

NEW ISSUE – Book-Entry Only

In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2007 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 2007 Bond for any period during which such 2007 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 2007 Bonds or a “related person,” and (ii) interest on the 2007 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 2007 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”.

**\$26,600,000**

**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**  
**Multi-Family Mortgage Revenue Bonds (Cook Street Apartments), 2007 Series A**

**Dated: Date of Delivery      Price: 100%      CUSIP No.: 64966TBG8\*      Due: September 1, 2040**

This above-referenced bonds (the “2007 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 and 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 2007 Bonds will be payable by Wells Fargo Bank, National Association, as trustee (the “Trustee”) for the 2007 Bonds, to Cede & Co., as nominee of DTC. Purchasers of the 2007 Bonds will not receive physical delivery of bond certificates. The 2007 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein.

The 2007 Bonds are being issued to finance a mortgage loan to Cook Street Housing, LLC, a New York limited liability company, for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing development to be located at 9 Cook Street and at 21 Cook Street and 40 Varet Street, in the Borough of the Brooklyn, New York and certain other costs related thereto.

The 2007 Bonds are special revenue obligations of the Corporation payable from various sources as provided in the Resolution. The principal of, interest on and purchase price of the 2007 Bonds are payable from the funds drawn under an irrevocable direct pay letter of credit issued in favor of the Trustee by

**JPMorgan Chase Bank, N.A.**

until its stated expiration date of March 15, 2010, unless extended or terminated earlier in accordance with the terms of the Credit Agreement as described herein.

**The 2007 Bonds are subject to optional and mandatory redemption at the times and in the events set forth in the Resolution and described herein.**

The 2007 Bonds are being issued as variable rate obligations which will bear interest from their date of issuance 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 2007 Bonds. Thereafter, the 2007 Bonds will bear interest at the Weekly Rate, as determined from time to time by the Remarketing Agent (as defined herein), unless the method for determining the interest rate on the 2007 Bonds is changed to a different method or the interest rate is converted to a fixed rate to maturity. So long as the 2007 Bonds bear interest at a Weekly Rate, interest is payable on the first Business Day of each month, commencing January, 2008, each Change Date and the final maturity date of any 2007 Bond.

During the period when the 2007 Bonds bear interest at the Weekly Rate, any 2007 Bond shall be purchased upon demand by the owner thereof, at a purchase price equal to 100% of the principal amount of such 2007 Bond plus accrued and unpaid interest thereon to the date of purchase, on any Business Day, upon at least seven (7) days’ notice and delivery thereof to Wells Fargo Bank, National Association, as the Tender Agent, as described herein. The 2007 Bonds will be subject to mandatory tender for purchase upon a change in the method of determining the interest rate for such 2007 Bonds or upon any substitution of the Letter of Credit or provision for an Alternate Security. The 2007 Bonds will also be subject to mandatory tender for purchase in other circumstances as described herein.

*This Official Statement in general describes the 2007 Bonds only while the 2007 Bonds bear interest at the Weekly Rate.*

**The 2007 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 2007 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 2007 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

*The 2007 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 JPMorgan Chase Bank, N.A., by its Counsel, Heller Ehrman LLP, New York, New York. Certain legal matters will be passed upon for the Mortgage by its Counsel, Cannon Heyman & Weiss, LLP, Albany, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Harris Beach PLLC, New York, New York. It is expected that the 2007 Bonds will be available for delivery in New York, New York on or about December 12, 2007.*

**Goldman, Sachs & Co.**

Dated: December 5, 2007

\*See footnote on inside front cover

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 2007 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, JPMorgan Chase Bank, N.A., the Mortgagor (Cook Street Housing, LLC) (in the case of information contained herein relating to the Mortgagor, the members of the Mortgagor, the Guarantors, the Mortgage Loan and other financing and the Project); and other sources which are believed to be reliable. Such information herein is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation, JPMorgan Chase Bank, N.A., or the Mortgagor since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2007 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 2007 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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\* Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed on the cover page are being provided solely for the convenience of Bondholders only at the time of issuance of the 2007 Bonds and the Corporation does not make any representation with respect to each number nor does it undertake any responsibility for its accuracy now or at any time in the future. The CUSIP numbers for a specific maturity is subject to being changed after the issuance of the 2007 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 2007 Bonds.

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**\$26,600,000**  
**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**  
**Multi-Family Mortgage Revenue Bonds (Cook Street Apartments),**  
**2007 Series A**

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This Official Statement (including the cover and appendices) provides certain information concerning the New York City Housing Development Corporation (the “Corporation”) in connection with the sale of \$26,600,000 Multi-Family Mortgage Revenue Bonds (Cook Street Apartments), 2007 Series A (the “2007 Bonds”). The 2007 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 (Cook Street Apartments) Bond Resolution adopted by the Members of the Corporation on November 13, 2007. 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 2007 Bonds are herein referred to as the “Bonds”. Wells Fargo Bank, National Association will act as trustee for the 2007 Bonds (with its successors, the “Trustee”). Certain defined terms used herein are set forth in Appendix A hereto.

### **INTRODUCTION**

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

The 2007 Bonds are being issued to finance a mortgage loan (the “Mortgage Loan”) to Cook Street Housing, LLC, a single purpose New York limited liability company (the “Mortgagor”), for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing development to be located at 9 Cook Street and at 21 Cook Street and 40 Varet Street, in the Borough of the Brooklyn, New York (the “Project”), and certain other costs related thereto. See “ESTIMATED SOURCES AND USES OF FUNDS”. Simultaneously with the issuance of the 2007 Bonds, the Corporation will be making a separate subordinate mortgage loan in the amount of \$8,360,000 to the Mortgagor (the “Non-Bond Loan”), the proceeds of which will be used to pay a portion of the costs of constructing and equipping the Project. No obligations will be issued by the Corporation to provide proceeds for the Non-Bond Loan and the scheduled or other payments required by the Non-Bond Loan or the subordinate mortgage securing the Non-Bond Loan (the “Non-Bond Mortgage”) are not pledged for the benefit of the owners of the 2007 Bonds. Pursuant to the Credit Agreement, a default by the Mortgagor under the Non-Bond Loan constitutes a default under such Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption, in whole or in part, of the 2007 Bonds.

It is also anticipated that, subject to the satisfaction of certain conditions, the New York City Department of Housing Preservation and Development (“HPD”) will be making two mortgage loans to the Mortgagor that will each be secured by a mortgage that is subordinate to the lien of the Mortgage and the Non-Bond Mortgage (collectively, the “Subordinate Mortgage Loans”), the proceeds of which will be used by the Mortgagor to pay a portion of the costs of acquiring, constructing and equipping the Project. No obligations will be issued by the Corporation to provide proceeds for the Subordinate Mortgage Loans, and the scheduled or other payments required by the Subordinate Mortgage Loans and the related subordinate mortgages securing the Subordinate Mortgage Loans are not pledged for the benefit of the owners of the 2007 Bonds. Pursuant to the Credit Agreement, a default by the Mortgagor under the Subordinate Mortgage Loans constitutes a default under such Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption, in whole or in part, of the 2007 Bonds.

The managing member of the Mortgagor is Cook Street Managers LLC, the members of which are expected to be Cook Street Associates, Inc. and Cook Street Partnership Housing Development Fund Company, Inc. The sole shareholder of Cook Street Associates, Inc. is Cook Street Housing MM, LLC. The members of Cook Street Housing MM, LLC are L&M Cook Street Managers LLC and DDC Cook Street Housing MM, LLC. The members of L&M Cook Street Managers LLC are Ronald Moelis and Sanford Loewentheil. The sole member DDC Cook Street Housing MM, LLC is Dunn Development Corp. The shareholders of Dunn Development Corp. are Martin Dunn and Rachel Fine. The sole member of Cook Street Partnership Housing Development Fund Company, Inc. is NYC Partnership Housing Development Fund Company, Inc. (the "HDFC"). See "THE PROJECT AND THE MORTGAGOR".

Completion of construction of the Project depends upon, among other things, the ability of the Mortgagor to obtain various permits and approvals, some of which have not yet been obtained. In the event that the Project is not completed within approximately 27 months, subject to a six month extension and subject to force majeure, after the date of initial issuance and delivery of the 2007 Bonds, as required by the Credit Agreement (as hereinafter defined), there may be a mandatory tender or redemption of the 2007 Bonds, in whole or in part. See "DESCRIPTION OF THE 2007 BONDS—Credit Issuer's Right To Cause a Mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination" and "—Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration—Following an Event of Termination". In addition, if the Mortgage Loan is made in an amount less than the amount originally anticipated, all or a portion of the 2007 Bonds may be redeemed. See "DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—Optional—Special Redemption".

Upon completion of construction of the Project and the satisfaction of certain conditions, the Mortgagor is required to prepay a portion of the Mortgage Loan in the amount of \$21,920,000 (the "Mandatory Mortgage Loan Prepayment"). The source of funds for the Mandatory Mortgage loan Prepayment is expected to be derived from (i) proceeds of the Mortgagor's sale of certain low income housing tax credits, and (ii) the proceeds of a capital contribution anticipated to be funded with proceeds from the sale by the HDFC of (a) so-called Section 421-a eligibility rights (the "Section 421-a Rights") to third parties; and (b) so-called inclusionary development rights ("Inclusionary Rights") to third parties. Such Mandatory Mortgage Loan Prepayment is required to be applied to redeem a portion of the 2007 Bonds in a principal amount equal to the amount of the Mandatory Mortgage Loan Prepayment. See "THE MORTGAGE LOAN AND OTHER FINANCING" and "DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—Mandatory—Mandatory Redemption From Certain Recoveries of Principal". The aggregate principal balance of the Mortgage Loan after the Mandatory Mortgage Loan Prepayment is anticipated to be approximately \$4,680,000. See "THE MORTGAGE LOAN".

In connection with the issuance of the Inclusionary Rights, HPD requires that the Mortgagor and the HDFC enter into a Low Income Housing Plan Regulatory Agreement ("LIHPRA"), which includes certain requirements with respect to the renting and operation of the Project. The Corporation is required to subordinate the Mortgage Loan to the LIHPRA. Additionally, such subordination will be evidenced by a Subordination and Non-Disturbance Agreement between the Corporation, the Credit Issuer, the Trustee and HPD. As a result of such subordination, certain of HPD's rights with respect to the Project will take precedence over the Mortgage. These rights of HPD include principally the right to determine whether casualty insurance proceeds must be applied to restore damage to the Project and, under certain limited circumstances, the right either to freeze the Mortgagor's operating accounts for the Project or to terminate the LIHPRA.

Concurrently with, and as a condition precedent to, the issuance of the 2007 Bonds, the Corporation will cause to be delivered to the Trustee an irrevocable direct pay letter of credit (the "Letter of Credit") executed and delivered by JPMorgan Chase Bank, N.A. (the "Credit Issuer"). The Letter of Credit will permit the Trustee to draw up to an amount equal to the aggregate principal amount of the 2007 Bonds then Outstanding plus an amount equal to at least 34 days of interest at the Maximum Rate (defined below) on the Outstanding 2007 Bonds, in order to pay the principal or Purchase Price (defined below) of, and interest on, the 2007 Bonds. The Letter of Credit will be issued pursuant to the provisions of the Credit and Disbursement Agreement dated as of the date of initial issuance of the 2007 Bonds (the "Credit Agreement"), between the Mortgagor and the Credit Issuer. The sole obligor under the Letter of Credit will be the Credit Issuer. The Letter of Credit will expire on March 15, 2010, unless extended or terminated earlier in accordance with the terms of the Credit Agreement. See "THE LETTER OF CREDIT BANK," "SECURITY FOR THE BONDS—Letter of Credit" and "SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT". Under certain circumstances, the Corporation or the

Mortgagor may replace the Letter of Credit with a Substitute Letter of Credit or other form of Alternate Security. See “SECURITY FOR THE BONDS—Alternate Security” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT”.

The 2007 Bonds are special obligations of the Corporation payable from Revenues (as defined herein) and certain other moneys pledged therefor under the Resolution, including any investment earnings thereon. In addition, the 2007 Bonds are payable from amounts obtained under the Letter of Credit, any Substitute Letter of Credit or any Alternate Security (collectively, the “Credit Facility”), provided in accordance with the terms of the Resolution. See “SECURITY FOR THE BONDS”.

The 2007 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 2007 Bonds. Thereafter, the 2007 Bonds will bear interest at the Weekly Rate, as determined from time to time by Goldman, Sachs & Co., as Remarketing Agent for the 2007 Bonds (the “Remarketing Agent”) as herein described. The interest rate established with respect to the 2007 Bonds is subject to conversion to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein. See “DESCRIPTION OF THE 2007 BONDS”. The 2007 Bonds are subject to a maximum interest rate of ten percent (10%) per annum or such higher rate (which shall not exceed fifteen percent (15%) per annum) as may be established in accordance with the provisions of the Resolution (the “Maximum Rate”).

During any period of time in which the 2007 Bonds bear interest at the Weekly Rate, the 2007 Bonds are subject to purchase at a price equal to 100% of the principal amount of the 2007 Bonds plus accrued and unpaid interest thereon to the date of purchase (the “Purchase Price”). Such purchase shall be made upon demand of the owner thereof on any Business Day upon seven days’ prior notice. The 2007 Bonds are also subject to mandatory tender for purchase and are subject to optional and mandatory redemption and defeasance as set forth in the Resolution and described herein.

*This Official Statement in general describes the 2007 Bonds only while the 2007 Bonds bear interest at the Weekly Rate.*

**The 2007 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 2007 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

Descriptions of the 2007 Bonds and sources of payment, the Corporation, the Credit Issuer, the Mortgagor, the Project, the Mortgage Loan, the Letter of Credit, the Credit Agreement, the Resolution 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 2007 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”. Other than as so covenanted in the Resolution, the Corporation has not committed to provide any information on an ongoing basis to any repository or other entity or person.

## THE CORPORATION

### **Purposes and Powers**

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State, created for the purposes of providing, and encouraging the investment of private capital in, safe and sanitary dwelling accommodations in New York City for families and persons of low income, which include families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, or in areas designated as

blighted through the provision of low interest mortgage loans. Powers granted the Corporation under the Act include the power to issue bonds, notes and other obligations to obtain funds to carry out its corporate purposes, and to refund the same; to acquire, hold and dispose of real and personal property; to make mortgage loans to specified private entities; to purchase loans from lending institutions; to make loans insured or co-insured by the Federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any Federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from The City of New York (the “City”), obtain Federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the 2007 Bonds, notes, or other obligations are outstanding.

The sale of the 2007 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 2007 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.

**MATHEW M. WAMBUA**, Vice Chairperson and Member, term expires December 31, 2009. Mr. Wambua is the Senior Policy Advisor for the New York City Deputy Mayor of Economic Development. Prior to joining the Mayor’s Office, Mr. Wambua was Vice President for Special Projects at the New York City Economic Development Corporation. He previously was a senior investment officer for General Electric Capital Commercial Real Estate. Mr. Wambua has a B.A. degree from the University of California at Berkeley and a Masters in Public Policy from Harvard University’s John F. Kennedy School of Government. Mr. Wambua also is an adjunct professor of real estate finance at New York University and previously taught managerial economics at the New School University.

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



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

**HARRY E. GOULD, JR., Member,** term expires December 31, 2007. 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,** term expires December 31, 2008. Mr. Kelly is the managing partner of the Flying Point Group LLC which is a structured financial products and asset management company. Prior to that, Mr. Kelly was Managing Director of Ambac Capital Corporation and oversaw all of the non-insurance businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He began his career in 1979 as an attorney at Seward & Kissel. He received his Bachelor of Arts degree from Georgetown University and J.D. from Fordham University Law School.

## **Principal Officers**

**SHAUN DONOVAN**, Chairperson.

**MATHEW M. WAMBUA**, Vice Chairperson.

**VACANT**, President.

**RICHARD M. FROELICH**, 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 degree from St. John's University.

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

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

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

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

The Resolution authorizes the Corporation to issue the 2007 Bonds to provide moneys to finance the Mortgage Loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping the Project and certain other costs related thereto. As a condition to the initial issuance and delivery of the 2007 Bonds, the Credit Issuer is to deliver the Letter of Credit to the Trustee. In addition, the Corporation, NYC Partnership Housing Development Fund Company, Inc. (the "HDFC") and the Mortgagor will enter into a construction loan agreement

(as the same may be amended or supplemented, the “Loan Agreement”), simultaneously with the issuance of the 2007 Bonds. The Mortgage Loan is to be (i) evidenced by one or more mortgage notes (as the same may be amended or supplemented, collectively, the “Mortgage Note”), in an aggregate amount equal to the principal amount of the 2007 Bonds, executed by the Mortgagor in favor of the Corporation, and (ii) secured by one or more mortgages executed by the Mortgagor and the HDFC (as the same may be amended or supplemented, collectively, the “Mortgage”). The Mortgagor is required under the Mortgage Note to make payments sufficient to pay principal of and interest on the 2007 Bonds. Pursuant to the terms of the Resolution and the Assignment and Servicing Agreement by and among the Corporation, the Trustee and the Credit Issuer, and acknowledged by the Mortgagor (the “Assignment”), the Corporation is to assign to the Trustee and the Credit Issuer, all of its right, title and interest in the Mortgage Loan, the Loan Agreement, the Mortgage Note, the Mortgage and other assigned documents (except certain reserved rights as described in the Assignment). If the costs of acquiring, constructing and equipping the Project are less than the amount originally anticipated and, in turn, the Mortgage Loan is made in an amount less than the amount originally anticipated, a portion of the 2007 Bonds may be redeemed. See “DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—Optional—Special Redemption”.

In the Credit Agreement, the Mortgagor agrees to complete the acquisition, construction and equipping of the Project within approximately 27 months, subject to a six month extension and subject to force majeure, after the date of the initial issuance and delivery of the 2007 Bonds. There can be no assurance that the Project will be completed or that they will be completed on schedule. Failure to complete construction of the Project by the date required in the Credit Agreement is an event of default under the Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption in whole or in part of the 2007 Bonds. See “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right To Cause a Mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination” and “Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration—Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT”.

Upon completion of construction of the Project and the satisfaction of certain conditions, the Mortgagor is required to make a Mandatory Mortgage Loan Prepayment. Such prepayment is required to be applied to redeem prior to maturity a portion of the 2007 Bonds. See “DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—Mandatory—Mandatory Redemption From Certain Recoveries of Principal”. The source of funds for the Mandatory Mortgage Loan Prepayment is expected to be (i) the proceeds of the Mortgagor’s sale of certain low income housing tax credits, and (ii) the proceeds of a capital contribution anticipated to be funded with proceeds from the sale by the HDFC of (a) Section 421-a Rights to third parties; and (b) the Inclusionary Rights to third parties. Under the Section 421-a Rights program, a builder of affordable housing designates an eligible market rate project in certain areas of the Greenpoint-Williamsburg area of Brooklyn to be the recipient of the Section 421-a Rights and a resulting partial real estate tax exemption. Under the Inclusionary Rights program, a builder of affordable housing sells certain bonus development rights to builders of market rate housing located in a specific geographic area. The Mortgagor is required to make the Mandatory Mortgage Loan Prepayment regardless of whether or in what amount such proceeds are available. A failure by the Mortgagor to make the required Mandatory Mortgage Loan Prepayment is an event of default under the Mortgage Loan and the Credit Agreement. Upon an event of default under the Credit Agreement, the Credit Issuer may cause a mandatory tender or redemption in whole or in part of the 2007 Bonds. See “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right To Cause a Mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination” and “Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon Declaration of Acceleration—Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT”.

In connection with the issuance of the Inclusionary Rights, HPD requires that the Mortgagor and the HDFC enter into a Low Income Housing Plan Regulatory Agreement (“LIHPRA”), which includes certain requirements with respect to the renting and operation of the Project. The Corporation is required to subordinate the Mortgage Loan to the LIHPRA. Additionally, such subordination will be evidenced by a Subordination and Non-Disturbance Agreement between the Corporation, the Credit Issuer, the Trustee and HPD. As a result of such subordination, certain of HPD’s rights with respect to the Project will take precedence over the Mortgage. These rights of HPD include principally the right to determine whether casualty insurance proceeds must be applied to restore damage to the Project and, under certain limited circumstances, the right either to freeze the Mortgagor’s operating accounts for the Project or to terminate the LIHPRA.

The Mortgagor has agreed to pay fees to the Credit Issuer in connection with the issuance and maintenance of the Letter of Credit and to indemnify the Credit Issuer in certain circumstances. Failure of the Mortgagor to make payments when due under the Mortgage Loan or the Credit Agreement, as the case may be, or under the Non-Bond Loan, will result in an event of default the Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption, in whole or in part, of the 2007 Bonds. See “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right To Cause a Mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination” and “—Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT”.

Under the terms of a completion guaranty (as the same may be amended or supplemented, the “Completion Guaranty”) executed and delivered by Ronald Moelis, Sanford Loewentheil and L&M Builders LLC, a New York limited liability company which is affiliated with a principal of the Mortgagor (collectively, the “Completion Guarantors”) to the Credit Issuer, the Completion Guarantors have agreed to guarantee completing construction of the Project. Under the terms of a non-recourse carve out guaranty (as same may be amended or supplemented, a “Carve-Out Guaranty”); together with the Completion Guaranty, the “Guaranty”) executed and delivered to the Credit Issuer by Ronald Moelis, Sanford Loewentheil and Martin Dunn (collectively, the “Carve-Out Guarantors”); together with the Completion Guarantors, the “Guarantors”) the Limited Payment Guarantors have agreed to guarantee certain obligations to the Credit Issuer. Failure by the Guarantors to perform their obligations under the Guaranty may result in an event of default under the Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption, in whole or in part, of the 2007 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” and “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right To Cause a Mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination” and “Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon Declaration of Acceleration—Following an Event of Termination”. Neither the owners of the 2007 Bonds nor the Corporation will have any rights with respect to the Guaranty, and the obligations thereunder, provided by the Guarantors. The Guaranty is provided for the sole benefit of the Credit Issuer.

The Mortgagor’s only asset is the Project. 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 assets, other than the Project and its rents, profits and proceeds.

Simultaneously with the issuance of the 2007 Bonds, the Corporation will be making the Non-Bond Loan to the Mortgagor, the proceeds of which will be used to pay a portion of the costs of constructing and equipping the Project. The lien of the Non-Bond Mortgage on the Project will be subordinate to the lien of the Mortgage on the Project. No obligations will be issued by the Corporation to provide proceeds for the Non-Bond Loan and the Corporation has not pledged the scheduled or other payments required by the Non-Bond Loan or the Non-Bond Mortgage for the benefit of the owners of the 2007 Bonds. Pursuant to the Credit Agreement, a default by the Mortgagor under the Non-Bond Loan constitutes a default under such Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption, in whole or in part, of the 2007 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” and “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right to Cause a mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination” and “Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration—Following an Event of Termination” herein.

It is also anticipated that, subject to the satisfaction of certain conditions, HPD will be making two Subordinate Mortgage Loans to the Mortgagor that will each be secured by a mortgage that is subordinate to the lien of the Mortgage and the Non-Bond Mortgage, the proceeds of which will be used by the Mortgagor to pay a portion of the costs of acquiring, constructing and equipping the Project. No obligations will be issued by the Corporation to provide proceeds for the Subordinate Mortgage Loans, and the scheduled or other payments required by the Subordinate Mortgage Loans and the related subordinate mortgages securing the Subordinate Mortgage Loans are not pledged for the benefit of the owners of the 2007 Bonds. Pursuant to the Credit Agreement, a default by the Mortgagor under the Subordinate Mortgage Loans constitutes a default under such Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption, in whole or in part, of the 2007 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” and “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right to Cause a mandatory Tender

for Purchase of 2007 Bonds Upon an Event of Termination” and “Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration—Following an Event of Termination” herein.

## **THE PROJECT AND THE MORTGAGOR**

The Mortgagor has provided the following information regarding the Mortgagor and the Project for use herein. While the information is believed to be reliable, neither the Corporation, the Credit Issuer, the Underwriter nor any of their respective counsel, members, directors, officers or employees makes any representation as to the accuracy or sufficiency of such information.

### **The Project**

The Bonds are being issued to finance a Mortgage Loan to the Mortgagor for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family housing facility consisting of two buildings, one of which will be located at 9 Cook Street, the other of which will be located at 21 Cook Street and 40 Varet Street, in the Borough of the Brooklyn, City of New York.

The Project is expected to consist of approximately 152 units (18 studio units, 32 one bedroom units, 74 two bedroom units and 28 three-bedroom units) in two (2) eight-story buildings, with one (1) of the two bedroom units in each building expected to be occupied by a superintendent. Each building will contain a laundry room, landscaped garden and children’s play area. The building located at 21 Cook Street and 40 Varet Street will also contain approximately 6,334 square feet of retail or commercial space and a 94 space public parking garage. It is anticipated that this building will be comprised of three separate condominium units, consisting of (i) a condominium unit containing 89 residential rental units; (ii) a condominium unit containing the aforesaid retail or commercial space; and (iii) a condominium unit containing the aforesaid parking garage.

It is anticipated that 30 of the revenue units (i.e., excluding the superintendents’ units) will be occupied by households whose gross income will not exceed 40% of the area median income for New York City, adjusted for family size, and the remaining 120 revenue units are expected to be occupied by households whose gross income will not exceed 60% of area median income for New York City, adjusted for family size (collectively, the “Low Income Units”). Initial rents for the Project are expected to be set at 30% of 36% and 30% of 56% of the area median income for New York City, adjusted for family size.

The Mortgagor expects to obtain a thirty year exemption from real estate taxes for the residential portion Project in accordance with Section 420-c of the Real Property Tax Law of the State of New York, which exemption currently requires all residential units in the Project be subject to rent regulation for thirty years in accordance with the New York City Rent Stabilization Code. The Mortgagor expects to receive a twenty five year partial exemption from real estate taxes for the portions of the Project consisting of the retail or commercial space and the public parking garage in accordance with the Industrial and Commercial Incentive Program under Section 11-257 of the Administrative Code of the City of New York. In addition, the Mortgagor expects to receive an allocation of low income housing tax credits for the Project.

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

The general contractor for the Project will be L&M Builders LLC, which will enter into a fixed price construction contract with the Mortgagor. The management agent for the Project will be C&C Affordable Management LLC, which will enter into a management agreement with the Mortgagor. L&M Builders LLC is owned by Ronald Moelis and Sanford Loewentheil, and Messrs. Moelis and Loewentheil have an ownership interest in C&C Affordable Management LLC. Messrs. Moelis and Loewentheil are principals of L&M Cook Street Managers LLC, which is a member of Cook Street Housing MM, LLC, which is the sole shareholder of Cook Street Associates, Inc., which is a member of the managing member of the Mortgagor.

Due to the inherent uncertainty of future events and conditions, including, without limitation, general interest rate levels, no assurance can be given that revenues generated by the Project will be sufficient to pay debt service on the Mortgage Loan, operating expenses of the Project, Credit Issuer 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 maintenance of a sufficient level of occupancy, the requirement that the rent charged for the Low Income Units be substantially below market rates, the ability to achieve increases in rents to cover increases in debt service and operating expenses, the level of operating expenses, Project management, adverse changes in applicable laws and regulations, and general economic conditions and other factors in the metropolitan area surrounding the Project. Furthermore, adverse changes may occur from time to time with respect to any of the preceding factors or other factors or events which may have a negative impact on the occupancy level and rental income of the Project. Failure of the Mortgagor to make payments under the Mortgage Loan will result in an event of default under the Credit Agreement and may, at the option of the Credit Issuer, result in a mandatory tender or redemption in whole or in part of the 2007 Bonds. See “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right To Cause a Mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination” and “Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration—Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT”.

### **The Mortgagor**

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

The managing member of the Mortgagor is Cook Street Managers LLC, which will possess an approximate 0.01% ownership interest in the Mortgagor. The members of Cook Street Managers LLC are expected to be Cook Street Associates, Inc. and Cook Street Partnership Housing Development Fund Company, Inc. The sole shareholder of Cook Street Associates, Inc. is Cook Street Housing MM, LLC. The members of Cook Street Housing MM, LLC are L&M Cook Street Managers LLC and DDC Cook Street Housing MM, LLC. The members of L&M Cook Street Managers LLC are Ronald Moelis and Sanford Loewentheil. The sole member DDC Cook Street Housing MM, LLC is Dunn Development Corp. The shareholders of Dunn Development Corp. are Martin Dunn and Rachel Fine. The sole member of Cook Street Partnership Housing Development Fund Company, Inc. is the HDFC.

A low-income housing tax credit investor is also expected to be admitted as a member of the Mortgagor and provide an equity investment in the Mortgagor in exchange for an approximate 99.99% ownership interest in the Mortgagor.

Messrs. Moelis and Loewentheil have been active developers of residential and mixed use real estate in New York City for over 20 years and during that time have developed over 5,000 housing units. Mr. Dunn has been an active developer of residential real estate in New York City for over 7 years and during that time has developed over 700 housing units.

### **LETTER OF CREDIT BANK**

JPMorgan Chase Bank, N.A. (“the Bank”) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of September 30, 2007, JPMorgan Chase Bank, N.A., had total assets of \$1,244.0 billion, total net loans of \$456.4 billion, total deposits of \$699.0 billion, and total stockholder’s equity of \$102.9 billion. These figures are extracted from the Bank’s unaudited Consolidated Reports of Condition and Income as at September 30, 2007, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation.

Additional information, including the most recent Form 10-K for the year ended December 31, 2006, of JPMorgan Chase & Co., the 2006 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission by JPMorgan Chase & Co., as

they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this section entitled “LETTER OF CREDIT BANK” relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this section entitled “LETTER OF CREDIT BANK” is correct as of any time subsequent to its date.

None of such information or any of the statements referred to in the preceding paragraphs under this heading “LETTER OF CREDIT BANK” is guaranteed as to accuracy or completeness by the Corporation, the Underwriter or the Mortgagor, or is to be construed as a representation by the Corporation, the Underwriter or the Mortgagor. Furthermore, neither the Corporation, the Underwriter nor the Mortgagor makes any representations as to the financial condition or resources of JPMCB or as to the absence of material adverse changes subsequent to September 30, 2007 in such information or in the information contained in the statements referred to above.

## **DESCRIPTION OF THE 2007 BONDS**

### **General**

The 2007 Bonds are to be dated and will mature as set forth on the cover of this Official Statement. The 2007 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 September 1, 2040, upon redemption or otherwise. The 2007 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 2007 Bonds. Thereafter, the 2007 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 2007 Bonds exceed the Maximum Rate. The 2007 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 2007 Bonds only while the 2007 Bonds bear interest at a Weekly Rate.*

The 2007 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 2007 Bonds shall be payable on a monthly basis on the first Business Day of each month commencing January, 2008, on any Change Date and on the final maturity date of the 2007 Bonds. Interest on the 2007 Bonds shall be computed on the basis of a 365 or 366 day year, actual number of days elapsed.

### **Book-Entry-Only System**

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2007 Bonds. The 2007 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 2007 Bond certificate will be issued in the aggregate principal amount of the 2007 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 the 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2007 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 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 bond certificates representing their ownership interests in the 2007 Bonds, except in the event that use of the book-entry system for the 2007 Bonds is discontinued.

To facilitate subsequent transfers, all 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the 2007 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 2007 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2007 Bond documents. For example, Beneficial Owners of 2007 Bonds may wish to ascertain that the nominee holding the 2007 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 2007 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2007 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2007 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 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2007 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements



as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants 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 2007 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such 2007 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2007 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the 2007 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2007 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2007 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the 2007 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, 2007 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, 2007 Bond certificates will be printed and delivered to DTC.

**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 the 2007 Bonds, as nominee for DTC, references herein to Bond owners or registered owners of the 2007 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2007 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 2007 Bond is held in book-entry form, such 2007 Bond need not be delivered in connection with any optional or mandatory tender of 2007 Bonds described under "DESCRIPTION OF THE 2007 BONDS". In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2007 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 2007 Bonds contained under "DESCRIPTION OF THE 2007 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 2007 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 2007 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 2007 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2007 BONDS; OR (vi) ANY OTHER MATTER.

### **Interest Rate Periods**

**Weekly Rate Period.** The 2007 Bonds shall bear interest at the Weekly Rate determined in accordance with the Resolution, during the period from the date of initial issuance and delivery of the 2007 Bonds to the earlier of the first Interest Method Change Date or the final maturity or redemption in whole of the 2007 Bonds.

The Weekly Rate shall be the lowest interest rate, not exceeding the Maximum Rate, which, in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for the 2007 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 not later than 10:00 a.m., New York City time, on 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 2007 Bonds to but not including the Wednesday following said date of issue shall be the rate for the 2007 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 and the Credit Issuer by telecopy or other similar means of electronic communication or by such other method of communication as shall be mutually agreed upon by the Remarketing Agent and the recipients of such notice.

On the Business Day immediately following (i) the issuance and delivery of the 2007 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 2007 Bond, at the address shown on the registration books of the Corporation maintained by the Trustee, a notice stating the Weekly Rate to be borne by the 2007 Bonds, and that from and after the Weekly Effective Rate Date the 2007 Bonds will bear interest at the Weekly Rate for the duration of the Weekly Rate Period. Such notice shall further specify the name, address and telephone number of the person or persons from whom information with respect to the Weekly Rate for each succeeding Weekly Rate Term may be obtained. Unless an Interest Method Change Date occurs, a new Weekly Rate Term shall automatically commence on the day after the termination of the current Weekly Rate Term.

If for any reason the position of the Remarketing Agent is vacant, or if the Remarketing Agent fails in the performance of its duty to determine the Weekly Rate for any Weekly Rate Term or the Weekly Rate is held to be invalid or unenforceable by a court of law, as set forth in a written notice from the Corporation to the Trustee, the Weekly Rate for such Weekly Rate Term shall be determined by the Trustee and shall be one hundred percent (100%) of the most recent The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index theretofore 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 2007 Bonds shall be made unless the Trustee has received, at least thirty (30) days prior to the Change Date, (1) a Certificate of an Authorized Officer of the Mortgagor specifying (i) the date which is to be the Interest Method Change Date, and (ii) the method of determining the interest rate which shall take effect on such date, (2) a Certificate of an Authorized Officer of the Credit Issuer, evidencing consent to such change by the Credit Issuer if a Credit Facility is then in effect and, if necessary, an amendment to such Credit Facility conforming such Credit Facility to the requirements of the Resolution applicable to such instrument from and after the Interest Method Change Date, together with various opinions of counsels as set forth in the Resolution, or provision for the issuance of a Substitute Letter of Credit or Alternate Security meeting the requirements of the Resolution, in which case the Interest Method Change Date shall also be a Facility Change Date, (3) an opinion of Bond Counsel to the Corporation to the effect that the proposed change in the method of determining the interest rate on the 2007 Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 2007 Bonds from gross income for Federal income tax purposes, and (4)(i) permission from Bond Counsel to the Corporation, the opinion of which as to the exclusion from gross income for Federal income tax purposes of interest on the 2007 Bonds is on file with the Trustee, to deliver such opinion in connection with the 2007 Bonds, or (ii) an opinion from Bond Counsel to the Corporation as described in the Resolution to the effect that the interest on the 2007 Bonds is not included in gross income for Federal income tax purposes.

#### **Purchase of the 2007 Bonds on Demand of Owner**

Each owner of a 2007 Bond may by delivery of a written, personal, electronic or telephonic notice of tender to the Principal Office of the Tender Agent at Wells Fargo, National Association, 45 Broadway, 12th Floor, New York, New York 10006, Attention: Corporate Trust 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, 24<sup>th</sup> Floor, New York, New York 10004 (or such other address as may be established by the Remarketing Agent from time to time) prior to 5:00 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 the 2007 Bonds, in any denomination authorized by the Resolution; provided, however, that no 2007 Bonds shall be purchased unless any remaining 2007 Bonds of such owner are 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 2007 Bonds to be purchased and the numbers of the such 2007 Bonds to be purchased, and (B) the date on which such 2007 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 2007 Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 2007 Bond demanding purchase thereof shall deliver to the Tender Agent a due bill check, payable to bearer, for interest due on such Interest Payment Date.

Any 2007 Bonds for which a demand for purchase has been made shall be delivered to the Tender Agent, as agent for the Credit Issuer, at or prior to 12:00 noon, 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 2007 Bonds not so delivered to the Tender Agent ("Undelivered 2007 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 2007 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF AFFECTED 2007 BONDS TO DELIVER ITS AFFECTED 2007 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 2007 BONDS, AND ANY UNDELIVERED 2007 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 2007 Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 2007 Bond to the Tender Agent, but such 2007 Bond shall be deemed to have been delivered to the Tender Agent and redelivered to such owner.

#### **Mandatory Purchase of 2007 Bonds on Interest Method Change Date**

The 2007 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, postage prepaid, to the Remarketing Agent and to the owner of each 2007 Bond, at its address shown on the registration books of the Corporation held by the Trustee, a notice not later than fifteen (15) days prior to the Interest Method Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Interest Method Change Date and reason therefor, that such owners of 2007 Bonds shall be deemed to have tendered their 2007 Bonds for purchase on the Interest Method Change Date, and the Purchase Price for such 2007 Bonds.

Owners of 2007 Bonds shall be required to tender their 2007 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 2007 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 2007 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 2007 BONDS TO DELIVER ITS 2007 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

2007 BONDS, AND ANY UNDELIVERED 2007 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

**Mandatory Purchase of 2007 Bonds Upon Replacement, Termination or Expiration of Credit Facility**

On any Facility Change Date the 2007 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, postage prepaid, a notice not later than fifteen (15) days prior to the Facility Change Date to the Remarketing Agent and to the owner of each 2007 Bond at its address shown on the registration books of the Corporation held by the Trustee. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Facility Change Date and reason therefor, that all owners of 2007 Bonds shall be deemed to have tendered their 2007 Bonds for purchase on the Facility Change Date, and the Purchase Price for such 2007 Bonds.

Owners of 2007 Bonds shall be required to tender their 2007 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 2007 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 2007 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 2007 BONDS TO DELIVER ITS 2007 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 2007 BONDS, AND ANY UNDELIVERED 2007 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 2007 Bonds Upon a Notice of Prepayment of the Mortgage Loan**

Pursuant to the Resolution, upon notice to the Trustee from the Corporation of the Mortgagor's election to prepay 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"), the Corporation shall specify a Change Date on which all the 2007 Bonds bearing interest at the Weekly Rate shall be subject to mandatory tender for purchase, which Change Date shall be the date specified by the Mortgagor for such prepayment of the Mortgage Loan.

Following receipt by the Trustee of such Notice of Prepayment of the Mortgage Loan, the Trustee shall deliver, or mail by first-class mail, postage prepaid, to the Remarketing Agent and to the owner of each 2007 Bond to which such notice relates, at its address shown on the registration books of the Corporation held by the Trustee, a notice not less than fifteen (15) days prior to such Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice.

Any notice of mandatory tender relating to a Notice of Prepayment of the Mortgage Loan shall set forth, in substance, the Change Date and reason therefor, that all owners of 2007 Bonds shall be deemed to have tendered their 2007 Bonds for purchase on the Change Date and the Purchase Price for the 2007 Bonds. Owners of 2007 Bonds to which a mandatory tender for purchase relates shall be required to tender their 2007 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 2007 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 2007 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 2007 BONDS TO DELIVER ITS 2007 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 2007 BONDS, AND ANY UNDELIVERED 2007 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Upon such prepayment of the Mortgage Loan and payment to the Credit Issuer (other than from the proceeds of the remarketing of the 2007 Bonds so purchased or from moneys on deposit in the Principal Reserve Fund) of all amounts due under the Credit Agreement, all 2007 Bonds tendered or deemed tendered as a result of such prepayment shall be deemed paid and shall be delivered to the Trustee for cancellation.

#### **Credit Issuer's Right To Cause a Mandatory Tender for Purchase of 2007 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 Issuer that one or more events of default have occurred under the Credit Agreement (defined in the Resolution as an "Event of Termination"), including, but not limited to, a default under the Mortgage Loan or the Guaranty (as defined in the Credit Agreement), a failure to reimburse the Credit Issuer under the Credit Agreement or a failure to complete the Project within the time required by the Credit Agreement, the Credit Issuer may specify a Change Date on which the 2007 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 2007 Bonds; provided however, that if the Credit Issuer shall have directed that the mandatory tender for purchase of the 2007 Bonds be for a portion of the 2007 Bonds, only such portion of the 2007 Bonds shall be subject to mandatory tender for purchase by the owners thereof on such Change Date, and the particular 2007 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 2007 Bond for tender which would result in any remaining 2007 Bonds not being in an authorized denomination as provided in the Resolution. Upon receipt of such written notice from the Credit Issuer, the Trustee shall promptly deliver to the Remarketing Agent and to the owner of each affected 2007 Bond a notice of mandatory tender for purchase by overnight express mail or courier service. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. See "SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT".

Any notice of mandatory tender relating to an Event of Termination specified by the Credit Issuer shall set forth, in substance, the Change Date and reason therefor, that all owners of affected 2007 Bonds shall be deemed to have tendered their 2007 Bonds for purchase on the Change Date and the Purchase Price for such 2007 Bonds. Owners of affected 2007 Bonds shall be required to tender their 2007 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 2007 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 2007 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 2007 BONDS TO DELIVER ITS AFFECTED 2007 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 2007 BONDS, AND ANY UNDELIVERED 2007 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

#### **Additional Provisions Regarding Pledged Bonds**

Pursuant to the Resolution, 2007 Bonds for which the Purchase Price is funded with moneys provided under the Credit Facility and which are not remarketed shall become Pledged Bonds. The Credit Facility shall not constitute security or provide liquidity support for Pledged Bonds. Pledged Bonds shall be pledged pursuant to the Pledge Agreement.

Failure to pay interest on Pledged Bonds when due, or failure to pay principal and interest on Pledged Bonds upon any Redemption Date or purchase date or the maturity date of Pledged Bonds, shall not constitute an Event of Default. Upon the maturity date of the 2007 Bonds, or upon any Redemption Date for the redemption in whole of the 2007 Bonds (whether by reason of optional or mandatory redemption) or date of acceleration of the 2007 Bonds, all Pledged Bonds shall be deemed cancelled. Pledged Bonds shall also be cancelled at the direction of the Credit Issuer. At such time as a Pledged Bond is remarketed, the Trustee or the Tender Agent, as appropriate, shall (a) remit the proceeds from the remarketing to the Credit Issuer, and (b) to the extent that the Credit Facility

has been reinstated by the amount required as specified in the Resolution, give written notice to the Remarketing Agent, the Mortgagor and the Credit Issuer that such 2007 Bond is no longer a Pledged Bond.

**Provisions Affecting 2007 Bonds if a Change of Method of Determining the Interest Rate Cannot be Effected or if a Credit Facility Cannot be Replaced**

In the event of a Facility Change Date or an Interest Method Change Date and following the provision of notice of mandatory purchase of 2007 Bonds, the Trustee receives notice from the Corporation or the Remarketing Agent, as applicable, that a change in the method of determining the interest rate on the 2007 Bonds cannot be effected, or a Credit Facility that was to be replaced cannot be replaced, the Change Date shall be cancelled, unless the prior Credit Facility is expiring within sixty (60) days after the Change Date. The Trustee shall promptly deliver or mail by first class mail, postage prepaid, a notice to the owners of the 2007 Bonds stating that such change shall not occur and the reasons therefor.

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

The Resolution provides that it is subject to amendment and supplement by a Supplemental Resolution, from time to time, to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 2007 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 2007 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 2007 Bond owners (but not less than thirty (30) days). A copy of any such Supplemental Resolution shall be provided to the owners of the 2007 Bonds.

**Delivery of 2007 Bonds in Book-Entry-Only Form**

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2007 Bond is held in book-entry form, such 2007 Bond need not be delivered in connection with any optional or mandatory tender of 2007 Bonds described under “DESCRIPTION OF THE 2007 BONDS”. In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2007 Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. See “DESCRIPTION OF THE 2007 BONDS—Book-Entry-Only System”.

**Redemption of 2007 Bonds—Mandatory**

**Mandatory Redemption From Certain Recoveries of Principal.** The 2007 Bonds shall be 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 moneys other than amounts transferred from the Principal Reserve Fund) at a Redemption Price equal to 100% of the principal amount of the 2007 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 the Mandatory Mortgage Loan Prepayment as described under “INTRODUCTION” and “THE MORTGAGE LOAN AND OTHER FINANCING”.

**Mandatory Redemption on Bankruptcy of Credit Issuer.** The 2007 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 Issuer,

the Trustee has not received a new Credit Facility, at a Redemption Price equal to 100% of the principal amount of the 2007 Bonds to be redeemed, plus accrued interest to the Redemption Date.

#### Mandatory Redemption Upon a Declaration of Acceleration.

Following an Event of Default. The 2007 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 2007 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

Following an Event of Termination. The 2007 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 2007 Bonds or portions thereof to be so 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 2007 Bonds are subject to mandatory redemption, in whole or in part, on the first Business Day of September 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 August 1 (or, if such day is not a Business Day, the next succeeding Business Day). See SECURITY FOR THE BONDS—Principal Reserve Fund” and “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 2007 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption Following a Determination of Taxability. The 2007 Bonds shall be subject to mandatory redemption, in whole, as soon as practicable after the occurrence of a “Determination of Taxability” at a Redemption Price equal to 100% of the aggregate principal amount of the 2007 Bonds to be redeemed plus accrued interest to the Redemption Date. A “Determination of Taxability” with respect to the 2007 Bonds shall be deemed to occur if there shall be a final decree or judgment of a Federal court, or a final determination by the Internal Revenue Service for which all appeal or challenge periods have expired without challenge or appeal having been instituted, to the effect that the interest paid or payable on any 2007 Bond is or was includable in the gross income of the owner of such 2007 Bond for Federal income tax purposes, other than as a result of the owner of such 2007 Bond being a “substantial user” of the facilities financed by the 2007 Bonds or a “related person” within the meaning of the Code.

#### **Redemption of 2007 Bonds - Optional**

Optional Redemption. The 2007 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 2007 Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Special Redemption. The 2007 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 amounts on deposit in the Bond Proceeds Account representing unexpended amounts allocable to the 2007 Bonds that are not used to finance the Mortgage Loan, at a Redemption Price equal to 100% of the principal amount of the 2007 Bonds or portions thereof to be so redeemed, plus interest accrued thereon to the Redemption Date.

#### **Selection of 2007 Bonds to be Redeemed**

In connection with any redemption of the 2007 Bonds in part, the Trustee, after first selecting for redemption any 2007 Bonds pledged to the Credit Issuer, shall select the remaining 2007 Bonds or portions thereof to be redeemed by lot in such manner as the Trustee may determine. For so long as the Credit Facility shall be in effect, (i) the first 2007 Bonds to be redeemed shall be Pledged Bonds and (ii) no 2007 Bond shall be selected for redemption if the portion of such 2007 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 2007 Bonds, or is required pursuant to the Resolution to redeem the 2007 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2007 Bonds. Such notice is to specify, among other things, the 2007 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 2007 Bonds or portions of 2007 Bonds which are to be redeemed, at their last addresses appearing upon the registry books not less than fifteen (15) days before the Redemption Date. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2007 Bonds for which, pursuant to the Resolution, notice is not required to be given. If the conditions precedent to the redemption, if any, have been satisfied, interest shall cease to accrue and be payable on the 2007 Bonds after the Redemption Date if notice has been given, or is not required to be given, and if sufficient moneys have been deposited with the Trustee to pay the Redemption Price and interest on the 2007 Bonds on such date. So long as the 2007 Bonds are in book-entry form, notice of redemption shall be given to Cede & Co., as nominee for DTC. See “DESCRIPTION OF THE 2007 BONDS—Book-Entry-Only System”.

### **Corporation’s Right to Purchase**

The Corporation retains the right to purchase the 2007 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 2007 Bonds.

### **Disclosure Concerning Remarketing of the 2007 Bonds**

*The information contained under this subheading “Disclosure Concerning Remarketing of the 2007 Bonds” has been provided by the Remarketing Agent for use in this Official Statement but has not been required by the Corporation or the Mortgagor to be included herein and, to the extent such information does not describe express provisions in the Resolution or the Remarketing Agreement, neither the Corporation nor the Mortgagor accepts any responsibility for its accuracy or completeness.*

#### **The Remarketing Agent is Paid by the Mortgagor.**

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing 2007 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is selected by the Corporation and is paid by the Mortgagor for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2007 Bonds.

#### **The Remarketing Agent Routinely Purchases Bonds for its Own Account.**

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2007 Bonds for its own account and, in its sole discretion, routinely acquires such tendered 2007 Bonds in order to achieve a successful remarketing of the 2007 Bonds (i.e., because there otherwise are not enough buyers to purchase the 2007 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2007 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2007 Bonds by routinely purchasing and selling 2007 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2007 Bonds. The Remarketing Agent may also sell any 2007 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2007 Bonds. The purchase of 2007 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2007 Bonds in the market than is actually the case. The practices described above also may result in fewer 2007 Bonds being tendered in a remarketing.



2007 Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date.

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate, not to exceed the Maximum Rate, that would permit the sale of the 2007 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Weekly Effective Rate Date. The interest rate will reflect, among other factors, the level of market demand for the 2007 Bonds (including whether the Remarketing Agent is willing to purchase 2007 Bonds for its own account). There may or may not be 2007 Bonds tendered and remarketed on a Weekly Effective Rate Date, the Remarketing Agent may or may not be able to remarket any 2007 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2007 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2007 Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer 2007 Bonds on any date, including the Weekly Effective Rate Date, at a discount to par to some investors.

The Ability to Sell the 2007 Bonds other than through Tender Process May Be Limited.

The Remarketing Agent may buy and sell 2007 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2007 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2007 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2007 Bonds other than by tendering the 2007 Bonds in accordance with the tender process.

2007 Bonds Not Remarketed

The purchase price of any tendered 2007 Bonds that are not remarketed by the Remarketing Agent is to be paid with the proceeds of a draw under the Letter of Credit.

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

The proceeds of the 2007 Bonds will be used to fund the Mortgage Loan to the Mortgagor in the principal amount equal to the aggregate principal amount of the 2007 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 2007 Bonds, including the Underwriter's fee (other than the fee of Underwriter's counsel) in an amount equal to \$70,041.89.

To the extent any proceeds of the 2007 Bonds are not used to fund the Mortgage Loan, a portion of the 2007 Bonds may be redeemed. See "DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—Optional—Special Redemption".

## **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 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.

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 2007 Bonds are payable from amounts obtained under the Credit Facility. Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of Revenues, which consists of all payments received by the Corporation 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 on account of the Mortgage Loan. Payment of the Bonds is also secured by a pledge by the Corporation of the rights and interest of the Corporation in all amounts held in any Accounts (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 Issuer 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 Issuer 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 Assignment, all of the Corporation's rights under the Mortgage Loan (except certain reserved rights as described in the Assignment) will be assigned to the Trustee on behalf of the owners from time to time of the Bonds, as security for the payment of the principal of and interest on the Bonds, and to the Credit Issuer, as security for the obligations of the Mortgagor under the Credit Agreement. The Corporation has also assigned under the Assignment its rights to enforce the terms, covenants and conditions of the Mortgage Loan to the Credit Issuer and the Trustee as their respective interests may appear. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Covenants with Respect to the Mortgage Loan".

### **Letter of Credit**

The 2007 Bonds when initially issued will have the benefit of an irrevocable direct pay Letter of Credit issued by the Credit Issuer, which Letter of Credit will expire on March 15, 2010, unless earlier extended or terminated earlier in accordance with the terms of the Credit Agreement. The Credit Issuer will deliver the Letter of Credit to the Trustee upon the issuance of the 2007 Bonds. Pursuant to the Letter of Credit Agreement, the Mortgagor may, upon satisfaction of certain conditions described therein, request a fifteen (15) year extension of the expiration date of the Letter of Credit and, upon satisfaction of certain other conditions described therein, request up to three extensions of five (5) years each of the expiration date of the Letter of Credit. The Letter of Credit may be replaced with a Substitute Letter of Credit or various other forms of credit enhancement ("Alternate Security"; the Letter of Credit, Substitute Letter of Credit or Alternate Security are referred to as the "Credit Facility"), as described below under the caption "Alternate Security". Upon replacement, termination or expiration of the Letter of Credit, the 2007 Bonds are subject to mandatory tender as described above under the caption "DESCRIPTION OF THE 2007 BONDS—Mandatory Purchase of 2007 Bonds Upon Replacement, Termination or Expiration of Credit Facility". Further information regarding the Letter of Credit is contained under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT" and further information regarding the Credit Issuer is contained under the caption "THE LETTER OF CREDIT BANK".

### **Alternate Security**

Pursuant to the Resolution, the Corporation reserves the right to make provision for or cause the replacement of any Credit Facility; provided, however, that during any Weekly Rate Period, a Credit Facility must be in effect with respect to the 2007 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 2007 Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. or the national rating agency or agencies then rating the 2007 Bonds (a) in the case of a Substitute Letter of Credit, to the effect that such Substitute Letter of Credit will not result in a reduction or withdrawal of the rating on the 2007 Bonds in effect at the time of such substitution; and (b) in the case of Alternate Security, to the effect that such Alternate Security will provide the 2007 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.

## **Principal Reserve Fund**

The Principal Reserve Fund is established pursuant to the Resolution and is to be held by the Trustee. Pursuant to the Resolution, there is to be deposited into the Principal Reserve Fund all of the monthly payments made by the Mortgagor in accordance with the Principal Reserve Fund deposit schedule attached to the Credit Agreement, as such schedule may be amended and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund described in paragraphs (1) and (2) below. *At the request of the Mortgagor (with the written approval of the Credit Issuer), the Corporation, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (unless and to the extent such amounts, in the judgment of the Corporation, are needed to be transferred to the Rebate Fund pursuant to the Resolution), (ii) no longer require deposits to the Principal Reserve Fund and/or (iii) consent to a change in the Principal Reserve Schedule. The consent of the Bondholders, the Trustee or the Corporation is not required for such actions. Any amounts so released shall no longer secure the 2007 Bonds.*

Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund is to be deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which is to be retained in the Principal Reserve Fund; provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then in lieu of retaining such amounts in the Principal Reserve Fund or depositing such amounts in the Revenue Account, such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

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

(1) at the written direction of the Credit Issuer to reimburse the Credit Issuer for advances made under the Letter of Credit which were applied to pay interest due on and/or principal of the 2007 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 Issuer to reimburse the Credit Issuer for advances under the Letter of Credit which were applied to pay the Purchase Price of tendered 2007 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 Issuer with the written consent of the Mortgagor (so long as the Mortgagor is not in default under the Mortgage, Mortgage Note, Loan Agreement, Regulatory Agreement or the Credit Agreement beyond the expiration of any applicable grace or cure period) to make improvements or repairs to the Project; and

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

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 August 1 of each year (or, if such date is not a Business Day, the next succeeding Business Day) to be applied to reimburse the Credit Issuer for amounts advanced under the Letter of Credit to effect the redemption of the 2007 Bonds on the next succeeding Interest Payment Date. See "DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—Mandatory—Mandatory Redemption from Certain Transfers from Principal Reserve Fund".

Under certain circumstances, the Credit Issuer 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 Issuer for amounts advanced under the Letter of Credit to effect the redemption of the 2007 Bonds. Any amounts so transferred shall constitute a prepayment of the Mortgage Loan and be a Recovery of Principal. See "DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—

Mandatory—Mandatory Redemption From Certain Recoveries of Principal”. Also, under certain circumstances, the Credit Issuer can require that amounts on deposit in the Principal Reserve Fund be applied to reimburse the Credit Issuer for amounts advanced under the Letter of Credit to effect the mandatory tender or mandatory redemption in whole or in part of the 2007 Bonds. See “DESCRIPTION OF THE 2007 BONDS—Redemption of 2007 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration—Following an Event of Termination,” “DESCRIPTION OF THE 2007 BONDS—Credit Issuer’s Right To Cause a Mandatory Tender for Purchase of 2007 Bonds Upon an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT”.

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

### **Additional Bonds**

Additional Bonds, on parity with the 2007 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 2007 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 2007 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2007 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—Parity Bonds”.

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

The 2007 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 2007 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 2007 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 be deemed to be and 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 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. The Corporation pledges the Revenues and all amounts held in any Account, including investments thereof, established under the Resolution, to the payment of the principal or Redemption Price of and interest on the Bonds, 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 in 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 Issuer, as their interests may appear and in accordance with the terms of the Assignment, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents, except as otherwise provided in the Assignment. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged therefor under the Resolution. In addition, the Bonds shall be payable from Credit Facility Payments.

### **Provisions for Issuance of Bonds**

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

- a. a Bond Counsel's Opinion to the effect that (i) the Resolution and the Supplemental Resolution, if any, have been duly adopted by the Corporation and are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and other laws affecting creditors' rights and remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)); (ii) the Resolution and, if applicable, such Supplemental Resolution create the valid pledge and lien which it or they purport to create of and on the Revenues and all the Accounts established under the Resolution and moneys and securities on deposit therein, subject to the use and application thereof for or to the purposes and on the terms and conditions permitted by the Resolution and such Supplemental Resolution; and (iii) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the laws of the State, including the Act as amended to the date of such Opinion, and in accordance with the Resolution and such Supplemental Resolution;
- b. a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Corporation;
- c. the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to the Resolution; and
- d. with respect to the 2007 Bonds, the Letter of Credit, and with respect to any Additional Bonds, the Credit Facility, if required.

### **Parity Bonds**

Additional Bonds may be issued, at the option of the Corporation, on a parity with the Bonds then Outstanding, for the purposes of (i) financing increases in the Mortgage Loan, (ii) refunding Bonds, (iii) establishing reserves for such Additional Bonds and (iv) paying the Costs of Issuance related to such Additional Bonds. Any 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 2007 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2007 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds; provided that the Credit Facility shall not secure Pledged Bonds.

### **Application and Disbursements of Bond Proceeds**

The proceeds of sale of a Series of 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 2007 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 2007 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 Documents and any other document securing the Mortgage Loan shall have been duly executed and delivered, (2) there shall have been filed with the Trustee an opinion of counsel to the effect that the Mortgage Loan complies with all provisions of the Act and the Resolution, and (3) the Mortgage is the subject of a policy of title insurance in an amount not less than the amount of the unpaid principal balance of the Mortgage Loan insuring a first mortgage lien subject only to Permitted Encumbrances on the real property securing 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, unless otherwise provided. 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 Letter of Credit Payments Sub-Account, pending application, may only be invested in Government Obligations maturing or being redeemable at the option of the holder thereof in the lesser of thirty (30) days or the times at which such amounts are needed to be expended.

### **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 Letter of Credit Payments Sub-Account therein);
- (3) Redemption Account; and
- (4) Principal Reserve Fund.

In the event provision is made for 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 Letter of Credit Payments Sub-Account shall be applicable to the newly created trust account in all respects as if the newly created trust account replaced the Letter of Credit Payments Sub-Account.

### **Bond Proceeds Account**

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

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

### **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. 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 Letter of Credit, the Trustee shall draw moneys thereunder in accordance with the terms thereof, in a timely manner and in amounts sufficient to pay the principal or Redemption Price of and interest on the Bonds as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise, and shall deposit such amounts in the Letter of Credit Payments Sub-Account. During the term of any other Credit Facility, the Trustee shall obtain moneys under such Credit Facility, in accordance with the terms thereof, in a timely manner, in the full amount required to pay the principal or Redemption Price of and interest on the Bonds as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise and shall deposit such amounts in the Letter of Credit 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 on such date (unless the payment of such accrued interest shall be otherwise provided for) as follows:

- (1) first, from the Letter of Credit 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 the moneys therein are insufficient for said purpose;
- (4) fourth, from the Bond Proceeds Account, and to the extent the 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 Issuer for amounts obtained under the Credit Facility and so applied.

Notwithstanding any provision to the contrary which may be contained in the Resolution, (i) in computing the amount to be drawn 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 Pledged Bonds on the date such payment is due, and (ii) amounts drawn 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 Pledged Bonds on the date such payment is due.

Any moneys accumulated in the Revenue Account up to the unsatisfied balance of each Sinking Fund Payment (together with amounts accumulated in the Revenue Account with respect to interest on the Bonds for which such Sinking Fund Payment was established) shall, if so directed in writing by the Corporation, be applied by the Trustee on or prior to the forty-fifth (45<sup>th</sup>) day preceding such Sinking Fund Payment (i) to the purchase of Bonds of the maturity for which such Sinking Fund Payment was established at prices (including any brokerage and other charges) not exceeding the Redemption Price plus unpaid 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 at the time of such purchase or redemption.

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

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

### **Redemption Account**

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



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

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

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 Issuer for amounts obtained under the Credit Facility and so applied.

#### **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 ninety percent (90%) of the Rebate Amount with respect to each Series for which a Rebate Amount is required as of the date of such payment, and (ii) notwithstanding the provisions of the Resolution, not later than sixty (60) days after the date on which all Bonds of a Series for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

### **Principal Reserve Fund**

Amounts on deposit in the Principal Reserve Fund shall be applied as set forth in the Resolution. There shall be deposited into the Principal Reserve Fund all of the monthly payments made in accordance with the Principal Reserve Fund deposit schedule attached to the Credit Agreement and provided to the Trustee by the Credit Issuer, as such schedule may be amended in accordance with the provisions of the Credit Agreement and provided to the Trustee by the Credit Issuer, 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 deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which is to be retained in the Principal Reserve Fund; provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then in lieu of retaining such amounts in the Principal Reserve Fund or depositing such amounts in the Revenue Account, such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

In addition to the other payments required or permitted by the Resolution, amounts in the Principal Reserve Fund shall be used, at the written direction and in the sole discretion of the Credit Issuer:

- (1) to reimburse the Credit Issuer for advances made under the Credit Facility which were applied to pay interest due on and/or principal of the 2007 Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such interest on and/or principal;
- (2) to reimburse the Credit Issuer for advances made under the Credit Facility which were applied to pay the Purchase Price of tendered 2007 Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;
- (3) with the written consent of the Mortgagor (so long as the Mortgagor is not in default under the Mortgage, Mortgage Note, Loan Agreement, Regulatory Agreement or the Credit Agreement beyond the expiration of any applicable grace or cure period) to make improvements or repairs to the Project; and
- (4) if a default has occurred and is continuing beyond the expiration of any applicable notice and cure period under the Credit Agreement, or if the Mortgagor otherwise consents in writing, to any other use approved in writing in the Credit Issuer's sole and absolute discretion by an Authorized Officer of the Credit Issuer.

On each August 1 (or, if such date is not a Business Day, the next succeeding Business Day), after providing for all payments and transfers required to be made pursuant to the Resolution, all amounts in the Principal Reserve Fund 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 Issuer in connection with the redemption of 2007 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2007 Bonds) on the first Business Day of the next succeeding September.

The Credit Issuer 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 Issuer in connection with the redemption of 2007 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2007 Bonds). Any amounts so transferred shall constitute a prepayment of the Mortgage Loan at the option of the Mortgagor and shall be a Recovery of Principal; provided however, that such right of the Credit Issuer 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.

Moneys on deposit in the Principal Reserve Fund shall be invested 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 2007 Bonds or (b) as otherwise permitted by the Credit Issuer, in its sole discretion.

At the request of the Mortgagor (with the written approval of the Credit Issuer), the Corporation, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (in which case the Trustee shall release such amounts to the Mortgagor, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then prior to any such release to the Mortgagor, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund), (ii) no longer require deposits to the Principal Reserve Fund and/or (iii) consent to a change in the Principal Reserve Fund deposit schedule. Any amounts so released shall no longer secure the 2007 Bonds.

### **Payment of Bonds**

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

### **Tax Covenants**

The following covenants are made solely for the benefit of the owners of, and shall be applicable solely to, the 2007 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 Pledged 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 and the Mortgage Documents, including the collection, custody and

prompt application of all Escrow Payments for the purposes for which they were made; provided, however, that the obligations of the Corporation in (ii) and (iii) above may be suspended during the term of the Assignment, except as otherwise provided in the Assignment.

### **Issuance of Additional Obligations**

The Corporation shall not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a superior or, except in the case of Bonds, an equal charge and lien on the Revenues and assets pledged under the Resolution. The Corporation shall not hereafter 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 Issuer.

### **Accounts and Reports**

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

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

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

### **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 of the Resolution apply. If any such modification or amendment will not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee 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 or 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 whatever (but no such modification shall be effective until all Bonds theretofore issued are no longer Outstanding); provide for the issuance of Bonds in coupon form payable to bearer; authorize the issuance of Additional Bonds and prescribe the terms and conditions thereof; provide that specified provisions of the Resolution that relate to the 2007 Bonds shall also apply to a Series of Additional Bonds; cure any ambiguity 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 (other than any changes that adversely affect the exclusion from gross income for Federal income tax purposes of interest on any series of bonds to which the tax covenants apply) as are deemed necessary or desirable by the Corporation upon delivery of an Alternate Security or a Substitute Letter of Credit; provide for such changes as are deemed necessary or desirable by the Corporation in connection with either (a) providing for a book-entry system with respect to a Series of Bonds or (b) 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; during any period that all Bonds bear interest at a Weekly Rate, provide such changes as are deemed necessary or desirable by the Corporation, if, not less than thirty (30) days before the effective date of such changes, the Trustee sends notice of the proposed changes to the Bond owners and the Bond owners have the right to tender their Bonds for purchase before such effective date; or make any additions, deletions or modifications to the Resolution which, in the opinion of the Trustee, are not materially adverse to the interests of the Bond owners.

The foregoing notwithstanding, for so long as the Credit Facility shall be in effect, no supplement, modification or amendment of the Resolution shall take effect without the consent of the Credit Issuer.

### **Events of Default and Termination**

Each of the following events set forth in clauses (1) through (3) below constitutes an "Event of Default" and the following event set forth in clause (4) below constitutes an "Event of Termination" with respect to the Bonds: (1) payment of the principal or Redemption Price, if any, of or interest on any Bond (other than Pledged 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 2007 Bond (other than Pledged Bonds) tendered in accordance with the Resolution shall not be made when and as the same shall become due; (3) the Corporation shall fail or refuse to comply with the provisions of the Resolution or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Resolution or in any applicable Supplemental Resolution or the Bonds (other than any such default resulting in an Event of Default described in clause (1) or (2) above), and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the owners of not less than five percent (5%) in principal amount of the Outstanding Bonds; or (4) receipt by the Trustee of written notice from the Credit Issuer that an "Event of Default" has occurred under the Credit Agreement together with a written direction from the Credit

Issuer 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 Issuer as described in clause (4) of the preceding paragraph, to protect and enforce the remedies of the Bond owners and the Credit Issuer by the remedies set forth in either clause (5) or (8) below; provided, however, that anything in the Resolution to the contrary notwithstanding, the Trustee shall enforce the remedies set forth in clauses (5) and (8) as specified in the direction of the Credit Issuer as described in clause (4) of the preceding paragraph within the time limits provided therein. Upon the happening and continuance of any Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) of the preceding paragraph, the Trustee may proceed and, upon the written request of the owners of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject, in each such case, to the provisions of the Resolution, including the receipt of the written consent of the Credit Issuer, to protect and enforce the rights of the Bond owners by the remedies specified below for particular Events of Default, and such other of the remedies set forth in clauses (1) through (7) below, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bond owners, including the right to require the Corporation to receive and collect Revenues adequate to carry out the covenants and agreements as to the Mortgage Loan (subject to the provisions of the Assignment) and to require the Corporation to carry out any other covenants or agreements with such Bond owners, and to perform its duties under the Act; (2) by bringing suit upon the Bonds; (3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (5) with the written consent of the Credit Issuer in the case of an Event of Default or upon the direction described in clause (4) of the preceding paragraph in the case of an Event of Termination, by immediately declaring all Bonds or, with respect to an Event of Termination, a portion of the 2007 Bonds specified by the Credit Issuer due and payable, whereupon, with respect to any affected 2007 Bonds, such Bonds shall be immediately redeemed, without premium, pursuant to the Resolution, provided that upon the happening and continuance of an Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee shall declare all Bonds due and payable; (6) in the event that all Outstanding Bonds are declared due and payable, by selling the Mortgage Loan (subject to the provisions of the Assignment) and any Investment Securities securing such Bonds; (7) by taking such action with respect to or in connection with the Credit Facility as the Trustee deems necessary to protect the interests of the owners of the 2007 Bonds; or (8) upon the happening and continuance of an Event of Termination and upon receipt of direction from the Credit Issuer, by carrying out a purchase of all or, if so designated by the Credit Issuer, a portion of the 2007 Bonds pursuant to the Resolution on a date specified by the Credit Issuer, which date shall not be later than eight (8) days following receipt by the Trustee of such direction.

Anything in the Resolution to the contrary notwithstanding, except as otherwise provided in clause (5) or (8) of the preceding paragraph, the owners of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction and provided, further, that notwithstanding the foregoing, the Credit Issuer shall be entitled to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution.

No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Resolution, or for the protection or enforcement of any right under the Resolution unless such owner shall have given to the Trustee written notice of the Event of Default or an Event of Termination or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 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 (90) days after actual knowledge by the Trustee of the occurrence thereof; provided that in the case of the 2007 Bonds, such notice need not be given with respect to any 2007 Bond for which the Trustee has proceeded to carry out a mandatory purchase of such 2007 Bonds pursuant to the Resolution. 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 and interest then due on the Bonds affected, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of such Bonds and for the payment of the fees, charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, shall be applied in the order of priority with respect to Bonds as set forth in the following paragraph and as follows:

(1) Unless the principal of all of such Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

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.

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

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 Pledged 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 Pledged Bonds and second, to the owner of Pledged Bonds.

### **Rights of the Credit Issuer**

Notwithstanding anything contained in the Resolution to the contrary, all rights of the Credit Issuer 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 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 Issuer, or (b) if the Credit Facility is no longer in effect; provided, however, that notwithstanding any such Wrongful Dishonor, the Credit Issuer shall be entitled to receive notices pursuant to the Resolution in accordance with the terms of the Resolution.

### **Payments Due on Days Not Business Days**

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

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

The 2007 Bonds are secured by the Letter of Credit, which is issued pursuant to the Credit Agreement that obligates the Mortgagor, among other things, to reimburse the Credit Issuer for funds provided by the Credit Issuer under the Letter of Credit and to pay various fees and expenses, in each case as provided in the Credit Agreement. The Credit Agreement governs obligations of the Mortgagor to the Credit Issuer on account of the Credit Issuer providing such credit enhancement. The Credit 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 Credit Agreement. This excerpt does not purport to be complete or to cover all sections of the Credit Agreement. Reference is made to the Credit Agreement, copies of which are on file with the Trustee, for a complete statement of the rights, duties and obligations of the Credit Issuer and the Mortgagor.

### **The Letter of Credit**

The Letter of Credit, which is irrevocable, shall be issued in an original stated amount of \$26,847,781 of which \$26,600,000 shall be with respect to the principal of the 2007 Bonds or the portion of the Purchase Price corresponding to the principal thereof, and \$247,781 shall be with respect to up to thirty-four (34) days of accrued interest with respect to the 2007 Bonds or the portion of the Purchase Price corresponding to interest at the Maximum Rate. The Letter of Credit shall be issued to the Trustee for the account of the Mortgagor. The stated amount of the Letter of Credit shall be reduced after the date of issuance in amounts equal to the amount of any drawing thereunder, subject to reinstatement as described below.

The Letter of Credit will terminate upon the earliest of: (i) the honoring of the final drawing available to be made under the Letter of Credit which is not subject to reinstatement; (ii) receipt by the Credit Issuer of a written notice that either no 2007 Bonds remain Outstanding and unpaid or a substitute Credit Facility has been received by the Trustee; or (iii) March 15, 2010, the Letter of Credit expiration date, unless extended in accordance with the terms of the Credit Agreement. Pursuant to the Credit Agreement, the Mortgagor may, upon satisfaction of certain conditions described therein, request (i) a six (6) month extension of the initial term of the Letter of Credit, (ii) then a fifteen (15) year extension of the expiration date of the Letter of Credit and, (iii) then, upon satisfaction of certain other conditions described therein, request up to three extensions of five (5) years each of the expiration date of the Letter of Credit. In addition, the Letter of Credit will terminate upon the conversion of the interest borne by such 2007 Bonds to certain other interest rate calculation methods.

### **The Credit Agreement**

Issuance of the Letter of Credit. The Mortgagor requested the issuance by the Credit Issuer of the Letter of Credit to enhance the marketability of the 2007 Bonds by securing a source of funds to be devoted exclusively to the



payment by the Trustee, when and as due, of the principal or Purchase Price of and interest on the 2007 Bonds. The Credit Issuer has agreed to provide the Letter of Credit subject to certain terms and conditions as provided in the Credit Agreement. The Mortgagor has agreed to pay fees to the Credit Issuer in connection with the issuance and maintenance of the Letter of Credit and to indemnify the Credit Issuer in certain circumstances.

The Mortgagor agrees to reimburse the Credit Issuer in full for drawings made upon the Letter of Credit on the date each drawing is honored, or in the case of a drawing to acquire unremarketed 2007 Bonds, on the earliest to occur of (i) the Letter of Credit expiration date, (ii) ninety (90) days after the date of a drawing under the Letter of Credit with respect to unremarketed 2007 Bonds, or (iii) the date of redemption of the unremarketed 2007 Bonds.

Reduction. Upon payment by the Credit Issuer of a drawing to pay principal on the 2007 Bonds (upon maturity, acceleration or redemption, but not to acquire unremarketed 2007 Bonds), the amount available to be drawn under the Letter of Credit for payment of principal on the 2007 Bonds shall be reduced automatically and permanently by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing is made by the Credit Issuer. In addition, upon payment by the Credit Issuer of any such drawing to pay principal on the 2007 Bonds upon maturity, acceleration or redemption, the amount available to be drawn under the Letter of Credit for payment of interest on the 2007 Bonds shall be reduced automatically and permanently in an amount equal to with respect to the 2007 Bonds, thirty-four (34) days' interest on the amount of such principal reduction in the amount available to be drawn under the Letter of Credit for payment of principal on the 2007 Bonds.

Upon payment by the Credit Issuer of a drawing to pay interest on the 2007 Bonds (other than interest on Pledged Bonds and on the 2007 Bonds paid upon maturity, acceleration or redemption), the amount available to be drawn under the Letter of Credit for the payment of interest on the 2007 Bonds shall be reduced automatically, subject to reinstatement as described below, by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing is made by the Credit Issuer.

Upon payment by the Credit Issuer of a drawing to acquire unremarketed 2007 Bonds, the stated amount of the Letter of Credit shall be reduced automatically, subject to reinstatement, as described below.

Reinstatement. The amount available to be drawn under the Letter of Credit for payment of interest on the 2007 Bonds shall be reinstated automatically in the full amount of the amount so drawn (other than such amounts pertaining to a drawing to pay interest on 2007 Bonds paid with a drawing to pay principal on the 2007 Bonds upon maturity, acceleration or redemption) immediately following payment of such drawing.

The amount available to be drawn under the Letter of Credit to acquire unremarketed 2007 Bonds will be reinstated upon receipt by the Credit Issuer of (i) an amount by which the Credit Issuer is then requested to increase such amount (as to interest and/or principal); and (ii) notice from the Trustee in the appropriate form, unless prior to receipt by the Credit Issuer of such notice, the Trustee shall have received from the Credit Issuer notice or telephonic notice, promptly confirmed in writing, of the occurrence of an event of default under the Credit Agreement.

Extension of Credit Facility Termination Date. The Mortgagor shall, upon prior written notice to Administrative Agent, be entitled to one six (6) month extension of the initial Credit Facility Termination Date (as such term is defined in the Credit Agreement), provided certain conditions are met.

Thereafter, upon satisfaction of the Conversion Conditions (as such term is defined in the Credit Agreement), the Mortgagor shall, upon written notice to Credit Issuer prior to the Credit Facility Termination Date, as same may have been extended, be entitled to extend the Credit Facility termination date with respect to the Letter of Credit (as same may have been reduced as described in the Credit Agreement) for a period aggregating to thirty (30) years and six (6) months, provided certain conditions are met. Notwithstanding anything to the contrary contained in the Credit Agreement, in no event shall the maximum term of the Letter of Credit extend beyond September 15, 2040.

Events of Default. Each of the following events shall be an event of default under the Credit Agreement (with capitalized terms not otherwise defined having the meaning assigned such terms in the Credit Agreement):

(i) If the Mortgagor shall be in default under any of the provisions or covenants of the Credit Agreement (other than covenants specifically referred to hereinafter in this section) (i) for payment to reimburse any Drawing pursuant to the terms of the Credit Agreement or making of any payment in connection with a Cap or other Hedging Arrangement, (ii) for ten (10) days after written notice from the Credit Issuer in the case of any other default which can be cured by the payment of a sum of money, or (iii) for thirty (30) days after written notice from the Credit Issuer in the case of any other default, provided, that if such other default cannot be cured by the payment of money and cannot reasonably be cured within such thirty (30) day period and the Mortgagor shall have commenced to cure such other default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require the Mortgagor in the exercise of due diligence to cure such other default, it being agreed that no such extension shall be for a period in excess of one hundred twenty (120) days, or shall be construed as having the effect of extending the Completion Date or the Credit Facility Termination Date;

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

(iii) If an Event of Taxability shall occur, which term is defined under the Credit Agreement to be any event the result of which is that interest on the Bonds shall not be excludable from gross income for federal income tax purposes, other than by reason of any Bond being held by a person who, within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended, is a substantial user of the Premises and the Improvements or is a related person, within the meaning of said section 147(a);

(iv) If any survey required or requested by the Credit Issuer pursuant to the provisions of the Credit Agreement shows any material, adverse condition not approved by the Credit Issuer, and such condition is not removed within one hundred twenty (120) days after notice thereof by the Credit Issuer to the Mortgagor;

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

(vi) If construction of the Improvements is suspended for a period of thirty (30) consecutive days other than by reason of the occurrence of an event of force majeure, or if construction of the Improvements in the reasonable judgment of the Credit Issuer or the Construction Consultant is not carried on with reasonable diligence within thirty (30) days of the Mortgagor's receipt of written notice thereof;

(vii) If the Mortgagor fails to obtain and maintain a partial exemption from real property taxes for the Improvements pursuant to Section 420-c of the New York Real Property Tax Law or any other applicable tax exemption;

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

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

(x) If any Credit Facility Document shall cease to be in full force or effect or shall cease to constitute, or to continue as, a lien on the assets, property or collateral purported to be encumbered thereby, and such default has not been cured within twenty (20) Business Days after notice thereof by the Credit Issuer to the Mortgagor or such additional time as is reasonably necessary to cure such default, provided that such default is susceptible to cure and such extended time does not exceed an additional thirty (30) days;

(xi) If any Guarantor pursuant to any guaranty or environmental indemnity executed and delivered by such Guarantor, shall disclaim all or any portion of such Guarantor's obligations pursuant to any such Guaranty, shall otherwise be in default, beyond the expiration of any applicable grace and cure periods, under any such Guaranty; or if there is a material adverse change in the financial condition of any Guarantor, for so long as any Guaranty remains in effect; provided that such default is susceptible to cure and such extended time does not exceed an additional ten (10) days.

(xii) If a default beyond any applicable notice and cure period shall occur and be continuing under the documentation executed in connection with the receipt and/or sale of the Tax Credits and such default has a material adverse effect on the Mortgagor or the Property;

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

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

(xv) If a default beyond any applicable notice and cure period shall occur under the Subordinate Loan (as such term is defined in the Credit Agreement), the HPD Loans (as such term is defined in the Credit Agreement) or any deed applicable to the Property;

(xvi) Except for leases of individual residential units and non-residential space in the ordinary course of business, if the Mortgagor shall sell, assign, or transfer the Property or any part thereof or if any direct or indirect transfer or change in the Mortgagor occurs, in whole or in part, without the prior written consent of the Credit Issuer, except that the Credit Issuer will consent to (1) a syndication of the low income housing tax credits, (2) the Tax Credit Purchaser transferring its membership interests in the Mortgagor to an affiliated entity controlled by or under the common control of Wachovia Affordable Housing Community Development Corporation., so long as written notice of same is promptly delivered to the Credit Issuer, and (3) the transfer by the HDPC of its interests in the Premises to the Mortgagor and/or its membership interests in the Mortgagor to the managing member of the Mortgagor;

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

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

(xix) If the Mortgagor shall file a petition in bankruptcy or for an arrangement or for reorganization pursuant to the federal bankruptcy act or any similar federal or state law, or if, by decree of a court of competent jurisdiction, the Mortgagor shall be adjudicated a bankrupt, or be declared insolvent, or if the Mortgagor shall make an assignment for the benefit of creditors, or shall be generally unable or admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or receivers of all or any part of its property;

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

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

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

(xxii) For so long as any Guaranty is in effect, if any of the events enumerated in clauses (xvi) through (xx) of this section shall happen to any Guarantor or any of Guarantor's property;

(xxiii) If there shall occur a default by the Mortgagor which is not cured within the applicable grace period, if any, under any loan in excess of \$75,000 under which the Mortgagor is the obligor;

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

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

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

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

(xxviii) If the Mortgagor shall fail to comply with all of the Conversion Conditions on the date which is twenty seven (27) months from the date of the Credit Agreement, as same may be extended pursuant to the terms of the Credit Agreement;

(xxix) If the Mortgagor shall fail to obtain building permits for construction of the Improvements as and when such permits are required pursuant to the terms of the Credit Agreement;

(xxx) If the Mortgagor shall fail to comply with the financial covenants specified in the Credit Agreement in all material respects and for so long as such financial covenants are in effect and such failure continues for thirty (30) days after notice by the Credit Issuer to the Mortgagor;

(xxxi) If any of the Rights Purchase Agreements (as such term is defined in the Credit Agreement), or successor/replacement Rights Purchase Agreements entered into with the prior consent of the Credit Issuer, shall at any time cease to be in full force and effect, or if the Mortgagor or HDFC shall fail to comply with any of the terms or conditions thereof, or if the Mortgagor or HDFC shall fail to take any action which is necessary or a condition precedent to the effectiveness of the Rights Purchase Agreements or the obligations of the purchasers of the Rights (as such term is defined in the Credit Agreement) thereunder in any such event, and (i) said Rights Purchase Agreements are not replaced with substitute Rights Purchase Agreements or alternate collateral suitable to the Credit Issuer in its reasonable discretion, or (ii) said breach by the purchaser of Rights or the Mortgagor is not cured, within thirty (30) days after the date of the termination or breach, as applicable;

(xxxii) If there is a default under the Written Agreement (as such term is defined in the Credit Agreement) that continues and remains uncured beyond the expiration of any applicable notice, grace or cure period; or

(xxxiii) If the Mortgagor is in default, beyond any applicable grace, notice and cure periods, under the Declaration of Condominium, to the extent that one is filed.

(xxxiv) If there is a dissolution of the Mortgagor.

Remedies. Upon the occurrence and during the continuance of an Event of Default under clauses (xvii), (xviii), (xix) or (xx) of the preceding section, the Debt and the indebtedness evidenced and secured by the Note and Mortgage shall be immediately due and payable.

Except as otherwise provided in the preceding sentence, upon the occurrence and during the continuation of any Event of Default, the Credit Issuer may, at its option take one or more of the following actions:

(i) declare the indebtedness evidenced and secured by the Note and the Mortgage immediately due and payable;

(ii) instruct the Trustee pursuant to the Bond Resolution to declare all or a portion of the 2007 Bonds immediately due and payable and to present a Drawing under the Letter of Credit to effect the mandatory redemption of all or a portion thereof pursuant to the Bond Resolution;

(iii) direct the Trustee to call all or a portion of the Bonds for mandatory purchase pursuant to the Bond Resolution and to present a Drawing under the Letter of Credit to effect the payment of the purchase price of all or a portion thereof pursuant to the Bond Resolution;

(iv) cease authorizing the Trustee to make disbursements out of the Bond Proceeds Account to the Mortgagor;

(v) declare the Debt to be immediately due and payable;

(vi) require cash collateral or a letter of credit satisfactory to the Credit Issuer in an amount equal to the amount of the Credit Facility;

(vii) pursue any and all remedies provided for in the Credit Facility Documents, or otherwise available;

(viii) authorize disbursement from the Principal Reserve Fund in accordance with the Bond Resolution;  
or

(ix) pursue any combination of the foregoing to the full extent not mutually exclusive.

Upon the occurrence and during the continuance of any Event of Default, whether or not the Debt shall be or shall have been declared due and payable or the Credit Issuer shall have instituted any foreclosure or other action for the enforcement of the Credit Facility Documents, the Credit Issuer may, in addition to any other remedies which the Credit Issuer may have under the Credit Facility Documents:

(a) if the Bonds remain outstanding, using Bond proceeds to the extent of their availability, enter upon the Premises and complete the Improvements substantially in accordance with the Plans and Specifications and employ watchmen to protect the Improvements, all at the risk, cost and expense of the Mortgagor;

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

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

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

## **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 2007 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 2007 Bonds, or in any way impair the rights and remedies of such owners until the 2007 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 2007 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 2007 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 2007 Bond for any period during which such 2007 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 2007 Bonds or a “related person,” and (ii) interest on the 2007 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 2007 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 2007 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 2007 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 2007 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 2007 Bonds, or the exemption from personal income taxes of interest on the 2007 Bonds under state and local tax law.

### **Summary of Certain Federal Tax Requirements**

Under applicable provisions of the Code, the exclusion from gross income of interest on the 2007 Bonds for purposes of Federal income taxation requires that (i) at least 25% of the units in the Project financed by the 2007 Bonds be occupied during the “Qualified Project Period” (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60% of the median income for the area, as adjusted for family size, and (ii) all of the units of the Project be rented or

available for rental on a continuous basis during the Qualified Project Period. “Qualified Project Period” for the Project means a period commencing upon the later of (a) occupancy of 10% of the units in the Project or (b) the date of issue of the 2007 Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in the Project, (ii) the first date on which no tax-exempt private activity bonds issued with respect to the Project are outstanding, or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the 1937 Housing Act terminates. The Project will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in the Project must be rented to an individual having an income of 60% or less of the area median income.

In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 2007 Bonds, the Treasury Regulations provide that the exclusion of interest on the 2007 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 2007 Bonds in order that interest on the 2007 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of the proceeds of the 2007 Bonds, yield and other limits regarding investment of the proceeds of the 2007 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 2007 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 2007 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 2007 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 2007 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2007 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 2007 Bonds.

Prospective owners of 2007 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and certain foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2007 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Information Reporting and Backup Withholding**

Information reporting requirements will apply to interest paid after March 31, 2007 on tax-exempt obligations, including the 2007 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9 “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment,

calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2007 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2007 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2007 Bonds under federal or state law and could affect the market price for, or the marketability of, the 2007 Bonds. Currently, litigation in various jurisdictions (including *Davis v. Kentucky Dep’t of Revenue of the Finance and Admin. Cabinet*, 197 S.W.3d 557 (2006), for which oral arguments have occurred before the U.S. Supreme Court) has called into question the permissibility under the U.S. Constitution of disparate state tax treatment of interest on bonds issued by a state and its political subdivisions and on obligations issued by other states and their political subdivisions. New York State statutes currently result in such disparate treatment. Prospective purchasers of the 2007 Bonds should consult their own tax advisers regarding the foregoing matters.

## **NO LITIGATION**

### **The Corporation**

At the time of delivery and payment for the 2007 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 2007 Bonds, or in any way contesting or affecting the validity of the 2007 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 Non-Bond Loan or the pledge or application of any moneys or security provided for the payment of the 2007 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 2007 Bonds from gross income for Federal income tax purposes.

### **The Mortgagor**

At the time of delivery and payment for the 2007 Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate of the Mortgagor substantially to the effect that there is no litigation of any nature now pending or, to the knowledge of the Mortgagor, its members, managers, shareholders or officers, as applicable, threatened against and in any way adversely affecting the existence of the Mortgagor, its members or the Guarantors, involving the Project, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2007 Bonds or the financing of the Mortgage Loan, the Non-Bond Loan or the Subordinate Mortgage Loans, or the acquisition, construction or equipping of the Project, or in any way contesting or affecting the validity or enforceability of the 2007 Bonds or the 2007 Bond documents to which such Mortgagor is a party, or any proceedings of such Mortgagor taken with respect to the sale, execution or delivery thereof, or the application of any moneys or security provided for the payment of the 2007 Bonds or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers or authority of such Mortgagor with respect to the 2007 Bond documents to which it is a party or, to the knowledge of such Mortgagor or its members, without independent inquiry, challenging the exclusion of interest on the 2007 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 2007 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 Underwriter by its Counsel, Harris Beach PLLC, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Counsel, Cannon Heyman & Weiss, LLP, Albany, New York. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for the Credit Issuer by its Counsel, Heller Ehrman LLP, New York, New York.

## **LEGALITY OF 2007 BONDS FOR INVESTMENT AND DEPOSIT**

Under the provisions of Section 662 of the Act, the 2007 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 2007 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or hereafter authorized.

## **RATINGS**

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. has assigned to the 2007 Bonds a rating of "AA/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 2007 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 2007 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 2007 Bonds during regular business hours of the Corporation and that the Corporation furnish a copy of the auditor's report, when available, upon the request of the owner of any Outstanding 2007 Bond.

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

## MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such, and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Corporation and the purchasers or owners of any 2007 Bonds.

This Official Statement is submitted in connection with the sale of the 2007 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/ Eileen M. O'Reilly  
Authorized Officer

Dated: December 5, 2007

## APPENDIX A

### DEFINITIONS OF CERTAIN TERMS

This Appendix A sets forth definitions of certain terms contained in the Resolution, the Credit Agreement, and elsewhere in this Official Statement. This Appendix A does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolution and the Credit Agreement\, copies of which may be obtained from the Corporation. The following terms shall have the following meanings unless the context shall clearly indicate otherwise.

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

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

“Act 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 member of the Mortgagor, the Corporation or the Credit Issuer, as applicable, under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

“Additional Bonds” means Bonds, other than the 2007 Bonds, authorized pursuant to the Resolution.

“Administrative Fee” means the servicing fee of the Corporation in the amount set forth in the Financing Commitment and Agreement dated November 9, 2007, between the Corporation, the Mortgagor and certain of the guarantors, as the same may be amended or supplemented from time to time, 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 Letter of Credit, 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, surety bond, mortgage backed security or other credit or liquidity facility, or any combination thereof, (i) approved by the Corporation and delivered to the Trustee for the benefit of the owners of the 2007 Bonds (except that a mortgage insurance policy may be delivered to the Corporation), (ii) replacing any existing Credit Facility, (iii) dated as of a date not later than the expiration date of the Credit Facility for which the same is to be substituted, if a Credit Facility is then in effect, (iv) which shall expire not earlier than a date which is fifteen (15) days after an Interest Payment Date for the 2007 Bonds, and (v) issued on substantially similar terms and conditions with respect to the rights of the owners of such Series of Bonds (including, but not limited to, the Mandatory Purchase Provision) as the then existing Credit Facility provided that (a) the stated amount of the Alternate Security shall equal the sum of (x) the aggregate principal amount of Bonds of such Series at the time Outstanding, plus (y) during a Weekly Rate Period, an amount at least equal to thirty-four (34) days of interest (at the Maximum Rate) on all Bonds of such Series at the time Outstanding, or such other amount as the Corporation shall determine based on then current rating agency standards, and (b) if said Alternate Security is to be in effect during a Weekly Rate Period, it must provide for payment of the Purchase Price upon the exercise by any Bond owner of the applicable Demand Purchase Option.

“Assignment” means the Assignment and Servicing Agreement, with respect to the Mortgage Loan, among the Corporation, the Trustee, the Credit Issuer and the Mortgagor, as the same may be amended or supplemented from time to time.

“Authorized Officer” means (a) when used with respect to the Corporation, the Chairperson, Vice-Chairperson, President, Executive Vice President or any 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 managing member of the Mortgagor and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Mortgagor then authorized to perform such act or discharge such duty; (c) when used with respect to the Credit Issuer, any Vice President or Managing Director of the Credit Issuer and, in the case of

any act to be performed or duty to be discharged, any other officer or employee of the Credit Issuer then authorized to perform such act or discharge such duty; and (d) when used with respect to the Trustee, any Managing Director, Director, Vice President or corporate trust administrator of 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.

“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 Issuer and the Mortgagor, and satisfactory to the Trustee.

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

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

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

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

“Business Day” means any day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the City of New York, New York, or the city or cities in which the Principal Office of the Trustee or the office of the Credit Issuer to which draws on the Credit Facility are presented is located are required or authorized by law to close, (c) a day on which the New York Stock Exchange is closed, or (d) so long as any Series of Bonds is held in book-entry form, a day on which DTC is closed.

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

“Change Date” means, with respect to the 2007 Bonds, (i) an Interest Method Change Date or (ii) a Facility Change Date or (iii) a date specified by the Credit Issuer pursuant to the provisions of the Resolution for carrying out a purchase of 2007 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 2007 Bonds pursuant to the Resolution in connection with a Notice of Prepayment of the Mortgage Loan.

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

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

“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 Issuer, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit rating(s), fees and charges for preparation, execution, transportation and safekeeping of Bonds, the financing fee of the Corporation, and any other cost, charge or fee in connection with the original issuance of Bonds.

“Credit Agreement” means the agreement between the Mortgagor and the Credit Issuer (and may include other parties), providing for the issuance of the Credit Facility.

“Credit Facility” means the Letter of Credit 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 Documents” means, collectively, the Credit Agreement, the Loan Agreement, the Mortgage Note, the Mortgage, the Guaranty and all other instruments of any nature whatsoever now or hereafter executed and delivered in connection with the Credit Facility.

“Credit Facility Payments” means amounts obtained under a Credit Facility with respect to the Bonds including, but not limited to, amounts drawn under the Letter of Credit.

“Credit Issuer” means JPMorgan Chase Bank, N.A., as the issuer of or obligor under the Credit Facility; provided, however, that if, pursuant to the Credit 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 Issuer 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 Issuer shall be deemed to refer to such issuer or obligor under such Credit Facility.

“Debt Service” means, with respect to any particular Bond Year, an amount equal to the sum of (i) all interest payable on Outstanding Bonds during such Bond Year, plus (ii) any Principal Installment of such Bonds payable during such Bond Year.

“Demand Purchase Option” means during a Weekly Rate Period, the provision of the 2007 Bonds for purchase of any 2007 Bond upon the demand of the owner thereof as described in the Resolution.

“Direct Participants” means those broker dealers, banks and other financial institutions for which DTC holds the 2007 Bonds as securities depository.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors or assigns.

“Escrow Payments” means and includes all amounts whether paid directly to the Corporation, to its assignee of the Mortgage Loan, or to the servicer of the Mortgage Loan 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, the Administrative Fee of the Corporation or other like payments in connection therewith.

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

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

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

“Government Obligations” means (i) direct obligations of or obligations guaranteed by the United States of America, including, but not limited to, United States Treasury Obligations, Separate Trading of Registered Interest and Principal of Securities (STRIPS) and Coupons Under Book-Entry Safekeeping (CUBES), provided the underlying United States Treasury Obligation is not callable prior to maturity, and (ii) obligations of the Resolution

Funding Corporation, including, but not limited to, obligations of the Resolution Funding Corporation stripped by the Federal Reserve Bank of New York.

“Guarantors” means Ronald Moelis, Sanford Loewentheil, L&M Builders LLC and Martin Dunn.

“Guaranty” means, collectively, (i) the Completion Guaranty in connection with Credit Agreement, to the Credit Issuer, executed by Ronald Moelis, Sanford Loewentheil and L&M Builders LLC, a New York limited liability company, and (ii) the Non-Recourse Carve-Out Guaranty in connection with Credit Agreement, to the Credit Issuer, executed by Ronald Moelis, Sanford Loewentheil and Martin Dunn dated as of the date of initial issuance of the 2007 Bonds.

“Interest Method Change Date” means any date on which the method of determining the interest rate on the 2007 Bonds changes or which is an Interest Adjustment Date pursuant to the Resolution, as established by the terms and provisions of the Resolution.

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

“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:

- (1) Government Obligations;
- (2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit System Banks Consolidated Obligations, Banks for Cooperatives, Tennessee Valley Authority, Washington Metropolitan Area Transportation Authority, United States Postal Service, Farmers’ Home Administration and Export-Import Bank of the United States;
- (3) any bond, debenture, note, participation certificate or other similar obligation issued by any Federal agency and backed by the full faith and credit of the United States of America;
- (4) any other obligation of the United States of America or any Federal agencies which may be purchased by New York State Savings Banks;
- (5) deposits in interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements (i) secured by any of the obligations described above, or (ii) fully insured by the Federal Deposit Insurance Corporation, or (iii) made with banking institutions, or their parents which either (a) have unsecured debt rated in one of the three highest rating categories of a nationally recognized rating service or (b) are deemed by a nationally recognized rating service to be an institution rated in one of the three highest rating categories of such rating service;
- (6) any participation certificate of the Federal Home Loan Mortgage Corporation and any mortgage-backed securities of the Federal National Mortgage Association;
- (7) short-term corporate obligations, known as Commercial Paper, with a maturity of up to ninety (90) days which are issued by corporations that are deemed by a nationally recognized rating service to be in the highest rating category of such rating service;
- (8) obligations of the City and State of New York;
- (9) obligations of the New York City Municipal Water Finance Authority;
- (10) obligations, the principal and interest of which, are guaranteed by the City or State of New York;

(11) obligations in which the Comptroller of the State of New York is authorized to invest in as specified in section 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.

"Letter of Credit" means the irrevocable direct-pay letter of credit issued by JPMorgan Chase Bank, N.A., in favor of the Trustee, securing the 2007 Bonds on their initial issuance, or the Substitute Letter of Credit, if any.

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

"Loan Agreement" means the Construction Loan Agreement, dated as of the date of initial issuance of the 2007 Bonds, by and among the Corporation, the NYC Partnership Housing Development Fund Company, Inc. and the Mortgagor, with respect to the Mortgage Loan, as the same may be amended or supplemented from time to time.

"Mandatory Mortgage Loan Prepayment" shall have the same meaning as "Mandatory Prepayment", as such term is defined in the Mortgage.

"Mandatory Purchase Provision" means the purchase provision of the 2007 Bonds for the purchase of any 2007 Bonds on any Change Date pursuant to the Resolution.

"Maximum Rate" means ten percent (10%) per annum or such higher rate, not to exceed fifteen percent (15%), as may be established in accordance with the provisions of the Resolution.

"Mortgage" means, collectively, the mortgages or other instruments securing the Mortgage Loan, as the same may be amended, modified or supplemented from time to time.

"Mortgage Documents" means, collectively, (a) the Mortgage and (b) the Mortgage Note, each dated the date of initial issuance of the 2007 Bonds.

"Mortgage Loan" means, collectively, the interest-bearing loan or loans, evidenced by the Mortgage Note, to be made by the Corporation to the Mortgagor pursuant to the Loan Agreement, as the same may be amended, modified or supplemented from time to time.

"Mortgage Note" means, collectively, the note or notes of the Mortgagor evidencing the obligation to repay the Mortgage Loan, as the same may be amended, modified or supplemented from time to time.

"Mortgagor" means Cook Street Housing, LLC, a limited liability company organized and existing under and by virtue of the laws of the State of New York, which is the Mortgagor with respect to the Mortgage Loan, and its successors and permitted transferees as owner of the Project.

"Mortgagor Tax Certification" means, with respect to a Series of Bonds to which the tax covenants of the Resolution are applicable, the tax certification of the Mortgagor delivered to the Corporation and Bond Counsel to the Corporation in connection with the issuance of such Series of Bonds.

"Non-Bond Mortgage" means, collectively, the mortgage or mortgages or other instruments securing the loan made by the Corporation to the Mortgagor in connection with the acquisition, construction and other costs related to the property and the remainder of the building of which the Project is a part.

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

“Outstanding”, when used with reference to Bonds, means, 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.

“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 purposes.

“Pledge Agreement” means any instrument from the Mortgagor to the Credit Issuer (and which may include other parties) pursuant to which the Mortgagor agrees to pledge 2007 Bonds to the Credit Issuer (and, if applicable, such other parties) in connection with the provision of moneys under a Credit Facility.

“Pledged Bond” means any 2007 Bond pledged to the Credit Issuer pursuant to the Pledge Agreement in connection with the provision of moneys under the Credit Facility and as described in the Resolution.

“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 2007 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) of the Mortgage Loan, as administrative, financing, extension or settlement fees.

“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 45 Broadway, 12th Floor, New York, New York 10006, Attention: Corporate Trust 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 any Remarketing Agent, as the case may be.

“Principal Reserve Amount” means \$936,000 (or such other amount as shall be specified in writing by the Credit Issuer 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 9 Cook Street, 21 Cook Street and 40 Varet Street in the Borough of Brooklyn and County of Kings, City and State of New York, as more fully described under the caption “THE PROJECT AND THE MORTGAGOR”.

“Purchase Price” means an amount equal to one hundred percent (100%) of the principal amount of any 2007 Bond plus accrued and unpaid interest thereon to the date of purchase.

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

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

“Record Date” means during any Weekly Rate Period, 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 or Mortgage Documents other than the assignment by the Corporation effected by the Assignment; (iii) the acceleration of payments due under the Mortgage Loan or the remedial proceedings taken in the event of default on the Mortgage Loan or Mortgage; (iv) proceeds of any insurance award resulting from the damage or destruction of the Project which are to be applied to payment of the Mortgage Note pursuant to the Mortgage; (v) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, the Project or any portion thereof, which proceeds are to be applied to payment of the Mortgage Note pursuant to the Mortgage; or (vi) proceeds of the Mandatory Mortgage Loan Prepayment.

“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 2007 Bonds, by and among the Corporation, NYC Partnership Housing Development Fund Company, Inc. and the Mortgagor, as the same may be amended, restated or supplemented from time to time.

“Remarketing Agent” means, with respect to the 2007 Bonds, Goldman, Sachs & Co. and its successors appointed in accordance with the terms of the Resolution.

“Remarketing Agreement” means with respect to the 2007 Bonds, the Remarketing Agreement, dated as of the date of initial issuance of the 2007 Bonds, by and among the Mortgagor, the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any replacement thereof.

“Resolution” means the Multi-Family Mortgage Revenue Bonds (Cook Street Apartments) Bond Resolution adopted by the Corporation on November 13, 2007 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.

“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.

“Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index” means the rate equal to the index of the weekly interest rate resets of the tax-exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors.

“Series” means the 2007 Bonds or any series of Additional Bonds.

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

“State” means the State of New York.

“Substitute Letter of Credit” means, with respect to a Series of Bonds, an irrevocable letter of credit delivered to the Trustee for the benefit of the owners of the 2007 Bonds (i) issued by a bank approved by the Corporation, provided that the approval by the Corporation shall not be unreasonably withheld, (ii) replacing any existing Letter of Credit, (iii) dated as of a date not later than the expiration date of the Letter of Credit for which the same is to be substituted, (iv) which shall expire on a date not earlier than fifteen (15) days after an Interest Payment Date for such Series of Bonds, and (v) issued on substantially identical terms and conditions with respect to the rights of the owners of the 2007 Bonds (including, but not limited to, the Mandatory Purchase Provision) as the then existing Letter of Credit with respect to such Series of Bonds, except that the stated amount of the Substitute Letter of Credit shall equal the sum of (x) the aggregate principal amount of such Series of Bonds at the time Outstanding, plus (y) during a Weekly Rate Period, an amount equal to at least 34 days of interest (at the Maximum Rate) on all Bonds of such Series at the time Outstanding, or such other amount as the Corporation shall determine based on then current rating agency standards.

“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 Wells Fargo Bank, National Association, a national 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 2007 Bonds, as the same may be amended or supplemented from time to time, or any replacement thereof.

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

“2007 Bonds” means the 2007 Series A Bonds authorized to be issued pursuant to the Resolution.

“Undelivered Bonds” means (i) with respect to the Mandatory Purchase Provision, any 2007 Bonds which have not been delivered to the Tender Agent for purchase on or prior to the Change Date, or (ii) with respect to the Demand Purchase Option, any 2007 Bonds not delivered to the Tender Agent for purchase after notice of tender within the time period prescribed by the Resolution.

“Weekly Effective Rate Date” means (i) with respect to the Weekly Rate Term immediately following the issuance and delivery of the 2007 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 2007 Bonds, described in “DESCRIPTION OF THE 2007 BONDS—Interest Rate Periods—Weekly Rate Period”.

“Weekly Rate Period” means any period of time during which the 2007 Bonds bear interest at the Weekly Rate.

“Weekly Rate Term” means 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 Issuer, or (ii) an uncured default resulting from the gross negligence of the Credit Issuer, in each case, of its obligations to honor a drawing as required pursuant to the terms of the Credit Facility and the Credit Agreement.

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## ACTIVITIES OF THE CORPORATION

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

**I. BOND PROGRAMS.** The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. The multi-family residential developments financed under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution, adopted by its Members on July 27, 1993, as amended from time to time (the "General Resolution") are described below in "Section B – Housing Revenue Bond Program". As of July 31, 2007, the Corporation had bonds outstanding in the aggregate principal amount of approximately \$5,856,097,346. 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, 2007, eighty-five (85) 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, 2007:

	<b>No. of Units</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Year of Issue</b>
<b><u>MULTI-FAMILY PROGRAM</u></b>				
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Related-Carnegie Park	461	\$66,800,000	\$66,800,000	1997
Related-Monterey	522	\$104,600,000	\$104,600,000	1997
Related-Tribeca Tower	440	\$55,000,000	\$55,000,000	1997
One Columbus Place Development	729	\$150,000,000	\$142,300,000	1998
100 Jane Street Development	148	\$17,875,000	\$16,450,000	1998
Brittany Development	272	\$57,000,000	\$57,000,000	1999
West 43 <sup>rd</sup> Street Development	375	\$55,820,000	\$51,900,000	1999
Related-West 89 <sup>th</sup> Street Development	265	\$53,000,000	\$53,000,000	2000
Queenswood Apartments	296	\$10,800,000	\$10,800,000	2001
Related-Lyric Development	285	\$91,000,000	\$89,000,000	2001
James Tower Development	201	\$22,200,000	\$21,305,000	2002
The Foundry	222	\$60,400,000	\$56,500,000	2002
Related Sierra Development	212	\$56,000,000	\$56,000,000	2003
West End Towers	1,000	\$135,000,000	\$135,000,000	2004
Related Westport Development	371	\$124,000,000	\$124,000,000	2004
Atlantic Court Apartments	321	\$104,500,000	\$103,800,000	2005
Progress of Peoples Developments	1,008	\$83,400,000	\$82,665,000	2005
Royal Charter Properties East, Inc. Project	615	\$98,775,000	\$96,150,000	2005

The Nicole	149	\$65,000,000	\$64,700,000	2005
Rivereast Apartments	196	\$56,800,000	\$56,800,000	2006
Seaview Towers	462	\$32,000,000	\$31,605,000	2006
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Columbus Apartments Project	166	\$23,570,000	\$21,870,000	1995
West 48 <sup>th</sup> Street Development	109	\$22,500,000	\$20,000,000	2001
First Avenue Development	231	\$44,000,000	\$44,000,000	2002
Renaissance Court	158	\$35,200,000	\$35,200,000	2004
89 Murray Street Development	232	\$49,800,000	\$49,800,000	2005
Linden Boulevard Apartments	300	\$14,000,000	\$14,000,000	2006
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				
Related-Upper East	262	\$70,000,000	\$70,000,000	2003
Aldus Street Apartments	164	\$14,200,000	\$8,100,000	2004
Brookhaven Apartments	95	\$9,100,000	\$9,100,000	2004
Courtlandt Avenue Apartments	167	\$15,000,000	\$15,000,000	2004
East 165 <sup>th</sup> Street Development	136	\$13,800,000	\$7,665,000	2004
Hoe Avenue Apartments	136	\$11,900,000	\$6,660,000	2004
Louis Nine Boulevard Apartments	95	\$9,500,000	\$9,500,000	2004
Manhattan Court Development	123	\$17,500,000	\$17,500,000	2004
Marseilles Apartments	135	\$13,625,000	\$13,225,000	2004
Nagle Courtyard Apartments	100	\$9,000,000	\$4,200,000	2004
Odgen Avenue Apartments	130	\$10,500,000	\$5,000,000	2004
Parkview Apartments	110	\$12,605,000	\$12,605,000	2004
Peter Cintron Apartments	165	\$14,400,000	\$7,840,000	2004
Thessalonica Court Apartments	191	\$19,500,000	\$19,500,000	2004
West 61 <sup>st</sup> Street Apartments	211	\$54,000,000	\$54,000,000	2004
15 East Clarke Place Apartments	102	\$11,600,000	\$11,600,000	2005
33 West Tremont Avenue Apartments	84	\$8,450,000	\$8,450,000	2005
155 West 21 <sup>st</sup> Street Development	109	\$42,700,000	\$42,700,000	2005
270 East Burnside Avenue Apartments	114	\$13,000,000	\$13,000,000	2005
1090 Franklin Avenue Apartments	60	\$6,200,000	\$2,320,000	2005
1904 Vyse Avenue Apartments	96	\$9,650,000	\$9,650,000	2005
2007 La Fontaine Avenue Apartments	88	\$8,500,000	\$3,825,000	2005
Grace Towers Apartments	168	\$11,300,000	\$11,300,000	2005

Highbridge Apartments	296	\$32,500,000	\$32,500,000	2005
La Casa del Sol	114	\$12,800,000	\$12,800,000	2005
Morris Avenue Apartments	210	\$22,700,000	\$22,700,000	2005
Ogden Avenue Apartments II	59	\$5,300,000	\$5,300,000	2005
Parkview II Apartments	88	\$10,900,000	\$10,900,000	2005
The Schermerhorn Development	217	\$30,000,000	\$30,000,000	2005
Urban Horizons II Development	128	\$19,600,000	\$19,600,000	2005
White Plains Courtyard Apartments	100	\$9,900,000	\$9,900,000	2005
500 East 165 <sup>th</sup> Street Apartments	128	\$17,810,000	\$17,810,000	2006
1405 Fifth Avenue Apartments	80	\$14,190,000	\$14,190,000	2006
Bathgate Avenue Apartments	89	\$12,500,000	\$12,500,000	2006
Beacon Mews Development	125	\$23,500,000	\$23,500,000	2006
Granite Terrace Apartments	77	\$9,300,000	\$9,300,000	2006
Granville Payne Apartments	103	\$12,250,000	\$12,250,000	2006
Intervale Gardens Apartments	66	\$8,100,000	\$8,100,000	2006
Markham Gardens Apartments	240	\$25,000,000	\$25,000,000	2006
Pitt Street Residence	263	\$31,000,000	\$31,000,000	2006
Reverend Ruben Diaz Gardens Apartments	111	\$13,300,000	\$13,300,000	2006
Spring Creek Apartments I and II	582	\$24,000,000	\$24,000,000	2006
Target V Apartments	83	\$7,200,000	\$7,200,000	2006
Villa Avenue Apartments	111	\$13,700,000	\$13,700,000	2006
550 East 170 <sup>th</sup> Street Apartments	98	\$14,300,000	\$14,300,000	2007
Queens Family Courthouse Apartments	277	\$120,000,000	\$120,000,000	2007
Susan's Court	125	\$24,000,000	\$24,000,000	2007
The Dorado Apartments	58	\$8,750,000	\$8,750,000	2007
The Plaza	383	\$30,000,000	\$30,000,000	2007
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				
Chelsea Centro	356	\$86,900,000	\$80,200,000	2002
<i>Residential Revenue Bonds – Hospital Staff Housing; Letter of Credit Enhanced</i>				
Montefiore Medical Center Project	116	\$8,400,000	\$7,800,000	1993
The Animal Medical Center	42	\$10,140,000	\$10,140,000	2003
<i>Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan</i>				
Maple Court Cooperative	134	\$12,330,000	\$10,495,000	1994
Maple Plaza Cooperative	154	\$16,750,000	\$14,900,000	1996



<i>Multi-Family Mortgage Revenue Bonds –Rental Project; REMIC-Insured Mortgage Loan</i>				
Barclay Avenue Development	66	\$5,620,000	\$5,100,000	1996
<i>Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced</i>				
55 Pierrepont Development	189	\$6,100,000	\$4,600,000	2000
<b><u>MILITARY HOUSING REVENUE BONDS</u></b>				
Fort Hamilton Housing	228	\$47,545,000	\$47,545,000	2004
<b><u>HOUSING REVENUE BOND PROGRAM</u></b>				
<i>Multi-Family Housing Revenue Bonds<sup>1</sup></i>	88,920	\$2,603,290,000	\$1,926,410,000	1993-2007
<i>Multi-Family Secured Mortgage Revenue Bonds</i>	313	\$6,185,000	\$6,145,000	2005
<b><u>LIBERTY BOND PROGRAM</u></b>				
<i>Multi-Family Mortgage Revenue Bonds</i>				
90 Washington Street <sup>2</sup>	398	\$74,800,000	\$74,800,000	2005
The Crest <sup>3</sup>	476	\$143,800,000	\$143,700,000	2005
2 Gold Street <sup>2</sup>	650	\$217,000,000	\$216,300,000	2006
20 Exchange Place	366	\$210,000,000	\$210,000,000	2006
90 West Street <sup>3</sup>	410	\$112,000,000	\$112,000,000	2006
201 Pearl Street Development <sup>2</sup>	189	\$90,000,000	\$90,000,000	2006
<b><u>SECTION 223(f) REFINANCING PROGRAM</u></b>				
<i>Multifamily Housing Limited Obligations Bonds</i>	1,649	\$79,998,100	\$15,780,303	1977
<i>FHA-Insured Mortgage Loans</i>	3,182	\$299,886,700	\$38,787,043	1978
<b><u>CAPITAL FUND PROGRAM REVENUE BONDS</u></b>				
<i>New York City Housing Authority Program</i>	N/A	\$281,610,000	\$265,810,000	2005
<b>TOTAL</b>	<b><u>114,836</u></b>	<b><u>\$6,960,024,800</u></b>	<b><u>\$5,856,097,346</u></b>	

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

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

<sup>1</sup> Aggregate information for all eighty-five (85) series of bonds that the Corporation has issued under its Housing Revenue Bond Program from 1993 through 2007 as described in Section B above.

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

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

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.

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

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

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

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

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

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

**IV. LOAN SERVICING.** The Corporation services the majority of its own loans and also services loans for others. Such loan servicing activities, which are described below, relate to over 1,411 mortgage loans with an approximate aggregate face amount of \$9.2 billion.

A. Portfolio Servicing. The Corporation acts as loan servicer in connection with the permanent and construction mortgage loans made to approximately 599 developments under its bond, mortgage loan and other loan programs (including its Housing Revenue Bond Program) in the approximate aggregate face amount of \$4.6 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, 2007, the Corporation was servicing construction and permanent loans made to approximately 606 developments in the approximate aggregate face amount of \$2 billion.

C. Loan Servicing Monitoring. In addition to the Corporation's loan servicing activities, the Corporation monitors the loan servicing activities of other servicers who service approximately 206 mortgage loans made under the Corporation's various bond, mortgage loan and other loan programs in the approximate aggregate face amount of \$2.6 billion.

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

Upon delivery of the 2007 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 \$26,600,000 Multi-Family Mortgage Revenue Bonds (Cook Street Apartments), 2007 Series A (the “2007 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 2007 Bonds are authorized to be issued pursuant to the Act and the Multi-Family Mortgage Revenue Bonds (Cook Street Apartments) Bond Resolution of the Corporation, adopted on November 13, 2007 (herein called the “Resolution”). The 2007 Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2007 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 2007 Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2007 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 2007 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 2007 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 2007 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 2007 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 2007 Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2007 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 2007 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 2007 Bond for any period during which such 2007 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 2007 Bonds or a “related person,” and (ii) interest on the 2007 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 2007 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 2007 Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2007 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 2007 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 2007 Bonds, or the exemption from personal income taxes of interest on the 2007 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2007 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 2007 Bond and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,



