NEW ISSUE

In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2005 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2005 Bond for any period during which such 2005 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2005 Bonds or a "related person," and (ii) interest on the 2005 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2005 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.

$49,800,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Mortgage Revenue Bonds (89 Murray Street Development), 2005 Series A

Dated: Date of Delivery **Price: 100%** **CUSIP No.: 64970VDD2*** **Due: June 15, 2039**

The 2005 Bonds will be issued as fully registered bonds in the initial denomination of $100,000 or any $5,000 increment in excess of $100,000. The 2005 Bonds will be issued in book-entry form only, in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on and principal of the 2005 Bonds will be payable by Deutsche Bank Trust Company Americas, located in New York, New York, as trustee for the 2005 Bonds, to Cede & Co., as nominee of DTC. Purchasers of the 2005 Bonds will not receive physical delivery of bond certificates. The 2005 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein.

The 2005 Bonds are being issued to finance a mortgage loan to 89 Murray Street Associates LLC, a Delaware limited liability company, for the purposes of paying a portion of the costs of constructing and equipping a multi-family rental housing facility to be located at 89 Murray Street in the Borough of Manhattan, New York, and certain other costs related thereto.

Payment of principal of and interest on the 2005 Bonds will be secured, to the extent described herein, by certain revenues and assets pledged under the Resolution pursuant to which the 2005 Bonds are being issued, all as described herein. The principal of, interest on and Purchase Price of the 2005 Bonds are payable from funds advanced under a Credit Enhancement Instrument issued by

FannieMae®

The Credit Enhancement Instrument will terminate on June 20, 2039, unless earlier terminated. Fannie Mae's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Instrument are absolute, unconditional and irrevocable. The component of the Credit Enhancement Instrument that may be drawn upon to pay the Purchase Price of 2005 Bonds optionally tendered to the Trustee as Tender Agent and not remarketed will expire on December 15, 2015, unless extended or earlier terminated as described herein.

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

The 2005 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to but not including the Wednesday following said date of issue at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 2005 Bonds. Thereafter, the 2005 Bonds will bear interest at the Weekly Rate, as determined from time to time by Goldman, Sachs & Co., payable on the fifteenth day of each month, commencing on the fifteenth day of January, 2006, unless the method for determining the interest rate on the 2005 Bonds is changed to a different method or the interest rate is converted to a fixed rate to maturity.

During the period that the 2005 Bonds bear interest at the Weekly Rate, any 2005 Bond shall be purchased upon demand by the owner thereof, at a purchase price of par plus accrued interest, on any Business Day, upon at least seven (7) days' notice and delivery of a tender notice with respect to such 2005 Bond to Deutsche Bank Trust Company Americas, located in New York, New York, as Tender Agent as described herein. The 2005 Bonds will be subject to mandatory tender for purchase upon a change in the method of determining the interest rate on such 2005 Bonds or upon provision of an Alternate Security for the then-existing Credit Facility. The 2005 Bonds will also be subject to mandatory tender for purchase in other circumstances (as well as redemption prior to maturity) as described herein.

This Official Statement in general describes the 2005 Bonds only while the 2005 Bonds bear interest at the Weekly Rate.

The 2005 Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2005 Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2005 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

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

The 2005 Bonds are offered when, as and if issued and received by the Underwriter and subject to the unqualified approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Arent Fox PLLC, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Special Counsel, Swidler Berlin LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Winston & Strawn LLP, New York, New York. It is expected that the 2005 Bonds will be available for delivery in New York, New York on or about December 19, 2005.

Goldman, Sachs & Co.

Dated: December 13, 2005

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* See footnote on inside cover page.

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2005 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2005 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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* Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is being provided solely for the convenience of Bondholders only at the time of issuance of the 2005 Bonds and the Corporation does not make any representation with respect to such number nor does it undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2005 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such maturity of the 2005 Bonds.

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NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

$49,800,000
Multi-Family Mortgage Revenue Bonds
(89 Murray Street Development)
2005 Series A

This Official Statement (including the cover page and appendices) provides certain information concerning the New York City Housing Development Corporation (the "Corporation") in connection with the sale of $49,800,000 aggregate principal amount of Multi-Family Mortgage Revenue Bonds (89 Murray Street Development), 2005 Series A (the "2005 Bonds").

The 2005 Bonds are to be issued in accordance with the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 44-b of the Consolidated Laws of the State of New York, as amended (the "Act"), and pursuant to a resolution entitled "Multi-Family Mortgage Revenue Bonds (89 Murray Street Development) Bond Resolution" adopted by the Members of the Corporation on November 16, 2005. Such resolution, as amended and supplemented from time to time, is herein referred to as the "Resolution." Pursuant to the Resolution, bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the 2005 Bonds, are herein referred to as the "Bonds." Deutsche Bank Trust Company Americas, located in New York, New York, will act as trustee for the 2005 Bonds (with its successors, the "Trustee"). Certain defined terms used herein are set forth in Appendix A hereto.

INTRODUCTION

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

The 2005 Bonds are being issued to finance a mortgage loan (the "Mortgage Loan") to 89 Murray Street Associates LLC, a Delaware limited liability company (the "Mortgagor"), for the purposes of paying a portion of the costs of constructing and equipping a multi-family rental housing facility to be located at 89 Murray Street in the Borough of Manhattan, New York (the "Project"), and certain other costs related thereto. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. In addition, it is anticipated that the Project will be financed with additional loans as described herein. See "THE MORTGAGE LOAN AND OTHER FINANCING" herein.

Concurrently with, and as a condition precedent to, the issuance of the 2005 Bonds, the Corporation will cause to be delivered to the Trustee an irrevocable, direct-pay credit enhancement instrument, dated the date of issuance of the 2005 Bonds, executed and delivered by Fannie Mae (the "Credit Enhancement Instrument"). Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of: (i) the principal of the 2005 Bonds when due by reason of acceleration, redemption, defeasance or stated maturity and (ii) up to 35 days' interest thereon (computed at the Maximum Rate) to pay the interest on the 2005 Bonds when due on or prior to their stated maturity date. Fannie Mae will also advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the 2005 Bonds and interest thereon (computed at the Maximum Rate) for up to 35 days in order to pay the Purchase Price of 2005 Bonds tendered and not remarketed. The Credit Enhancement Instrument will expire on June 20, 2039, unless terminated earlier in accordance with its terms, as described herein. The component of the Credit Enhancement Instrument that may be drawn upon to pay the Purchase Price of 2005 Bonds optionally tendered to the Trustee as Tender Agent and not remarketed will expire on December 15, 2015, unless extended or earlier terminated. See "SECURITY FOR THE BONDS - Credit Enhancement Instrument." The Credit Enhancement Instrument constitutes a "Credit Facility" and the "Initial

Credit Facility" under the Resolution and Fannie Mae constitutes a "Credit Facility Provider" and the "Initial Credit Facility Provider" under the Resolution.

The Mortgage Loan is to be evidenced by a mortgage note (as the same may be amended and supplemented, the "Mortgage Note") and secured by a mortgage on the Project (as the same may be amended and supplemented, the "Mortgage"). The Mortgage Note and Mortgage are to be assigned by the Corporation to the Trustee and Fannie Mae, as their interests may appear, subject to the reservation by the Corporation of certain rights. The Trustee will assign the mortgage rights assigned to it to Fannie Mae but will retain the right to receive payments relating to the Principal Reserve Fund deposits subject to Fannie Mae's right to direct the Trustee to assign its entire interest in the Mortgage Loan to Fannie Mae. See "SECURITY FOR THE BONDS."

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

The Mortgagor will enter into a Reimbursement Agreement (the "Reimbursement Agreement") with Fannie Mae pursuant to which the Mortgagor will agree to reimburse Fannie Mae for any payments made by Fannie Mae under the Credit Enhancement Instrument. Pursuant to the Reimbursement Agreement, the Mortgagor is required to forward, or cause to be forwarded, to Fannie Mae a standby letter of credit (the "Construction LOC") to be in effect during the period of construction and rental achievement of the Project. The Mortgagor has arranged for Bank of America, N.A. (the "Construction Phase Credit Facility Provider") to issue the Construction LOC. *The Construction LOC is security for Fannie Mae only, not the Bondholders and may not be drawn on by the Trustee.* The Construction Phase Credit Facility Provider, Fannie Mae, the Servicer and the Mortgagor will enter into a Construction Phase Financing Agreement (the "Construction Phase Financing Agreement") with respect to the administration of the Mortgage Loan while the Construction LOC is in effect. Upon compliance with certain conditions contained in the Construction Phase Financing Agreement and the Reimbursement Agreement, the Construction LOC will be returned to the issuer thereof. Failure to meet such conditions by December 15, 2008 (subject to extension by Fannie Mae and the Servicer, in their sole discretion, for up to two six-month periods at the request of the Mortgagor) will be an event of default under the Reimbursement Agreement and Fannie Mae may thereupon direct the mandatory redemption or, at the direction of the Construction Phase Credit Facility Provider, the mandatory tender of all of the 2005 Bonds. In addition, in order to meet such conditions, the Mortgagor may be required to prepay a portion of the Mortgage Loan (as a condition to returning the Construction LOC and, under certain circumstances, at a subsequent time), resulting in a redemption of an equal principal amount of the 2005 Bonds. See "THE MORTGAGE LOAN AND OTHER FINANCING" and "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory – Mandatory Redemption from Certain Recoveries of Principal."

Upon an event of default under the Reimbursement Agreement while the Construction LOC is in effect, Fannie Mae, at the direction of the Construction Phase Credit Facility Provider or in the discretion of Fannie Mae with respect to certain events of defaults, may direct the mandatory tender or mandatory redemption of all of the 2005 Bonds. Upon an event of default under the Reimbursement Agreement after the Construction LOC is terminated, Fannie Mae, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the 2005 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT – Events of Default" and "– Remedies," "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory –Mandatory Redemption Following an Event of Termination" and "DESCRIPTION OF THE 2005 BONDS – Credit Facility Provider's Right To Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination."

The 2005 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to but not including the Wednesday following said date of issue at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 2005 Bonds. Thereafter, the 2005 Bonds will initially bear interest at the Weekly Rate, to be determined weekly and as otherwise described herein by Goldman, Sachs & Co. as remarketing agent for the 2005 Bonds (in such capacity, the "Remarketing Agent"). Under certain circumstances, and with the prior written consent of Fannie Mae, the method of calculating the interest rate borne by the 2005

Bonds may be changed from time to time to a different method provided for in the Resolution or the interest rate may be converted to a fixed rate to maturity. See "DESCRIPTION OF THE 2005 BONDS." The 2005 Bonds are subject to a maximum interest rate of twelve percent (12%) per annum, subject to adjustment in accordance with the Resolution.

During any period of time in which the 2005 Bonds bear interest at the Weekly Rate, such 2005 Bonds are subject to purchase at a price equal to 100% of the principal amount of such 2005 Bonds plus accrued and unpaid interest thereon to the date of purchase (the "Purchase Price"). Such purchase shall be made upon demand of the owner thereof on any Business Day upon at least seven days' prior notice delivered to the Trustee prior to 4:00 p.m., New York City time. The 2005 Bonds are also subject to mandatory tender for purchase and are subject to optional and mandatory redemption as set forth in the Resolution and described herein. Payment of the Purchase Price of tendered 2005 Bonds that are not remarketed shall be paid with amounts provided pursuant to the Credit Enhancement Instrument. As more fully described herein, the loss of exclusion of interest on the 2005 Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of the 2005 Bonds.

This Official Statement in general describes the 2005 Bonds only while the 2005 Bonds bear interest at the Weekly Rate.

The 2005 Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2005 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

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

Descriptions of the 2005 Bonds and sources of payment, the Corporation, Fannie Mae, the Mortgagor, the Project, the Mortgage Loan, the Credit Enhancement Instrument, the Resolution, the Reimbursement Agreement and certain related agreements are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 2005 Bonds are qualified in their entirety by reference to the Resolution and the provisions with respect thereto included in the aforesaid documents and agreements. Copies of the Resolution are available for inspection at the office of the Corporation. The Corporation has covenanted in the Resolution to provide a copy of each annual report of the Corporation (and certain special reports, if any) and any Accountant's Certificate relating thereto to each Bond owner who shall have filed such owner's name and address with the Corporation for such purposes. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Accounts and Reports" herein. Other than as so covenanted in the Resolution, the Corporation has not committed to provide any information on an ongoing basis to any repository or other entity or person. The Mortgagor has covenanted that in the event the Mortgagor exercises its right to convert the interest rate of the 2005 Bonds to a Term Rate or a Fixed Rate, the Mortgagor will execute a continuing disclosure agreement satisfactory to the Corporation and the Remarketing Agent prior to such conversion.

THE CORPORATION

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 2005 Bonds, notes, or other obligations are outstanding.

The sale of the 2005 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 2005 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. YOUSSOUF, 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, Incorporated. 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.

JOHN A. CROTTY, Executive Vice President and Chief of Staff. Mr. Crotty was appointed Executive Vice President and Chief of Staff of the Corporation on April 15, 2004. Prior to joining the Corporation, Mr. Crotty was Director of City Legislative Affairs for the Mayor of New York City where he directed a staff responsible for preparing the Mayor's legislative agenda in the City Council. Prior to joining the Mayor's Office, Mr. Crotty held a variety of telecommunication positions at MCI, Winstar and most recently with Verizon in its Corporate Development Department. Mr. Crotty was also employed by PaineWebber as a member of their short term remarketing desk. Mr. Crotty is a graduate of the University of Rochester and has his M.B.A. from Columbia Business School.

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.

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

RACHEL GROSSMAN, Senior Vice President of Development. Ms. Grossman was appointed Senior Vice President of Development of the Corporation on March 15, 2005. Prior to her appointment she served as the Vice President of Development and, since October 2004, acting head of the Corporation's development department. In 1998, Ms. Grossman began her career at the Corporation as a project manager structuring

financing programs and transactions and was promoted to the position of Assistant Vice President in December 2003. Her previous experience includes work with Neighborhood Housing Services of New York City and the Neighborhood Reinvestment Corporation in Boston, MA. Ms. Grossman holds a B.A. in Political Science/International Studies from Yale University and a Masters degree in Public Policy from the John F. Kennedy School of Government at Harvard University.

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 oversaw all aspects of financial management, including internal and external reporting, investments, internal controls and debt issuance. 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. 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. She is a Governor of the Municipal Forum of New York, an association of municipal securities professionals.

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.

THE MORTGAGE LOAN AND OTHER FINANCING

The Resolution authorizes the Corporation to issue the 2005 Bonds to provide moneys to finance the Mortgage Loan for the purposes of paying a portion of the costs of constructing and equipping the Project and certain other costs related thereto. As a condition to the initial issuance and delivery of the 2005 Bonds, Fannie Mae is to deliver the Credit Enhancement Instrument to the Trustee. The Corporation and the Mortgagor will enter into a financing agreement (as the same may be amended or supplemented, the "Loan Agreement"), simultaneously with the issuance of the 2005 Bonds. If the costs of constructing and equipping the Project are less than the amount originally anticipated and, in turn, the Mortgage Loan is made in an amount less than the amount originally anticipated, a portion of the 2005 Bonds may be redeemed. See "DESCRIPTION OF THE 2005 BONDS — Redemption of 2005 Bonds – Optional – Special Redemption Without Premium" herein. The Mortgage Loan is to be evidenced by the Mortgage Note, in an amount equal to the principal amount of the 2005 Bonds, executed by the Mortgagor in favor of the Corporation and secured by the Mortgage. The Mortgagor is required under the Mortgage Note to make payments sufficient to pay principal of and interest on the 2005 Bonds. Pursuant to the terms of the Resolution and the Assignment and Agreement by and among the Corporation, the Trustee and the Credit Facility Provider and acknowledged by the Mortgagor and the Construction Phase Credit Facility Provider (the "Assignment"), the Corporation will assign and deliver to Fannie Mae and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Corporation, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents. Fannie Mae has the right under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Fannie Mae in certain events.

Pursuant to the terms and conditions of the Reimbursement Agreement, on or prior to the date of issuance of the 2005 Bonds, the Mortgagor is required to provide to Fannie Mae the Construction LOC in an amount at least equal to the amount available to be drawn under the Credit Enhancement Instrument. The Mortgagor has arranged for the Construction Phase Credit Facility Provider to issue the Construction LOC. The Construction LOC is to be in effect during the period of construction and rental achievement of the Project, and has an expiration date of December 30, 2008 (subject to extension by Fannie Mae and the Servicer, in their sole discretion, for up to two six-month periods at the request of the Mortgagor). Such Construction LOC is to provide for the timely reimbursement to Fannie Mae of advances under the Credit Enhancement Instrument in connection with a redemption or mandatory

tender of the 2005 Bonds following an event of default under the Reimbursement Agreement on or before the termination of the Construction LOC. The Mortgagor's obligation to reimburse the Construction Phase Credit Facility Provider for amounts drawn under the Construction LOC will be secured by a pledge of all of the interests in the members of the Mortgagor. The Construction Phase Credit Facility Provider will be additionally secured by a subordinate mortgage on the Project, as more particularly described below. *The Construction LOC is security for Fannie Mae only, not the Bondholders, and may not be drawn on by the Trustee.* One of the conditions to the issuance of the Construction LOC is the delivery to the Construction Phase Credit Facility Provider by the Mortgagor of either cash collateral and/or a standby letter of credit (the "Collateral LOC") initially in the amount of approximately $1,916,557. The cash collateral or Collateral LOC will be available to be drawn on only by the Construction Phase Credit Facility Provider if the Mortgagor fails to reimburse the Construction Phase Credit Facility Provider for a drawing on the Construction LOC or certain other events. *Neither the cash collateral nor the Collateral LOC will be available to be drawn on by the Trustee or the Corporation.*

Upon compliance with certain conditions contained in the Construction Phase Financing Agreement and the Reimbursement Agreement (the "Mortgage Loan Conversion"), the Construction LOC will be returned to the Construction Phase Credit Facility Provider. Such conditions include, but are not limited to, completion of construction of the Project, the achievement of certain occupancy levels and satisfaction of debt service coverage requirements. Completion of construction of the Project depends upon, among other things, the ability of the Mortgagor to obtain various approvals, some of which have not yet been obtained. Failure of the Mortgage Loan Conversion to occur by December 15, 2008 (subject to extension by Fannie Mae and the Servicer, in their sole discretion, for up to two six-month periods at the request of the Mortgagor) will be an event of default under the Reimbursement Agreement and Fannie Mae may thereupon direct the mandatory redemption or, at the direction of the Construction Phase Credit Facility Provider, the mandatory tender of all of the 2005 Bonds. In addition, upon an event of default under the Reimbursement Agreement while the Construction LOC is in effect, Fannie Mae, at the direction of the Construction Phase Credit Facility Provider or in the discretion of Fannie Mae with respect to certain events of default, may direct the mandatory tender or mandatory redemption of all of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS — Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "Redemption of 2005 Bonds – Mandatory – Mandatory Redemption – Following an Event of Termination" herein. See also "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" herein.

The Construction Phase Financing Agreement and the Reimbursement Agreement provide that, as a condition to Mortgage Loan Conversion, the principal amount of the Mortgage Loan may not be greater than an amount determined based on the occupancy of the Project at such time and the level of net income then generated by the Project (the "Permanent Phase Mortgage Loan Amount"). If the Mortgage Loan outstanding at such time is greater than the Permanent Phase Mortgage Loan Amount, then the Mortgagor may be required to prepay a portion of the Mortgage Loan in an amount up to such difference (rounded up to the nearest $100,000) (as a condition to terminating the Construction LOC) to reduce the Mortgage Loan to an amount equal to the amount that will satisfy the debt service coverage requirement. Any such Mortgage Loan payments will be applied to reimburse Fannie Mae for amounts drawn on the Credit Enhancement Instrument to effect the redemption of an allocable portion of the 2005 Bonds, and upon such redemption, the debt service coverage requirements for the Mortgage Loan Conversion will be deemed satisfied and the Construction LOC will be terminated and returned to the Construction Phase Credit Facility Provider.

The Mortgagor may furnish Fannie Mae with collateral or a letter of credit pursuant to the Achievement Agreement by and among Fannie Mae, the Mortgagor and the Servicer, as escrow agent (the "Achievement Agreement") in lieu of making a prepayment prior to Mortgage Loan Conversion and effecting a redemption of 2005 Bonds as described in the preceding paragraph or to reduce the amount of such prepayment. Under the Achievement Agreement, the Mortgagor may request that the debt service coverage and loan to value ratios of the Mortgage Loan be recalculated once annually for up to three years. The Achievement Agreement provides that the amount of such collateral or letter of credit may be reduced (but not increased) as a result of such annual recalculations, and if certain debt service coverage and loan to value ratio requirements are met as a result of any such annual recalculation, the collateral or letter of credit will no longer be required to be furnished to Fannie Mae. If, after the third such annual recalculation, such debt service coverage and/or loan to value ratio requirements are not met, Fannie Mae may extend such date in its discretion or use the collateral or letter of credit and cause the Mortgage Loan to be prepaid in part and a corresponding principal amount of 2005 Bonds to be redeemed. Any

such Mortgage Loan prepayment, whether made after such third calculation or at the end of the extended period, will be applied to reimburse Fannie Mae for amounts drawn on the Credit Enhancement Instrument to effect a partial redemption of the 2005 Bonds. The collateral or letter of credit may also be used, at any time, upon the occurrence of an Event of Default under the Reimbursement Agreement and such collateral or letter of credit may be applied or drawn upon as determined by Fannie Mae, including to reimburse Fannie Mae for an advance under the Credit Enhancement Instrument in connection with a mandatory tender or mandatory redemption of the 2005 Bonds. *Such collateral or letter of credit would be security for Fannie Mae only, not the Bondholders, and the Trustee would not be able to apply such collateral or draw on the letter of credit*. Any Mortgage Loan prepayments described in this paragraph will be applied to reimburse Fannie Mae for amounts drawn on the Credit Enhancement Instrument to effect the redemption of an equal principal amount of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS — Redemption of 2005 Bonds – Mandatory – Mandatory Redemption from Certain Recoveries of Principal."

Upon an event of default under the Reimbursement Agreement after the Construction LOC is terminated, Fannie Mae, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the 2005 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT – Events of Default" and "– Remedies," "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory Redemption Following an Event of Termination" and "DESCRIPTION OF THE 2005 BONDS – Credit Facility Provider's Right To Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination."

It is anticipated that, subject to the satisfaction of certain conditions, The City of New York Department of Housing Preservation and Development ("HPD") will make an interest free mortgage loan in the amount of $15,000,000 (the "HPD Loan") to the Mortgagor on or about the date of issuance of the 2005 Bonds. The proceeds of the HPD Loan will be held by the Construction Phase Credit Facility Provider and disbursed to the Mortgagor as construction of the Project progresses. All of the proceeds of the HPD Loan will be used to pay a portion of the costs of constructing and equipping the Project. No assurances can be given, however, that the Mortgagor will be able to satisfy the conditions to the making of the HPD Loan. The HPD Loan will be secured by a mortgage on the Project (the "HPD Loan Mortgage.") The lien of the HPD Loan Mortgage, if made, will be subordinate to the lien of the Mortgage. No regular payments of principal or interest are required from the Mortgagor on the HPD Loan during the term of the Mortgage Loan. The Mortgagor will also execute an enforcement note in the amount of $29,570,000 (the "HPD Enforcement Note") and grant HPD an enforcement mortgage against the Project (the "HPD Enforcement Mortgage") to secure Mortgagor's obligations to comply with certain regulatory requirements of HPD that the Mortgagor is subject to as a result of the Mortgagor's acquisition of the Project site. The HPD Enforcement Note will not bear interest and will not require the regular payments of principal or interest. The lien of the HPD Enforcement Mortgage will be subordinate to the lien of the Mortgage.

In addition, Bank of America, N.A. ("BOA"), the agent for the construction lenders for the Retail Unit and the Residential Condominium (see "THE PROJECT AND THE MORTGAGOR"), is requiring that the liens of its mortgages on the Retail Unit and Residential Condominium, also be mortgage liens on the Project (collectively, the "BOA Mortgage"). The BOA Mortgage will be in the approximate aggregate amount of $400,000,000 and will be subordinate to the liens of the Mortgage, the HPD Loan Mortgage and the HPD Enforcement Mortgage. The BOA Mortgage will be released from the Project upon the return by Fannie Mae of the Construction LOC to the Construction Phase Credit Facility Provider. The Mortgagor will have no payment obligations under the BOA Mortgage. The Construction Phase Credit Facility Provider's construction phase financing loan documents for the Project and the BOA loan documents entered into by the owners of the Retail Unit and the Residential Condominium for the construction of the Retail Unit and the Residential Condominium will all provide that, during construction of the Project, a default under any of their respective loan documents will be a default under each of the other loans. Pursuant to the Reimbursement Agreement, a default by the Mortgagor under the HPD Loan Mortgage or the HPD Enforcement Mortgage (or a default by the owners of the Retail Unit or Residential Condominium under the BOA Mortgage) will constitute a default under the Reimbursement Agreement. A default under the Reimbursement Agreement would permit the Credit Facility Provider, at its option, to direct the mandatory tender or mandatory redemption of the 2005 Bonds in whole or in part. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT – Events of Default" and "— Remedies," "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory Redemption Following an Event of Termination" and "DESCRIPTION OF THE 2005 BONDS – Credit Facility Provider's Right To Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination."

The ability of the Mortgagor to pay its Mortgage Loan is dependent on the revenues derived from the Project. Due to the inherent uncertainty of future events and conditions, no assurance can be given that revenues generated by the Project will be sufficient to pay expenses of the Project, including without limitation, debt service on the Mortgage Loan, operating expenses, servicing fees, fees due to Fannie Mae and the Construction Phase Credit Facility Provider, Remarketing Agent fees, Trustee and Tender Agent fees and fees owed to the Corporation. The ability of the Project to generate sufficient revenues may be affected by a variety of factors, including but not limited to completion of the Project, achievement and maintenance of a certain level of occupancy, the level of rents prevailing in the market, the ability to achieve increases in rents as necessary to cover debt service and operating expenses, interest rate levels, the level of operating expenses, project management, adverse changes in applicable laws and regulations, and general economic conditions and other factors in the metropolitan area surrounding the Project. The Mortgagor is required to rent 27% of the units in the Project to persons or families of moderate income and the amount of rent that may be charged for such units is expected to be less than market rates and the Mortgagor is required to rent an additional 20% of the units in the Project to persons or families of low income and the amount of rent that may be charged for such units is expected to be materially less than market rates. In addition to these factors, other adverse events may occur from time to time which may have a negative impact on the occupancy level and rental income of the Project.

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

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

THE PROJECT AND THE MORTGAGOR

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

The Project

The 2005 Bonds are being issued to finance a Mortgage Loan to the Mortgagor for the purposes of paying a portion of the costs of constructing and equipping the Project to be located at 89 Murray Street in the Borough of Manhattan in the City of New York, and certain other costs related thereto.

The Project will initially be a condominium unit in a three unit condominium (the "Condominium"). The Condominium is comprised of a single level below grade parking garage and a two story above grade retail unit (the "Retail Unit"), a residential condominium unit (the "Residential Condominium") and a residential rental unit which will be the Project. The Residential Condominium and the Project will be separate towers to be built above the Retail Unit. The Residential Condominium is expected to be converted into 228 residential condominium units, the Retail Unit is expected to be converted into three or more units and consequently the Condominium is expected to be comprised of approximately 232 units.

The Project will consist of a single "L" shaped building, with one portion of the building being 6 stories and the other portion being 10 stories, built on top of the Retail Unit and will contain a total of 163 units, (9 studio, 43 one bedroom, 89 two bedrooms, and 22 three bedroom units with one of the three bedroom units to be occupied by the building superintendent) and a fitness center. At least twenty percent (20%) of the total residential units

(excluding the superintendent's apartment) (33 units) are required to be available for occupancy by households whose gross income will not exceed fifty percent (50%) of the area median income for the New York City, adjusted for family size (the "Low-Income Units"). Of these 33 units, 5 units (at least 15% of such units) are required to be available for occupancy by households whose gross income will not exceed forty percent (40%) of the median income for New York City, adjusted for family size. In addition, at least 27% of the total residential units (44 units) are required to be available for occupancy by middle-income households whose gross income will not exceed 175% of the area median income for New York City, adjusted for family size (the "Middle Income Units").

The Condominium is being established pursuant to Article 9-B of the Real Property Law of the State of New York. The Project includes an 18.4125% undivided interest in the common elements of the Condominium. The proceeds of the 2005 Bonds will not be used to finance construction of the Retail Unit or the Residential Condominium. However, the proceeds of the 2005 Bonds will fund the proportionate cost of the common elements allocable to the Project.

The Condominium is managed and operated by the Condominium board of managers, which includes representatives of the owners of the Retail Unit, the Residential Condominium and the Project. The representatives on the board of managers of the Retail Unit and the Residential Condominium are affiliated with the Mortgagor. Upon the completion of the conveyance of the Residential Condominium units to third parties, the representatives of the Residential Condominium will no longer be affiliated with the Mortgagor. Notwithstanding such transfer, so long as the Retail Unit's representatives are affiliated with the Mortgagor, the Mortgagor and its affiliates representing the Retail Unit will continue to control the board of managers of the Condominium and have decision making power on behalf of the Condominium. Certain decisions relating to the Condominium, including, but not limited to, decisions relating to restoration following casualty and condemnation are governed by the terms of the Condominium declaration and by-laws.

The Mortgagor expects to obtain a 20-year phased exemption from real estate taxes for the Project in accordance with Section 421-a of the Real Property Tax Law of the State of New York, which exemption currently requires that all residential units be subject to rent regulation for 20 years in accordance with New York City Rent Stabilization Code. In addition, the Mortgagor expects to receive an allocation of low-income housing tax credits for the Project.

The architect for the Project is Skidmore Owings & Merrill. HRH Construction LLC ("HRH") will be the construction manager for the construction of the Project.

Due to the inherent uncertainty of future events and conditions, including without limitation general interest rate levels, no assurance can be given that revenues generated by the Project will be sufficient to pay debt service on the Mortgage Loan, operating expenses of the Project, Fannie Mae fees, Construction Phase Credit Facility Provider fees, Remarketing Agent fees, Trustee and Tender Agent fees and fees owed to the Corporation. The ability of the Mortgagor to generate sufficient revenues will be affected by a variety of factors including, but not limited to, the completion of the Project, achievement and maintenance of a sufficient level of occupancy, the requirement that the rent charged for the Low-Income Units and Middle Income Units be substantially below market rates, the level of rents prevailing in the market with respect to units other than the Low-Income Units and the Middle Income Units, the ability to achieve increases in rent to cover increases in debt service and operating expenses, the level of operating expenses, Project management, adverse changes in applicable laws and regulations, general economic conditions and other factors in the metropolitan area surrounding the Project. Furthermore, adverse changes may occur from time to time with respect to any of the preceding factors or other factors or events which may have a negative impact on the occupancy level and rental income of the Project. Failure of the Mortgagor to make payments under the Mortgage Loan will result in an event of default under the Reimbursement Agreement and may, at the option of the Credit Facility Provider, result in a mandatory tender or redemption in whole or in part of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS—Credit Issuer's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "Redemption of 2005 Bonds—Mandatory—Mandatory Redemption Following an Event of Termination" and "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" herein.

The Mortgagor

The Mortgagor is a single purpose Delaware limited liability company formed in 2005 for the purposes of acquiring, developing and operating the Project. As such, the Mortgagor has not previously engaged in any business operations, has no historical earnings and has no material asset other than its interest in the Project. Accordingly, it is expected that the Mortgagor will not have any sources of funds to make payments on the Mortgage Loan other than revenues generated by the Project.

The Mortgagor is managed by 270 Greenwich Holdings LLC, a Delaware limited liability company (the "Managing Member"), which has a 42.5% ownership interest in the Mortgagor. The other members of the Mortgagor are K.A.P. Greenwich LLC, a Delaware limited liability company whose sole member is J. Christopher Daly, which has a 50% ownership interest and an employee of Edward J. Minskoff Equities, Inc. who has a 7.5% ownership interest. The principals of the Managing Member are entities owned and controlled by Edward J. Minskoff. Mr. Minskoff has more than 35 years of real estate development experience, has developed large commercial real estate projects, including several in New York City and at present, owns, leases and manages properties containing in the aggregate more than four million square feet of commercial space. The Project will be Mr. Minskoff's first residential development since founding his current operating entity, Edward J. Minskoff Equities, Inc. in 1987. However, his prior experience includes several significant residential developments including the 1.1 million square foot retail, office and residential project known as Olympic Tower at 900 North Michigan Avenue, Chicago, Illinois.

The Project will be managed by Sheldrake Organization, Inc. Sheldrake Organization, Inc. was founded in 1988 and is a real estate development organization that owns and manages approximately 6,000 residential units and hundreds of retail stores, including many affordable housing projects. Sheldrake Organization, Inc. is controlled by J. Christopher Daly.

The Managing Member, which also has a 100% ownership interest in the Retail Unit and a 100% ownership interest in the Residential Condominium, expects to obtain approximately $80,000,000, in the aggregate, of additional financing with respect to the construction of the Condominium ("Mezzanine Financing"). In connection with obtaining the Mezzanine Financing, the Managing Member expects that it will grant to the party providing the Mezzanine Financing a security interest in certain ownership interests in the Mortgagor as well as in the entities that own the Retail Unit and the Residential Condominium.

FANNIE MAE

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

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

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD ("OFHEO"). Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. The President of the United States may appoint five members of Fannie Mae's Board of Directors, and the other thirteen are elected by the holders of Fannie Mae's common stock. Since May 25, 2004, the date of Fannie Mae's most recent annual shareholder's meeting, the President has declined to exercise his authority to appoint directors, and those five Board positrons will remain open unless and until the President names new appointees.

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

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

On December 21, 2004, Fannie Mae's Board of Directors ("Board") announced the retirement of Chairman and Chief Executive Officer Franklin D. Raines and the resignation of Vice Chairman and Chief Financial Officer J. Timothy Howard. The Board further announced that the Audit Committee of the Board dismissed KPMG LLP as the company's independent auditor. On January 4, 2005, the Audit Committee of the Board approved the engagement of Deloitte & Touche LLP ("Deloitte") as Fannie Mae's independent auditor. Deloitte will serve as the company's auditor for each of the fiscal years 2001, 2002, 2003, 2004 and 2005.

Stephen B. Ashley, a member of the Board, currently is serving as the non-executive Chairman of the Board. On June 1, 2005, the Board announced that it had selected Daniel H. Mudd, the former Chief Operating Officer of Fannie Mae, to be the new President and Chief Executive Officer. Mr. Mudd had been serving as the interim Chief Executive Officer since the retirement of Mr. Raines. Executive Vice President Robert Levin currently is serving as the interim Chief Financial Officer.

On December 15, 2004, the Office of the Chief Accountant of the Securities and Exchange Commission (the "SEC") issued a statement (the "Statement") regarding a review of certain accounting issues relating to Fannie Mae, including determinations by the SEC that Fannie Mae should (i) restate its financial statements to eliminate the use of hedge accounting under Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"), (ii) evaluate the accounting under Financial Accounting Standard No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases ("FAS 91") and restate its financial statements filed with the SEC if the amounts required for correction are material, and (iii) re-evaluate the information prepared under generally accepted accounting principles ("GAAP") and non-GAAP information that Fannie Mae previously provided to investors. On December 16, 2004, Fannie Mae filed a Current Report on Form 8-K with the SEC that includes a copy of the Statement.

As a result of the SEC's findings, Fannie Mae will restate its financial results from 2001 through June 30, 2004 to comply fully with the SEC's determination. In a Form 12b-25 filed with the SEC on November 15, 2004, Fannie Mae estimated that a loss of hedge accounting under FAS 133 for all derivatives could result in its recording into earnings a net cumulative loss on derivative transactions of approximately $9.0 billion as of September 30, 2004. (Fannie Mae estimates that as of December 31, 2004, this net cumulative after-tax loss was approximately $8.4 billion.) Fannie Mae also stated that there would be a corresponding decrease to retained earnings and, accordingly, regulatory capital. In a Form 12b-25 filed with the SEC on March 17, 2005, Fannie Mae stated that if Fannie Mae does not qualify for hedge accounting for mortgage commitments accounted for as derivatives since its July 1, 2003 adoption of Financial Accounting Standard No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("FAS 149"), Fannie Mae estimates that Fannie Mae would be required to record in earnings a net cumulative after-tax loss related to these commitments of approximately $2.4 billion as of December 31, 2004. Fannie Mae is working to determine the effect of the restatement, including the effect on each prior reporting period. Fannie Mae expects that the impact will be material to its reported GAAP and core business results for many, if not all, periods and will vary substantially from period to period based on the amount and types of derivatives held and fluctuations in interest rates and volatility. Fannie Mae's restated financial statements also will reflect corrections as a result of Fannie Mae's misapplication of FAS 91 for each prior reporting period described above. Fannie Mae also will consider the impact, if any, of the SEC's decision on FAS 91 for periods prior to those described above.

Accordingly, on December 17, 2004, the Audit Committee of the Board concluded that its previously filed interim and audited financial statements and the independent auditors' reports thereon for the periods from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared applying accounting practices that did not comply with GAAP. Fannie Mae has not yet filed its quarterly

reports on Form 10-Q for the quarters ended September 30, 2004, March 31, 2005 and June 30, 2005 or Fannie Mae's annual report on Form 10-K for the year ended December 31, 2004. The financial information regarding Fannie Mae's anticipated results of operations for the quarter ended September 30, 2004 that was contained in its Form 12b-25 filed on November 15, 2004 and in a Form 8-K filed on November 16, 2004 was prepared applying the same policies and practices, and should also not be relied upon. The Audit Committee has discussed the matters described above and in a Form 8-K filed with the SEC on December 22, 2004 with KPMG LLP, Fannie Mae's independent auditor through December 21, 2004.

On September 20, 2004, OFHEO delivered its report to the Board of its findings to date of the agency's special examination. Among other matters, the OFHEO report raises a number of questions and concerns about Fannie Mae's accounting policies and practices with respect to FAS 91 and FAS 133. On February 23, 2005, Fannie Mae announced that OFHEO notified the Board and management of several additional accounting and internal control issues and questions that OFHEO identified in its ongoing special examination, and directed that these matters be included in the internal reviews by the Board and management and reviewed by Deloitte. OFHEO indicated that it has not completed its review of all aspects of these issues, but has identified policies that it believes appear to be inconsistent with generally accepted accounting principles as well as internal control deficiencies that raise safety and soundness concerns. The issues and questions include the following areas: securities accounting, loan accounting, consolidations, accounting for commitments, and practices to smooth certain income and expense amounts. OFHEO also raised concerns regarding journal entry controls, systems limitations, and database modifications, as well as FAS 149 and new developments relating to FAS 91. A summary of the additional questions raised in OFHEO's ongoing special examination of Fannie Mae has been filed as an exhibit to a Form 8-K that Fannie Mae filed with the SEC on February 23, 2005.

The Board and Fannie Mae's management are addressing the issues and questions raised by OFHEO. In addition, the Board designated its Special Review Committee to review the findings of OFHEO's September 2004 special examination report. This review, led by former Senator Warren Rudman of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison ("Paul Weiss"), is focused on: accounting issues, including accounting policies, procedures and controls regarding FAS 91 and FAS 133; organization, structure and governance, including Board oversight and management responsibilities and resources; and executive compensation. Paul Weiss' work continues as it examines these areas and other issues that may arise in the course of its review, reporting regularly to the Board. Fannie Mae will report to OFHEO regarding each of these issues and will continue to work with OFHEO to resolve these matters as part of Fannie Mae's ongoing internal reviews and restatement process. In light of the foregoing, Fannie Mae's management has initiated a comprehensive review of accounting routines and controls, the financial reporting process and the application of GAAP, which will include the issues OFHEO has identified, as well as issues identified by Fannie Mae's management and/or Deloitte. Fannie Mae's management, working with accounting consultants, will develop a view on these issues, which then will be reviewed with the Audit Committee of the Board, Deloitte and OFHEO. Upon conclusion of this review, Fannie Mae's financial statements will be restated where necessary and submitted to Deloitte for review as part of its audit. Fannie Mae is providing periodic updates to the SEC and the New York Stock Exchange on the restatement. In addition, the SEC and the U.S. Attorney's Office for the District of Columbia are conducting ongoing investigations into these matters.

OFHEO is required to review Fannie Mae's capital classification quarterly, and as of September 30, 2004 and December 31, 2004, classified Fannie Mae as "significantly undercapitalized." As a result of this classification, Fannie Mae submitted a capital restoration plan to OFHEO in January 2005, and on February 23, 2005, Fannie Mae announced that OFHEO approved Fannie Mae's proposed capital restoration plan. Under the plan, Fannie Mae details how Fannie Mae expects to meet its minimum capital requirement on an ongoing basis, as well as achieve OFHEO's 30 percent surplus capital requirement by September 30, 2005. A summary of the capital restoration plan was filed as an exhibit to a Form 8-K that Fannie Mae filed with the SEC on February 23, 2005. On May 19, 2005, OFHEO classified Fannie Mae as "adequately capitalized" as of March 31, 2005. OFHEO has noted that this classification is subject to revision pending the outcome of ongoing accounting reviews, and that this classification does not amend any existing capital restoration plans currently in place between Fannie Mae and OFHEO.

In a Form 12b-25 filed with the SEC on August 9, 2005, Fannie Mae reported that, based on its current assessment, Fannie Mae is not likely to complete and file its Annual Report on Form 10-K for the year ended December 31, 2004, which will contain restated financial information, prior to the second half of 2006. Fannie Mae also reported in that Form 12b-25 that Fannie Mae is uncertain whether Deloitte will be able to opine on either the

effectiveness of Fannie Mae's internal control over financial reporting or management's process for assessing the effectiveness of internal control over financial reporting as of December 31, 2004 or December 31, 2005. Fannie Mae also reported in that Form 12b-25 that current NYSE listing standards allow the NYSE to continue to list the securities of a listed company for up to nine months after a company is delinquent in filing its Annual Report on Form 10-K (until December 16, 2005, in the case of Fannie Mae). The NYSE, in its sole discretion, also may extend the listing of a company's securities for another three months after that date, depending on the company's circumstances. Under the rules of the NYSE, Fannie Mae would have a right to a review of any decision to delist its securities by a committee of the NYSE Board of Directors.

Form 8-K's that Fannie Mae files with the SEC on or prior to the date of this Official Statement are incorporated herein by reference.

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

DESCRIPTION OF THE 2005 BONDS

General

The 2005 Bonds are to be dated and will mature as set forth on the cover page of this Official Statement. The 2005 Bonds will bear interest from the date of their delivery until payment of the principal thereof is made or provided for in accordance with the provisions of the Resolution, whether at maturity on June 15, 2039, upon redemption or otherwise. The 2005 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to but not including the Wednesday following said date of issue at a rate per annum set forth in a certificate of the Corporation delivered on the date of issuance of the 2005 Bonds. Thereafter, the 2005 Bonds will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent. At no time shall the interest rate on the 2005 Bonds exceed the maximum rate of twelve percent (12%) or such higher rate, which shall not exceed fifteen percent (15%), as may be established in accordance with the provisions of the Resolution (the "Maximum Rate"). The 2005 Bonds are subject to conversion to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein.

This Official Statement in general describes the 2005 Bonds only while the 2005 Bonds bear interest at a Weekly Rate.

The 2005 Bonds shall be issued solely in fully registered form, without coupons, issuable during a Weekly Rate Period in the denomination of $100,000 or any $5,000 increment in excess of $100,000.

Interest on the 2005 Bonds shall be payable on a monthly basis on the fifteenth day of each month commencing on the fifteenth day of January, 2006, on any Change Date and on the maturity date of the 2005 Bonds. Interest on the 2005 Bonds shall be computed on the basis of a 365 or 366-day year, for the actual number of days elapsed. If the date for payment of interest on or principal or Redemption Price of the 2005 Bonds is a day other than a Business Day, then payment may be made on the next succeeding Business Day with the same force and effect as if made on the date originally fixed for payment, and in the case of such payment no interest shall accrue for the period from the date originally fixed for payment to such next succeeding Business Day.

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 2005 Bonds. The 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One

fully-registered 2005 Bond certificate will be issued in the aggregate principal amount of the 2005 Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. 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"). The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission.

Purchases of 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2005 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2005 Bonds, except in the event that use of the book-entry system for the 2005 Bonds is discontinued.

To facilitate subsequent transfers, all 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2005 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 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 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. Beneficial Owners of 2005 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2005 Bond documents. For example, Beneficial Owners of 2005 Bonds may wish to ascertain that the nominee holding the 2005 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2005 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2005 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures,

DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2005 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as securities depository with respect to the 2005 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such 2005 Bond certificates are required, pursuant to the Resolution, to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2005 Bond certificates will be printed and delivered.

The above information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation does not take responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or Indirect Participants.

So long as Cede & Co. is the registered owner of 2005 Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 2005 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2005 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

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

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2005 BONDS UNDER THE RESOLUTION; (iii) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON

TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2005 BONDS; (iv) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2005 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2005 BONDS; OR (vi) ANY OTHER MATTER.

Interest Rate Periods

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

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

On the Business Day immediately following (i) the issuance and delivery of the 2005 Bonds and (ii) the establishment of any subsequent Weekly Rate Period, the Trustee shall deliver or mail by first-class mail, postage prepaid, or by facsimile transmission or other similar electronic means, to the owner of each 2005 Bond at the address shown on the registration books of the Corporation held by the Trustee, a notice stating the Weekly Rate to be borne by the 2005 Bonds and that from and after the Weekly Effective Rate Date the 2005 Bonds will bear interest at the Weekly Rate for the duration of the applicable Weekly Rate Period. Such notice shall further specify the name, address and telephone number of the person or persons from whom information with respect to the Weekly Rate for each succeeding Weekly Rate Term may be obtained. Unless an Interest Method Change Date occurs, a new Weekly Rate Term shall automatically commence on the day after the termination of the current Weekly Rate Term.

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

Interest Rate Changes. No change in the method of determining the interest rate on the 2005 Bonds shall be made unless the Trustee has received, at least 30 days prior to the Change Date, (1) a Certificate of an Authorized Officer of the Mortgagor specifying (i) the date which is to be the Interest Method Change Date and (ii) the method of determining the interest rate which shall take effect on such date, (2) an opinion of Bond Counsel to the Corporation addressed to the Corporation, the Trustee and the Credit Facility Provider to the effect that the proposed change in the method of determining the interest rate on the 2005 Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 2005 Bonds from gross income for Federal income tax purposes, and (3)(i) permission from Bond Counsel to the Corporation, the opinion of which as to the exclusion from gross income for Federal income tax purposes of interest on the 2005 Bonds is on file with the Trustee, to deliver such opinion in connection with the 2005 Bonds, or (ii) an opinion from Bond Counsel to the

Corporation addressed to the Corporation, the Trustee and the Credit Facility Provider as described in the Resolution to the effect that the interest on the 2005 Bonds is not included in gross income for Federal income tax purposes.

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

Purchase of the 2005 Bonds on Demand of Owner

Each owner of a 2005 Bond may, by delivery of a written notice of tender to the Principal Offices of the Tender Agent at 60 Wall Street, MS 2715, New York, New York 10005, Attention: Trust & Securities Services (or such other address as may be established by the Tender Agent from time to time), and the Remarketing Agent at 85 Broad Street, New York, New York 10004 (or such other address as may be established by the Remarketing Agent from time to time), not later than 4:00 p.m., New York City time, on any Business Day not less than seven calendar days before the particular Business Day chosen as the purchase date, demand payment of the Purchase Price on and as of such purchase date of all or a portion of such 2005 Bond in any denomination authorized by the Resolution; provided, however, that no portion of a 2005 Bond shall be purchased unless any remaining portion of such 2005 Bond is in a denomination authorized by the Resolution. Each such notice of tender shall be irrevocable and effective upon receipt and shall:

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

(ii) state (A) the aggregate principal amount of the 2005 Bonds to be purchased and the numbers of the 2005 Bonds to be purchased, and (B) the date on which such 2005 Bonds are to be purchased, which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of delivery of such notice and which date will be prior to any Change Date.

If any 2005 Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 2005 Bond demanding purchase thereof shall deliver to the Tender Agent a due bill, payable to bearer, for interest due on such Interest Payment Date.

Any 2005 Bonds for which a demand for purchase has been made shall be delivered to the Tender Agent at or prior to 10:00 a.m., New York City time, on the date designated for purchase, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank.

Any 2005 Bonds not so delivered to the Tender Agent ("Undelivered 2005 Bonds") on or prior to the purchase date for which there has been irrevocably deposited in trust with the Trustee or the Tender Agent an amount of moneys sufficient to pay the Purchase Price of such Undelivered 2005 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF 2005 BONDS TO DELIVER ITS 2005 BONDS ON OR PRIOR TO THE PURCHASE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE PURCHASE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2005 BONDS, AND ANY UNDELIVERED 2005 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Notwithstanding the above, in the event that any 2005 Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 2005 Bond to the Tender Agent but such 2005 Bond shall be deemed to have been delivered to the Tender Agent and remarketed and redelivered to such owner.

Mandatory Purchase of 2005 Bonds on Interest Method Change Date

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

Owners of 2005 Bonds shall be required to tender their 2005 Bonds to the Tender Agent for purchase at the Purchase Price on the Interest Method Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2005 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of such Undelivered 2005 Bonds shall be deemed to have been purchased at the Purchase Price on the Interest Method Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 2005 BONDS TO DELIVER ITS 2005 BONDS ON OR PRIOR TO THE INTEREST METHOD CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE INTEREST METHOD CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2005 BONDS, AND ANY UNDELIVERED 2005 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

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

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

Owners of 2005 Bonds shall be required to tender their 2005 Bonds to the Tender Agent for purchase at the Purchase Price on the Facility Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2005 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of the Undelivered 2005 Bonds shall be deemed to have been purchased at the Purchase Price on the Facility Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 2005 BONDS TO DELIVER ITS 2005 BONDS ON OR PRIOR TO THE FACILITY CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE FACILITY CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2005 BONDS, AND ANY UNDELIVERED 2005 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Mortgagor's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon a Notice of Prepayment of the Mortgage Loan in Full

Pursuant to the Resolution, upon notice to the Trustee from the Corporation of the Mortgagor's election to prepay the Mortgage Loan in full (said notice from the Corporation to the Trustee being defined in the Resolution as a "Notice of Prepayment of the Mortgage Loan in Full"), the Corporation shall specify a Change Date on which all the 2005 Bonds shall be subject to mandatory tender for purchase, which Change Date shall be the date specified by the Mortgagor for such prepayment of the Mortgage Loan in full.

Following receipt by the Trustee of such Notice of Prepayment of the Mortgage Loan in Full, the Trustee shall deliver, or mail by first-class mail to the Remarketing Agent and to the owner of each 2005 Bond, at its address shown on the registration books of the Corporation held by the Trustee, a notice not less than fifteen (15) days prior to such Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice.

Any notice of mandatory tender relating to a Notice of Prepayment of the Mortgage Loan in Full shall set forth, in substance, the Change Date and reason therefor, that all owners of 2005 Bonds shall be deemed to have tendered their 2005 Bonds for purchase on the Change Date and the Purchase Price for the 2005 Bonds. Owners of 2005 Bonds shall be required to tender their 2005 Bonds to the Tender Agent for purchase at the Purchase Price on the Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2005 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of the Undelivered 2005 Bonds shall be deemed to have been purchased at the Purchase Price on the Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 2005 BONDS TO DELIVER ITS 2005 BONDS ON OR PRIOR TO THE CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2005 BONDS, AND ANY UNDELIVERED 2005 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Upon such prepayment of the Mortgage Loan in full and payment to the Credit Facility Provider (other than from the proceeds of the remarketing of the 2005 Bonds) of all amounts due under the Reimbursement Agreement, all 2005 Bonds shall be deemed paid and shall be delivered to the Trustee for cancellation.

Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination

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

Any notice of mandatory tender relating to an Event of Termination specified by the Credit Facility Provider shall set forth, in substance, the Change Date and reason therefor, that all owners of affected 2005 Bonds shall be deemed to have tendered their 2005 Bonds for purchase on the Change Date and the Purchase Price for the 2005 Bonds. Owners of affected 2005 Bonds shall be required to tender their 2005 Bonds to the Tender Agent for purchase at the Purchase Price with an appropriate endorsement for transfer to the Tender Agent or accompanied by a bond power endorsed in blank. Any Undelivered 2005 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of the Undelivered 2005 Bonds shall be deemed to have been purchased at the Purchase Price on the Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF AFFECTED 2005 BONDS TO DELIVER ITS 2005 BONDS ON OR PRIOR TO THE CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE CHANGE DATE) OTHER THAN THE

PURCHASE PRICE FOR SUCH UNDELIVERED 2005 BONDS, AND ANY UNDELIVERED 2005 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

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

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

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

(ii) the 2005 Bonds shall be subject to mandatory tender on the proposed Interest Method Change Date and the holders of 2005 Bonds shall not have the right to retain their 2005 Bonds; and

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

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

The Resolution provides that it is subject to amendment and supplement by a Supplemental Resolution, from time to time, to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 2005 Bonds in connection with the Mandatory Purchase Provision or Demand Purchase Option, which Supplemental Resolution may be adopted and become effective (i) upon filing of a copy thereof certified by an Authorized Officer of the Corporation with the Trustee, (ii) upon filing with the Trustee and the Corporation of a consent to such Supplemental Resolution executed by the Trustee, and (iii) if such Supplemental Resolution is to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 2005 Bonds in connection with the Mandatory Purchase Provision or Demand Purchase Option, after such period of time as the Trustee and the Corporation deem appropriate following notice to the 2005 Bond owners. A copy of any such Supplemental Resolution shall be provided to the owners of the 2005 Bonds.

Delivery of 2005 Bonds in Book-Entry Form

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

Redemption of 2005 Bonds – Mandatory

Mandatory Redemption from Certain Recoveries of Principal. The 2005 Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity, in an amount not in excess of any Recoveries of Principal (other than the advance payment in full of all amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor, with monies other than amounts transferred from the Principal Reserve Fund), at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date. Recoveries of Principal include amounts transferred from the Principal Reserve Fund at the option of the Mortgagor as more fully described under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Principal Reserve Fund" and partial prepayments of the Mortgage Loan made by or on behalf of the Mortgagor as required at certain times when the outstanding principal amount of the

Mortgage Loan is in excess of the Permanent Phase Mortgage Loan Amount as more fully described under "THE MORTGAGE LOAN AND OTHER FINANCING."

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

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

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

Mandatory Redemption from Certain Transfers from Principal Reserve Fund. The 2005 Bonds are subject to mandatory redemption, in whole or in part, on June 15 of each year if and to the extent amounts in excess of the Principal Reserve Amount are transferred from the Principal Reserve Fund to the Redemption Account on the immediately preceding May 15. (See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Principal Reserve Fund.") Each such redemption will be at a Redemption Price equal to 100% of the principal amount of such 2005 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date.

Redemption of 2005 Bonds – Optional

Optional Redemption. The 2005 Bonds are subject to redemption, at the option of the Corporation, in whole or in part, on any Business Day, at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Special Redemption Without Premium. The 2005 Bonds are subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity, in an amount not in excess of (i) amounts on deposit in the Bond Proceeds Account representing unexpended amounts allocable to the 2005 Bonds that are not used to finance the Mortgage Loan and (ii) any other moneys made available under the Resolution in connection with the redemption described in (i) above, at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds or portions thereof to be so redeemed, plus interest accrued thereon to the Redemption Date.

Selection of 2005 Bonds to be Redeemed

If less than all the 2005 Bonds are to be redeemed, the Trustee may select the 2005 Bonds to be redeemed by lot, using such method as it shall determine. Notwithstanding the foregoing, for so long as the Credit Agreement shall be in full force and effect, (i) the first 2005 Bonds to be redeemed shall be Purchased Bonds and (ii) no 2005 Bond shall be selected for redemption if the portion of such 2005 Bond remaining after such redemption would not be a denomination authorized by the Resolution.

Notice of Redemption

When the Trustee receives notice from the Corporation of its election or direction to redeem the 2005 Bonds, or is required pursuant to the Resolution to redeem the 2005 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2005 Bonds. Such notice is to specify, among other things, the 2005 Bonds to be redeemed, the Redemption Price, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. The Trustee is to mail a copy of

such notice postage prepaid to the registered owners of any 2005 Bonds or portions of 2005 Bonds which are to be redeemed, at their last addresses appearing upon the registry book not less than fifteen (15) days before the Redemption Date. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2005 Bonds of which, pursuant to the Resolution, notice is not required to be given. Interest shall cease to accrue and be payable on the 2005 Bonds after the Redemption Date if notice has been given, or is not required to be given, if the conditions precedent to the redemption, if any, have been satisfied, and if sufficient moneys have been deposited with the Trustee to pay the applicable Redemption Price and interest on the 2005 Bonds on such date. So long as the 2005 Bonds are in book-entry only form, notice of redemption shall only be given to DTC. See "DESCRIPTION OF THE 2005 BONDS – Book-Entry Only System."

Corporation's Right to Purchase

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

Effect of Loss of Tax Exemption

The Corporation has covenanted in the Resolution that it shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the 2005 Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation is to enter into the Regulatory Agreement with the Mortgagor to assure compliance with the Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the procedures or certifications set forth therein, the remedies available to the Corporation and/or Bond owners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for Federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the 2005 Bonds is payable. See "TAX MATTERS." *Pursuant to the Resolution, the loss of such exclusion of interest from gross income would not, in and of itself, result in a mandatory tender or redemption of all or a portion of the 2005 Bonds. However, a default by the Mortgagor under the Regulatory Agreement would give rise to an event of default under the Reimbursement Agreement. In such an event, the Credit Facility Provider would have the right, in its sole and absolute discretion, to cause a mandatory tender or redemption of all or a portion of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "Mandatory Redemption Following an Event of Termination" herein. In addition, an owner of a Bond may on any Business Day not less than seven calendar days before the particular Business Day chosen as the purchase date, demand payment of the Purchase Price on and as of such purchase date of all or a portion of such 2005 Bond in any denomination authorized by the Resolution. See DESCRIPTION OF THE 2005 BONDS – Purchase of the 2005 Bonds on Demand of Owner" herein.*

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2005 Bonds will be used to fund the Mortgage Loan to the Mortgagor in the principal amount equal to the principal amount of 2005 Bonds, which amount will be used to finance a portion of the costs of the acquisition, construction and equipping of the Project and to pay certain costs of issuance of the 2005 Bonds, including the Underwriter's fee in an amount equal to $124,500.

To the extent any proceeds of the 2005 Bonds are not used to fund the Mortgage Loan, a portion of the 2005 Bonds may be redeemed. See "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Optional – Special Redemption Without Premium" herein.

SECURITY FOR THE BONDS

Pledge of the Resolution

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

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

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

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

Credit Enhancement Instrument

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

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

Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of: (i) the principal of the 2005 Bonds (other than Purchased Bonds) when due by reason of acceleration, defeasance, redemption or stated maturity; (ii) up to 35 days' interest at the Maximum Interest Rate due on the 2005

Bonds (other than Purchased Bonds) on or prior to their stated maturity date; and (iii) a portion of the Corporation's regularly scheduled fee (the "Fee Component"), if such fee is not paid to the Corporation in a timely manner.

Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the 2005 Bonds and interest thereon at the Maximum Interest Rate for up to 35 days in order to pay the Purchase Price of 2005 Bonds tendered to the Trustee as Tender Agent and not remarketed pursuant to the Remarketing Agreement. The component of the Credit Enhancement Instrument that may be drawn upon to pay the Purchase Price of 2005 Bonds optionally tendered to the Trustee as Tender Agent and not remarketed will expire on December 15, 2015 (the "Liquidity Expiration Date"), unless extended or earlier terminated. Subject to certain provisions of the Reimbursement Agreement, the Liquidity Expiration Date automatically will be deemed extended by one additional calendar year on the twelve-month anniversary of each December 15 (beginning with December 15, 2006). Automatic extensions of the Liquidity Expiration Date will cease upon the sending of written notice to the Trustee by Fannie Mae to the effect that the provisions of the Credit Enhancement Instrument pertaining to automatic extensions shall cease to be effective from and after the sending of such notice. Therefore, the then outstanding Liquidity Expiration Date shall remain unchanged and no further extension of the Liquidity Expiration Date will occur under the Credit Enhancement Instrument. If the Liquidity Expiration Date is not extended by Fannie Mae for any reason, by no later than the date which is six months before the Liquidity Expiration Date (or such later date as Fannie Mae may approve) ("Liquidity Action Date"), the Mortgagor, at its own election, must fully accomplish one of the following: (i) change the mode for the 2005 Bonds under the Resolution to a Term Rate (as such term is defined in the Resolution) for a period of greater than five years or a Fixed Rate (as such term is defined in the Resolution) in accordance with the requirements and limitations set out in the Reimbursement Agreement and in the Resolution; or (ii) cause the delivery to the Trustee of one or more Alternate Securities meeting the requirements of the Resolution and the Reimbursement Agreement fully replacing Fannie Mae as the provider of both credit enhancement and liquidity support for all of the 2005 Bonds; or (iii) prepay the Mortgage Loan in accordance with the Mortgage Note and cause either the redemption of the 2005 Bonds in whole or the defeasance of the 2005 Bonds in whole in accordance with the Resolution. Failure by the Mortgagor to fully complete any one of the foregoing options by the Liquidity Action Date will result in an event of default under the Reimbursement Agreement which would permit Fannie Mae to direct the mandatory tender or mandatory redemption of all of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS - Credit Facility Provider's Right to cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "- Mandatory Redemption Following Event of Termination" herein. See also "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" herein.

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

To the extent of advances made under the Credit Enhancement Instrument with respect to the payment of the principal amount of the 2005 Bonds, the obligations of Fannie Mae under the Credit Enhancement Instrument to pay principal, interest thereon and a pro rata portion of the Fee Component will be correspondingly reduced, but with respect to advances made under the Credit Enhancement Instrument with respect to the Fee Component and the payment of interest on 2005 Bonds not made in connection with the payment of principal, the Fee Component and the interest component of the Credit Enhancement Instrument will be automatically reinstated. With respect to advances made under the Credit Enhancement Instrument to pay the Purchase Price of tendered or deemed tendered 2005 Bonds, the Credit Enhancement Instrument will be correspondingly reduced and will be reinstated to the extent such Bonds are subsequently remarketed and Fannie Mae is reimbursed for such advances. Outstanding 2005 Bonds purchased by the Tender Agent with funds provided by such advances will be owned by the Mortgagor and will be pledged for the benefit of Fannie Mae ("Purchased Bonds").

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

To receive payment under the Credit Enhancement Instrument, the Trustee must make a presentation of certain payment documents under the Credit Enhancement Instrument on or prior to the expiration date of the Credit Enhancement Instrument at the appropriate office of Fannie Mae. The Credit Enhancement Instrument will expire at 4:00 p.m. Eastern time on June 20, 2039 (the "Expiration Date", which is five days after the final maturity of the 2005 Bonds). The Credit Enhancement Instrument will automatically terminate on the first to occur of: (a) the Expiration Date; (b) the honoring by Fannie Mae of the final draw available to be made under the Credit Enhancement Instrument such that the principal portion of the amount available will be reduced to zero and will not be subject to reinstatement; or (c) receipt of a written notice signed by the Trustee's duly authorized officer stating that none of the Bonds are outstanding under the Resolution or the Trustee has received an Alternate Security as permitted by the Resolution and the Reimbursement Agreement.

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

Alternate Security

The Credit Enhancement Instrument may be replaced with various other forms of credit enhancement (each an "Alternate Security" except as described below; the Credit Enhancement Instrument or Alternate Security being herein referred to as the "Credit Facility") or upon conversion of the 2005 Bonds to bear interest at a rate fixed to the maturity thereof, the Corporation may elect to provide no Credit Facility. During any Weekly Rate Period, a Credit Facility must be in effect with respect to the 2005 Bonds.

The Corporation may not exercise its right to make provision for or cause the replacement of any Credit Facility, unless the Corporation has provided the Trustee with (i) certain opinions as to, among other things, the effect of such replacement on the tax status of the 2005 Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from at least one national rating agency to the effect that such Alternate Security will provide the 2005 Bonds with an investment grade rating; and (iii) moneys sufficient to pay all costs incurred by the Trustee and the Corporation in connection with the provision of such Credit Facility.

Upon replacement of the Credit Enhancement Instrument except as described below, the 2005 Bonds are subject to mandatory tender as described above under the caption "DESCRIPTION OF THE 2005 BONDS – Mandatory Purchase of 2005 Bonds Upon Replacement, Termination or Expiration of Credit Facility."

Fannie Mae may provide any other form of credit or liquidity facility (or combination thereof) in substitution for the Credit Enhancement Instrument. Certain of such substitute facilities will not be considered an "Alternate Security" and such substitution will not result in a "Facility Change Date" or mandatory tender of the 2005 Bonds, so long as, among other things, each Rating Agency confirms that such substitution will not adversely affect such Rating Agency's rating on the 2005 Bonds and the opinions described above are delivered. Such substitute facility provided by Fannie Mae will continue to constitute the "Initial Credit Facility" under the Resolution.

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Resolution and is to be held by the Trustee. Pursuant to the Resolution, there is to be deposited into the Principal Reserve Fund all of the monthly payments made by the Mortgagor in accordance with the Principal Reserve Schedule attached to the Reimbursement Agreement, as such Schedule may be amended and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund described in paragraphs (1) and (2) below. *At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all*

or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (unless and to the extent such amounts, in the judgment of the Corporation, are needed to be transferred to the Rebate Fund pursuant to the Resolution), (ii) no longer require deposits to the Principal Reserve Fund and/or (iii) consent to a change in the Principal Reserve Schedule. The consent of the Bondholders, the Trustee or the Corporation is <u>not</u> required for such actions. Any amounts so released shall no longer secure the 2005 Bonds.

Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund shall, if the amount in the Principal Reserve Fund is less than the Principal Reserve Amount, be retained therein, or, if there is no such deficiency, shall be deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which shall be retained in the Principal Reserve Fund, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then in lieu of retaining such amounts in the Principal Reserve Fund or depositing such amounts in the Revenue Account, such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

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

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

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

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

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

All amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of $100,000) are required to be transferred to the Redemption Account on May 15 of each year (or, if such day is not a Business Day, the next succeeding Business Day) automatically and used on the next Interest Payment Date to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the redemption of 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory – Mandatory Redemption from Certain Transfers from Principal Reserve Fund."

Under certain circumstances, the Mortgagor is entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the redemption of the 2005 Bonds as directed by the Mortgagor. Any amounts so transferred shall constitute a prepayment of the Mortgage Loan and be a Recovery of Principal. See "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory – Mandatory Redemption From Certain Recoveries of Principal." Also, under certain circumstances, the Credit Facility Provider can require that amounts on deposit in the Principal Reserve Fund be applied to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the mandatory tender or mandatory

redemption in whole or in part of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory – Mandatory Redemption Following an Event of Termination," "DESCRIPTION OF THE 2002 BONDS" – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

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

Additional Bonds

Additional Bonds, on parity with the 2005 Bonds then Outstanding, may be issued by the Corporation pursuant to the Resolution for any one or more of the following purposes: (i) financing increases in the Mortgage Loan, (ii) refunding Bonds, (iii) establishing reserves for such Additional Bonds, and (iv) paying the costs of issuance related to such Additional Bonds. For so long as the Credit Facility shall be in effect for the 2005 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2005 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Additional Bonds" herein.

Bonds Not a Debt of the State or the City

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

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Contract With Bond Owners – Security for Bonds – Limited Obligation

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

revenue obligations of the Corporation payable solely from the revenues and assets pledged under the Resolution. In addition, the Bonds shall, as and to the extent provided in the Credit Facility, be payable from Credit Facility Payments; provided, however, that the Credit Facility and the proceeds thereof shall not secure or provide liquidity for Bonds during any period they are Purchased Bonds.

Provisions for Issuance of Bonds

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

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

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

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

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

(e) with respect to the 2005 Bonds, executed copies of the Assignment, the Loan Agreement, the Regulatory Agreement, the Remarketing Agreement, the Pledge Agreement, the Tender Agent Agreement, the Mortgage, the Mortgage Note and the Credit Agreement, and with respect to Additional Bonds, such documents as are specified in the Supplemental Resolution authorizing the same; and

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

Additional Bonds

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

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

Application and Disbursements of Bond Proceeds

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

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

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

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

(4) with respect to the 2005 Bonds, the balance remaining after such deposits have been made as specified in (1) above shall be deposited in the Bond Proceeds Account; and

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

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

Deposits and Investments

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

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

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

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

Establishment of Accounts

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

(1) Bond Proceeds Account;

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

(3) Redemption Account; and

(4) Principal Reserve Fund.

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

Bond Proceeds Account

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

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

Revenue Account

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

Facility, in accordance with the terms thereof, in a timely manner, in the full amount required to pay the principal or Redemption Price of and interest on the Bonds covered by such Credit Facility as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise and shall deposit such amounts in the Credit Facility Payments Sub-Account.

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

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

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

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

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

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

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

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

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

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

unless otherwise instructed in writing by an Authorized Officer of the Corporation, with the consent of the Credit Facility Provider, at the time of such purchase or redemption.

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

On each Interest Payment Date, the Trustee shall transfer from the Revenue Account (after providing for all payments required to have been made prior thereto pursuant to the Resolution) (i) first, to the Trustee, an amount equal to that portion of the Trustee's unpaid annual fees then due and owing, (ii) second, to the Tender Agent, an amount equal to that portion of the Tender Agent's unpaid annual fees then due and owing, (iii) third, to the Remarketing Agent, an amount equal to that portion of the Remarketing Agent's unpaid annual fees then due and owing, (iv) fourth, to the Corporation, an amount equal to that portion of the Administrative Fee then due and owing, (v) fifth, if so directed by the Corporation, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses (other than as set forth in (i) above), (vi) sixth, if so directed by the Corporation, to the Tender Agent, an amount equal to the Tender Agent's unpaid fees and expenses (other than as set forth in (ii) above), (vii) seventh, if so directed by the Corporation, to the Remarketing Agent, an amount equal to the Remarketing Agent's unpaid fees and expenses (other than as set forth in (iii) above), (viii) eighth, if so directed by the Corporation or the Credit Facility Provider, to the Servicer, an amount equal to the Servicer's unpaid fees and expenses, (ix) ninth, if so directed by the Corporation or the Credit Facility Provider, to the Credit Facility Provider, an amount equal to any fees and expenses due and owing to the Credit Facility Provider pursuant to the Reimbursement Agreement, and (x) tenth, to the Corporation, fees and other expenses to the extent unpaid. The amount remaining after making the transfers or payments required hereinabove shall be retained in the Revenue Account. Such remaining balance shall be paid to, or upon the order of, the Mortgagor, free and clear of the lien and pledge of the Resolution, unless the Trustee receives either (i) a Certificate from the Corporation stating that an event of default exists under the Regulatory Agreement, the Commitment or, with respect to the Reserved Rights (as defined in the Loan Agreement) only, the Loan Agreement and directing that the remaining balance shall be retained in the Revenue Account, or (ii) a Certificate from the Credit Facility Provider stating that an event of default exists under the Reimbursement Agreement and directing that the remaining balance shall be retained in the Revenue Account, in which event such remaining balance shall be so retained. If the Trustee receives a Certificate from the Corporation (with respect to clause (i) of the immediately preceding sentence) or the Mortgagor acknowledged by the Credit Facility Provider (with respect to clause (ii) of the immediately preceding sentence), stating either that the applicable default has been cured or waived, or that the Corporation or the Credit Facility Provider, as the case may be, consents to the use of the remaining balance by payment to the Mortgagor, such remaining balance shall once again be paid to or upon the direction of the Mortgagor, as described above.

Redemption Account

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

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

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

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

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

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

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

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

Rebate Fund

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

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

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

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

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

The Trustee, upon the receipt of written instructions and certification of the Rebate Amount from an Authorized Officer of the Corporation, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series for which a Rebate Amount is required, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to each Series for which a Rebate Amount is required as

of the date of such payment, and (ii) notwithstanding the provisions of the Resolution, not later than sixty (60) days after the date on which all Bonds for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

Principal Reserve Fund

Amounts on deposit in the Principal Reserve Fund shall be applied as set forth in the Resolution. There shall be deposited into the Principal Reserve Fund all of the monthly payments made in accordance with the Principal Reserve Schedule attached to the Credit Agreement and provided to the Trustee by the Credit Facility Provider, as such schedule may be amended in accordance with the provisions of the Credit Agreement and provided to the Trustee by the Credit Facility Provider, and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund described in paragraphs (1) and (2) below. Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund shall be, if the amount in the Principal Reserve Fund is less than the Principal Reserve Amount, be retained therein, or, if there is no such deficiency, shall be deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which shall be retained in the Principal Reserve Fund, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then in lieu of retaining such amounts in the Principal Reserve Fund or depositing such amounts in the Revenue Account, such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

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

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

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

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

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

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

If the Mortgagor certifies in writing to the Trustee and the Corporation that no "Event of Default" or "Default" exists under the Credit Agreement, and if such certificate shall bear the written acknowledgement of the Credit Facility Provider, the Mortgagor shall be entitled to direct the Trustee to transfer from the Principal Reserve

Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of 2005 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2005 Bonds). Any amounts so transferred shall constitute a prepayment of the Mortgage Loan at the option of the Mortgagor and shall be a Recovery of Principal; provided however, that such right of the Mortgagor to direct such transfers may be exercised only at the times, and subject to any conditions, set forth in the Loan Agreement with respect to optional prepayments of the Mortgage Loan by the Mortgagor.

If the Mortgagor certifies in writing to the Trustee and the Corporation that no "Event of Default" exists under the Credit Agreement, and if such certificate shall bear the written acknowledgement of the Credit Facility Provider, the Mortgagor shall be entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of the 2005 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2005 Bonds). Any amount so transferred shall constitute a prepayment of the Mortgage Loan and shall be a Recovery of Principal; provided, however, that such right of the Mortgagor to direct such transfer may be exercised only at the times, and subject to any conditions, set forth in the Credit Agreement.

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

At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (in which case the Trustee shall release such amounts to the Mortgagor, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then prior to any such release to the Mortgagor, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund) and/or (ii) no longer require deposits to the Principal Reserve Fund. Any amounts so released shall no longer secure the 2005 Bonds.

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

In substitution of a PRF Letter of Credit the Mortgagor may deliver (or cause to be delivered) a Replacement PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund in accordance with the provisions of the Credit Agreement; provided, however, that no such deposit of a Replacement PRF Letter of Credit shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel to the Corporation (or, in the case of the opinion

described in clause (z), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (y) an opinion to the effect that the delivery and deposit of such Replacement PRF Letter of Credit will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the 2005 Bonds, and (z) an opinion to the effect that such Replacement PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms. Any such Replacement PRF Letter of Credit delivered to the Trustee in accordance with this paragraph shall constitute a PRF Letter of Credit for purposes of the Resolution.

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

Moneys drawn or to be drawn under a PRF Letter of Credit shall constitute amounts on deposit in the Principal Reserve Fund for the purposes of the Resolution. The Trustee shall draw upon a PRF Letter of Credit for payment, transfer or other application in accordance with the Resolution (including, without limitation, at the direction of the Credit Facility Provider in accordance with clauses (1) through (4) of the second paragraph under the heading "Principal Reserve Fund").

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

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

Immediately after the Trustee shall have obtained actual knowledge of a downgrading of the long-term debt obligations of the issuer of a PRF Letter of Credit below either "BBB" by S&P or "Baa" by Moody's, or thirty (30) days after a downgrading of the long-term debt obligations of the issuer of such PRF Letter of Credit below "A" by

S&P or Moody's to a rating of "BBB" or above by S&P or "Baa" or above by Moody's, the Trustee shall draw the full amount available to be drawn under such PRF Letter of Credit. In the event of such a draw on a PRF Letter of Credit due to the occurrence and continuation of a PRF Triggering Event, the Credit Facility Provider shall have the right to direct the Trustee to cause the mandatory redemption or mandatory tender of 2005 Bonds in whole or in part (or the reimbursement of the Credit Facility Provider in connection therewith) in an amount not exceeding the amount so drawn under the PRF Letter of Credit.

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

Payment of Bonds

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

Tax Covenants

The following covenants are made solely for the benefit of the owners of, and shall be applicable solely to, the 2005 Bonds and any Additional Bonds, as designated in a Supplemental Resolution, to which the Corporation intends that the following covenants shall apply:

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

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

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

Covenants with Respect to Mortgage Loan

In order to pay the Principal Installments of and interest on the Bonds when due, the Corporation covenants that it shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the kind permitted by the Resolution, to finance the Mortgage Loan pursuant to the Act and the Resolution and any applicable Supplemental Resolution (ii) do all such acts and things as shall be necessary to receive and collect Pledged Receipts (including diligent enforcement of the prompt collection of all arrears on the Mortgage Loan) and Recoveries of Principal, and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to or to maintain any insurance on the Mortgage Loan or any subsidy payments in connection with the Project or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loan, the Mortgage, the Mortgage Note and all other documents which evidence or secure the Mortgage Loan, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made; provided, however, that the obligations of the Corporation in

(ii) and (iii) above shall be suspended during the term of the Assignment, except as otherwise provided in the Assignment.

Issuance of Additional Obligations

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

Accounts and Reports

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

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

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

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

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

No Disposition of Credit Facility

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

until the principal of and interest on the Bonds shall have been paid or duly provided for in accordance with the terms of the Resolution. Notwithstanding the foregoing, the substitution described in the definition of the term "Initial Credit Facility" is not prohibited by the foregoing.

Supplemental Resolutions

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

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

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

Amendments, Changes and Modifications to the Credit Facility.

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

Events of Default and Termination

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

Remedies

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

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

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

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

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

Priority of Payments After Event of Default or Event of Termination

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

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

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

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

Rights of the Credit Facility Provider

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

Payments Due on Days Not Business Days

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

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The Credit Enhancement Instrument is issued pursuant to the Reimbursement Agreement which obligates the Mortgagor, among other things, to reimburse Fannie Mae for funds provided by Fannie Mae under the Credit Enhancement Instrument and to pay various fees and expenses, in each case as provided in the Reimbursement Agreement. The Reimbursement Agreement governs obligations of the Mortgagor to Fannie Mae on account of Fannie Mae providing such credit enhancement.

The Reimbursement Agreement sets forth various affirmative and negative covenants of the Mortgagor.

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

Events of Default

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

(i) the occurrence and continuance of an "Event of Default" as such term is defined under any Borrower Document, the HPD Enforcement Note, the HPD Loan or any document related to the HPD Enforcement Note or HPD Loan or, if not defined, the breach beyond any applicable grace period by the Mortgagor of its covenants, agreements or obligations under any Borrower Document, the HPD Enforcement Note, the HPD Loan or any document related to the HPD Enforcement Note or HPD Loan; or

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

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

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

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

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

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

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

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

be commenced against the Mortgagor, any member of the Mortgagor or Key Principal in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of the Mortgagor, any member of the Mortgagor or Key Principal, or of all or a substantial part of the property, domestic or foreign, of the Mortgagor, any member of the Mortgagor or Key Principal, and any such case or proceeding shall continue undismissed or unstayed for a period of sixty (60) consecutive calendar days, or any order granting the relief requested in any such case or proceeding against the Mortgagor, any member of the Mortgagor or Key Principal (including, but not limited to, an order for relief under such Federal bankruptcy laws) shall be entered; or

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

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

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

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

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

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

(xvi) (a) the Mortgagor fails to pay when due or within any applicable grace period any amount payable by the Mortgagor under any hedging arrangement, or (b) the occurrence of any other default under any applicable grace period or event of default, however described, by the Mortgagor under any hedging arrangement; or

(xvii) the occurrence and continuance of an "Event of Default" as such term is defined under the reimbursement agreement between the Mortgagor and the Construction Phase Credit Facility Provider or the BOA Mortgage or related promissory note; or

(xviii) the occurrence of a "Borrower Default" as such term is defined in the Construction Financing Agreement; or

(xix) the Mortgagor fails or perform certain obligations under the Reimbursement Agreement (i.e. changing the method of determining the interest rate on the 2005 Bonds, delivering an Alternate Security or prepaying the Mortgage Loan) by no later than the date which is six months before the Liquidity Expiration Date (or such later date as Fannie Mae may approve) if the Liquidity Expiration Date (other than a Liquidity Expiration Date which is on or after the Credit Enhancement Expiration Date, the Credit Enhancement Termination Date or the Maturity Date (as such terms are defined in the Reimbursement Agreement)) is not extended for any reason.

Remedies

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

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

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

(iii) demand and the Mortgagor shall provide cash collateral or Government Obligations in the full amount of the outstanding obligations under all of the 2005 Bonds whether or not due and payable; or

(iv) apply all or any portion of the amounts drawn under the Construction LOC or other collateral pledged by the Mortgagor to Fannie Mae to any obligations of the Mortgagor under the Reimbursement Agreement or any other Borrower Document, in such amounts, at such times and in such order as determined by Fannie Mae; including among other things, applying funds or directing the Trustee or Servicer, as the case may be, to apply funds on deposit in the Principal Reserve Fund to reimburse Fannie Mae for advances applied to pay the redemption price of 2005 Bonds or to reimburse other payment obligations under the Reimbursement Agreement or any other Borrower Document; or

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

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

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

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

Upon an Event of Default described in clause (xvii) under the heading "Events of Default" above, Fannie Mae may only exercise remedies at the direction of the Construction Phase Credit Facility Provider and may only exercise the remedy of directing the Trustee to call the 2005 Bonds for mandatory tender or mandatory redemption in whole. Prior to the Mortgage Loan Conversion, upon an Event of Default described in clause (xvii) under the heading "Events of Default" above, Fannie Mae may exercise (at its option) only the remedy of directing the Trustee to call the 2005 Bonds for mandatory tender or mandatory redemption in whole.

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

If the Mortgagor fails to deposit a PRF Letter of Credit to the Principal Reserve Fund following a PRF Triggering Event or fails to renew, replace or extend the PRF Letter of Credit deposited in the Principal Reserve Fund following a PRF Triggering Event or the long-term debt obligations of the issuer of the PRF Letter of Credit deposited in the Principal Reserve Fund following a PRF Triggering Event as set forth in the Reimbursement Agreement are downgraded, Fannie Mae may, but shall not be obligated to, as its only remedy under the Reimbursement Agreement, direct the Trustee to (i) redeem the 2005 Bonds (regardless of whether such 2005 Bonds are then scheduled for redemption), at such times and in such amounts (up to the amounts on deposit in the Principal Reserve Fund) as determined by Fannie Mae; and (ii) to apply the amount on deposit in the Principal Reserve Fund to reimburse Fannie Mae for advances with respect to such redemptions.

Remedies Upon a Loan Equalization Event

Notwithstanding anything in the Reimbursement Agreement or in any other Borrower Document to the contrary, upon a failure by the Mortgagor to satisfy certain debt service coverage and/or loan to value ratio requirements set forth in the Achievement Agreement (a "Loan Equalization Event"), Fannie Mae may, but shall not be obligated to, as its only remedy under the Reimbursement Agreement, direct the Trustee to (i) redeem 2005 Bonds (regardless of whether such Bonds are scheduled for redemption) in an aggregate principal amount equal to the amount of the deficiency as determined pursuant to the Achievement Agreement.

AGREEMENT OF THE STATE

Section 657 of the Act provides that the State agrees with the holders of obligations of the Corporation, including owners of the 2005 Bonds, that it will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with the owners of the 2005 Bonds, or in any way impair the rights and remedies of such owners until the 2005 Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners of the 2005 Bonds, are fully met and discharged.

TAX MATTERS

Opinion of Bond Counsel to the Corporation

In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions, (i) interest on the 2005 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2005 Bond for any period during which such 2005 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2005 Bonds or a "related person," and (ii) interest on the 2005 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering such opinion, Bond Counsel to the Corporation has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor and others, in connection with the 2005 Bonds, and Bond Counsel to the Corporation has assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2005 Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2005 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel to the Corporation expresses no opinion regarding any other Federal or state tax consequences with respect to the 2005 Bonds. Bond Counsel to the Corporation renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the Corporation expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2005 Bonds, or under state and local tax law.

Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the 2005 Bonds for purposes of Federal income taxation requires that (i) at least 20% of the units in the Project financed by the 2005 Bonds be occupied during the "Qualified Project Period" (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 50% of the median income for the area, and (ii) all of the units of the Project be rented or available for rental on a continuous basis during the Qualified Project Period. "Qualified Project Period" for the Project means a period commencing upon the later of (a) occupancy of 10% of the units in the Project or (b) the date of issue of the 2005 Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in the Project or (ii) the first date on which no tax-exempt private activity bonds issued with respect to the Project are outstanding. An election has been made by the Mortgagor to treat the Project as a deep rent skewed project which requires that (i) at least 15% of the low income units in the Project be occupied during the Qualified Project Period by individuals whose income is 40% or less of the median income for the area, (ii) the gross rent of each low income unit in the Project not exceed 30% of the applicable income limit which applies to the individuals occupying the unit and (iii) the gross rent with respect to each low income unit in the Project not exceed one-half of the average gross rent with respect to units of comparable size which are not occupied by individuals who meet the applicable income limit. Under the deep rent skewing election, the Project will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 170% of the applicable limit. Upon an increase over 170% of the applicable limit, the next available low income unit must be rented to an individual having an income of 40% or less of the area median income. In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 2005 Bonds, the Treasury Regulations provide that the exclusion of interest on the 2005 Bonds from gross income for Federal income tax purposes will not be impaired if the Corporation takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Corporation.

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

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

Certain Collateral Federal Tax Consequences

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

Prospective owners of 2005 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and certain foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2005 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation

Legislation affecting municipal bonds is frequently considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2005 Bonds will not have an adverse effect on the tax-exempt status of the 2005 Bonds or the market price of the 2005 Bonds.

NO LITIGATION

The Corporation

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

The Mortgagor

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

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2005 Bonds by the Corporation are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Arent Fox PLLC, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Special Counsel, Swidler Berlin LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Winston & Strawn LLP, New York, New York.

LEGALITY OF 2005 BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 2005 Bonds are made securities in which all public officers and bodies of the State of New York and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. The 2005 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. has assigned to the 2005 Bonds a rating of "AAA/A-1+". Such rating reflects only the view of such organization and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the 2005 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 2005 Bonds that there has been no change in the affairs of the Corporation from the date hereof. Pursuant to the Resolution, the Corporation has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under

the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the Trustee and the owners of not less than 5% of the 2005 Bonds issued thereunder during regular business hours of the Corporation and that the Corporation furnish a copy of the auditor's report, when available, upon the request of the owner of any Outstanding 2005 Bond.

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

MISCELLANEOUS

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

This Official Statement is submitted in connection with the sale of the 2005 Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This 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/ Emily A. Youssouf
President

Dated: December 13, 2005

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APPENDIX A

DEFINITIONS OF CERTAIN TERMS

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

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

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

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Mortgagor, any manager or managing member of the Mortgagor, the Corporation or the Credit Facility Provider, as and if applicable, under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

"Additional Bonds" means Bonds, other than the 2005 Bonds, authorized pursuant to the Resolution.

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

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

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

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

performed or duty to be discharged, any officer or employee of the Mortgagor then authorized to perform such act or discharge such duty; (c) when used with respect to the Trustee, any Managing Director, Director, Vice President or Assistant Vice President of the Trustee then authorized to act for the Trustee, and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Trustee then authorized to perform such act or discharge such duty; and (d) when used with respect to any Credit Facility Provider, any officer or employee of the Credit Facility Provider authorized to perform an act or discharge a duty on behalf of the Credit Facility Provider.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Commitment" means the Financing Commitment and Agreement dated November 10, 2005, between the Corporation and the Mortgagor, as the same may be amended or supplemented from time to time.

"Construction Phase Credit Facility Provider" means Bank of America, N.A., a national banking association, and its successors.

"Construction Phase Financing Agreement" means the agreement dated as of December 1, 2005 among Fannie Mae, the Construction Phase Credit Facility Provider, the Servicer and the Mortgagor, as the same may be amended or supplemented from time to time.

"Construction LOC" means the standby letter of credit, dated the date of initial issuance of the 2005 Bonds, issued by the Construction Phase Credit Facility Provider to Fannie Mae, including confirmation thereof or replacement therefor.

"Construction Phase Credit Documents" means, individually and collectively, the Construction LOC, the Construction Financing Agreement, the reimbursement agreement between the Construction Phase Credit Facility Provider and the Mortgagor, and all other documents evidencing, securing or otherwise relating to the Construction LOC, including all amendments, modifications, supplements and restatements of such documents.

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

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

"Credit Agreement" means, with respect to the Initial Credit Facility, the Reimbursement Agreement, dated as of December 1, 2005, between the Initial Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, and with respect to any Alternate Security, the agreement between the Mortgagor and the Credit Facility Provider issuing such Alternate Security providing for the issuance of such Alternate Security.

"Credit Enhancement Instrument" means the Credit Enhancement Instrument, dated the date of initial issuance of the 2005 Bonds, executed and delivered by Fannie Mae to the Trustee, as such Credit Enhancement Instrument may be amended, modified, supplemented or restated from time to time.

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

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

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

"Credit Facility Provider" means, so long as the Initial Credit Facility is in effect, the Initial Credit Facility Provider, or, so long as an Alternate Security is in effect, the issuer of or obligor under such Alternate Security; provided, however, that if, pursuant to the Reimbursement Agreement, the issuer of or obligor under the Credit Facility shall have appointed an agent on its behalf (which agent may, but need not, act on behalf of other parties as well) and given notice to the Corporation and the Trustee of such appointment, references in the Resolution to the Credit Facility Provider shall be deemed to refer to said agent, except that with respect to the issuance of such Credit Facility and the obtaining of amounts thereunder, references in the Resolution to the Credit Facility Provider shall be deemed to refer to such issuer or obligor under such Credit Facility.

"Demand Purchase Option" means the provision of the 2005 Bonds for purchase of any 2005 Bond upon the demand of the owner thereof as described in the Resolution.

"Escrow Payments" means and includes all amounts whether paid directly to the Corporation, to its assignee of the Mortgage Loan, or to the Servicer representing payments to obtain or maintain mortgage insurance or any subsidy with respect to the Mortgage Loan or the mortgaged premises or payments in connection with real estate taxes, assessments, water charges, sewer rents, fire or other insurance, replacement or operating reserves, or other like payments in connection therewith.

"Event of Default" means any of the events specified in the Resolution as an Event of Default.

"Event of Termination" means the event specified in the Resolution as an Event of Termination.

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

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

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

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

"Government Obligations" means (i) direct obligations of or obligations guaranteed by the United States of America, including, but not limited to, United States Treasury Obligations, Separate Trading of Registered Interest and Principal of Securities (STRIPS) and Coupons Under Book Entry Safekeeping (CUBES), provided the underlying United States Treasury Obligation is not callable prior to maturity, and (ii) obligations of the Resolution Funding Corporation, including, but not limited to, obligations of the Resolution Funding Corporation stripped by the Federal Reserve Bank of New York.

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

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

"Initial Credit Facility" means the Direct Pay Irrevocable Transferable Credit Enhancement Instrument, dated the date of the initial issuance of the 2005 Bonds, executed and delivered by the Initial Credit Facility Provider

to the Trustee, as the same may be amended, modified or supplemented from time to time and shall also include any substitute therefor provided by the Initial Credit Facility Provider meeting the requirements of the Loan Agreement, as such substitute may be amended, modified or supplemented from time to time.

"Initial Credit Facility Provider" means Fannie Mae.

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

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

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

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

(A) So long as the Initial Credit Facility is in effect,

(a) Government Obligations;

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

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

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

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

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

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

(1) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Accounts established under the Resolution

to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;

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

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

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below the Second Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Investment Securities described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Investment Securities described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (B) at the request of the Trustee or the Credit Facility Provider, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category or the Second Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph or any guarantee or insurance for any such agreement which is to be in effect for any period after the Mortgage Loan Conversion has occurred, any reference in this Paragraph to the "Second Highest Rating Category" will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

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

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

Investment Securities shall not include any of the following:

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

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

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

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

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

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

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

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment; or

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

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

(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 Fannie Mae;

(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.

"Key Principal" means the individual who guarantees certain obligations of the Mortgagor to Fannie Mae which are recourse to the members of the Mortgagor under certain limited circumstances.

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

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

"Mandatory Purchase Provision" means the purchase provision of the 2005 Bonds for the purchase of any 2005 Bonds on any Change Date pursuant to the Resolution.

"Maximum Rate" means twelve percent (12%) per annum or such higher rate, not to exceed fifteen percent (15%), as may be established in accordance with the provisions of the Resolution.

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

"Mortgage" means the Multifamily Mortgage, Assignment of Rents and Security Agreement (together with all riders) securing the Mortgage Note, dated as of the date of initial issuance of the 2005 Bonds, executed by the Mortgagor with respect to the Project, as the same may be amended, modified or supplemented from time to time.

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

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

"Mortgage Loan Conversion" means compliance with certain conditions contained in the Construction Financing Agreement, including satisfactory completion of construction of the Project and the satisfaction of certain financial conditions.

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

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

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

"Mortgagor" means 89 Murray Street Associates LLC, a limited liability company organized and existing under and by virtue of the laws of the State of Delaware, which is the mortgagor with respect to the Mortgage Loan, and its successors and permitted transferees as owner of the Project.

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

"Outstanding" means, when used with reference to Bonds, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

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

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

"Participants" means those broker-dealers, banks and other financial institutions for which DTC holds the 2005 Bonds as securities depository.

"Permanent Phase Mortgage Loan Amount" means the maximum amount of the Mortgage Loan calculated in accordance with the Construction Financing Agreement prior to Mortgage Loan Conversion and, if applicable, recalculated thereafter in accordance with the Reimbursement Agreement.

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

"Pledge Agreement" means, with respect to the Initial Credit Facility Provider and the Initial Credit Facility, the Purchased Bonds Custody and Security Agreement, dated as of December 1, 2005, among the Mortgagor, the Trustee, as custodian and collateral agent for the Initial Credit Facility Provider, and the Initial Credit Facility Provider, and with respect to any other Credit Facility Provider providing an Alternate Security and such Alternate Security, any agreement between the Mortgagor and the Credit Facility Provider or the Trustee

pursuant to which the Mortgagor agrees to pledge 2005 Bonds to the Credit Facility Provider in connection with the provision of moneys under the Alternate Security, in each case, as the same may be amended, modified or supplemented from time to time.

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

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

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

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

"Principal Office", when used with respect to the Trustee shall mean Deutsche Bank Trust Company Americas, 60 Wall Street, MS 2715, New York, New York 10005, Attention: Trust & Securities Services, when used with respect to the Tender Agent shall mean the same address as that of the Trustee or the address of any successor Tender Agent appointed in accordance with the terms of the Resolution, and when used with respect to the Remarketing Agent shall mean Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, or such other offices designated to the Corporation in writing by the Trustee, Tender Agent or Remarketing Agent, as the case may be.

"Principal Reserve Amount" means $9,960,000 (or such other amount as shall be specified in writing by the Credit Facility Provider and filed with the Corporation and the Trustee) less the amount on deposit in any collateral or sinking fund held by the Trustee or certified by the Mortgagor as being held as security for, or to pay, the obligations of the Mortgagor relating to debt service on the Mortgage Loan; provided that such other amount shall only constitute the Principal Reserve Amount if there shall also be filed with the Corporation and the Trustee a Bond Counsel's Opinion to the effect that such change in the Principal Reserve Amount will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on any Bonds to which the tax covenants of the Resolution apply.

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

"Project" means the multifamily rental housing development, to be located at 89 Murray Street in the Borough of Manhattan and County of New York, City and State of New York, as more fully described under the caption "THE PROJECT AND THE MORTGAGOR – The Project" herein.

"Purchase Date" means (a) any Business Day specified by a Bondholder as the date on which 2005 Bonds owned by such Bondholder are to be purchased in accordance with the provisions of the Resolution and (b) each Change Date on which the 2005 Bonds are subject to mandatory tender in accordance with the Resolution.

"Purchased Bond" means any 2005 Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Mortgagor with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such 2005 Bond is remarketed to any person other than the Credit Facility Provider, the Mortgagor, any member of the Mortgagor or the Corporation.

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

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

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

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

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

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

"Recoveries of Principal" means all amounts received by the Corporation or the Trustee as or representing a recovery of the principal amount disbursed by the Trustee in connection with the Mortgage Loan, including any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Mortgage Loan, at the option of the Mortgagor; (ii) the sale, assignment, endorsement or other disposition of the Mortgage Loan, the Mortgage or the Mortgage Note other than any assignment pursuant to the Assignment; (iii) the acceleration of payments due under the Mortgage Loan or the remedial proceedings taken in the event of default on the Mortgage Loan or Mortgage; (iv) proceeds of any insurance award resulting from the damage or destruction of the Project which are to be applied to payment of the Mortgage Note pursuant to the Mortgage, together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such damage or destruction; (v) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, the Project or any portion thereof, which proceeds are to be applied to payment of the Mortgage Note pursuant to the Mortgage together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such condemnation or agreement; (vi) the partial prepayment of the Mortgage Loan required to be made at certain times when the principal amount thereof is in excess of the Permanent Phase Mortgage Loan Amount as described under "THE MORTGAGE LOAN AND OTHER FINANCING"; or (vii) any transfer from the Principal Reserve Fund to the Redemption Account pursuant to the Resolution as described in the fourth and fifth paragraphs under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Principal Reserve Fund."

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

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

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

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

"Reimbursement Agreement" means, with respect to the Initial Credit Facility, the Reimbursement Agreement, dated as of December 1, 2005, between the Initial Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, and with respect to any Alternate Security, the agreement between the Mortgagor and the Credit Facility Provider issuing such Alternate Security providing for the issuance of such Alternate Security.

"Remarketing Agent" means, with respect to the 2005 Bonds, Goldman, Sachs & Co., or any of its successors appointed in accordance with the terms of the Resolution.

"Remarketing Agreement" means, with respect to the 2005 Bonds, the Remarketing Agreement, dated as of the date of initial issuance of the 2005 Bonds, by and among the Mortgagor, the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any replacement thereof.

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

"Resolution" means the Multi-Family Mortgage Revenue Bonds (89 Murray Street Development) Bond Resolution adopted by the Corporation on November 16, 2005 and any amendments or supplements made in accordance with its terms.

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

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

"Second Highest Rating Category" means with respect to an Investment Security means that the Investment Security is rated by each Rating Agency in the second highest rating given by that Rating Agency for that general category of security. If at any time the 2005 Bonds are not rated (and, consequently, there is no Rating Agency), then the term "Second Highest Rating Category" means, with respect to an Investment Security, that the Investment Security is rated by S&P or Moody's in the second highest rating category given by that rating agency for that general category of security. By way of example, the Second Highest Rating Category for tax-exempt municipal debt established by S&P is "AA" for a term greater than one year, with corresponding ratings by Moody's of "Aa." If at any time (i) the 2005 Bonds are not rated, (ii) both S&P and Moody's rate an Investment Security and (iii) one of those ratings is below the Second Highest Rating Category, then such Investment Security will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment Security rated "AA" by S&P and "A" by Moody's is not rated in the Second Highest Rating Category.

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

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

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

"Sinking Fund Payment" means, with respect to a particular Series, as of any particular date of calculation, the amount required to be paid in all events by the Corporation on a single future date for the retirement of

Outstanding Bonds which mature after said future date, but does not include any amount payable by the Corporation by reason of the maturity of a Bond or by call for redemption at the election of the Corporation.

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

"State" means the State of New York.

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

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

"Tender Agent Agreement" means the agreement among the Trustee, as Trustee and Tender Agent, the Corporation, the Mortgagor and the Remarketing Agent, dated as of the date of initial issuance of the 2005 Bonds, as the same may be amended or supplemented from time to time, or any replacement thereof.

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

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

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

"Weekly Effective Rate Date" means, (i) with respect to the Weekly Rate Term in effect immediately following the issuance and delivery of the 2005 Bonds, the date of such issuance and delivery, (ii) with respect to any Weekly Rate Term following another Weekly Rate Term, Wednesday of any week and (iii) with respect to a Weekly Rate Term that does not follow another Weekly Rate Term, the Interest Method Change Date with respect thereto.

"Weekly Rate" means the rate of interest on the 2005 Bonds, as described in "DESCRIPTION OF THE 2005 BONDS – Weekly Rate Period."

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

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

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

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APPENDIX B

ACTIVITIES OF THE CORPORATION

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

I. **BOND PROGRAMS**. The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. The multi-family residential developments financed under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution, adopted by its Members on July 27, 1993, as amended from time to time (the "General Resolution") are described below in "Section B – Housing Revenue Bond Program." As of July 31, 2005, the Corporation had bonds outstanding in the aggregate principal amount of approximately $4,519,964,820. All of the bonds are separately secured, except for the bonds issued under the General Resolution which are equally and ratably secured by the assets pledged under the General Resolution. None of the bonds under the bond programs described in "Section A–Multi-Family Program," "Section C–Liberty Bond Program," and "Section D–Section 223(f) Refinancing Program" provide security under the General Resolution, and none of the bonds under these programs is secured by the General Resolution.

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

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

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

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

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

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

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

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

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

securities, and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments. As of July 31, 2005, fifty-two (52) 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 July 31, 2005:

	No. of Units	**Bonds Issued**	**Bonds Outstanding**	**Year of Issue**
MULTI-FAMILY PROGRAM				
Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced				
Related-Carnegie Park	461	$66,800,000	$66,800,000	1997
Related-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	$142,300,000	1998
Parkgate Development	207	$37,315,000	$36,500,000	1998
100 Jane Street Development	148	$17,875,000	$16,450,000	1998
Brittany Development	272	$57,000,000	$57,000,000	1999
West 43rd Street Development	375	$55,820,000	$53,220,000	1999
Related-West 89th Street Development	265	$53,000,000	$52,820,000	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	$90,000,000	2001
James Tower Development	201	$22,200,000	$21,715,000	2002
The Foundry	222	$60,400,000	$57,400,000	2002
Related Sierra Development	212	$56,000,000	$56,000,000	2003
Related Westport Development	371	$124,000,000	$124,000,000	2004
West End Towers	1,000	$135,000,000	$135,000,000	2004
Royal Charter Properties East, Inc. Project	615	$98,775,000	$98,775,000	2005

	No. of Units	Bonds Issued	Bonds Outstanding	Year of Issue
Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced[l]				
Columbus Apartments Project	166	$23,570,000	$21,870,000	1995
West 48th Street Development	109	$22,500,000	$20,000,000	2001
First Avenue Development	231	$44,000,000	$44,000,000	2002
Renaissance Court	158	$35,200,000	$35,200,000	2004
Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced				
400 West 55th 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
92nd & First Residential Tower	196	$57,300,000	$57,300,000	2003
Aldus Street Apartments	164	$14,200,000	$14,200,000	2004
Brookhaven Apartments	95	$9,100,000	$9,100,000	2004
Courtlandt Avenue Apartments	167	$15,000,000	$15,000,000	2004
East 165th Street Development	136	$13,800,000	$13,800,000	2004
Hoe Avenue Apartments	136	$11,900,000	$11,900,000	2004
Louis Nine Boulevard Apartments	95	$9,500,000	$9,500,000	2004
Manhattan Court Development	123	$17,500,000	$17,500,000	2004
Marseilles Apartments	135	$13,625,000	$13,625,000	2004
Nagle Courtyard Apartments	100	$9,000,000	$9,000,000	2004
Odgen Avenue Apartments	130	$10,500,000	$10,500,000	2004
Parkview Apartments	110	$12,605,000	$12,605,000	2004
Peter Cintron Apartments	165	$14,400,000	$14,400,000	2004
Thessalonica Court Apartments	191	$19,500,000	$19,500,000	2004
West 61st Street Apartments	211	$54,000,000	$54,000,000	2004
Morris Avenue Apartments	210	$22,700,000	$22,700,000	2005
1904 Vyse Avenue Apartments	96	$9,650,000	$9,650,000	2005
33 West Tremont Avenue Apartments	84	$8,450,000	$8,450,000	2005
155 West 21st Street Development	109	$42,700,000	$42,700,000	2005
2007 La Fontaine Avenue Apartments	88	$8,500,000	$8,500,000	2005
La Casa del Sol	114	$12,800,000	$12,800,000	2005
15 East Clarke Place Apartments	102	$11,600,000	$11,600,000	2005
Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced				
Chelsea Centro	356	$86,900,000	$83,200,000	2002
Residential Revenue Bonds – Hospital Staff Housing; Letter of Credit Enhanced				

* 90 Washington Street was also financed under this multi-family program (see "Liberty Bond Program" below).

	No. of Units	Bonds Issued	Bonds Outstanding	Year of Issue
East 17th Street Properties	236	$36,600,000	$30,000,000	1993
Montefiore Medical Center Project	116	$8,400,000	$8,100,000	1993
The Animal Medical Center	42	$10,140,000	$10,140,000	2003
Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan				
Maple Court Cooperative	134	$12,330,000	$10,960,000	1994
Maple Plaza Cooperative	154	$16,750,000	$15,480,000	1996
Multi-Family Mortgage Revenue Bonds –Rental Project; REMIC-Insured Mortgage Loan				
Barclay Avenue Development	66	$5,620,000	$5,240,000	1996
Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced				
55 Pierrepont Development	189	$6,100,000	$5,300,000	2000
MILITARY HOUSING REVENUE BONDS				
Fort Hamilton Housing	228	$47,545,000	$47,545,000	2004
HOUSING REVENUE BOND PROGRAM				
*Multi-Family Housing Revenue Bonds***	90,486	$1,898,825,000	$1,428,820,000	1993-2005
LIBERTY BOND PROGRAM				
Multi-Family Mortgage Revenue Bonds				
2 Gold Street	650	$178,500,000	$178,500,000	2003
90 West Street	410	$106,500,000	$106,500,000	2004
90 Washington Street	398	$74,800,000	$74,800,000	2005
The Crest	476	$143,800,000	$143,800,000	2005
SECTION 223(f) REFINANCING PROGRAM				
Multifamily Housing Limited Obligations Bonds; *FHA-Insured Mortgage Loans*	5,252 14,573	$79,998,100 $299,886,700	$44,022,475 $82,712,345	1977 1978
CAPITAL FUND PROGRAM REVENUE BONDS	N/A	$281,610,000	$281,610,000	2005
TOTAL	**124,998**	**$5,279,164,800**	**$4,519,964,820**	

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 Corporation's Multi-Family Housing Revenue Bonds, 1997 Series C.

** Aggregate information for all fifty-two (52) series of bonds that the Corporation has issued under its Housing Revenue Bond Program from 1993 through 2005 as described in Section B above.

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

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

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

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

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

IV. LOAN SERVICING. The Corporation services the majority of its own loans and also services loans for others. Such loan servicing activities, which are described below, relate to over 1,349 mortgage loans with an approximate aggregate face amount of $7.4 billion.

A. *Portfolio Servicing*. The Corporation acts as loan servicer in connection with the permanent and construction mortgage loans made to approximately 587 developments under its bond, mortgage loan and other loan programs (including its Housing Revenue Bond Program) in the approximate aggregate face amount of $3.4 billion.

B. *HPD Loan Servicing*. The Corporation acts as loan servicer in connection with certain construction and permanent housing loan programs of HPD pursuant to several agreements with HPD. As of July 31, 2005, the Corporation was servicing construction and permanent loans made to approximately 502 developments in the approximate aggregate face amount of $2.0 billion.

C. *Section 223(f) Loan Servicing*. The Corporation acts as a loan servicer in connection with thirty (30) subordinate permanent mortgage loans, with an aggregate outstanding principal balance of approximately $172 million as of July 31, 2005, held by U.S. Bank National Association as trustee for the NYC Mortgage Loan Trust. In the case of twenty-four (24) 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 Housing Revenue Bond Program and its Section 223(f) Refinancing Program described above in "PART I—BOND PROGRAMS -- Section B—Housing Revenue Bond Program" and -- Section D—Section 223(f) Refinancing Program", respectively.

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 230 mortgage loans made under the Corporation's various bond, mortgage loan and other loan programs in the approximate aggregate face amount of $1.9 billion.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $49,800,000 Multi-Family Mortgage Revenue Bonds (89 Murray Street Development), 2005 Series A (the "2005 Bonds") of the New York City Housing Development Corporation (the "Corporation"), a corporate governmental agency, constituting a public benefit corporation created and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the "Act").

The 2005 Bonds are authorized to be issued pursuant to the Act and the Multi-Family Mortgage Revenue Bonds (89 Murray Street Development) Bond Resolution of the Corporation, adopted November 16, 2005 (herein called the "Resolution"). The 2005 Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2005 Bonds are dated, mature, are payable, bear interest and are subject to redemption and tender as provided in the Resolution.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 2005 Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2005 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

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

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

(1) The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to finance the Mortgage Loan, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the 2005 Bonds, and to perform its obligations under the terms and conditions of the Resolution, including financing the Mortgage Loan, as covenanted in the Resolution.

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

(3) The 2005 Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State of New York (the "State"), including the Act.

(4) The 2005 Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

(5) The Bonds, including the 2005 Bonds, are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Revenues (as defined in the Resolution) and all the Accounts (other than the Rebate Fund) established by the Resolution and moneys and securities therein, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

(6) Pursuant to the Resolution, the Corporation has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to finance the Mortgage Loan, subject to the requirements of the Resolution with respect thereto.

(7) The 2005 Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2005 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged for the payment thereof.

(8) Under existing statutes and court decisions, (i) interest on the 2005 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2005 Bond for any period during which such 2005 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2005 Bonds or a "related person", and (ii) interest on the 2005 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor (as defined in the Resolution) and others, in connection with the 2005 Bonds, and we have assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2005 Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2005 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the 2005 Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2005 Bonds, or under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2005 Bonds and the Resolution may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 2005 Bond and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,