borrower to be available therefor (including Prepayments), are estimated to be at least sufficient at all times for the payment of the sum of:

- (a) an amount equal to the aggregate Debt Service Payments (including the originally scheduled amount of any Class I Sinking Fund Installments, Class II Sinking Fund Installments and Class III Sinking Fund Installments) on all Obligations Outstanding; and
- (b) Operating Expenses and Administrative Expenses, as projected by the Borrower;

provided in each case that, so long as the Corporation is the holder of Notes, rental rates charged to such Permitted Tenants comply with the requirements of the Regulatory Agreement between the Corporation and the Borrower.

Cash Flow Statement

The Borrower will file Cash Flow Statements at such times as may be required pursuant to the provisions of the Master Indenture. Whenever an event occurring or action to be taken under the Master Indenture is required to be “consistent with” a Cash Flow Statement, such event or action must be substantially the same as, or within the range of, the events or actions that were projected or assumed by such Cash Flow Statement to occur or be taken. For any Cash Flow Statement delivered after the issuance of the Related Series, the projections or assumptions as to future results of operation of the Project may include the scenarios covered by, and the material assumptions made in connection with, the Cash Flow Statement delivered in connection with the issuance of such Series, if the actual results of operation of the Project have not materially deviated from such projections or assumptions.

Accounts and Reports

The Borrower will keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries will be made of its transactions relating to the Funds and Accounts established by the Master Indenture. Such books, and all other books and papers of the Borrower and such Funds and Accounts will at all times be subject to the inspection of the Master Trustee, the Servicer and any Owner of an aggregate of not less than 5% in aggregate principal amount of Obligations then Outstanding or their representatives duly authorized in writing.

The Borrower will cause to be kept and maintained proper books of account, in which full, true and correct entries will be made, in accordance with generally accepted accounting principles (with tax-based depreciation), of all transactions of or in relation to the business of the Borrower, and after the end of each Fiscal Year will cause such books of account to be audited by a certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, selected by the Borrower, who is Independent and not under the domination of the Borrower, who does not have any substantial interest, direct or indirect, in the Borrower, which audit will be completed as soon as possible after the end of each Fiscal Year but in any event within 180 days thereafter. A copy of each annual balance sheet, statement of revenues, expenses and changes in retained earnings and statement of cash flows, showing in reasonable detail the financial condition of the Borrower as of the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for the Fiscal Year, will be filed promptly with the Master Trustee, and the Servicer and, upon request, each Rating Agency.

The reports, statements and other documents required to be furnished to the Master Trustee or the Servicer pursuant to any provision of the Master Indenture will be available for the inspection of Owners of Obligations at the principal corporate trust office of the Master Trustee and a copy thereof and of the audited financial statements of the Borrower will be transmitted to each Owner of not less than 5% in aggregate principal amount of Obligations then Outstanding, who files a written request therefor with the Borrower or the Master Trustee, provided such Owner pays the expense of copying and transmitting such information.

Creation of Liens and Indebtedness

The Borrower will not create, incur or permit liens or other encumbrances other than Permitted Encumbrances, and will not issue any notes or other evidences of indebtedness, other than the Obligations, secured by a pledge of the Pledged Revenues or of the moneys, securities, rights and

interests pledged or held or set aside by the Borrower or by any Fiduciary under the Master Indenture and will not create or cause to be created, other than by the Master Indenture, any lien or charge on the Pledged Revenues or such moneys, securities, rights or interests; provided, however, that nothing in the Master Indenture will prevent the Borrower from issuing evidences of indebtedness secured by a pledge of Pledged Revenues to be derived after the pledge of the Pledged Revenues provided in the Master Indenture will be discharged and satisfied as provided in defeasance provisions of the Master Trust Indenture.

General

The Borrower will do and perform or cause to be performed all acts and things required to be done or performed by or on behalf of the Borrower under the provisions of the Master Indenture and the Project Documents and will refrain from taking any action which would cause a default under the Master Trust Indenture or under any Supplemental Indenture (including any Series Indenture) or under any Project Document.

Upon the date of delivery of any of the Obligations, all conditions, acts and things required by law and the Master Indenture to exist, to have happened and to have been performed precedent to and in the issuance of such Obligations will exist, have happened and have been performed.

Representations, Warranties and Covenants of the Borrower

The Borrower makes the following representations, warranties and covenants:

Concerning the Borrower

The Borrower is a Delaware limited liability company duly formed and existing under the laws of the State of Delaware, and is duly authorized to conduct its business in the State and all other states where the failure to be so authorized would have a material adverse effect upon the Borrower or the Project, has the power to enter into and perform its obligations under the Master Trust Indenture and the other Loan Documents and Project Documents, and to use the proceeds of Notes or Bond Issuer Bonds, as applicable, and own and operate the Project for the purposes set forth in the Master Trust Indenture and the Loan Documents, and by proper action has authorized the execution and delivery of the Master Trust Indenture and the other Loan Documents and Project Documents, and has approved the Master Indenture and is a Single Purpose Entity.

The Borrower is not (A) an “investment company” or a company “controlled by an investment company” within the meaning of the Investment Company Act of 1940, as amended; or (B) a “holding company” or a “subsidiary company” of a “holding company” or an “affiliate” of either a “holding company” or a “subsidiary company” within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (C) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money.

The Borrower is not a “foreign person” within the meaning of section 1445(f)(3) of the Code.

Borrower Obligations

The Master Trust Indenture has been, and the other Project Documents, upon their execution and delivery, will be, duly executed and delivered by the Borrower; the Master Trust Indenture constitutes, and the Project Documents, upon their execution and delivery, will constitute, valid, legal, binding and enforceable obligations of the Borrower (subject to bankruptcy, insolvency or creditors rights generally

and principles of equity generally); the execution, delivery and performance of such documents by the Borrower will not violate any law, regulation, order or decree of any Governmental Authority; and all consents, approvals, authorizations, orders or filings of or with any court or governmental agency or body, if any, required for the execution, delivery and performance of such documents by the Borrower have been obtained or made.

No Conflict or Default

The execution and delivery of the Master Trust Indenture and the other Loan Documents, the consummation of the transactions contemplated thereby, and the fulfillment of the terms and conditions thereof do not and will not conflict with or result in a breach of any of the terms or conditions of the organizational documents of the Borrower, any restriction or any agreement or instrument to which the Borrower is now a party or by which it is now bound or to which any property of the Borrower is now subject, and do not and will not constitute a default under any of the foregoing, or, to the best of the Borrower's knowledge, cause the Borrower to be in violation of any order, decree, statute, rule or regulation of any court or any state or federal regulatory body having jurisdiction over the Borrower or the Project and do not and will not result in the creation or imposition of any lien, charge or encumbrance of any nature upon any of the property or assets of the Borrower in violation of the terms of any instrument or agreement to which the Borrower is a party or by which it is bound. The Borrower and the Managing Member have complied with any and all laws and regulations concerning their organization and existence, and in all material respect with the transaction of their business. The Borrower has the right and power to own and to operate the Project as contemplated in the Loan Documents. No Event of Default, or event which with the giving of notice or lapse of time, would constitute an Event of Default, exists under the Master Trust Indenture.

Compliance with Requirements, Permits and Licenses

The Borrower has complied with and remains in compliance with all of the Requirements, as well as all other applicable laws, regulations and ordinances. The Project and the actual and intended use thereof by the Borrower complies with the Requirements. The Borrower has received no notices of violations of any Requirement. No provision or obligation of the Borrower contained in any of the Loan Documents violates any of the Requirements, any other applicable law, regulation or ordinance or any order or ruling of any court or governmental entity. No such provision or obligation conflicts with, or constitutes a breach or default under, any agreement binding or regulating the Project.

Borrower Business

The Borrower is not in the trade or business of selling properties such as the Project and has acquired the Project for investment purposes only or otherwise for use by the Borrower in its trade or business, and therefore, other than in connection with the leasing of Housing Units in the Project in the ordinary course of business, the Borrower has no present intention to voluntarily sell, surrender or otherwise transfer, in whole or part, its interest in the Project in the foreseeable future.

No Litigation or Material Adverse Events; ERISA

There are no actions, suits, proceedings or inquiries or investigations at law or in equity now pending or, to the knowledge of the Borrower, threatened against the Borrower or any property of the Borrower in any court or before any federal, state, municipal or other governmental agency, which, (A) would have a material adverse effect upon the Borrower or upon the business or properties of the Borrower or upon its power, authority and right to enter into the Master Trust Indenture and the other Loan Documents and Project Documents, (B) affects or seeks to prohibit, restrain or enjoin the issuance,

sale or delivery of the Notes or the loaning of the proceeds of the Notes or any Related Bond Issuer Bonds to the Borrower or the execution and delivery of any of the Loan Documents and Project Documents, (C) affects or questions the validity or enforceability of any of the Loan Documents and Project Documents, or (D) questions the power or authority or otherwise affects the Borrower's ability to carry out the transactions contemplated by, or to perform its obligations under, any of the Loan Documents and Project Documents or which would materially and adversely affect the power of the Borrower to build, own, equip, or operate the Project. The Borrower is not in default with respect to any order of any court or governmental agency. There are no condemnation proceedings now pending or, to the knowledge of the Borrower, threatened against the Borrower or any property of the Borrower in any court or before any federal, state, municipal or other governmental agency.

The Borrower is not currently under any cease or desist order or other order of a similar nature, temporary or permanent, of any federal or State authority which would have the effect of preventing or hindering the performance of the Borrower's duties under the Master Trust Indenture or any other Loan Documents and Project Documents nor are there any proceedings presently in progress or, to its knowledge, contemplated which would, if successful, lead to the issuance of any such order.

The Borrower has not received any notice that it is not in full compliance with ERISA and Department of Labor regulations under ERISA, with related provisions of the Code and Treasury Regulations under the Code and with terms of such plan or plans with respect to each pension or welfare benefit plan to which the Borrower is a party or makes any employer contributions with respect to its employees, for the current or prior plan years of such plans.

Income Tax Returns; Filings

The Borrower has filed all federal and state income, property and franchise tax returns, if any, which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown on said returns, and all assessments and governmental charges received by it, to the extent that they have become due, and the Borrower knows of no basis for any additional assessment of taxes.

The Borrower has made or will make all filings with, and has obtained or will obtain all approvals, licenses, permits and consents from, all federal, State and local regulatory agencies having jurisdiction to the extent, if any, required by applicable laws and regulations to be made or to be obtained in connection with the acquisition, construction, ownership, operation and management of the Project and the execution and delivery by the Borrower of, and performance by the Borrower of its obligations under, the Master Indenture and the other Project Documents.

No further authorization, consent, approval, order, registration, declaration or withholding of objection on the part of, or filing of or with, any governmental authority not already obtained or made is required (or to the extent not yet obtained or made, the Borrower has no reason to believe that such authorizations, consents, approvals, orders, registrations or declarations will not be obtained or made in a timely fashion) for the execution and delivery, as the case may be, of the Master Indenture or any of the other Loan Documents or the performance of the terms and provisions of the Master Indenture or any of the other Loan Documents.

Borrower Review

The Borrower (i) understands the nature and structure of the transactions relating to the financing of the Project, (ii) is familiar with the provisions of all of the documents and instruments relating to such financing to which it is a party or of which it is a beneficiary, (iii) understands the risks inherent in such transactions, including, without limitation, the risk of loss of the Project and (iv) has not relied on the

Government, the Master Trustee or the Servicer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Master Trust Indenture or any of the other Loan Documents or otherwise relied on a Bond Issuer in any manner. No counterclaim, offset, defense or right of rescission currently exists that can be asserted and maintained by the Borrower against the Government, the Master Trustee or the Servicer.

Compliance With Operating Agreement and the Ground Lease

The Borrower is in compliance with all requirements of the Operating Agreement and the Ground Lease and the representations set forth in the Operating Agreement and the Ground Lease pertaining to the Borrower and the Project are true and accurate in all material respects. The Borrower intends to cause the Housing Units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Operating Agreement and the Ground Lease and pursuant to leases which comply with all applicable laws and the Operating Agreement.

Bankruptcy Matters

The Borrower has not entered into the transaction evidenced by the Master Trust Indenture with the actual intent to hinder, delay or defraud any creditor of the Borrower and the Borrower has received reasonably equivalent value in exchange for its obligations under the Master Trust Indenture and under the Mortgage and other Project Documents.

There is no completed, pending or threatened bankruptcy, reorganization, receivership, insolvency or like proceeding, whether voluntary or involuntary, affecting the Project, the Borrower, or the Managing Member of the Borrower and there has been no assertion or exercise of jurisdiction over the Project, the Borrower or the Managing Member of the Borrower by any court empowered to exercise bankruptcy powers.

No Material Obligations

The Borrower has no material contingent liabilities other than any contingent liabilities it may have under the Project Documents and the Operating Agreement.

The Borrower has, and during the term of the Master Indenture will have, no financial obligation, contingent or otherwise, under any bond, note, indenture, mortgage, deed of trust, loan agreement, guarantee, capital lease or other agreement or instrument to which the Borrower is a party or by which the Borrower or the Project are otherwise bound, other than Permitted Indebtedness.

No Construction Before Recordation of Mortgage

Except as required or permitted under the Transaction Period Agreement, and except as necessary in connection with preliminary design, testing and environmental assessments, prior to the recordation of the Mortgage and the Assignment of Leases and Rents, no work of any kind (including the destruction or removal of any existing improvements, site work, clearing, grubbing, draining or fencing of the Leased Premises) will have commenced or will have been performed on the Leased Premises, no mechanics' liens may be filed against any portion of the Project, no equipment or material will have been delivered to or upon the Leased Premises for any purpose whatsoever in connection with the construction of the Project, and no contract (or memorandum or affidavit thereof) for the supplying of labor, materials, or services for the construction of the Project will have been executed or recorded in any mechanic's lien or other public records.

Assessments

Except as disclosed in the Title Insurance, there are no pending or, to the knowledge of the Borrower, proposed special or other assessments for public improvements affecting the Project, nor, to the knowledge of the Borrower, are there any contemplated public or improvement district-financed improvements to the Leased Premises that may result in such special or other assessments.

Borrower and Project Information

All information, statements and reports furnished in writing to the Servicer or the Master Trustee by the Borrower in connection with the Master Indenture and the Loan Documents and with the closing of the transactions provided for in, or required by, the Master Indenture and the Loan Documents (including, without limitation, any information so furnished by the Borrower in connection with the preparation of any materials related to the issuance, delivery or offering of Bond Issuer Bonds) are (or, in the case of materials prepared by persons other than Borrower are to the best of Borrower's knowledge) accurate and correct in all material respects and none of them contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and the representations and warranties of the Borrower and the statements, information and descriptions contained in the Borrower's closing certificates, are true and correct in all material respects and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated in such certificates or necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading.

There is no fact currently known to the Borrower concerning the Borrower or the Project which has not been disclosed in the Official Statement dated May 28, 2004 relating to the 2004 Series A Bonds and any other offering materials provided to the Owners of the Outstanding Obligations, the Master Trustee and the Servicer which materially and adversely affects, and as far as the Borrower can reasonably foresee would materially and adversely affect, the business, operations or conditions (financial or otherwise) of the Borrower or the Project.

All financial information which has been and will be delivered to the Master Trustee or the Servicer by the Borrower, including all information relating to the financial condition of the Borrower or its Managing Member and the Project, does and will fairly and accurately represent the financial condition being reported on taken as a whole. All such information was and will be prepared in accordance with generally accepted accounting principles (with tax-based depreciation) consistently applied, unless otherwise noted. As of the date of the Master Trust Indenture, there has been no material adverse change in any financial condition of the Borrower since the condition most recently reported to the Master Trustee and the Servicer. The Borrower has disclosed to Master Trustee and the Servicer any and all leases currently affecting the Project or any portion of or interest in it.

The only tenant eligibility requirements or rent restrictions with which the Borrower and the Project must comply are those set forth in the Ground Lease and the Operating Agreement or as otherwise set forth in a Related Series Indenture or the Regulatory Agreement or required by a Bond Issuer.

Operating Budget and Annual Financial Statements

The initial Operating Budget for the Project has been prepared by the Borrower, and such budget includes all such material Operating Expenses with respect to the Project, including, without limitation, debt service on the Related Series of Notes, as may be reasonably expected to be incurred for the period of such budget.

The Borrower will prepare or cause to be prepared, at its expense, annual financial statements of the Borrower, which financial statements will be audited. Further, the Borrower agrees to provide its annual financial statements to the Master Trustee and the Servicer, and the Master Trustee will provide the same, upon its request, directly to any Owner of at least \$1,000,000 in aggregate principal amount of the Obligations, upon its request.

Utilities and Operation

All utility services, including gas, water, sewage, electrical and telephone, necessary to develop and occupy the Project are available at or within the boundaries of the Project. In the alternative, the Borrower has taken all steps necessary to assure that all utility services will be available upon completion of the Project with capacity to serve the Project as improved.

The intended use and operation of the Project will be in conformance with the purposes and provisions of the Operating Agreement and the Ground Lease, and the Project will be utilized and maintained in such manner as to conform with all applicable Requirements, including, without limitation, all applicable zoning, planning, building, environmental and other regulations of all governmental authorities having jurisdiction of, and being applicable to, the Project.

The Project is an independent unit which does not rely on any drainage, sewer, access, parking, structural or other facilities located on any property not included in the Project or on public or utility easements for the (a) fulfillment of any zoning, building code or other requirement of any governmental authority that has jurisdiction over the Project, (b) structural support or (c) the fulfillment of the requirements of any lease or other agreement affecting the Project. The Borrower, directly or indirectly, has the right to use all amenities, easements, public or private utilities, parking, access routes or other items necessary or currently used for the operation of the Project. The Project is either (a) contiguous to, or (b) benefits from an irrevocable unsubordinated easement permitting access from the Project to a physically open, dedicated public street, and has all necessary permits for ingress and egress. No building or other improvement not located on the Project relies on any part of the Project to fulfill any zoning requirements, building code or other requirement of any governmental authority that has jurisdiction over the Project for structural support or to furnish to such building or improvement any essential building systems or utilities.

Borrower as Owner

As of the date of issuance and delivery of a Series of Notes, the Borrower will be the sole borrower under the related Loan. The Borrower is lawfully possessed of, and has a good and indefeasible leasehold estate in and to the real property described in the Mortgage pursuant to a Ground Lease and lawfully owns and has only a good and indefeasible fee title and interest in and to the improvements described in the Mortgage subject only to Permitted Encumbrances, and it will defend the title thereto and every part thereof against the claims and demands of all persons whomsoever, subject only to Permitted Encumbrances.

Specific Laws

The Borrower has not received any notice that it is not in compliance with, or otherwise liable under, any provision of any Environmental Law or with any judgments, decrees, notices of violation or orders of any environmental agency, municipality or other governmental entity or any court or administrative agency of competent jurisdiction, with respect to any of the Environmental Laws; the Borrower has not received any assessment or notice of primary or secondary liability or financial responsibility, and no notice of any action, claim or proceeding to determine any such liability or

responsibility, or any assessment or notice seeking to impose civil penalties, with respect to a site containing or believed to contain Hazardous Materials; nor has the Borrower received notification that any Hazardous Materials that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law. To the best of the Borrower's knowledge after due inquiry, the Borrower is in compliance with all Environmental Laws.

Subject to the Agreement of Environmental Indemnification and except as provided in the Ground Lease, the Borrower has agreed to abate (whether by encapsulation or otherwise) petroleum, asbestos, mold and lead based paint located in improvements on property to be acquired, has adequately budgeted the cost of such abatement and will furnish the Master Trustee and the Servicer certificates from environmental consultants establishing the successful completion of such abatements.

To the best of the Borrower's knowledge, the Project can be constructed and equipped for an amount not to exceed the amount to be deposited in the Construction Fund (including interest thereon) plus the required equity contribution of the Managing Member and the Army and the Net Operating Income reasonably anticipated to be available therefor.

Cost Overruns

The Borrower understands and agrees that it will be solely responsible for any cost overruns associated with the acquisition, development and construction of the Project.

Flood Zone

No portion of the Land is located in an "area of special flood hazard," as that term is defined in the regulations of the Federal Insurance Administration, Department of Housing and Urban Development, under the National Flood Insurance Act of 1968, as amended (24 CFR § 1909.1) or the Borrower has obtained the flood insurance required by the Master Indenture. The Land either does not lie in a 100-year flood plain that has been identified by the Secretary of Housing and Urban Development or any other federal or State governmental authority or, if it does, the Borrower has obtained the flood insurance required pursuant to the terms of the Project Documents.

Taxes

All taxes and other impositions and governmental assessments due and owing by the Borrower to date in respect of, and affecting, the Mortgaged Property have been paid (except for those taxes, impositions or assessments which Borrower is contesting in accordance with the Master Trust Indenture). The Borrower has paid all impositions which constitute special governmental assessments against Borrower or the Mortgaged Property in full, except for those assessments which are permitted by applicable Requirements to be paid in installments, in which case all installments which are due and payable by the Borrower to date have been paid in full.

Representations and Covenants of Borrower as Single Purpose Entity

The Borrower covenants and agrees that it and the Managing Member of the Borrower will not:

- (a) (A) incur, create or assume any indebtedness for borrowed money except indebtedness represented by an invoice, open account, statement of account, check, work request, purchase order or other similar document representing expenses relating to activities of the Borrower or Managing Member undertaken in accordance with the Operating Agreement or the operating agreement of the Managing Member or indebtedness under

and pursuant to the Loan Documents or under the Operating Agreement or the operating agreement of the Managing Member or (B) transfer or lease the Project or any interest therein, except as permitted under the Master Trust Indenture;

- (b) engage, directly or indirectly, in any business other than that arising out of the entering into the Master Trust Indenture and the other Project Documents to which the Borrower or Managing Member is a party (and the consummation of the transactions contemplated thereby) and the ownership, management, leasing, construction, development, renovation, operation and maintenance of the Project and business activities incidental thereto;
- (c) commingle its assets with the assets of any other entity;
- (d) partition the Project;
- (e) voluntarily file or consent to the filing of a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding under any federal or state bankruptcy, insolvency, reorganization or other similar law; or
- (f) acquire obligations or securities of its partners, members or shareholders.

The Borrower represents and warrants that as of the date of the Master Trust Indenture it and the Managing Member do not have any indebtedness or obligations which would cause it or the Managing Member to be in violation of the foregoing covenants and the Operating Agreement is consistent with and complies with the requirements set forth in the section of the Master Trust Indenture described in this section.

Further, the Borrower covenants that it and the Managing Member will do or cause to be done all things reasonably necessary to effect the intent of these provisions, and, without limiting the generality of the foregoing, it and the Managing Member (i) will not engage in, seek or consent to any dissolution, winding up, liquidation, consolidation, merger or asset sale, and will not modify the Operating Agreement (or other organizational document), in any way contrary to the intent of these provisions; (ii) will pay all expenses of the Project from assets of the Borrower; (iii) will maintain separate books and records and bank accounts and will maintain a separate business office (which may be a management office at the Project); (iv) will at all times hold itself out to the public as a separate and distinct legal entity (including in its leasing activities, in entering into any contract and in preparing its financial statements) and will conduct business in its own name; (v) will observe limited liability company formalities in conducting its business; (vi) will file its own tax returns; (vii) will cause its management to meet regularly to carry on its business; (viii) will pay salaries of its own employees and maintain an adequate number of employees given its scope of operations; and (ix) will maintain adequate capital in light of its contemplated business operation.

Subject to other provisions of the Master Trust Indenture, the Borrower will do all things necessary to preserve and keep in full force and effect its and the Managing Member's existence, rights and privileges under the laws of the State and its and the Managing Member's right to own property or transact business in the State. The Borrower further represents and warrants that it and the Managing Member are, and, so long as any portion of the Loan will remain unpaid, the Borrower and the Managing Member or any permitted assignee thereof will be entities which are formed or organized solely for the purpose of holding, directly, or indirectly with respect to the Managing Member, an ownership interest in the Project, do not engage in any business unrelated to the Project and the financing thereof, other than as permitted by the Master Trust Indenture, do not have any assets other than those related to its interest in

the Project or the financing thereof or any indebtedness other than as permitted by the Operating Agreement, the Mortgage or the other Loan Documents.

The Borrower and Managing Member will not fail to correct any known misunderstanding regarding the separate identity of the Borrower and Managing Member.

Each of the Borrower and the Managing Member will not assume or guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of any other entity; will allocate fairly and reasonably any overhead for shared office space; will not pledge its assets for the benefit of any other person or entity; will not make loans to any person or entity; will not identify its partners or Affiliates as a division or part of the Borrower or Managing Member, respectively, and will not enter into or be a party to any transaction, contract or agreement with its members or Affiliates or in the case of the Borrower with any Affiliate of its Managing Member except (i) pursuant to the Operating Agreement as it exists as of the date of the Master Trust Indenture or (ii) in the ordinary course of business and on terms which are fair and are no less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party.

Any borrowings made by the Borrower and Managing Member in connection with the Notes and related Loans do not and will not render the Borrower or Managing Member insolvent. Neither the Borrower nor the Managing Member is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of its property, and the Borrower and Managing Member have no knowledge of any Person contemplating the filing of any such petition against it.

Any firm, corporation or partnership which can make the representations and warranties and satisfy the covenants set forth in this section will constitute a "Single Purpose Entity".

Title Insurance and Survey

In connection with the issuance of a Series of Notes, the Borrower agrees to furnish to the Master Trustee and the Servicer, Title Insurance issued with respect to the related Project by the Title Company in the form required or authorized by the law of the State and dated and issued as of the date of recording of the Mortgage, satisfactory to the Servicer, naming the Master Trustee and the Servicer as insured, in an amount not less than the original principal amount of the related Series of Notes, and containing such coverages and endorsements as the Servicer may reasonably require.

The Borrower represents that the Permitted Encumbrances do not and will not materially adversely affect (i) the ability of the Borrower to pay in full the principal of and interest on the Notes in a timely manner or (ii) the use of the Project for the use currently being made and intended to be made thereof or the value of the Project.

The Borrower represents that upon the execution by the Borrower and the recording in the appropriate filing or recording office(s) of the Mortgage, and upon the filing of UCC-1 financing statements in the appropriate filing or recording office(s) and subject only to the lien of the City of New York with respect to certain unpaid and outstanding water and sewer charges for service to Fort Hamilton, the Master Trustee will have a valid first lien on the Project and a valid first perfected security interest in the personal property in or on the Project (other than personal property of the tenants) subject to no liens, charges or encumbrances other than the Permitted Encumbrances.

To the extent that the Trustee receives any money under the Title Policy, such money will be deposited into the Redemption Account established by the Master Indenture and disbursed pursuant thereto.

In connection with the issuance of a Series of Notes, the Borrower agrees to deliver a real property survey meeting the requirements of the Servicer and satisfactory to the Servicer.

Borrower's Obligations

All payments due under the Master Trust Indenture will be limited obligations of the Borrower payable solely from the Trust Estate without notice or demand (except as otherwise expressly set forth in the Master Trust Indenture) and without set off, counterclaim, or defense for any reason and without abatement or deduction or defense. The obligations of the Borrower to perform and observe the other agreements on its part contained in the Master Trust Indenture will be absolute and unconditional. The Borrower will not suspend or discontinue any such payments, and will perform and observe all of its other agreements in the Master Indenture, and, except as expressly permitted in the Master Trust Indenture, will not terminate the Master Indenture for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Project or the Borrower's business, the taking of the Project or the Borrower's business by Condemnation or otherwise, the lawful prohibition of the Borrower's use of the Project or the Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of the Master Indenture, the lack of right, power or authority of the Borrower to enter into the Master Indenture, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Master Trustee, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State or any political subdivision thereof, or failure of any third party, to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Master Indenture and each of the other Loan Documents, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties to the Master Trust Indenture that the payment of the Notes and the related Loans and other amounts payable by the Borrower under the Master Trust Indenture or under the Notes will be paid in full when due without any delay or diminution whatever. Nothing contained in the Master Trust Indenture will be construed as prohibiting the Borrower from pursuing any rights or remedies it may have against any person in a separate legal proceeding.

Assignment and Leasing; Sale, Lease, or Other Disposition of Project; Encumbrances on Project

The Master Indenture may not be assigned in whole or in part and the Project may not be leased in whole or in part by the Borrower other than, in part, by residential leases as provided in the Operating Agreement and the Master Trust Indenture, unless the Borrower has received the Servicer's prior written consent a Cash Flow Statement accompanied by a Confirmation.

Except for sales, conveyances, transfers or assignments to Affiliates, the Borrower will not sell, transfer, assign or otherwise dispose of all or any portion of the Project or any interest therein as permitted by the Master Indenture or with the prior written consent of the Servicer, in all instances upon delivery to the Servicer and the Master Trustee of a Cash Flow Statement accompanied by a Confirmation, and the Borrower further agrees that any sale, conveyance, transfer, assignment or other disposition of the Project in violation of this covenant will be a default under the Master Trust Indenture and will be ineffective to relieve the Borrower of its obligations under any Loan Document, provided that the provisions described in this section will not be construed to (i) prohibit the granting of the Mortgage by the Borrower or the foreclosure of the Mortgage, acceptance of a deed in lieu of foreclosure or

comparable conversion of the Loan by the Owner of the related Notes or the Servicer or (ii) prohibit leases authorized under the Master Trust Indenture.

The Borrower covenants and agrees that from the date of the Master Trust Indenture until payment in full of all of the obligations under the Loan Documents, unless the Servicer will otherwise consent in writing, it will not incur, create, assume or suffer to exist any mortgage, pledge, security interest, lien, charge or other encumbrance of any nature on the Project, other than Permitted Encumbrances.

The Borrower will not sell, convey, transfer, assign or dispose of any machinery, equipment or other personal property or any interest therein in which the Master Trustee has a security interest pursuant to any Loan Document without the prior written consent of the Servicer, unless (i) such machinery, equipment or other personal property has become unnecessary for the purposes it was originally intended to serve or (ii) such machinery, equipment or other personal property is inadequate, obsolete or worn out and is being replaced in the ordinary course of business with other machinery, equipment or other personal property, to the extent necessary to perform the functions served by such inadequate, obsolete or worn out machinery, equipment or other personal property, or (iii) the sale, conveyance, transfer, assignment or other disposition of such machinery, equipment or other personal property will not adversely affect the financial condition of the Borrower or the operations of the Project and the Master Trustee has provided notice of such sale, conveyance, transfer, assignment or other disposition to each Rating Agency.

Mortgaging of Project by Borrower to Secure Obligations

The Borrower will mortgage the Project pursuant to the Mortgage as security for payment of the Obligations.

Project, Title, Operation and Maintenance

The Borrower agrees that until the Master Indenture is terminated pursuant to the defeasance provisions of the Master Trust Indenture, it will, and it will cause the Property Manager at the Borrower's expense, to, (i) keep the Project in safe repair and in such operating condition as is needed for its operations and maintain all units in a habitable condition; (ii) make all necessary repairs and replacements to the Project (whether ordinary or extraordinary, structural or nonstructural); (iii) operate the Project in a sound and economic manner in accordance with usual business practice; (iv) operate the Project in compliance with, and comply with, all applicable laws, codes, Environmental Laws, zoning laws, the Americans with Disabilities Act and the Fair Housing Act and laws regulating labor, health and safety, construction, occupancy or maintenance of property of a character included in the Project; (v) comply in all material respects with all existing and future laws, regulations, orders and restrictions and requirements of, and all permits and approvals from, and agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over, and being applicable to, the Project or the Borrower's business conducted thereon or therefrom, and with all restrictive covenants and other title encumbrances encumbering the Project, including, without limitation, those contained in the Operating Agreement and the Ground Lease (collectively with all Environmental Laws, the "Requirements"); and (vi) comply in all material respects with the Uniform Building Code 1997 as published by the International Board of Code Officials; provided, however, that the Borrower may contest in good faith and by appropriate legal proceedings the legality or reasonableness of any Requirement or the imposition of such Requirement upon the Borrower with respect to a Project, so long as the leasing of the Housing Units and the collection of Operating Revenues would not be materially adversely affected by reason of such contest.

The Borrower will obtain or cause to be obtained all permits and approvals for the operation and maintenance of the Project and will comply with all lawful requirements applicable to the Project of any governmental body having jurisdiction over the Project, regarding the use or condition of the Project, whether existing or later enacted or whether involving any change in governmental policy or requiring structural or other changes to part or all of the Project and irrespective of the cost of making the same.

Notwithstanding the provisions described in this section, the Borrower may in good faith contest the validity or the applicability of any tax or other governmental charge or any law, ordinance, rule or regulation applicable to or as applied to the Project, provided that during the period of such contest and any appeal therefrom, (i) such failure to comply with such requirement or requirements will not result in a loss of rental income, adversely affect the lien of the Mortgage or materially endanger such liens or the Project or any part thereof, and (ii) will not subject the Project or any part thereof to loss, penalty or forfeiture.

The Borrower agrees not to permit or knowingly suffer others to commit a nuisance in or about the Project or themselves commit a nuisance in connection with their use or occupancy of the Project.

Amendments to Operating Agreement; Transfer of Member Interest in Borrower

While there are Obligations Outstanding, without the prior written consent of the Servicer, the Corporation and, to the extent such action materially adversely affects any rights of the Master Trustee to which it is a third-party beneficiary under the Operating Agreement, the Master Trustee, and without notice to the Rating Agency, the Borrower will not (i) amend the Operating Agreement in any way which may have an adverse effect on Owners; (ii) permit or allow a transfer of any membership interest (except for transfers to Affiliates) in the Borrower or the Managing Member; (iii) change the identity of the managing member of the Borrower or of the Managing Member (other than in connection with a transfer to an Affiliate) in any way which may have an adverse effect on the Owners; (iv) change the members of the Borrower or the Managing Member in any way which may have an adverse effect on the Owners; or (v) admit additional members of the Borrower, provided that any member interests in the Borrower may be pledged or transferred to the Master Trustee as security for the Obligations Outstanding.

Alterations to the Project

During the Initial Development Period, any alteration to the Project shall be subject to the approval of the Servicer in accordance with the section described under “Construction and Completion of the Project” hereinafter. After the Initial Development Period, without the prior written consent of the Servicer and the Consulting Agent, the Borrower will not demolish, remodel or make any substantial additions, modifications, alterations, improvements or changes (collectively referred to as “alterations”) in or to the Project, (whether as a single alteration or as a series of alterations which, taken together, would reasonably be considered to comprise a single alteration undertaking) unless the Borrower delivers to the Master Trustee and the Servicer a Confirmation and a Cash Flow Statement demonstrating a Debt Service Coverage Ratio of less than 1.60 with respect to the Class I Obligations, 1.20 with respect to the Class I Obligations and the Class II Obligations, and 1.10 with respect to the Class I, the Class II and the Class III Obligations after giving effect to such alterations.

The Borrower will be entitled to withdraw or to direct the application of funds held by the Master Trustee in the Capital Repair/Replacement Reserve Fund under the Master Indenture to pay for or reimburse the Borrower for the costs of capital improvements, replacements and maintenance for the Project, provided that Borrower will submit a Disbursement Request therefor to the Master Trustee and the Servicer, accompanied by invoices, bills or purchase orders relating thereto and a certification that such costs are itemized in and do not exceed the allocation therefor as set forth in the then current

Operating Budget or Capital Plan (within the meaning of the section “Reporting Requirements” hereinafter), unless the excess cost is otherwise approved in writing by the Servicer, which approval will not be unreasonably withheld; provided that if an Event of Default under the Master Trust Indenture will have occurred and will be continuing at the time of the submission of any such request, the written consent of the Servicer will be required as a condition precedent for each such disbursement.

In the event of any casualty or Condemnation of all or any portion of the Project, the Borrower shall restore and repair the Project to the equivalent of its condition immediately prior to such casualty or, in the case of a Condemnation, to a condition suitable for the continued operation of the remaining portion of the Project. Any Proceeds not used for the restoration or repair of the Project shall be transferred to the Redemption Account and applied to the redemption of Obligations as set forth in the Master Indenture.

Insurance

(a) At all times prior to repayment of a Series of Notes and the related Loan, the Borrower must provide, maintain and keep in force insurance against such risks as are customarily insured against in connection with the operation of facilities comparable in size and scope to the related Project, and the Borrower will carry and maintain or cause to be carried and maintained and pay, or cause to be paid, the premiums for at least the following insurance with respect to the Project:

(i) Occurrence version commercial general liability insurance or equivalent coverage, insuring for legal liability of the Borrower and, as additional insured parties, the Managing Member, the Army, the Property Manager, the Servicer, the Corporation, the Master Trustee, and their respective officers, members, employees and agents, as their interests may appear, caused by bodily injury, property damage, personal injury, arising out of the ownership, operation or management of the Project and including the costs to defend such actions brought against the Borrower. The liability limits of each such insurance policy will be at least \$1,000,000 per occurrence and \$2,000,000 annual products/completed operations aggregate. Such insurance will be primary to any insurance or self-insurance program otherwise covering the additional insured parties;

(ii) Business automobile liability insurance or equivalent coverage, insuring for legal liability of the Borrower and the Managing Member, and, as loss payees, the Army, the Servicer, the Corporation, the Master Trustee and their respective officers, members, employees and agents, as their interests may appear, and caused by bodily injury, or property, or personal injury arising out of the ownership, leasing, or use of motor vehicles, including vehicles owned or operated by the Borrower, and including the costs to defend such actions brought against the Borrower. Limits of the policy will be at least \$1,000,000 combined single limits per accident;

(iii) Worker’s compensation insurance, insuring for occupational disease or injury and employer’s liability, and covering the Borrower’s full liability for statutory compensation to any person or persons who perform work for the Borrower or perform duties on the site of the Project, and liability to the dependents of such persons. The policy will be in a form which complies with the statutory worker’s compensation acts and safety laws of the State. Worker’s compensation limits will be statutory; employer’s liability limits will be at least \$1,000,000 per occurrence. Endorsements for United States Longshore and Harbor Workers Act and the Jones Act coverage will be added;

(iv) “All risks” property insurance at least as broad in scope as the Insurance Services Office (“ISO”) “Causes of Loss – Special Form” insuring against loss or damage to

improvements to the Leased Premises and providing coverage for the full replacement cost of those renovated or newly-constructed Housing Units within the Project which have been completed and coverage for the actual cash value of the Hamilton Manor units and those Ocean View units which will be demolished or conveyed to the Army at or prior to completion of the Initial Development Period. Such property insurance will (A) include twelve (12) months' loss of rents coverage in a limit equal to 100% of the annual rental income for the Housing Units and other leased improvements, if any, (B) not require any coinsurance; (C) be extended to include ordinance or law coverage, earth movement, subject to the Master Indenture, and flood coverage, or provide for such coverages separately in a limit equal to the full replacement costs of those renovated or newly-constructed Housing Units within the Project which have been completed and coverage for the actual cash value of the Hamilton Manor units and those Ocean View units which will be demolished or conveyed to the Army at or prior to completion of the Initial Development Period; and (D) include the Master Trustee as loss payee. Such Property insurance will not include any coinsurance requirements;

(v) Crime insurance including (A) employee dishonesty coverage at a limit of \$500,000 per loss on all officers and employees of the Borrower and the Managing Member who have access to or custody of revenues, receipts or income from the Project or any funds of the Borrower, unless the Borrower will provide to the Servicer a letter from the Borrower's insurance agent describing why such fidelity bonds are not reasonably available, (B) forgery coverage at a limit of \$500,000 per loss, and (C) money and securities coverage at limits of \$10,000 inside the Leased Premises and \$10,000 outside the Leased Premises;

(vi) Comprehensive Boiler and machinery insurance covering loss or damage to the improvements to the Leased Premises, if needed. Limits of the policy will be at least \$1,000,000 and the policy will be extended to include ordinance or law coverage. Such policy will include the Master Trustee as loss payee; and

(vii) Umbrella liability or excess liability insurance, or a combination thereof, with each of the liability policies identified in this subsection scheduled as underlying policies, insuring for legal liability of the Borrower and as additional insured parties, the Managing Member, the Army, the Property Manager, the Servicer, the Corporation, the Master Trustee, and their respective officers, members, employees and agents, as their interests may appear, with respect to all operations regarding the Project above the insurance requirements set forth in clauses (a)(i), (ii) and (iii) above. Limits of the policy will be at least \$30,000,000 per occurrence and in the annual aggregate. Such policy will be primary to any insurance or self-insurance programs otherwise covering the additional insured parties, and their insurance shall be in excess to the Borrower's insurance.

(b) Prior to the commencement of construction of any portion of the Project, the Borrower will obtain on behalf of the Contractor for the Contractor's benefit (or cause to be obtained by or on behalf of the Contractor) and keep in force with respect to such portions of the Project, until occupancy of all portions of the Project:

(i) Commercial general liability insurance and business automobile liability insurance as described in paragraphs (a)(i) and (a)(ii) of this section (except with respect to the requirement for additional insureds for the business automobile liability coverage) applying on a primary basis to the Borrower's general liability insurance;

(ii) Builder's risk insurance at least as broad in scope as the ISO Causes of Loss - Special Form, insuring for all risks of physical loss of or damage (including the perils of

earthquake and flood), including coverage for ordinance or law, debris removal and pollutant cleanup) to the real property comprising or intended to comprise the Project construction and personal property of the Borrower used to maintain or service the Project construction, whether located at the site or elsewhere, including “while in transit” coverage and coverage for temporary offsite storage, excavation costs, landscaping, shrubs and plants and full collapse coverage during construction (without restricting collapse coverage to specified perils). Such policy will not include any coinsurance requirements. Limits will be extended to include (A) boiler and machinery coverage for air conditioning, heating and other equipment during testing and (B) soft-cost coverage including, but not limited to coverage for, loss or delay in rents/income for improvements under construction, additional incurred architectural or engineering costs, delayed opening costs, added finance costs and extra expense. Such policy will be written on a completed-value, replacement cost basis with no deduction for depreciation and insure the entire contract value of construction and renovation improvements to the Leased Premises. Such policy will have a deductible of no greater than \$25,000 per occurrence and will not remain in full force and effect until final acceptance of all improvements and renovations to the Leased Premises by the Borrower and the Servicer. Such policy will name the Master Trustee and the Borrower, as their interests may appear, as loss payees; provided that the Master Trustee will be the loss payee if the Borrower is the named insured;

(iii) Worker’s compensation insurance, insuring for occupational disease or injury and employer’s liability, and covering the Contractor’s full liability for statutory compensation to any person or persons who perform work in, on, or about the Project construction, including the employees of subcontractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker’s compensation acts and safety laws of the state in which the Project is located. Worker’s compensation limits will be statutory; employer’s liability limits will be at least \$1,000,000 per occurrence. Endorsements for United States Longshore and Harbor Workers Act and the Jones Act coverage will be added;

(iv) Errors and omissions liability insurance on all design, project management and engineering operations in conjunction with the Leased Premises, naming the Master Trustee and the Borrower, as their interests may appear (and except for any professional liability coverage), as loss payees, with a limit of at least \$5,000,000 per occurrence and annual aggregate;

(v) Contractor pollution insurance covering accidental discharge of pollution from Contractor’s activities naming the Borrower, the Managing Member, the Army, the Servicer, the Corporation, the Master Trustee, and their respective officers, members, employees and agents, as their interests may appear, as additional insureds. Limits of the policy will be at least \$2,000,000 per occurrence, \$4 million annual aggregate;

(vi) Asbestos, lead, petroleum and/or pesticide residue liability insurance for third party liability and cleanup coverage for any asbestos and/or lead remediation or encapsulation or pollution remediation work including, without limitation, any transport and disposal of asbestos and/or lead or other pollutants, naming the Borrower, the Managing Member, the Army, the Servicer, the Master Trustee, and their respective officers, members, employees and agents, as their interests may appear, as additional insureds. In lieu of the Contractor providing such coverage, the foregoing coverage may be provided by the primary subcontractor engaged to remove asbestos, lead, petroleum or pesticide, provided such coverage otherwise satisfies the requirements of this paragraph. Limits of the policy will be at least \$2,000,000 per occurrence, \$4 million annual aggregate; and

(vii) Umbrella liability or excess liability insurance, or a combination thereof, with each of the liability policies identified in this subsection (b)(i) and (iii) scheduled as underlying policies, insuring for legal liability of the Contractor and, as additional insureds, the Borrower, the Managing Member, the Army, the Servicer, the Corporation, the Master Trustee, the Property Manager, and their respective officers, members, employees and agents, as their interests may appear, with respect to all operations regarding the Project. Limits of the policy will be at least \$15,000,000 per occurrence and in the annual aggregate. Such insurance will be primary to any insurance or self-insurance program otherwise covering the additional insured parties, and their insurance will be in excess to the Contractor's insurance.

(c) Prior to any occupancy of the Project, the Borrower will cause the Property Manager to obtain and maintain in full force and effect throughout the term of the Master Indenture and the other Loan Documents, the following policies of insurance:

(i) Real estate manager's professional liability insurance (real estate errors and omissions liability) with a limit of at least \$1,000,000 per occurrence and \$2,000,000 annual aggregate;

(ii) All policies of insurance required of the Borrower in paragraphs (a)(i) through (a)(v), inclusive, will also be maintained by the Property Manager for the interest of the named insureds, additional insureds and loss payees, as their interests may appear; and

(iii) Umbrella liability or excess liability insurance, or a combination thereof, with each of the liability policies identified in this subsection scheduled as underlying policies, insuring for legal liability of the Borrower and, as additional insureds, the Managing Member, the Army, the Servicer, the Corporation, the Master Trustee, and their respective officers, members, employees and agents, as their interests may appear, with respect to all operations regarding the Project. Limits of the policy will be at least \$10,000,000 per occurrence and in the annual aggregate. Such insurance will be primary to any insurance or self-insurance program otherwise covering the additional insured parties, and their insurance shall be in excess to the Property Manager's insurance.

(d) If a portion of the Project is in an area which has been, or is at any time during the term of the Master Indenture, identified by the Secretary of Housing and Urban Development (or a like successor agency) as being in a special flood or mud slide hazards area, and in which area the sale of flood insurance has been made available under The National Flood Insurance Act of 1968 (a "Flood Zone"), flood insurance will be provided in an amount not less than the lesser of the aggregate amount of (i) the aggregate principal amount of all of the Outstanding Obligations or (ii) 100 percent of the insurable replacement value of the Project (but in no event more than the amount of such flood insurance which is reasonably available to the Borrower). If a portion of the Project is not in the area identified as a Flood Zone, the Borrower will provide evidence of the same in the form of an engineer's certificate to the Master Trustee and the Servicer and, upon so doing, will be considered to have sufficiently complied with this section;

(e) The Borrower will furnish and will cause the Contractor and the Property Manager to furnish to the Master Trustee and the Servicer:

- On an annual basis properly executed Certificates of Insurance and Evidence of Property Insurance that (i) clearly evidence all insurance required under the provisions described in this section and (ii) disclose all deductibles and/or retentions; and

- Upon request by the Servicer, the Master Trustee or, in the case of insurance required under the provisions described in paragraphs (b) and (c) of this section, the Borrower, certified copies of policies and all policy endorsements.

(f) All policies of insurance required under the Master Trust Indenture must be issued by companies (i) approved by the Servicer and having an A.M. Best's rating of no less than "A VII" and a rating from S&P of no less than "BBB" and (ii) authorized to do business in the State, with limits, coverage, forms, deductibles, inception and expiration dates and cancellation provisions reasonably acceptable to the Servicer. In addition, each required property insurance policy must contain a Lender's Loss Payable Form (Form 438 BFU or equivalent) in favor of the Master Trustee, as its interests may appear, and provide that all proceeds be payable to the Master Trustee to the extent of its interests.

(g) Each policy of insurance required under the Loan Documents must provide that it may not be canceled without at least thirty (30) days' prior written notice to the Master Trustee, the Servicer and the Corporation. The Borrower will provide written notice to the Master Trustee and the Servicer at least thirty (30) days prior to the effectiveness of any proposed modification to any policy of insurance. The Borrower will arrange with any company issuing insurance required under the Master Trust Indenture, that any bills or invoices requiring payment from the Borrower to such company will be sent directly to the Master Trustee with a copy to the Borrower, the Servicer and the Corporation. At least thirty (30) days before expiration of any insurance policy required in the Master Trust Indenture, the Borrower must furnish the Servicer, the Corporation and the Master Trustee with proof acceptable to the Servicer that the policy has been reinstated or a new policy issued, continuing in force the insurance covered by the expired policy. The Borrower will advance to the Master Trustee any funds necessary to cover a shortfall in moneys available to pay the premiums for any insurance policy required in the Master Trust Indenture and will also furnish evidence to the Servicer, the Corporation and the Master Trustee satisfactory to the Servicer that all premiums for any such policy have been paid within fourteen (14) days of renewal or issuance. The Master Trustee will immediately notify the Servicer and the Corporation if the Master Trustee fails to receive any notice, bill, evidence, proof or other documents required under the provisions described in this section.

(h) Not more than once each calendar year and after sending written notification to the Borrower, the Servicer, at its sole option and at the Borrower's expense, may retain an independent insurance consultant to evaluate the insurance which the Borrower maintains with respect to the Project. Such independent insurance consultant will evaluate whether or not the Borrower maintains insurance of the type and at the levels as is standard in the industry and whether or not the Borrower is in compliance with the insurance requirements described in this section. A copy of the written evaluation of such consultant will be sent to the Servicer, the Master Trustee and the Borrower.

(i) Notwithstanding any other provisions of this section, the Borrower may provide any insurance coverage required by the provisions described in this section by causing inclusion of the Project in a blanket or master insurance policy meeting the requirements described in this section, or in an Owner Controlled Insurance Program or similar program; provided all such coverages shall apply on a "per location" basis.

(j) Notwithstanding any other provisions described in this section, the Borrower will be obligated to comply with each insurance requirement described in this section only to the extent that such insurance is available at a commercially reasonable rate as determined by the Insurance Consultant. If any particular insurance required under the Master Trust Indenture is not available at a commercially reasonable rate, the Borrower will nonetheless obtain the maximum amount of such insurance available at a commercially reasonable rate until the required insurance becomes available at a commercially reasonable rate. Further, the types and forms of policies of insurance and the required coverage amounts

set forth in this section may be modified, increased or waived by the Servicer, in consultation with the Insurance Consultant, to the extent necessary or appropriate to reflect insurance customarily required for entities engaged in similar activities on similar scales as the Borrower, each Contractor and/or the Property Manager, as applicable.

Preservation of Rights

The Borrower will obtain, preserve and maintain in good standing, as applicable, all rights, privileges and franchises necessary or desirable for the operation of the Project and the conduct of the Borrower's business thereon or therefrom.

Construction and Completion of the Project

Unless otherwise approved in writing by the Servicer, the Borrower shall, in accordance with all Governmental Requirements, the Plans and Specifications, and the terms of the Master Indenture, subject to Unavoidable Delays, at its expense with respect to the Project, (i) commence construction of the Project not later than the first day of the third (3rd) full month following the Closing Date; (ii) cause the Contractor to perform and complete the 2004 Series A Project under the Construction Agreement and Renovation Agreement in accordance with the Plans and Specifications and other designated requirements; the Guaranteed Maximum Price and the Construction Schedule; (iii) prosecute completion of construction of the Project in a good and workmanlike manner using quality materials in accordance with the Construction Agreement and Renovation Agreement; and (iv) achieve Final Completion of the Project by not later than the fourth anniversary of the Closing Date free and clear of all liens.

Any amounts disbursed to the Borrower to pay Project Costs shall be timely applied by the Borrower to pay such Project Costs. If the money on deposit in the Construction Fund is insufficient to provide for the payment of all Project Costs, the Borrower shall pay any costs in excess of amounts on deposit in such account as and when the same become due.

The Plans and Specifications and any related amendments to the Construction Contract with respect to the development of the Plans and Specification for a Project shall be subject to the prior written approval of the Servicer which approval shall not be withheld so long as (i) the Plans and Specifications are consistent with the scope of work for the Project as set forth in the Construction Contract as of the Closing Date as such scope of work may be modified in accordance with the Construction Contract; (ii) the Borrower delivers to the Master Trustee and the Servicer a Cash Flow Statement together with a Development Budget for such Plans and Specifications demonstrating, to the reasonable satisfaction of the Servicer, a Debt Service Coverage Ratio of not less than 1.60 with respect to the Class I Obligations, 1.20 with respect to the Class I Obligations and the Class II Obligations and 1.10 with respect to the Class I Obligations, the Class II Obligations and the Class III Obligations after giving effect to such Plans and Specifications, (iii) such Plans and Specifications will not materially impair the ability of the Project to be marketable to Permitted Tenants receiving BAH or rental at BAH rates, and with vacancy rates comparable to those in similar military housing developments in the area, and (iv) the Borrower causes to be delivered to the Servicer and the Master Trustee a certificate from the Consulting Agent stating that the Borrower has available to it sufficient funds to develop and construct the Project in accordance with such Plans and Specifications and the Development Budget therefor in a good and workmanlike manner using quality materials.

All changes to the Plans and Specifications during the Initial Development Period and prior to Final Completion shall be governed by this paragraph. Any change orders or changes in the Plans and Specifications (as approved pursuant to the preceding paragraph for any part of the Project that would involve a change in the Development Budget in total by more than \$100,000 or would materially modify

the asset size, physical size or configuration of the Project shall be subject to the prior written approval of the Servicer which approval shall not be withheld so long as (i) the Borrower delivers to the Master Trustee and the Servicer a Cash Flow Statement demonstrating, to the reasonable satisfaction of the Servicer, a Debt Service Coverage Ratio of not less than 1.60 with respect to the Class I Obligations, 1.20 with respect to the Class I Obligations and the Class II Obligations and 1.10 with respect to the Class I Obligations, the Class II Obligations and the Class III Obligations after giving effect to such changes, (ii) such changes will not materially impair the ability of the Project to be marketable to Permitted Tenants receiving BAH or rental at BAH rates, and with vacancy rates comparable to those in similar military housing developments in the area, and (iii) if such changes would result in an increase in the Development Budget, the Borrower causes to be delivered to the Servicer and the Master Trustee a certificate from the Consulting Agent stating that the Borrower has available to it sufficient funds to complete construction of the Project, as so modified by such changes, in a good and workmanlike manner using quality materials. The Borrower shall submit to the Servicer copies of all change orders entered into with respect to a Project within thirty (30) days after the same are entered into, irrespective of whether the same require the prior approval of the Servicer pursuant to this paragraph.

The Improvements shall be constructed entirely on the Land so as not to encroach upon or overhang any easement or right-of-way or the land of others (except to the extent permitted or not prohibited by such easement or right-of-way or the beneficiaries thereof), and when erected shall be wholly within any building restriction lines, however established.

Permits, Licenses and Approvals

The Borrower will obtain, or cause to be obtained, and comply with and keep in effect all permits, licenses, determinations, certificates and approvals required from governmental bodies with jurisdiction over the Project in order to demolish, construct, occupy, operate, market and lease or sell the Project. The Borrower will deliver copies of all such permits, licenses, determinations, certificates and approvals to the Master Trustee and the Servicer within five (5) Business Days after request therefor by the Master Trustee or the Servicer.

Performance of Acts

Upon the Servicer's or the Master Trustee's written request, the Borrower will perform all acts necessary or advisable to perfect any lien or security interest provided for in the Loan Documents.

Property Management Agreements

The Borrower covenants and agrees that any property management agreements with respect to the Project entered into by the Borrower with a Property Manager will be in forms reasonably acceptable to the Servicer, and will state that upon specified Events of Default in the Master Indenture all management fees to be paid by the Borrower thereunder shall, if so directed by the Servicer and the Master Trustee, be subordinated to payment of the Obligations and other payments due under the Master Trust Indenture and in respect of any Related Bond Issuer Bonds upon the occurrence of an Event of Default.

The Property Manager retained under any successor or substitute management agreement meeting the requirements of the Master Trust Indenture will at all times be acceptable to the Servicer.

Covenants Upon a BRAC

If the Installation is announced by the Government as being subject to an intended base closure under BRAC, the Borrower shall promptly solicit and diligently pursue the receipt from appropriate state

and local governmental and regulatory bodies of any and all required authorizations for occupancy of Housing Units upon transfer of ownership of the Land and Improvements from the Government.

If the Borrower fails to deliver, at least ninety (90) days prior to the date the Managing Member is required to exercise its purchase option pursuant to the Purchase Option Agreement, authorizations for occupancy of the Housing Units in form and substance satisfactory to the Servicer in its sole discretion based solely upon the legal sufficiency of such authorization for occupancy, the Borrower shall cause the Managing Member or its Affiliated designee to purchase the Land and Improvements pursuant to and in accordance with the provisions of the Purchase Option Agreement. The Borrower shall cause the Managing Member to waive under all circumstances as a defense to its obligation to purchase the Land and Improvements that the Purchase Option Agreement is unenforceable. On the date of such purchase, the Borrower shall cause the Managing Member to provide funds, including proceeds of a financing or subsequent sale of the Land and Improvements, in an amount sufficient to pay, on the earliest date permitted by the Related Series Indenture(s), the aggregate principal amount of all Obligations then Outstanding, together with interest to accrue to the date of redemption, pursuant to the optional redemption provisions, including applicable limitations on the source of funds to pay the Redemption Price, set forth in the applicable Related Series Indenture(s).

Payments of Taxes

The Borrower will pay, or cause to be paid from the Impositions Fund, if applicable, when due and before delinquency, all personal and real property taxes and assessments, withholding and sales taxes, and all other taxes and impositions of any kind or nature levied, assessed or imposed upon the Project (collectively, "Taxes"). The Borrower will advance to the Master Trustee any funds necessary to cover a shortfall in moneys available to the Master Trustee to pay the Taxes. If the Borrower, in good faith, disputes the amount or validity of any of such Taxes, the Borrower may contest the same by any lawful means before a court or other governmental authority of competent jurisdiction at no expense to the Master Trustee and the Servicer and without being deemed in default under the section described in this paragraph, if prior to the delinquency of the asserted tax or assessment, the Borrower complies with any applicable provisions of State law and furnishes to the Master Trustee an indemnity bond or other security reasonably acceptable to the Servicer in an amount equal to at least 125% of the tax or assessment being contested by the Borrower, conditioned that such tax or assessment, with interest, cost and penalties, be paid as in the Master Trust Indenture stipulated, and if the Borrower promptly pays any amount adjudged by a court of competent jurisdiction to be due, with all costs, penalties and interest thereon, on or before the date such judgment becomes final, and provided further that in any event the tax, assessment, penalties, interest and costs will be paid prior to the date on which any writ or order is issued under which the Project may be sold in satisfaction thereof. The Borrower will forward any tax bills it receives to the Master Trustee for payment with a copy to the Servicer.

Covenant for the Benefit of the Bondholders

The Borrower recognizes the authority of a Bond Issuer to assign its interest in and pledge money receivable under the Master Indenture and the Related Notes to the trustee for any Related Bond Issuer Bonds as security for the payment of the principal of and interest and redemption premiums, if any, on such Bond Issuer Bonds, and the payment of amounts due under the Master Indenture. The Borrower agrees to be bound by, and joins with the Bond Issuer in the grant of, a security interest to the trustee for the Related Bond Issuer Bonds in any right and interest the Borrower may have in sums held in the Funds and Accounts described in the Master Trust Indenture, pursuant to the terms and conditions thereof, to secure payment of such Bond Issuer Bonds and payments made under the Related Notes.

Inspection and Access

In addition to access, observations and testing authorized under the Agreement of Environmental Indemnification, the Master Indenture, subject to the rights of the Government under the Ground Lease, the Borrower agrees that the Servicer, the Master Trustee and their duly authorized agents will have the right to examine and inspect during normal business hours, upon reasonable notice, and for that purpose to enter upon, the Project, and will also have such right of access thereto at reasonable times and under reasonable conditions and subject to the rights of tenants in possession as may be reasonably necessary to cause the Project to be properly maintained in accordance with the Master Trust Indenture and in accordance with the applicable provisions of the other Loan Documents.

The Borrower covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be reasonably necessary in order to grant to the Servicer and the Master Trustee the rights of access and entry described in the Master Trust Indenture and agrees that such rights of access and entry will not be materially terminated, curtailed or otherwise limited by any assignment, lease or other transfer of the Project by the Borrower to any other person and subject to the rights of tenants in possession at reasonable times and under reasonable conditions.

Subject to reasonable notice, the Master Trustee and the Servicer, and the respective duly authorized agents of each, will have the right (but no duty or obligation) at all reasonable times and during normal business hours to enter the Project, the Property Manager's office and any other location containing the records relating to the Borrower, the Project, the Loan and the Loan Documents and to inspect and audit any and all of the Borrower's records or accounts pertaining to the Borrower, the Project, the Loan and the Loan Documents, and the Borrower's compliance with the terms and conditions of the Loan and the Loan Documents and will have the right to require the Borrower, at the Borrower's sole expense, to furnish such documents to the Master Trustee and the Servicer, as the Master Trustee or the Servicer, as the case may be, from time to time, deems reasonably necessary in order to determine that the provisions of the Loan and the Loan Documents have been complied with and to make copies of any records that the Master Trustee or the Servicer, or their respective duly authorized agents, may reasonably require. The Borrower will make available to the Master Trustee and the Servicer such information concerning the Project, the Loan and the Loan Documents as any of them may reasonably request.

Releases and Indemnity

The Borrower has released the Servicer and the Master Trustee from, agrees that the Servicer, the Master Trustee and their respective officers, members, commissioners, agents and employees not be liable for, and indemnifies the Servicer and the Master Trustee against, all liabilities, losses, damages (including reasonable attorneys' fees), causes of action, suits, claims, costs and expenses, demands and judgments of any nature imposed upon or asserted against the Servicer or the Master Trustee, on account of (i) any loss or damage to property or injury to or death of or loss by any Person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project; (ii) any breach or default on the part of the Borrower in the performance of any covenant or agreement of the Borrower under the Master Indenture or the other Loan Documents, or arising from any act or failure to act by the Borrower, or any of its agents, contractors, servants, employees, tenants or licensees; (other than the Army) (iii) violation by the Borrower, any members of the Borrower or any Affiliate thereof of any law, ordinance or regulation affecting the ownership, occupancy or use of the Project; (iv) the authorization, issuance and sale of the Notes or Related Conduit Issuer Bonds, and the provision of any information furnished by the Borrower in writing in connection therewith concerning the Project or the Borrower or arising from (1) any errors or omissions of any nature whatsoever such that the Notes or Related Conduit Issuer Bonds, when delivered to the owners thereof, are not validly issued and binding obligations of the Borrower or the Conduit Issuer, as applicable, or (2) any fraud or misrepresentations or omissions

contained in the proceedings of a Conduit Issuer or the Master Trustee, in either case with respect to, or as a result of, materials furnished in writing by the Borrower relating to the issuance of Notes or Related Conduit Issuer Bonds which, if known to the original purchaser of the Notes or Related Conduit Issuer Bonds, would reasonably be a material factor in its decision to purchase the Notes or Related Conduit Issuer Bonds or (3) the acceptance or administration of the trust established under the Master Indenture or the performance of the duties of the Master Trustee or the Servicer under the Master Indenture or under the Loan Documents, including the costs and expenses of defending against any claim or liability in connection with the exercise or performance of any of the powers or duties of the Master Trustee or Servicer under the Master Indenture or the Loan Documents; (v) any claim or action or proceeding with respect to the matters set forth in subsections (i), (ii), (iii) and (iv) above brought thereon; and (vi) its acts or omissions under the Master Indenture or the Loan Documents arising from any claim whatsoever in connection with the transaction contemplated by the Master Trust Indenture or otherwise in connection with the Project, the Notes, any Related Conduit Issuer Bonds, or any document (or amendment thereto) relating thereto delivered in connection with the Project, the Notes or any Related Conduit Issuer Bonds. The Borrower does not release the Servicer or the Master Trustee from, or agree that either of them will not be liable for, or indemnified or held harmless against any liabilities, losses, damages (including attorneys' fees), causes of action, suits, claims, costs and expenses, demands and judgments of any nature imposed upon or asserted against either of them on account of their own gross negligence, willful misconduct or fraud.

If any action or proceeding (including any governmental investigation) will be brought or asserted against the Servicer or the Master Trustee, any officer, director, shareholder, employee or agent thereof or any Person, if any, who controls the Servicer or the Master Trustee within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each an "Indemnified Party") in respect of which indemnity may be sought from the Borrower under the Master Trust Indenture, the Indemnified Party will promptly give written notice to the Borrower of such action or proceeding, and the Borrower will assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all expenses. The Indemnified Party will have the right to employ separate counsel in any such action or proceeding and to participate in the defense thereof at the expense of the Indemnified Party; provided, however, that the fees and expenses of such separate counsel will be at the expense of the Borrower if (i) the Borrower will have failed to promptly assume the defense of such action or proceeding and to employ counsel satisfactory to the Indemnified Party in connection therewith; (ii) the Borrower will have agreed in writing to pay such fees and expenses; or (iii) the named parties to any such action or proceeding (including any impleaded parties) include both the Indemnified Party and the Borrower or any Affiliate thereof and the Indemnified Party will have been advised by counsel that there may be one or more legal defenses available to it that are different from or in addition to the defenses available to the Borrower (in which case, if the Indemnified Party notifies the Borrower in writing that it elects to employ separate counsel at the expense of the Borrower, the Borrower will not have the right to assume the defense of such action or proceeding on behalf of the Indemnified Party, provided that the Borrower will not, in connection with any one action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same or generally the same allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any time for the Indemnified Party, except that the Borrower will pay for two firms of attorneys if the Indemnified Party requires separate local counsel in addition to its regular counsel). To provide for just and equitable contribution if the indemnification contemplated to be provided by the Borrower to any Indemnified Party is determined to be unavailable for any reason (other than due to application of the provisions described in this section), the Borrower will contribute to the losses or liabilities incurred by the Indemnified Party on the basis of the relative fault of the Borrower, on the one hand, and the Indemnified Party, on the other hand.

The indemnification set forth above is intended to and will include the indemnification of all affected officials, directors, officers, staff and employees of the Indemnified Party. That indemnification is intended to and will be enforceable by the Indemnified Party to the full extent permitted by law.

The Borrower will not be liable for any settlement of any such action or proceeding effected without its prior written consent to the extent such settlement would be prejudicial to the Borrower; provided, however, if any such action or proceeding is settled with the prior written consent of the Borrower, or if there is a final judgment for the plaintiff in any such action or proceeding with respect to which the Borrower will have received notice in accordance with the provisions described in this paragraph, the Borrower agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment.

The obligations of the Borrower under the provisions described in this section are independent of any other contractual obligation of the Borrower to provide indemnity to the parties named in the Master Trust Indenture, and the obligation of the Borrower to provide indemnity under the Master Trust Indenture may not be interpreted, construed or limited in light of any other separate indemnification obligation of the Borrower. Any Indemnified Party is entitled simultaneously to seek indemnity under these provisions and any other provision under which it is entitled to indemnity from the Borrower.

The immunities, protections and rights to indemnification set forth in the Master Indenture, together with a Fiduciary's and Servicer's right to compensation under the Master Indenture, will survive the Fiduciary's and Servicer's, as applicable, resignation or removal, the defeasance or discharge of the lien of the Master Indenture and final payment of all Outstanding Obligations.

Keeping the Servicer Informed

The Borrower will keep the Servicer reasonably informed of the Borrower's financial condition and business operations, the condition and all uses of the Project, including all changes in condition or use, and any and all other circumstances that might materially and adversely affect the Borrower's ability to pay or perform its obligations under the Master Indenture

Status of Borrower

Until the termination of the Master Indenture pursuant to the defeasance provisions of the Master Trust Indenture, the Borrower will maintain its existence in good standing under the laws of a state of the United States of America and shall remain qualified to do business and in good standing under the laws of the State. The Borrower shall not terminate, dissolve or dispose of all or substantially all of its assets; provided, however, that the Borrower may, with the written permission of the Servicer, consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, or transfer all or substantially all of its assets to another entity, but only on the condition that the assignee entity or the entity resulting from or surviving such merger or consolidation (if other than the Borrower), or the entity to which such transfer will be made, will be duly organized and existing and in good standing under the laws of a state of the United States of America and will be qualified to do business and in good standing under the laws of the State, will remain so continuously during the term of the Master Indenture and will expressly assume in writing and agree to perform all of the Borrower's obligations under the Master Indenture and under the other Master Indenture provided, further, that (A) the Borrower delivers to the Master Trustee and the Servicer a Cash Flow Statement accompanied by a Confirmation giving effect to such consolidation or merger or transfer of assets and (B) any transfer of the Project will be effected in accordance with the Operating Agreement and the other Loan Documents. Nothing in this subsection will be deemed to relieve the Borrower of its obligations to comply with the provisions of the Project Documents.

Upon any change in the status of the Borrower as described in the preceding paragraph, by way of substitution, sale or otherwise of the Borrower, the Servicer and the Master Trustee will be promptly informed and, if requested, the Borrower as newly constituted will deliver to the Master Trustee and the Servicer an instrument in form satisfactory to each of them affirming the liability of the Borrower under the Master Trust Indenture and under the other Loan Documents.

The Borrower agrees to take no action that would cause it to lose its status as a Single Purpose Entity.

Filing of Financing Statements

The Borrower will cooperate with the Master Trustee in the filing of any financing statements or continuation statements required to perfect and preserve the security interest of the Master Trustee in any Loan Document and the payments to be made under any Loan Document, as granted in the Master Indenture. The cost of the filing of any financing statement or continuation statement will be paid by the Borrower. The Borrower authorizes and appoints the Master Trustee and each of its officers as attorneys-in-fact for the Borrower to execute (if applicable), deliver and file such instruments on behalf of the Borrower.

Reporting Requirements

Within thirty (30) days after each March 31, June 30, September 30 and December 31, the Borrower will prepare and submit to the Servicer and the Master Trustee, during the term of the Master Trust Indenture, (i) a certificate executed by the Borrower stating (A) the number of dwelling units which were occupied by Permitted Tenants and by other tenants, and (B) the applicable rent for each such Housing Unit, and (ii) unaudited balance sheets and statements of income, and retained earnings for the Borrower for the Fiscal Year to date.

Within one hundred twenty (120) days after the end of each of the Borrower's Fiscal Years, commencing with the Fiscal Year ending December 31, 2004, the Borrower will cause an Independent Accountant to deliver annual audited or independently prepared balance sheets, and statements of income, retained earnings and cash flows prepared in accordance with generally accepted accounting principles (with tax-based depreciation) for the Borrower for such Fiscal Year to the Servicer and the Master Trustee, together with a statement showing all changes in the financial condition of the Borrower occurring during the preceding Fiscal Year and the Debt Service Coverage Ratio for such period. Notwithstanding anything to the contrary, in no event will the Master Trustee or the Servicer have any obligation to determine the sufficiency of any such financial information or to, in any manner, independently evaluate the Borrower's compliance with any financial covenants in connection therewith. The Borrower will provide the Servicer promptly with any additional financial information relating to the Borrower that the Servicer will reasonably request, as well as signed copies of any tax returns and such other information as the Servicer may reasonably request concerning the affairs and properties of the Borrower.

No later than fifteen (15) days prior to the commencement of each Fiscal Year, the Borrower will submit to the Master Trustee the annual Operating Budget for the next succeeding Fiscal Year for the Project as prepared and adopted by the Borrower and, if the Debt Service Coverage Ratio is less than the Debt Service Coverage Ratio Requirement or the Borrower is in default under the Loan Documents, approved by the Servicer. The Master Trustee will disburse to the Borrower funds in the monthly amounts set forth in the Operating Budget from the Operating Revenue Fund in accordance with the Master Indenture and the Borrower Operating Expense Request. Each Borrower Operating Expense Request will provide for the disbursement of funds to pay current monthly Operating Expenses as

provided in the current Operating Budget, subject to adjustment as set forth in the following sentences for each Fiscal Year after the Initial Development Period. Each Borrower Operating Expense Request will set forth the beginning cash balance held by the Borrower plus budgeted funds disbursed to the Borrower less the sum of actual expenses from the immediately preceding month and projected prior month expenses yet to be paid. The Borrower Operating Expense Request will specify the necessary adjustment to the amount payable under the Operating Budget based upon the amount of net cash shortfall or surplus resulting from the preceding calculations of available cash on hand. To the extent the Borrower requires additional funds in excess of the related line item in the approved Operating Budget, the Borrower will provide detailed information of the additional expenditures to the Servicer in the Borrower Operating Expense Request and request the Servicer to approve such additional Operating Expenses.

No later than forty-five (45) days after the commencement of each Fiscal Year, the Borrower will submit to the Servicer and the Master Trustee a capital expenditure plan (the "Capital Plan") detailing capital expenditures for the Project for the succeeding Fiscal Year, or a Capital Plan applicable to such next succeeding Fiscal Year together with an update for such Fiscal Year, in each case together with an estimate of the required annual contribution to the Capital Repair/Replacement Reserve Fund if greater than the amount described in the Master Trust Indenture. The Borrower will also cause an engineering firm qualified to conduct a physical needs assessment of multi-family housing projects and reasonably acceptable to the Servicer to prepare and submit to the Servicer and the Master Trustee, during the third calendar quarter of each five year anniversary of the delivery of the Completion Certificate under the Master Trust Indenture, a report containing a physical needs assessment of the Project and a recommendation of any increases in the annual deposit to the Capital Repair/Replacement Reserve Fund for each residential unit in the Project required by the Master Trust Indenture where such increases are necessary to comply with sound asset management principles. Any increase in the annual deposit to the Capital Repair/Replacement Reserve Fund determined in connection with the preparation of a Capital Plan will be approved by the Servicer and filed with the Master Trustee; provided that any report prepared in accordance with the preceding sentence may be submitted in lieu of a Capital Plan for the Fiscal Year following its filing with the Servicer and the Master Trustee. Upon filing of a Capital Plan or such report with the Servicer and the Master Trustee, any such recommendation (provided that in the case of a Capital Plan it is approved by the Servicer) as to an adjustment in the annual deposit to the Capital Repair/Replacement Reserve Fund will become effective for purposes of the Master Trust Indenture.

Prior to each Revenue Account Monthly Disbursement Date, the Borrower will furnish the Servicer and the Master Trustee with a statement of income and expense comparing monthly, actual and year to date income and expenses against the approved Operating Budget and statement of the Project during the previous month with detail acceptable to Servicer; provided, however, that to the extent the information to be provided by the Borrower (or calculations derived therefrom) is not available for the immediately prior calendar month, the Borrower may use the equivalent financial information for the calendar month prior thereto so long as the Borrower uses all relevant information, including without limitation, Operating Revenues, Operating Expenses and Debt Service, from such prior calendar month. To the extent that the Borrower is requesting a disbursement which is subject to a Debt Service Coverage Ratio Requirement, the statement will also include the Debt Service Coverage Ratio. The Borrower will also provide a current rent roll.

In addition to the foregoing, the Borrower shall inform the Servicer of all material changes in condition or use of the Project, and any and all other circumstances that might materially and adversely affect the Borrower's ability to pay or perform its obligations under the Master Indenture.

Notices

The Borrower will notify the Servicer and the Master Trustee promptly in writing of the following, provided that, except as expressly stated in the Master Indenture and the other Loan Documents, the Master Trustee will have no duty to act with respect to any such notices:

- (a) any circumstance which would require the provision of notice pursuant to the Agreement of Environmental Indemnification;
- (b) any litigation affecting the Borrower or the Project, where the amount claimed and the cost of litigating such claim is not fully covered by insurance;
- (c) any written communication the Borrower receives from any Governmental Authority or judicial or legal authority giving notice of any claim or assertion that the Borrower or the Project fails in any material respect to comply with any of the Requirements or any other applicable governmental law;
- (d) any material adverse change in the physical condition of the Project (including any damage suffered as a result of earthquakes, tornados or floods);
- (e) any material adverse change in the financial condition or operations of the Borrower or the Managing Member or any change in the management structure or executive management personnel of the Borrower or the Managing Member or the removal of the Managing Member;
- (f) any material adverse change in the Borrower's ability to timely perform any of its obligations under any of the Loan Documents;
- (g) any shortfall in the adequacy of the Construction Fund to pay all costs of construction and equipping the Project;
- (h) the receipt of service of process or other notice of filing or institution of any material litigation or governmental proceeding or investigation of which the Borrower has actual knowledge and which could reasonably be expected to materially and adversely interfere with its normal operations or materially and adversely affect its financial condition or which (A) affects or questions the validity or enforceability of any of the Loan Documents, (B) questions the power or authority or otherwise affects the Borrower's ability to carry out the transactions contemplated by, or to perform its obligations under, any of the Loan Documents or (C) materially and adversely affects the power of the Borrower to build, own, equip, or operate the Project;
- (i) the receipt of notice of filing or institution of any litigation against the Managing Member which is fully not covered by insurance;
- (j) the failure of the Borrower to comply with, or the breach by the Borrower of, any of its covenants or agreements contained in the Master Trust Indenture or in any other Loan Document or Project Documents, or the violation of any representation or warranty of the Borrower made in any Loan Document or Project Document or an event of default under any Loan Document or Project Document; and

- (k) any change in name, address and membership of the Borrower and any proposed amendments to the Operating Agreement prior to execution by the Borrower's members.

Site of Borrower, Project Personalty and Project Records

The Borrower will give the Master Trustee and the Servicer prior written notice of any change in the location of its state of organization, its place of business or its chief executive office if it has more than one place of business and the Borrower's name or business structure.

Unless otherwise approved by the Servicer in writing, the Borrower agrees that all components of the Project that consist of personal property (other than the books and records) will be located at the Project and that all books and records will be located at the Borrower's place of business or chief executive office if the Borrower has more than one place of business.

Use of the Project and Lease Approval

The Borrower will not change its intended use of the Project without the Servicer's prior written approval and receipt by the Master Trustee and the Servicer of Cash Flow Statements accompanied by a Confirmation giving effect thereto.

Subject to the foregoing and the requirements of the Operating Agreement and the Ground Lease, the Borrower may enter into residential leases in the ordinary course of business with bona fide third party residential tenants without the prior written consent of any other party to the Master Trust Indenture.

Except for In-Leases (as defined in the Ground Lease) between the Borrower and the Army pursuant to which the Army leases from the Borrower all or parts of the buildings known as Hamilton Manor, the Borrower may not enter into any non-residential lease of any portion of the Project without the Servicer's prior written consent and receipt by the Master Trustee and the Servicer of Cash Flow Statements accompanied by a Confirmation giving effect thereto.

Leasing Information and Documents

The Borrower will promptly deliver to the Servicer such tenant applications, leasing schedules and reports and other leasing information as the Servicer from time to time may reasonably request. In addition, the Borrower will obtain and deliver to the Servicer promptly such estoppel certificates and subordination and attornment agreements executed by each non-residential tenant in such forms as the Servicer from time to time may reasonably require.

Landlord's Obligations

The Borrower will perform all obligations required to be performed by it as landlord under any lease affecting any part of the Project or any space within the Project, other than any obligations, the failure of which to perform shall not (i) constitute a default under, or result in a termination of the Ground Lease, (ii) result in a diminution in Operating Revenues, (iii) render a Housing Unit unfit for habitation or otherwise unavailable for lease and (iv) otherwise have a material adverse affect on the Project.

Income From Project

Subject to the Master Indenture, the Borrower will apply all income derived from the Project, including all income from leases, to pay costs and expenses associated with the ownership, maintenance, operation and leasing of the Project, and then to pay all amounts then required to be paid under the Loan

Documents, before using or applying such income for any other purpose. No such income may be distributed or paid to any member of the Borrower or its Affiliate (x) if any Event of Default will have occurred and be continuing, or (y) if any event after which the giving of notice or lapse of time would become an Event of Default, will have occurred and be continuing or (z) unless all costs and expenses relating to the ownership or operation of the Project then due have been paid in full.

Covenants Regarding Housing Units

At all times during the Initial Development Period, Borrower shall ensure that no fewer than 228 Housing Units are available for occupancy, except for Housing Units covered by business loss/interruption insurance.

At no time shall Borrower change, permit to be changed or consent to any change in the paygrade mix of the Housing Units which, in the aggregate, would have a material adverse effect on Operating Revenues or Debt Service.

DEFAULT PROVISIONS AND REMEDIES OF MASTER TRUSTEE AND OWNERS OF THE BONDS

Events of Default

Each of the following events is declared an “Event of Default” under the Master Indenture:

(a) The Borrower shall fail to pay any Principal Installment of or interest on any Class I Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The Borrower shall fail to pay (1) any Principal Installment of or interest on any Class II Obligation when due and payable prior to the maturity date thereof, provided that sufficient moneys for such payment are available in the Class II Debt Service Account, or (2) the Principal Installments and accrued interest due on any Class II Obligation on the final maturity date thereof;

(c) The Borrower shall fail to pay (1) any Principal Installment of or interest on any Class III Obligation when due and payable prior to the maturity date thereof, provided that sufficient moneys for such payment are available in the Class III Debt Service Account, or (2) the Principal Installments and accrued interest due on any Class III Obligation on the final maturity date thereof;

(d) The Borrower shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Master Indenture, the Obligation or in any Project Documents and such failure shall continue for a period of 60 days after written notice thereof to the Borrower by the Master Trustee or the Servicer, or to the Borrower and to the Master Trustee and the Servicer by the Owners of not less than 10% in Aggregate Principal Amount of the Obligations Outstanding; *provided*, however, that if the failure is such that it cannot be corrected within such 60-day period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Outstanding Obligations or the Project and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and *provided further*, that any such failure shall have been cured within 120 days of receipt of notice of such failure; or

(e) The Borrower shall voluntarily file or there shall be filed against the Borrower involuntarily a petition seeking a composition of indebtedness under the federal bankruptcy laws, unless

such involuntary petition is dismissed or removed within 90 days of filing, or under any other applicable law or statute of the United States of America or of the State.

(f) A Termination Default (as defined in the Ground Lease) shall have occurred and be continuing under the Ground Lease or a Default (as defined in the Ground Lease) shall have occurred and be continuing that materially adversely affects the enforceability or validity of the Ground Lease or the rights and benefits of the lessee taken as a whole.

Acceleration; Annulment of Acceleration

(a) Upon the occurrence of an Event of Default, the Master Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of Outstanding Obligations held by the Owners of the Class of Obligations then in default following an Event of Default described in paragraphs (a), (b), (c), (e) or (f) under “DEFAULT PROVISIONS AND REMEDIES OF MASTER TRUSTEE AND OWNERS OF THE BONDS – Events of Default” above and not less than 100% in Aggregate Principal Amount of Outstanding Obligations following an Event of Default described in paragraph (d) under “DEFAULT PROVISIONS AND REMEDIES OF MASTER TRUSTEE AND OWNERS OF THE BONDS – Events of Default” above shall, by notice in writing to the Borrower, declare all Obligations Outstanding immediately due and payable; and such Obligations shall become and be immediately due and payable, anything in the Notes, any Related Bond Issuer Bonds, any Derivative Product or the Master Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Obligations an amount equal to the total principal amount of all such Obligations, plus all interest which will accrue thereon to the date of payment.

(b) At any time after the Outstanding Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Master Indenture, the Master Trustee may (and, at the direction of the Owners of a majority in Aggregate Principal Amount of Outstanding Obligations, shall) annul such declaration and its consequences with respect to any Obligations not then due by their terms if (i) moneys shall have been deposited in the Debt Service Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding Obligations; (ii) moneys shall have been deposited with the Master Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Master Trustee; (iii) all other amounts then payable by the Borrower under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default known to the Master Trustee (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied to the satisfaction of the Master Trustee and the Servicer. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of the Outstanding Obligations then in default, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Owners of the Obligations under the Notes, any Derivative Product and the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Owners of the Obligations to collect and enforce the payment of principal of and interest due or becoming due on Obligations and collect and enforce any rights in respect to the Obligations or other security or mortgages securing such Obligations and to require the Borrower to carry out its duties and obligations under the terms of the Master Indenture;

(ii) Enter upon the Land and perform any and all work necessary to complete the Project, employ watchmen to protect the Land and the Project and to otherwise take any other action which, in Master Trustee's or Servicer's sole judgment is necessary or appropriate to fulfill the covenants, agreements, and obligations of Borrower under the Master Indenture; all sums and costs expended by Master Trustee or Servicer in connection therewith shall be deemed to have been paid to or on behalf of Borrower and secured by the lien of the Mortgage and shall be payable from the Construction Fund; and, for these purposes, Borrower constitutes Master Trustee and Servicer its true and lawful attorneys-in-fact with full power of substitution to complete the Project (which power of attorney is coupled with an interest and cannot be revoked);

(iii) Suit upon all or any part of the Obligations;

(iv) Civil action to require the Borrower to account as if it were the Master Trustee of an express trust for the Owners;

(v) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(vi) Exercise of any remedies it may have under the Mortgage including foreclosure of the lien granted under the Mortgage with respect to the Project; and

(vii) Enforcement of any other right of the Owners conferred by law, equity or by the Master Indenture.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Owners of not less than 25% in Aggregate Principal Amount of the Outstanding Obligations then in default, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture; or (ii) to preserve or protect the interests of the Owners, provided that such request is in accordance with law and the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interests of the Owners not making such request.

Application of Revenues and Other Moneys After Default

(a) The Borrower covenants that if an Event of Default shall happen and shall not have been remedied, the Borrower, upon demand of the Master Trustee, shall pay or cause to be paid over to the Master Trustee as promptly as practicable after receipt thereof, all Pledged Revenues, including Operating Revenues and other payments or receipts pledged under the Master Indenture.

(b) Upon the declaration by the Master Trustee of all Obligations to be immediately due and payable pursuant to the Master Indenture and prior to any annulment of such declaration, the Master Trustee shall apply, or cause the Paying Agent to apply, all moneys and securities held in any

Fund or Account (except the Note Purchase Fund, if any), Pledged Revenues, Operating Revenues, payments and receipts and the income therefrom as follows and in the following order:

(i) If the Event of Default thereunder is caused by an Event of Default under the Ground Lease, to the payment necessary to cure such Event of Default as required by the Ground Lease unless the Master Trustee receives a written waiver of such Event of Default from the Army;

(ii) To the payment of the reasonable and proper Fiduciary Fees;

(iii) To the payment of the interest and Principal Installments then due and payable on the Class I Notes, Class I Reserve Account Contract Obligations and all Borrower Derivative Payments secured on a parity with the Class I Notes, unless payment has been extended in accordance with the Master Indenture, as follows:

(A) Unless the Aggregate Principal Amount of all of the Class I Notes 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 and payable on the Class I Notes, Class I Reserve Account Contract Obligations and all Borrower Derivative Payments secured on a parity with the Class I Notes in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Installments of any Class I Notes and Class I Reserve Account Contract Obligations which shall have become due and payable, 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 Class I Notes and Class I Reserve Account Contract Obligations due and payable on any date, then to the payment thereof ratably, according to the amounts of Principal Installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

(B) If the Aggregate Principal Amount of all of the Class I Notes shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Class I Notes, Class I Reserve Account Contract Obligations and all Borrower Derivative Payments secured on a parity with the Class I Notes and, if the amount available shall not be sufficient to pay in full such principal and interest on the Class I Notes, the Class I Reserve Account Contract Obligations and Borrower Derivative Payments, then to the payment of principal and interest on the Class I Notes, the Class I Reserve Account Contract Obligations and Borrower Derivative Payments, without any preference or priority, ratably according to the aggregate amounts due, to the Persons entitled thereto;

(iv) To the payment of the Principal Installments of and interest then due on the Class II Notes, Class II Reserve Account Contract Obligations and all Borrower Derivative Payments secured on a parity with the Class II Notes in accordance with the provisions of subparagraph (iii) above as if such subparagraph referred to the Class II Notes and Class II

Reserve Account Contract Obligations rather than the Class I Notes and Class I Reserve Account Contract Obligations.

(v) To the payment of Principal Installments of and interest then due on the Class III Notes, Class III Reserve Account Contract Obligations and all Borrower Derivative Payments secured on a parity with the Class III Notes in accordance with the provisions of subparagraph (iii) above as if such subparagraph referred to the Class III Notes and Class III Reserve Account Contract Obligations rather than the Class I Notes and Class III Reserve Account Contract Obligations.

(vi) To the payment of fees and reimbursement of moneys owed to any Credit Enhancer and fees owed to any Reserve Account Contract Provider.

(vii) To the payment of any amounts owed to tax issuer of any letter of credit or other cash equivalent into the GMH Equity Account pursuant to the Master Indenture.

(viii) To the payment of the amounts required for reasonable and necessary Administrative Expenses.

CONCERNING THE MASTER TRUSTEE AND THE FIDUCIARIES

Master Trustee; Paying Agent and Note Registrar Appointment and Acceptance of Duties

The Bank of New York, in New York, New York, is appointed as Master Trustee, Paying Agent and Note Registrar. The Bank of New York shall signify its acceptance of the duties and obligations imposed upon it by executing the Master Indenture and delivering the same to the Borrower.

Responsibilities of Fiduciaries

No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the Borrower or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect of the Master Indenture or to advance any of its own moneys, unless properly indemnified to its satisfaction. Subject to the provisions of the following paragraph of this section, no Fiduciary shall be liable in connection with the performance of its duties under the Master Indenture except for its own negligence or willful misconduct. Notwithstanding any other provision of the Master Indenture, no right of a Fiduciary to indemnification shall relieve a Fiduciary from responsibility for (a) making payments on the Obligations when due from moneys available to it, (b) accelerating the Obligations if required pursuant to the Master Indenture, (c) drawing on a Liquidity Facility in accordance with the terms of such Liquidity Facility, or (d) making any claim under any Credit Enhancement Facility.

The Master Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture and no implied covenants or obligations shall be read into the Master Indenture against the Master Trustee. In case an Event of Default has occurred (and has not been cured) the Master Trustee shall exercise such of the rights and powers vested in it by the Master Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his/her own affairs. Any provisions of the Master Indenture relating to action taken or to be taken by the Master Trustee or to evidence upon which the Master Trustee may rely shall be subject to the provisions of this section.

The Master Trustee shall take all actions necessary or desirable, including, without limitation, the filing of continuation statements, to maintain and perfect any lien or security interest provided by the Borrower to the Owners under the Master Indenture and in the other Loan Documents.

Evidence on Which Fiduciaries May Act

Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Master Indenture or any Series Indenture, shall examine such instrument to determine whether it conforms to the requirements of the Master Indenture and the Related Series Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be counsel to the Borrower, and any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Master Indenture in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Master Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Master Indenture) may be deemed conclusively to be proved and established by a Borrower Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Master Indenture upon the faith thereof, but in its discretion and in lieu thereof, the Fiduciary may accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. In the event a Fiduciary incurs expenses or renders services in any proceedings under federal bankruptcy law relating to the Borrower, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under said federal bankruptcy law.

Except as otherwise expressly provided in the Master Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Master Indenture by the Borrower to any Fiduciary shall be sufficiently executed if executed in the name of the Borrower by an Authorized Officer.

Compensation of Fiduciaries; Fiduciary Liens

Subject to the terms and conditions of any other agreements between the Borrower and one or more Fiduciaries, the Borrower shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Master Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Master Indenture. In consideration of the express provisions of the Master Indenture regarding the payment of Fiduciary Fees, each Fiduciary by acceptance of its appointment under the Master Indenture waives any right at law or in equity for the imposition of an implied lien on the Pledged Revenues and assets pledged under the Master Indenture. In the event that a successor Fiduciary is appointed in accordance with the Master Indenture during a period for which the predecessor Fiduciary has been compensated in advance, such predecessor Fiduciary shall return to the Borrower the pro rata portion of such compensation for the period commencing on the date of appointment of such successor Fiduciary.

Certain Permitted Acts

Any Fiduciary may become the owner of any Obligations with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any

committee formed to protect the rights of Owners of the Obligations or to effect or aid in any reorganization growing out of the enforcement of the Obligations or the Master Indenture, whether or not any such committee shall represent the Owners of a majority in Aggregate Principal Amount of the Obligations then Outstanding. If any Fiduciary incurs expenses or renders services after an Event of Default has occurred, such expenses and compensation for such services are intended to constitute expenses of administration under any bankruptcy law.

Resignation of Master Trustee

The Master Trustee may resign at any time and be discharged of the duties and obligations created by the Master Indenture by giving not less than 30 days written notice to the Borrower, the Servicer and to Owners of the Obligations, at its own expense and without reimbursement therefor, specifying the date when such resignation shall take effect and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Borrower, with written approval of the Servicer, or the Owners of the Obligations as provided in the Master Indenture, in which event such resignation shall take effect immediately on the appointment of such successor. In no event, however, shall such a resignation take effect until a successor Master Trustee has been appointed pursuant to the Master Indenture.

Removal of Master Trustee

The Master Trustee may be removed (a) at any time by an instrument or concurrent instruments in writing, filed with the Master Trustee, the Servicer and the Borrower, and signed by the Owners representing a majority in Aggregate Principal Amount of the Obligations then Outstanding or their attorneys-in-fact duly authorized, excluding any Obligations held by or for the account of the Borrower, or (b) by the Borrower, with written approval of the Servicer, at any time except during the continuance of an Event of Default by filing with the Master Trustee notice of removal in the form of a Borrower Certificate. In no event, however, shall such removal take effect until a successor Master Trustee has been appointed pursuant to the Master Indenture.

Appointment of Successor Master Trustee; Temporary Master Trustee.

In case at any time the Master Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Master Trustee, or of its property, shall be appointed, or if any public offer shall take charge or control of the Master Trustee, or of its property or affairs, the Borrower covenants and agrees that it thereupon will appoint a successor Master Trustee, approved in writing by the Servicer. The Borrower shall promptly provide written notice to each Rating Agency of the appointment of any successor Master Trustee.

If no appointment of a successor Master Trustee shall be made by the Borrower pursuant to the foregoing provisions of this section within 45 days after the Master Trustee shall have given to the Borrower written notice as provided in the Master Indenture or after a vacancy in the office of the Master Trustee shall have occurred by reason of its inability to act or its removal, the Master Trustee, the Servicer or the Owner of any Obligation may apply to any court of competent jurisdiction to appoint a successor Master Trustee. Said court, after such notice, if any, as such court may deem proper, thereupon may appoint a successor Master Trustee.

Every such Master Trustee appointed pursuant to the provisions of this section shall (i) be a bank, banking corporation or trust company in good standing and (ii) have a reported capital and surplus of not less than \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon

reasonable or customary terms. Any successor Master Trustee shall serve for a fee not in excess of the fee paid to the initial Master Trustee unless otherwise approved by the Borrower and the Servicer.

Transfer of Rights and Property to Successor Master Trustee

Any successor Master Trustee appointed under the Master Indenture shall execute, acknowledge and deliver to its predecessor Master Trustee, and also to the Borrower and the Servicer, an instrument accepting such appointment, and thereupon such successor Master Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Master Trustee, with like effect as if originally named as Master Trustee; but the Master Trustee ceasing to act nevertheless, on the written request of the Borrower or of the successor Master Trustee, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor Master Trustee all the right, title and interest of the predecessor Master Trustee in and to any property held by it under the Master Indenture, and shall pay over, assign and deliver to the successor Master Trustee any money or other property subject to the trusts and conditions set forth in or pursuant to the Master Indenture. Should any deed, conveyance or instrument in writing from the Borrower be required by such successor Master Trustee for more fully and certainly vesting in and confirming to such successor Master Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Borrower. Any such successor Master Trustee promptly shall notify the Depositories, if any, of its appointment as Master Trustee. Notwithstanding anything contained elsewhere in the Master Indenture, any such predecessor Master Trustee shall not be entitled to any compensation or reimbursement for costs and expenses incurred in connection with any transfer of rights or properties under the Master Indenture, except for such costs and expenses incurred with the prior written consent of the Borrower and the Servicer.

Merger or Consolidation of Fiduciaries

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it may be party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank, banking corporation or trust company organized under the laws of any state of the United States or a national banking association, and shall be authorized by law to perform all the duties imposed upon it by the Master Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act. Each Fiduciary shall give written notice to the Borrower and the Servicer of any such proposed merger, conversion, consolidation or sale or transfer of substantially all of its corporate trust business not less than 120 days' prior to the expected date thereof, and the Borrower and the Servicer agree to keep such information confidential until such information has been publicly disclosed by the Fiduciary. Such Fiduciary shall reimburse the Borrower for any costs and expenses incurred by the Borrower and the Servicer arising from or associated with any such merger, conversion, consolidation, sale or transfer, or any such proposed merger, conversion, consolidation, sale or transfer. Such Fiduciary shall also be responsible for any costs and expenses incurred by the Borrower as a result of such Fiduciary's failure to comply with the requirements of this section.

Adoption of Authentication

In case any of the Obligations contemplated to be issued under the Master Indenture shall have been authenticated but not delivered by a predecessor Master Trustee, any successor Master Trustee may adopt the certificate of authentication of any predecessor Master Trustee so authenticating such

Obligations and deliver such Obligations so authenticated. In case any of such Obligations shall not have been authenticated, any successor Master Trustee may authenticate such Obligations in the name of the predecessor Master Trustee or in the name of the successor Master Trustee, and in all such cases such certificate shall have the full force which it is anywhere in such Obligations or in the Master Indenture provided that the certificate of the Master Trustee shall have.

Paying Agents; Appointment, Resignation or Removal; Successor

The Borrower shall appoint one or more Paying Agents for the Obligations and may at any time and from time to time appoint one or more other Paying Agents having the qualifications set forth in this section for a successor Paying Agent. The Master Trustee or the Note Registrar may be appointed a Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Master Indenture by executing and delivering to the Borrower and the Servicer and to the Master Trustee a written acceptance thereof. Unless otherwise provided, the principal office of the Paying Agent is designated as the respective offices of the Borrower for the payment of the interest on and principal or Redemption Price of the Obligations. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Master Indenture by giving at least 30 days written notice to the Borrower, the Master Trustee and the Servicer. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent, the Servicer and the Master Trustee and signed by the Borrower. Any successor Paying Agent shall be appointed by the Borrower with the approval of the Master Trustee and the Servicer and shall be a bank, banking corporation or trust company organized under the laws of any state of the United States or a national banking association, having capital, surplus and undivided profits aggregating at least \$10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Master Indenture. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor to the Master Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Master Trustee shall act as such Paying Agent.

Note Registrar; Appointment, Resignation or Removal; Successor

The Borrower shall appoint a Note Registrar. The Master Trustee or any Paying Agent may be appointed the Note Registrar. The Note Registrar shall signify its acceptance of the duties and obligations imposed upon it by the Master Indenture by executing and delivering to the Borrower, the Servicer and to the Master Trustee a written acceptance thereof. Unless otherwise provided, the principal office of the Note Registrar is designated as the respective offices of the Borrower for the maintenance of registration records for the Notes. The registration records for the Notes shall be maintained by the Note Registrar on both a current and historical basis. The Note Registrar may at any time resign and be discharged of the duties and obligations created by the Master Indenture by giving at least 30 days written notice to the Borrower, the Master Trustee and the Servicer. The Note Registrar may be removed at any time by an instrument filed with such Note Registrar, the Master Trustee and the Servicer and signed by the Borrower. Any successor Note Registrar shall be appointed by the Borrower, with prior written approval of the Master Trustee and the Servicer, and shall be a bank, banking corporation or trust company organized under the laws of any state of the United States or a national banking association, having capital, surplus and undivided profits aggregating at least \$10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Master Indenture. In the event of the resignation or removal of the Note Registrar, such Note Registrar shall deliver all records, Notes and other documents held by it as Note Registrar to its successor, or if there be no successor to the Master Trustee. In the event that for any reason there shall be a vacancy in the office of the Note Registrar, the Master Trustee shall act as such Note Registrar.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Effective Upon Filing With the Master Trustee

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Indenture may be executed and delivered by the Borrower and consented to in writing by the Corporation, which, upon the filing with the Master Trustee and the Servicer of a copy thereof, shall be fully effective in accordance with its terms:

(a) To add to the covenants and agreements of the Borrower in the Master Indenture, other covenants and agreements to be observed by the Borrower which are not contrary to or inconsistent with the Master Indenture as theretofore in effect;

(b) To add to the limitations and restrictions in the Master Indenture, other limitations and restrictions to be observed by the Borrower which are not contrary to or inconsistent with the Master Indenture as theretofore in effect;

(c) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Master Indenture of the Pledged Revenues or of any other moneys, securities or funds;

(d) To modify any provisions of the Master Indenture in any respect whatever, to the extent necessary to maintain the credit ratings on any Notes or Bond Issuer Bonds; or

(e) To provide for the issuance of Notes pursuant to the Master Indenture and to provide for the terms and conditions pursuant to which such Notes may be issued, paid or redeemed.

Supplemental Indentures Effective Upon Consent of Master Trustee

For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be executed and delivered by the Borrower and the Master Trustee, and consented to in writing by the Corporation, which upon the filing with the Master Trustee and the Servicer of a copy thereof and the filing with the Master Trustee, the Servicer and the Borrower of an instrument in writing made by the Master Trustee consenting thereto, shall be fully effective in accordance with its terms:

(a) To cure any ambiguity, supply any omission, cure or correct any defect or inconsistent provision in the Master Indenture, or to insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable, provided such action shall not adversely affect the interest of the Owners under the Master Indenture and are not contrary to or inconsistent with the Master Indenture theretofore in effect;

(b) To grant to or confer upon the Master Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Master Trustee;

(c) To add to the covenants and agreements of the Borrower in the Master Indenture other covenants and agreements thereafter to be observed by the Borrower;

(d) To surrender any right, power or privilege reserved to or conferred upon the Borrower by the terms of the Master Indenture, provided that the loss of such right, power or privilege shall not adversely impair the Pledged Revenues available to pay the Outstanding Obligations;

(e) To include as pledged revenues or money under, and subject to the provisions of, the Master Indenture any additional revenues or money legally available therefor;

(f) To modify any of the provisions of the Master Indenture in any respect whatever; provided, however, that (1) such modification shall be, and be expressed to be, effective only after all Obligations of any Series Outstanding at the date of the execution by the Borrower of such Supplemental Indenture shall cease to be Outstanding, and (B) such Supplemental Indenture shall be specifically referred to in the text of all Obligations of any Series authenticated and delivered after the date of the execution by the Borrower of such Supplemental Indenture and of Obligations issued in exchange therefor or in place thereof;

(g) To modify, eliminate and/or add to the provisions of the Master Indenture to such extent as shall be necessary to effect the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Master Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939;

(h) Provided the Borrower has first obtained a Confirmation, to make the terms and provisions of the Master Indenture, including the lien and security interest granted therein, applicable to a Derivative Product, and to modify the provisions of the Master Indenture relating to the delivery by the Borrower of, and payments under, a Derivative Product with respect to any particular Derivative Product;

(i) Provided the Borrower has first obtained a Confirmation, to amend the Master Indenture to allow for any Credit Enhancement Facility or Liquidity Facility, including amendments with respect to repayment to such a provider on a parity with any Notes or Derivative Product and providing rights to such provider under the Master Indenture, including with respect to defaults and remedies;

(j) To make any change as shall be necessary in order to maintain the rating(s) on any Notes or Bond Issuer Bonds from any Rating Agency;

(k) To add Obligations designated as "Class IV" ("Class IV Obligations") to be issued under the Master Indenture and secured by the Pledged Revenues thereunder but subordinate to the Class I Obligations, Class II Obligations and Class III Obligations. Payment of the Class IV Obligations will come from Operating Revenues after Project Costs, Operating Expenses, Debt Service on Class I, Class II and Class III Obligations and funding of the various reserve accounts held under the Master Indenture, but before release of funds from the Master Indenture to the Borrower. Interest on the Class IV Obligations, to the extent not paid on an Interest Payment Date, shall accrue and be paid when funds are available therefor on a subsequent Interest Payment Date, but in no event later than the final maturity. Owners of the Class IV Obligations will have no right to accelerate or default the Class IV Obligations until the final maturity date of the Class IV Obligations; or

(l) To make any other amendment or change that will not materially adversely affect the interest of Owners of Outstanding Obligations.

Supplemental Indentures Requiring Consent of Owners of Obligations

Any modification or amendment of the Master Indenture and of the rights and obligations of the Borrower and of the Owners of the Obligations may be made by a Supplemental Indenture, with the written consent given as provided in accordance with the Master Indenture of the Owners of at least a majority in Aggregate Principal Amount of the affected Obligations Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligations 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 Owners of all such Obligations, or shall reduce the percentages of Obligations the consent of the Owners of which is required to effect any such modification or amendment without the consent of the Owners of all Obligations then Outstanding or shall change the provisions of the Master Indenture relating to the ability to declare the Aggregate Principal Amount of Obligations to be due and payable without the consent of the Owners of all Obligations then Outstanding, or shall materially adversely affect the rights of the Owners of Class I Obligations without the consent of the Owners of a majority in aggregate Principal Amount of Class I Obligations Outstanding, or shall materially adversely affect the rights of the Owners of Class II Obligations without the consent of the Owners of a majority in Aggregate Principal Amount of Class II Obligations Outstanding, or shall materially adversely affect the rights of the Owners of Class III Obligations without the consent of the Owners of a majority in Aggregate Principal Amount of Class III Obligations then Outstanding; or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. If any such modification or amendment will, by its terms not take effect so long as any Obligations of any particular maturity remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations. The Master Trustee, relying upon a Counsel's Opinion, may determine whether or not in accordance with the foregoing powers of amendment Obligations of any particular maturity would be affected by any modification or amendment of the Master Indenture, and any such determination shall be binding and conclusive on the Borrower and the Owners of the Obligations.

Consent of Owners of Obligations

The Borrower at any time may execute and deliver a Supplemental Indenture making a modification or amendment permitted under "SUPPLEMENTAL INDENTURES – Requiring Consent of Owners of Obligations" above, to take effect when and as provided in this section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Master Trustee), together with a request to Owners of the Obligations for their consent thereto in form satisfactory to the Note Registrar, shall be transmitted by the Borrower to the registered owners of the Obligations. Such Supplemental Indenture shall not be effective unless and until (i) there shall have been filed with the Master Trustee (A) the written consents of Owners of the percentages of Outstanding Obligations specified under "SUPPLEMENTAL INDENTURES – Requiring Consent of Owners of Obligations" and (B) a Counsel's Opinion stating that such Supplemental Indenture has been duly executed and delivered and filed by the Borrower in accordance with the provisions of the Master Indenture, is authorized or permitted by the Master Indenture, and is valid and binding upon the Borrower and enforceable in accordance with its terms, subject to State and federal bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights and the availability of equitable remedies and (ii) a notice shall have been transmitted to Owners of the Obligations as provided in the Master Indenture. Each consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Obligations with respect to which such consent is given, which proof shall be such as is permitted by the Master Indenture. A certificate or certificates by the Note Registrar filed with the Master Trustee that it has examined such proof and that such proof is sufficient in accordance with the Master Indenture shall be conclusive that the consents have been given by the Owners of the Obligations

described in such certificate or certificates of the Note Registrar. Any such consent shall be binding upon the Owners of the Obligations giving such consent and, anything in the Master Indenture to the contrary notwithstanding, upon any subsequent Owners of such Obligations and of any Obligations issued in exchange therefor (whether or not such subsequent Owners of such Obligations thereof has notice thereof) unless such consent is revoked in writing by the Owner thereof by filing with the Note Registrar, prior to the time when the written statement of the Note Registrar provided for below is filed, such revocation and, if such Obligations are transferable by delivery, proof that such Obligations are held by the signer of such revocation in the manner permitted by the Master Indenture. The fact that a consent has not been revoked likewise may be proved by a certificate of the Note Registrar filed with the Master Trustee to the effect that no revocation thereof is on file with the Note Registrar. At any time after the Owners of the required percentage of Obligations shall have filed their consent to the Supplemental Indenture, the Note Registrar shall make and file with the Borrower and the Master Trustee a written statement that the Owners of such required percentage of Obligations have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture executed and delivered by the Borrower on a stated date, a copy of which is on file with the Master Trustee) has been consented to by the Owners of the required percentage of Obligations and will be effective as provided in the Master Indenture, may be given to Owners of the Obligations by the Borrower by transmitting such notice to Owners of the Obligations (but failure to transmit such notice shall not affect the validity of the Supplemental Indenture when consented to as provided in the Master Indenture) not more than 90 days after the Owners of the required percentages of Obligations shall have filed their consents to the Supplemental Indenture and the written statement of the Note Registrar provided for above is filed. The Borrower shall file with the Master Trustee proof of the transmission of such notice. A record, consisting of the papers required or permitted by the Master Indenture to be filed with the Master Trustee and the Note Registrar, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Borrower, the Fiduciaries and the Owners of all Obligations at the expiration of 30 days after the filing with the Master Trustee of the proof of the transmission of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 30 day period; *provided*, however, that any Fiduciary and the Borrower during such 30 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Modifications by Unanimous Consent

The terms and provisions of the Master Indenture or any Supplemental Indenture and the rights and obligations of the Borrower and of the Owners of the Obligations may be modified or amended in any respect upon the issuance and filing by the Borrower of a Supplemental Indenture and the consent of the Owners of all Obligations then Outstanding, such consent to be given as provided under “SUPPLEMENTAL INDENTURES – Consent of Owners of Obligation” above, except that no notice of such consent to Owners of the Obligations shall be required; *provided*, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Master Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Owners of the Obligations.

General Provisions

(a) The Master Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of the Master Indenture. Nothing in the Master

Indenture shall affect or limit the right or obligation of the Borrower to adopt, make, do, execute, acknowledge or deliver any certificate, act or other instrument pursuant to the provisions of the Master Indenture or the right or obligation of the Borrower to execute and deliver to any Fiduciary any instrument that otherwise in the Master Indenture it is provided shall be delivered to said Fiduciary.

(b) Any Supplemental Indenture referred to and permitted or authorized by the Master Indenture may be executed and delivered by the Borrower without the consent of any of the Owners of the Obligations, but shall become effective only on the conditions, to the extent and at the time provided in the Master Indenture.

(c) Every Supplemental Indenture shall be accompanied by a Counsel's Opinion stating that such Supplemental Indenture has been duly executed and delivered in accordance with the provisions of the Master Indenture, is authorized or permitted by the Master Indenture and is valid and binding upon the Borrower, subject to State and federal bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights and the availability of equitable remedies.

(d) The Master Trustee is authorized to execute and deliver any Supplemental Indenture referred to and permitted or authorized by the Master Indenture and, subject to a requirement of consent of the required Owners of the Obligations, if any, to make all further agreements and stipulations that may be contained therein, and the Master Trustee, in taking such action, shall be protected fully in relying on an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Indenture is authorized or permitted by the provisions of the Master Indenture.

(e) No Supplemental Indenture shall change or modify any of the rights or obligations of any Fiduciary without its written consent.

(f) A copy of each Supplemental Indenture executed and delivered by the Borrower pursuant to the Master Indenture shall be transmitted by the Master Trustee to each Rating Agency.

(g) Any determination as to whether or not any amendment or supplement to the Master Indenture has an adverse affect on the interests of the Owners shall be made without regard to any Credit Enhancement Facility.

DEFEASANCE

Discharge of Indenture in Entirety

If the Borrower shall pay or cause to be paid, or there shall otherwise be paid, (i) to the Owners of all Notes the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Master Indenture, (ii) to each Reciprocal Payor, all Borrower Derivative Payments then due, (iii) to each Reserve Account Contract Provider, any and all amounts due and owing pursuant to such Reserve Account Contract; and (iv) to each Credit Enhancer, any and all amounts due and owing pursuant to any Credit Enhancement Facility, then the pledge of any Pledged Revenues, and other moneys and securities pledged under the Master Indenture and all covenants, agreements and other obligations of the Borrower to the Owners, shall thereupon cease, terminate and become void and be discharged and satisfied except in any event that certain indemnification obligations of the Borrower set forth in the Master Indenture shall survive. In such event, the Master Trustee shall cause an accounting for such period or periods as shall be requested by the Borrower to be prepared and filed with the Borrower and, upon the request of the Borrower, shall execute and deliver to the Borrower all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to or upon the order of the Borrower all moneys

or securities held by them pursuant to the Master Indenture that are not required for the payment of principal, or Redemption Price, if applicable, of or interest on Obligations not theretofore surrendered to them for such payment or redemption. If the Borrower shall pay or cause to be paid, or there shall otherwise be paid, (i) to the Owners of all Outstanding Notes, the principal or Redemption Price, if applicable, and interest due or to become due thereon; (ii) to each Reciprocal Payor all Reciprocal Payments then due; (iii) to each Reserve Account Contract Provider, all amounts due and owing pursuant to such Reserve Account Contract; and (iv) to each Credit Enhancer, all amounts due and owing pursuant to any Credit Enhancement Facility, at the times and in the manner stipulated therein and in the Master Indenture, the Owners of such Notes, each Reciprocal Payor, each Reserve Account Contract Provider and each Credit Enhancer shall cease to be entitled to any lien, benefit or security under the Master Indenture and all covenants, agreements and obligations of the Borrower to the Owners of such Notes and to each Reciprocal Payor, each Reserve Account Contract Provider and each Credit Enhancer shall thereupon cease, terminate and become void and be discharged and satisfied.

Defeasance of Notes

To the extent Notes secure a Related Series of Bond Issuer Bonds, the following provisions shall not apply to the defeasance of such Notes and the applicable defeasance provisions of the Related Bond Issuer Indenture governing the defeasance of such Bond Issuer Bonds shall apply in lieu thereof. Notes or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Master Trustee or the Paying Agent (through deposit by the Borrower of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed under "DEFEASANCE." Outstanding Notes shall be deemed, prior to the maturity or redemption date thereof, to have been paid within the meaning and with the effect expressed in this section if (i) in case any of said Notes are to be redeemed on any date prior to their maturity, the Borrower shall have given to the Note Registrar in form satisfactory to it irrevocable instructions to transmit as required by the Master Indenture notice of redemption of such Notes on said date; (ii) there shall have been deposited with the Master Trustee either moneys in an amount sufficient, or Defeasance Securities the principal of and the interest on which when due (whether at maturity or the prior redemption thereof at the option of the holder thereof) will provide moneys in an amount that, together with the moneys, if any, deposited with the Master Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Notes on and prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Notes are not by their terms subject to redemption within the next succeeding 60 days, the Borrower shall have given to the Note Registrar in form satisfactory to it irrevocable instructions to transmit, as soon as practicable, a notice to the Owners of such Notes that the deposit required by (ii) above has been made with the Master Trustee and that said Notes are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price of and interest on said Notes, and (iv) except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or redemption date, the sufficiency of such moneys or Defeasance Securities shall have been confirmed to the Borrower in an opinion signed by a certified public accountant or firm of such accountants nationally recognized in the verification of the yield on such escrow investments and selected by the Borrower. Neither Defeasance Securities nor moneys deposited with the Master Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Notes and any notes or other obligations issued by the Borrower the proceeds of which were used to acquire such Defeasance Securities, in whole or in part; provided that no such principal of or interest on such Defeasance Securities shall be applied to the payment of the principal or redemption price of or interest on such notes or other obligations unless (x) the Master Trustee shall have received a schedule showing, for each year from the date of deposit of such

Defeasance Securities until the redemption date or maturity date of said Notes, as the case may be, the amount of principal of and interest on such Defeasance Securities and moneys, if any, deposited with the Master Trustee at the same time that will be available to pay the principal or Redemption Price of and interest due on said Notes in each such year, plus the amount of any excess in each such year, and (y) the amount of such principal of or interest on such Defeasance Securities to be so applied to the payment of such notes or other obligations does not exceed in any year the amount of such excess for, or accumulated and unexpended to, such year. Notwithstanding any other provision of this paragraph, any cash received from such principal or interest payments on such Defeasance Securities deposited with the Master Trustee, if not then needed for such purpose, to the extent practicable, shall be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Notes on and prior to such redemption date or maturity date thereof, as the case may be.

Any Borrower Derivative Payments are deemed to have been paid and the applicable Derivative Product terminated when payment of all Borrower Derivative Payments due and payable to each Reciprocal Payor under its respective Derivative Product have been made or duly provided for to the satisfaction of each Reciprocal Payor and the respective Derivative Product has been terminated.

CONCERNING THE SERVICER

The Servicer

The Corporation has been appointed by the Borrower and the Master Trustee to serve as Servicer under the Master Indenture. See “THE CORPORATION” AND “THE SERVICER” for further information regarding the Corporation and its servicing activities.

Duties and Liabilities of Servicer

(a) So long as the Corporation shall serve as Servicer pursuant to the Servicing Agreement, the Corporation’s obligations as Servicer shall be as set forth in the Servicing Agreement, and to the extent the Servicing Agreement shall conflict in any way with the Master Indenture, the provisions of the Servicing Agreement shall govern.

(b) The Servicer, prior to the occurrence of an Event of Default under the Master Indenture and after the curing or waiving of all Events of Default which may have occurred thereunder, undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture. In case such an Event of Default has occurred (which has not been cured or waived) the Servicer shall exercise such of the rights and powers vested in it by the Master Indenture, and use the same degree of care, skill, prudence and diligence with which the Servicer administers its duties on similar commercial and multifamily mortgage loans, giving due consideration to customary and usual standards of practice for similar institutional services.

(c) No provision of the Master Indenture shall be construed to relieve the Servicer from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct or when acting or omitting to take any action of the direction of any applicable requisite percentage of Owners required by the Master Indenture.

(d) None of the provisions contained in the Master Indenture shall require the Servicer to expend or risk its own funds or otherwise incur personal liability, financial or otherwise, in the performance of any of its duties thereunder or in the exercise of any of its rights or powers.

Reliance on Documents, Indemnification, Etc.

Subject to the standard of care set forth under “Duties and Liabilities of Servicer” above:

(a) The Servicer may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note, bond, debenture or other paper or document (including any statement by or on behalf of any Owner relating to the amount of principal outstanding or interest due on any Obligation) reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction, order or demand of the Borrower mentioned in the Master Indenture shall be sufficiently evidenced by a Borrower’s Certificate (unless other evidence in respect thereof be therein specifically prescribed); and any resolution of the Borrower may be evidenced to the Servicer by a copy thereof certified by the Secretary or an Assistant Secretary of the Borrower.

(c) The Servicer may consult with Counsel and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it under the Master Indenture in good faith and in accordance with such advice.

(d) Prior to the occurrence of an Event of Default under the Master Indenture and after the curing of all Events of Default, the Servicer shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note, bond, debenture, or other paper or document, unless requested in writing to do so by the Owners of a majority in aggregate principal amount of Obligations then Outstanding; *provided*, however, that if the payment within a reasonable time to the Servicer of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Servicer, not reasonably assured to the Servicer by the security afforded to it by the terms of the Master Indenture, the Servicer may require indemnity, reasonably satisfactory to the Servicer, with respect to such additional compensation as the Servicer may require for complying with such request and against such costs, expenses (including, without limitation, fees and expenses of Counsel) or liabilities as a condition to so proceeding. The reasonable expense of every such examination shall be paid by the Borrower or, if paid by the Servicer, shall be repaid by the Borrower upon demand.

(e) The Servicer may execute any of the trusts or powers granted under the Master Indenture or perform any duties thereunder either directly or by or through agents or attorneys.

(f) The Servicer shall be under no responsibility for the approval by it in good faith of any expert or other skilled person for any of the purposes expressed in the Master Indenture.

Compensation and Expenses of Servicer

The Borrower shall pay to the Servicer from time to time, and the Servicer shall be entitled to, reasonable compensation, and the Borrower shall pay or reimburse the Servicer upon its request for all reasonable expenses (including travel), disbursements and advances incurred or made by the Servicer in connection with the acceptance or administration of its duties under the Master Indenture (including the reasonable compensation and the expenses and disbursement of its counsel, the Consulting Agent, the Insurance Consultant and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its gross negligence or bad faith. The Borrower shall indemnify the Servicer for, and hold it harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on the part of the Servicer and arising out of or in connection with the acceptance or administration of such duties, including the costs and expenses (including, without

limitation, reasonable fees and expenses of its Counsel) of defending itself against any claim of liability in the premises. The foregoing obligations of the Borrower to compensate the Servicer, to pay or reimburse the Servicer for expenses, disbursements and advances and to indemnify and hold harmless the Servicer shall survive the satisfaction and discharge of the Master Indenture.

Resignation, Removal and Succession of Service

The Servicer may resign at any time without cause by giving at least thirty (30) days' prior written notice by mail to the Borrower, the Master Trustee and each Owner of an Obligation then Outstanding, as the names and addresses of such Owners appear on the registers maintained by the Note Registrar, such resignation to be effective upon the acceptance by a successor. In addition, the Servicer may be removed with cause, at the written direction of the Master Trustee or, with or without cause, at the written direction of the Owners of not less than 50% in aggregate principal amount of Obligations then Outstanding, delivered to the Borrower, the Master Trustee and the Servicer; provided that so long as the Corporation is the owner of any Outstanding Notes, it cannot be removed as Servicer without cause. Any removal of the Servicer will be effective upon the acceptance of the duties of the Servicer by a successor. The Servicer shall promptly give notice of any removal pursuant to the previous sentence in writing to each Owner of an Obligation then Outstanding as provided above. In the case of the resignation of the Servicer, a successor Servicer may be appointed by the Master Trustee. In the case of the removal of the Servicer, such successor may be appointed at the direction of the Owners of not less than 50% in aggregate principal amount of Obligations then Outstanding. If a successor Servicer shall not have been appointed within thirty (30) days after such notice of resignation or removal, the Servicer, the Borrower, the Master Trustee or any Owner of an Obligation then Outstanding may apply to any court of competent jurisdiction to appoint a successor to act as Servicer until such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided.

Acceptance by Successor Servicer

Any successor Servicer, however appointed, shall execute and deliver to its predecessor and to the Borrower and the Master Trustee an instrument accepting such appointment, and thereupon such successor, without further act, shall become vested with all the estates, properties, rights, powers and duties of its predecessor under the Master Indenture applicable to it with like effect as if originally named the Servicer; but, nevertheless, upon the written request of such successor Servicer, its predecessor shall execute and deliver an instrument transferring to such successor Servicer all the estates, properties, rights and powers of such predecessor under the Master Indenture, and such predecessor shall duly assign, transfer, deliver and pay over to such successor Servicer all moneys, contracts or other property then held by such predecessor under the Master Indenture.

Qualifications of Successor Servicer

Any successor Servicer, however appointed, shall be an Independent consulting firm, mortgage servicing firm or asset management firm which is rated as a Servicer by a Rating Agency and has a national reputation for skill and experience in passing on questions relating to the financial affairs, management and operations of persons engaged in reasonably comparable endeavors as the Borrower, if there be such an institution willing, able and legally qualified to perform the duties of the Servicer under the Master Indenture upon reasonable or customary terms.

Successor by Merger

Any corporation or association into which the Servicer may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any corporation or association to which substantially all the business of the Servicer may be transferred, shall, subject to the qualification requirements set forth above, be the Servicer under the Master Indenture without further act.

Master Trustee as Servicer

In the event that for any reason there shall be a vacancy in the office of the Servicer, the Master Trustee shall act as the Servicer.

GENERAL PROVISIONS

Removal of the Managing Member

The Master Trustee or the Servicer will have the right to remove the Managing Member as the managing member under the Operating Agreement:

(i) for any intentional misconduct or gross negligence with respect to any material matter in the discharge of its duties and obligations as a Managing Member (provided that such violation results in, or is in the reasonable judgment of the Servicer or the Master Trustee likely to result in, a material detriment to or an impairment of the Project or assets of the Borrower and the Master Trustee or the Servicer has given the Managing Member written notice thereof and the Managing Member has not cured such violation with thirty (30) days from the date of such notice was given), or

(ii) upon the occurrence of any of the following:

(a) the Managing Member or the Borrower shall have violated any material provisions of the Loan Documents or any other Project Documents, which violation results in, or is in the reasonable judgment of the Servicer or the Master Trustee likely to result in, a material detriment to or an impairment of the Project or assets of the Borrower and has not been explicitly waived in writing by the Master Trustee or the Servicer;

(b) an Event of Default by the Borrower under the Master Indenture or the other Loan Documents which is not cured within any applicable cure period results in, or is in the reasonable judgment of the Servicer or the Master Trustee likely to result in, a material detriment to or an impairment of the Project or assets of the Borrower;

(c) a default by the Borrower under any Obligations and related Loans, which default has resulted in any of the following: (1) acceleration of such Obligations and Related Loans; (2) the institution of foreclosure proceedings; (3) other exercise of any remedies by or on behalf of the Owner of such Obligations and related Loans; and (4) the delivery of notice of default by or on behalf of the Owner of such Obligations and related Loans, which default is not cured within any applicable cure period;

(d) any Affiliate of the Managing Member, defaults in its obligations under any guaranty related to any Obligations or related Loan, each such Affiliate is referred to in the Master Indenture as "Guarantor";

(e) the misapplication, misappropriation or intentional commingling of funds held by the Managing Member for the benefit of the Borrower, including the nonapproved payment of fees to Affiliates of the Managing Member or the lending of funds to Affiliates of the Managing Member;

(f) any breach of fiduciary duty by the Managing Member to the Borrower, any material misstatement or inaccuracy in any certificate delivered by the Managing Member or any gross negligence, willful breach, intentional misconduct, bad faith, or fraud by the Managing Member or any Affiliate of the Managing Member (including without limitation, the Property Manager) or any material breach by the Managing Member of any representation or warranty contained in any Project Documents or any certification delivered in connection therewith, by any Affiliate of the Managing Member; or

(g) the making of a general assignment by the Managing Member or a Construction Completion Guarantor for benefit of its creditors, the filing by the Managing Member or Construction Completion Guarantor with any bankruptcy court of competent jurisdiction of a voluntary petition under Title 11 of U.S. Code, as amended from time to time, the filing by the Managing Member or a Construction Completion Guarantor of any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors, the Managing Member or Construction Completion Guarantor being the subject of any order for relief issued under such Title 11 of the U.S. Code, as amended from time to time, or the dissolution or liquidation of the Managing Member or Construction Completion Guarantor.

In the event the Managing Member is removed pursuant to the provisions described in this section, then (i) the Managing Member will cease to have any interest in the Borrower and (ii) the Managing Member will not be entitled to any distributions or allocations from the Borrower. The Managing Member will be entitled, however, to receive any fees expressly provided for under the Operating Agreement which have been fully earned and accrued prior to the date of withdrawal, which fee will be paid when and as specified in the Operating Agreement and will be entitled to the payment of any loans in the time and manner specified in the Operating Agreement.

The Master Trustee or the Servicer will give notice to the Army Member of its determination that cause for removal of the Managing Member exists under the Master Trust Indenture. If the default giving rise to such notice is a default set forth in paragraphs (i) and (ii)(a)-(d) above (a "Curable Default"), the Managing Member will have thirty (30) days after the date of such notice to cure such Curable Default, upon which event it will remain as Managing Member. If the default giving rise to such notice is a default set forth in paragraphs (ii)(e)-(g) (a "Noncurable Default"), or if, at the end of such 30-day cure period, the Managing Member has not cured a Curable Default, it will, upon notice from the Master Trustee or the Servicer, cease to be the Managing Member, the powers and authorities conferred on it as Managing Member under the Operating Agreement will cease, and the interest of such Managing Member will be transferred to a designee of the Master Trustee or the Servicer reasonable approved by the Army which designee, without further action, will become the Managing Member.

The Master Trustee or the Servicer is granted an irrevocable power of attorney, coupled with an interest, to execute any and all documents on behalf of the Managing Member and the Borrower as will be legally necessary and sufficient to effect all of the foregoing provisions described in this section (after notice and an opportunity to cure have been provided to the Managing Member in accordance with the foregoing provisions described in this section). The election by the Master Trustee or the Servicer to remove a Managing Member will not limit or restrict the availability and use of any other remedy which

the Master Trustee and the Servicer might have with respect to the Managing Member in connection with its undertakings and responsibilities under the Master Indenture or other Loan Documents.

Removal of the Property Manager

At the request of the Master Trustee or the Servicer, the Borrower will terminate the Property Management Agreement then in place and appoint a replacement of the Property Manager approved in writing by the Master Trustee or the Servicer and approved by the Army, which approval shall not be unreasonably withheld, and execute a new Property Management Agreement, if any of the following events occur: (i) if the Property Manager shall voluntarily file or there shall be involuntarily filed against the Property Manager a petition seeking composition of indebtedness under the federal bankruptcy laws, unless such involuntary petition is dismissed or removed within 90 days of filing, or under any other applicable law or statute of the United States of America or of the State; (ii) if the Property Manager defaults in its obligations under the Property Management Agreement and fails to cure such default within any applicable cure period provided therein; or (iii) an Event of Default has occurred and is continuing under the Master Indenture or any other Loan Documents. The Borrower will cause such replacement to occur on the date designated by the Master Trustee or the Servicer in such written request, which date must be not less than 45 days from the date of such written request.

HAZARDOUS SUBSTANCES

Incorporation of Environmental Indemnification

The covenants, warranties, indemnities and all other provisions of the Agreement of Environmental Indemnification are incorporated to the same extent and as if set forth in full in the Master Indenture. The Parties rights and obligations under the Master Indenture incorporating the Agreement of Environmental Indemnification shall survive the satisfaction or release of the Master Indenture as set forth in the Agreement of Environmental Indemnification.

The following statements are brief summaries of certain provisions of the Agreement of Environmental Indemnification. These summaries do not purport to be complete, and reference is made to the actual document for a full and complete statement of the provisions thereof. References to the term “Borrower” in this summary of the Agreement of Environmental Indemnification shall mean Fort Hamilton Housing LLC, GMH Capital Partners, L.P., and GMH Military Housing-Fort Hamilton LLC.

Borrower’s Representations and Warranties

Borrower represents and warrants to the Indemnified Parties that except as previously disclosed in the Environmental Documents and by Borrower in any written plan of operations, work and maintenance approved in writing by Servicer, and except as authorized or allowed under Environmental Laws, to the best of Borrower’s knowledge, information and belief:

(a) The following activities or conditions have not been conducted and do not occur on the Property:

(i) the manufacture, possession, presence, use, generation, storage (including storage in aboveground and underground storage tanks), release, residues, treatment, processing, emission, disposal, abatement, cleanup, removal, remediation, handling, transport, or discharge of any Hazardous Materials at, on, above or under the Property (whether as a result of activities on the Property or on surrounding properties) or any other property of Borrower that is adjacent to

the Property in any manner that results in such the Property being subject to regulation, control, removal, or restriction by any government agency under any Environmental Law;

(ii) any violation of or noncompliance with Environmental Laws or the terms of any Environmental Permit with respect to the Property or any property of Borrower that is adjacent to the Property;

(iii) any act or omission of the Borrower that may give rise to any claim (including, without limitation, a third-party claim), demand, proceeding, cause of action, liability, or damages directly or indirectly arising under or related to Environmental Laws; and

(iv) any personal injury claim, demand, proceeding or cause of action, liability, or damages directly or indirectly arising out of, related to or as a result of the presence of Hazardous Materials.

The matters described in clauses (i) through (iv) above are referred to collectively in the Agreement of Environmental Indemnity as “Prohibited Activities or Conditions.” Prohibited Activities and Conditions shall not include, however, any activities authorized or allowed under Environmental Laws, including the safe and lawful use and storage of (1) supplies, cleaning materials, petroleum products, household products, and other materials customarily used in the construction, operation, maintenance or use of comparable multifamily properties, (2) cleaning materials, household products, personal grooming items and other items sold in pre-packaged containers for consumer use and used by tenants and occupants of residential dwelling units in the Property, (3) petroleum products used in the operation of motor vehicles, and (4) petroleum products used for fuel for heating or combustion, so long as all of the foregoing are used, stored, handled, managed, transported and disposed of in compliance with Environmental Laws.

(b) Borrower has provided Master Trustee with copies of all Environmental Documents;

(c) The Property does not now contain any underground storage tanks and the Property has not contained any underground storage tanks in the past. Such tanks as are on the Property comply with all requirements of all Environmental Laws.

(d) Borrower has complied with and will continue to comply with all Environmental Laws, including, but not limited to, all requirements regarding releases of Hazardous Materials. Without limiting the generality of the foregoing, Borrower has obtained or will obtain within the time mandated by applicable Environmental Laws all Environmental Permits, if any, required for the ownership, possession, operation, and use of the Property in accordance with Environmental Laws and all such Environmental Permits are or will be in full force and effect;

(e) No event has occurred with respect to the Property that constitutes noncompliance with the terms of any Environmental Permit;

(f) There are no investigations, actions, suits, demands, claims, liens, notices of non-compliance or violation, consent orders, decrees, or agreements or proceedings pending or threatened that involve the Property and allege, arise out of, or relate to any Prohibited Activity or Condition, Hazardous Materials, or Environmental Laws.

(g) Borrower has not received any complaint, order, notice of violation, or other communication, written or verbal, from any Governmental Authority with regard to air emissions, water

discharges, noise emissions, or any other Hazardous Materials or with respect to any Environmental Law affecting the Property; and

(h) The Property is not included on the National Priorities List or any other federal or state CERCLA or Superfund lists, or other similar list.

Borrower's Covenants

Borrower does covenant and agree with Indemnified Parties that:

(a) Borrower shall not cause, engage in or permit any Prohibited Activities or Conditions.

(b) Borrower shall not permit its employees, agents, contractors, tenants or other occupants to cause, engage in or permit any Prohibited Activities or Conditions. Borrower shall not lease or allow the sublease or use or occupancy of all or any portion of the Property to any tenant or subtenant for nonresidential use by any user that, in the ordinary course of its business, would cause or permit any Prohibited Activity or Condition.

(c) Borrower shall comply in a timely manner with, and shall cause all employees, agents, contractors, tenants or other occupants and any other persons, including, without limitation, any governmental entity or entity acting on behalf of such governmental entity, present on the Property to comply with Environmental Laws and any written plan of operations, work and maintenance approved in writing by Servicer. All costs of performance of Borrower's obligations under any written plan of operations, work and maintenance approved in writing by Servicer shall be paid by Borrower in a timely manner.

(d) All items identified in the Environmental Documents that constitute a Prohibited Activity or Condition either have been removed from the Property, or are to be remedied by the Secretary of the Army in accordance with the terms of the Ground Lease, or are to be removed from the property in accordance with any written plan of operations, work and maintenance approved in writing by Servicer.

(e) Borrower shall promptly notify the Indemnified Parties in writing upon the occurrence of any of the following events:

(i) Borrower's discovery of any Prohibited Activity or Condition;

(ii) Borrower's receipt of or knowledge of any actual or threatened, complaint, order, notice of violation or other communication from any Governmental Authority or other person with regard to present or future alleged Prohibited Activities or Conditions affecting the Property; and

(iii) any representation or warranty in the Agreement of Environmental Indemnification becomes untrue in any material respect after the date of the Agreement of Environmental Indemnification.

Any such notice given by Borrower shall not relieve Borrower of, or result in a waiver of, any obligation under the Agreement of Environmental Indemnification or any Loan Document or Project Document.

(f) Borrower shall pay promptly the costs of any Environmental Inspections required by the Indemnified Parties following a reasonable determination by the Indemnified Parties that Prohibited

Activities or Conditions may exist. The results of all Environmental Inspections made by the Indemnified Parties shall at all times remain the property of the Indemnified Parties and the Indemnified Parties shall have no obligation to disclose or otherwise make available such results or other information to any person other than Borrower (except where required by law). The Indemnified Parties reserve the right, and Borrower expressly authorizes the Indemnified Parties, to make available to any party, including any prospective bidder at a foreclosure sale of the Property, the results of any Environmental Inspections made by the Indemnified Parties with respect to the Property. Borrower consents to the Indemnified Parties notifying any party (either as part of a notice of sale or otherwise) of the results of any of the Indemnified Parties' Environmental Inspections. Indemnified Parties shall, however, identify to Borrower all such parties who receive the results of Environmental Inspections. Borrower acknowledges that the Indemnified Parties cannot control or otherwise assure the truthfulness or accuracy of the results of any of its Environmental Inspections and that the release of such results to prospective bidders at a foreclosure sale of the Property may have a material and adverse effect upon the amount which a party may bid at such sale. Borrower agrees that the Indemnified Parties shall have no liability whatsoever as a result of delivering the results of any of its Environmental Inspections to Borrower or to any third party, including, but not limited to, governmental entities. Notwithstanding the foregoing, prior to any Indemnified Party entering upon or inspecting the Leased Premises, the Indemnified Party shall provide reasonable advance notice in writing to Borrower. Borrower shall have the right, but not the duty, to observe all inspections and testing, to split environmental samples, to take duplicate or alternative samples, and take all such other action as Borrower deems necessary or appropriate in connection with such activities, provided that such does not interfere with the conduct of the work. Borrower shall be provided with the final draft Environmental Report prior to distribution to any third parties. Borrower shall have the right, but not the duty, to comment upon the final draft Environmental Report.

(g) If any Remedial Work is necessary to comply with any Environmental Law or other law or order of any Governmental Authority that has or acquires jurisdiction over the Property or the use, operation or improvement of the Property under any Environmental Law or other law or order of any Governmental Authority, Borrower shall, by the earlier of (1) the applicable deadline required by Environmental Law or other law or order of any Governmental Authority or (2) upon notice from the Indemnified Parties demanding such action, begin performing the Remedial Work, and thereafter, diligently prosecute it to completion and in accordance with Environmental Laws or other law or order of any Governmental Authority, and shall in any event complete the work by the time required by applicable Environmental Law or other law. If Borrower fails to begin on a timely basis or to diligently prosecute any required Remedial Work, the Indemnified Parties may, at their option, cause the Remedial Work to be completed, in which case Borrower shall reimburse the Indemnified Parties with costs and interest, on demand for the cost of doing so.

(h) Borrower shall cooperate with any lawful inquiry by any Governmental Authority and shall comply with any governmental or judicial order, consent or decree which arises from or relates to any alleged Prohibited Activity or Condition or any Environmental Law.

(i) Borrower shall give the Indemnified Parties reasonable access to the Property during normal business hours and on reasonable advanced notice in connection with the matters referred to in the Agreement of Environmental Indemnification.

Indemnification

Borrower agrees to indemnify, hold harmless and defend each of the Indemnified Parties from and against all actions, suits, proceedings, demands, assessments, losses, fines, adjustments, penalties, claims, judgments, other assertions of liability, or damages, including, but not limited to, loss of profits and consequential damages, and costs (whether initiated or sought by Governmental Authorities, public or

private parties or third-parties), expenses, fees of attorneys and expert witnesses and expenses, investigatory fees, and remediation costs, of whatever kind or nature, known or unknown, contingent or otherwise, directly or indirectly arising out of, related to, resulting from, or attributable to any of the following:

(a) any breach of any representation or warranty or covenant of Borrower in the Agreement of Environmental Indemnification;

(b) the conditions in, on, above, under or around the Property, whether known or unknown by the Borrower or any Indemnified Party at the time the Agreement of Environmental Indemnification is executed;

(c) any act or omission of Borrower, any of Borrower's tenants, or any other person related to the Property, or any failure by Borrower to perform any of its obligations under the Agreement of Environmental Indemnification;

(d) the existence or alleged existence of any Prohibited Activity or Condition;

(e) the presence or alleged presence, use, disposal, storage, handling, discharge, leakage, seepage, disposal or release of Hazardous Materials at, on, above or under the Property or any property of Borrower that is adjacent to the Property;

(f) Environmental Laws that relate to the Property or Borrower;

(g) any personal injury or property damage that relate to the Property or Borrower;

(h) any loss or damage resulting from a loss of priority of the Indenture due to an imposition of a lien against the Property;

(i) the protection of the Indemnified Parties from, and their defense against, all claims;

(j) any claim asserted against any Indemnified Party by any federal, state or local governmental agency, including, but not limited to, the U.S. Environmental Protection Agency and the New York Department of Environmental Conservation, and including any claim that any Indemnified Party is liable as an "owner" or "operator" under any law related to Hazardous Materials, including, but not limited to, CERCLA;

(k) the enforcement of the Borrower's obligations under the Loan Documents with respect to environmental matters; and,

(l) the enforcement of the Agreement of Environmental Indemnification.

Duty to Defend

Counsel selected by Borrower to defend the Indemnified Parties shall be subject to the approval of those Indemnified Parties. However, any Indemnified Party may elect to defend any claim or legal or administrative proceeding with counsel selected by such Indemnified Party at Borrower's expense. The Indemnified Parties may employ their own counsel and consultants to investigate, prosecute, defend or negotiate any claim or legal or administrative proceeding, and the Indemnified Parties, with the prior written consent of Borrower (which shall not be unreasonably withheld, delayed or conditioned) may settle or compromise any action or legal or administrative proceeding. Borrower shall reimburse the

Indemnified Parties upon demand for all costs and expenses incurred by the Indemnified Parties, including, but not limited to, all costs of settlements entered into in good faith, and the expenses and fees of such attorneys and consultants. Borrower shall not, without the prior written consent of the Indemnified Parties, settle or compromise any claim involving the Indemnified Parties relating to Hazardous Materials or Environmental Laws.