

**NEW ISSUE
BOOK-ENTRY ONLY**

**Moody's: "Aaa"
(See "RATING" herein)**

In the opinion of Bond Counsel, under existing statutes, regulations, administrative rulings and court decisions and assuming compliance with the covenants described herein, interest on the Bonds is not included in gross income for federal income tax purpose, except that no opinion is expressed as to such non-inclusion of interest on any Bond for any period during which such Bond is held by a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). Such interest on the Bonds, however, is treated as an "item of tax preference" for purposes of calculating the federal alternative minimum tax imposed under the Code on individuals and corporations. Bond Counsel is of the further opinion that interest on the Bonds is exempt under existing statutes from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York and the City of Yonkers). See "TAX MATTERS" herein.

\$16,400,000

**CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY
MULTIFAMILY HOUSING REVENUE BONDS, SERIES 2004
(HERRIOT STREET HOUSING, L.P. PROJECT)**

Dated: Date of Delivery

Due as shown inside

The City of Yonkers Industrial Development Agency (the "Issuer") has agreed to issue its Multifamily Housing Revenue Bonds, Series 2004 (Herriot Street Housing, L.P. Project) in the original aggregate principal amount of \$16,400,000 (the "Bonds"). The Bonds are issued only as fully registered bonds without coupons in the denomination of \$5,000 principal amount or any integral multiple thereof. Purchasers of Bonds will not receive physical certificates representing their ownership interest in the Bonds. Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. See "THE BONDS—Book-Entry Only System" herein.

Interest on the Bonds will be payable on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing November 1, 2004. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal of, premium, if any, and interest on, the Bonds will be made directly to DTC or its nominee, Cede & Co., by Wells Fargo Bank, N.A., as trustee (the "Trustee"). Disbursements of such payments to DTC's Participants (as defined herein) are the responsibility of DTC.

The Bonds are being issued by the Issuer to provide funding for a multifamily housing project located in the City of Yonkers, New York (the "Project Facility") to be leased by the Issuer to Herriot Street Housing, L.P., a New York limited partnership (the "Company"), pursuant to an Agency Lease Agreement dated as of March 1, 2004 (the "Agency Lease Agreement") between the Issuer and the Company. Proceeds of the Bonds will be used by the Company (i) to finance the acquisition, renovation, rehabilitation and equipping of the Project Facility; (ii) fund capitalized interest; and (iii) pay certain costs incurred in connection with the issuance of the Bonds.

The Bonds are being issued pursuant to a Trust Indenture, dated as of March 1, 2004 (the "Indenture") between the Issuer and the Trustee. Payment of the principal of and interest on the Bonds will be secured, to the extent described herein, by the Agency Lease Agreement and by certain other resources and assets constituting the Trust Estate under the Indenture, all as described herein. In addition, Fannie Mae has agreed to provide credit enhancement for certain of the Company's payment obligations under the Agency Lease Agreement pursuant to and subject to the limitations of a Standby Credit Enhancement Instrument (the "Credit Facility"), dated the date of issuance of the Bonds (the "Closing Date").



The Bonds are subject to optional, mandatory sinking fund and special mandatory redemption prior to maturity at the times and to the extent described herein. See "THE BONDS—Redemption" herein.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE UNDER THE INDENTURE AND FUNDS PAID UNDER THE CREDIT FACILITY. THE BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK (THE "STATE"), THE CITY OF YONKERS (THE "CITY") OR OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE STATE, THE CITY NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE WILL BE LIABLE FOR THE PAYMENT OF THE BONDS. THE FAITH AND CREDIT OF THE ISSUER, THE STATE, THE CITY OR ANY POLITICAL SUBDIVISION OF THE STATE ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

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

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds (other than the Bonds due November 1, 2018, November 1, 2024 and November 1, 2036 (the "Placed Bonds") which are not being reoffered hereby) are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of Harris Beach LLP, New York, New York, as Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Girvin & Ferlazzo, P.C., Albany, New York, for the Company by Cannon Heyman & Weiss, LLP, Albany, New York, and for Fannie Mae by its Legal Department and by Arent Fox PLLC, Washington, D.C. It is expected that the Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about March 16, 2004.



AMOUNTS, MATURITIES AND INTEREST RATES

Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
11/01/2004	\$135,000	1.40%	100.00%
5/01/2005	160,000	1.50	100.00
11/01/2005	160,000	1.65	100.00
5/01/2006	160,000	1.85	100.00
11/01/2006	165,000	1.90	100.00
5/01/2007	205,000	2.20	100.00
11/01/2007	205,000	2.25	100.00
5/01/2008	210,000	2.55	100.00
11/01/2008	215,000	2.60	100.00
5/01/2009	220,000	2.85	100.00
11/01/2009	220,000	2.90	100.00
5/01/2010	225,000	3.10	100.00
11/01/2010	230,000	3.15	100.00
5/01/2011	235,000	3.40	100.00
11/01/2011	240,000	3.40	100.00
5/01/2012	245,000	3.65	100.00
11/01/2012	250,000	3.65	100.00
5/01/2013	255,000	3.85	100.00
11/01/2013	265,000	3.85	100.00

Term Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
11/01/2018	\$1,560,000	4.35%	100.00%
11/01/2024	2,480,000	4.70	100.00
11/01/2036	8,360,000	4.80	100.00

No dealer, broker, salesperson or other person has been authorized by the Underwriter or the Issuer to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy nor will there be any sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM THE ISSUER, THE COMPANY, FANNIE MAE, DTC AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF, THE UNDERWRITER, THE ISSUER (EXCEPT WITH RESPECT TO THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "NO LITIGATION—THE ISSUER"), OR FANNIE MAE (EXCEPT WITH RESPECT TO THE INFORMATION UNDER THE CAPTION "FANNIE MAE" AND IN APPENDIX F). IN PARTICULAR, THE ISSUER HAS NOT PROVIDED OR APPROVED ANY INFORMATION IN THIS OFFICIAL STATEMENT EXCEPT WITH RESPECT TO THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "NO LITIGATION—THE ISSUER" AND TAKES NO RESPONSIBILITY FOR ANY OTHER INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT.

FANNIE MAE HAS NOT PROVIDED OR APPROVED ANY INFORMATION IN THIS OFFICIAL STATEMENT EXCEPT WITH RESPECT TO THE DESCRIPTION UNDER THE CAPTION "FANNIE MAE" AND IN APPENDIX F, TAKES NO RESPONSIBILITY FOR ANY OTHER INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, AND MAKES NO REPRESENTATION AS TO THE CONTENTS OF THIS OFFICIAL STATEMENT (OTHER THAN WITH RESPECT TO THE INFORMATION UNDER THE CAPTION "FANNIE MAE" AND IN APPENDIX F). WITHOUT LIMITING THE FOREGOING, FANNIE MAE MAKES NO REPRESENTATION AS TO THE SUITABILITY OF THE BONDS FOR ANY INVESTOR, THE FEASIBILITY OR PERFORMANCE OF THE PROJECT FACILITY, OR COMPLIANCE WITH ANY SECURITIES, TAX OR OTHER LAWS OR REGULATIONS. FANNIE MAE'S ROLE WITH RESPECT TO THE BONDS IS LIMITED TO ISSUING THE CREDIT FACILITY TO THE TRUSTEE.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS (OTHER THAN THE PLACED BONDS WHICH ARE NOT BEING REOFFERED HEREBY) AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$16,400,000

CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY MULTIFAMILY HOUSING REVENUE BONDS, SERIES 2004 (HERRIOT STREET HOUSING, L.P. PROJECT)

INTRODUCTION

This Official Statement sets forth certain information relating to the issuance by the City of Yonkers Industrial Development Agency (the "Issuer") of \$16,400,000 aggregate principal amount of its Multifamily Housing Revenue Bonds, Series 2004 (Herriot Street Housing, L.P. Project) (the "Bonds"). Certain capitalized terms used in this Official Statement and not otherwise defined are defined in "APPENDIX A—CERTAIN DEFINITIONS."

The Bonds are being issued pursuant to the provisions of The New York State Industrial Development Agency Act, constituting Title I of Article 18-A of the General Municipal Law Chapter 24 of the Consolidated Laws of the State of New York, as amended and Chapter 83 of the 1982 Laws of New York constituting Section 903 of the General Municipal Law, as amended (collectively, the "Act"), and pursuant to a resolution of the Issuer adopted on October 23, 2003 (the "Bond Resolution") and pursuant to a Trust Indenture, dated as of March 1, 2004 (the "Indenture"), between the Issuer and Wells Fargo Bank, N.A., as trustee (the "Trustee").

The Bonds are being issued by the Issuer to provide funding for a project (the "Project") for the benefit of Herriot Street Housing, L.P., a New York limited partnership (the "Company"), for the purpose of financing a project (the "Project") undertaken by the Issuer consisting of: (A) (1) the acquisition by the Company of an approximately 1.29-acre parcel of land located at 100 Herriot Street in the City of Yonkers, New York (the "Land") and the existing improvements located thereon consisting principally of (i) an approximately 170,000 square-foot residential rental apartment building containing in the aggregate approximately 181 residential units (the "Building"), (ii) an approximately 32 space, one-level, underground parking garage (the "Underground Parking Garage") and (iii) an approximately 109 space, four-level, parking garage adjacent to the Building (the "Adjacent Parking Garage", and collectively with the Building and the Underground Parking Garage, the "Existing Improvements"); (2) the renovation, reconstruction and upgrading of the Building to accommodate (i) approximately 150,000 square feet of residential space consisting of approximately 11 studio apartments, 11 one-bedroom units, 124 two-bedroom units and 34 three-bedroom units (the "Residential Units") and 1 three-bedroom unit reserved for the Superintendent, of which Residential Units, approximately 95% will be leased to households earning no more than 60% of the area's median gross income; and (ii) approximately 20,000 square feet of common area space consisting principally of a lobby and laundry areas (the "Common Areas" and, collectively with the Residential Units, the "Improvements"); (3) the acquisition and installation in and around the Improvements of certain machinery, equipment and other items of tangible personal property (the "Equipment" and, collectively with the Land, the Existing Improvements and the Improvements, the "Project Facility"), (B) funding capitalized interest, and (C) paying certain costs of issuing the Bonds. Pursuant to the Indenture, the Issuer will assign the Agency Lease Agreement (including all of the rights of the Issuer thereunder except for the Reserved Rights), together with other property comprising the Trust Estate, to the Trustee, for the benefit of the registered owners of the Bonds, and to Fannie Mae, as their interest may appear.

The Company will lease the Project Facility to the Issuer, pursuant to the terms of a certain Company Lease Agreement (the "Company Lease Agreement"), dated as of March 1, 2004, by and between the Company and the Issuer. The Issuer will lease the Project Facility back to the Company, commencing on the Closing Date, pursuant to the terms and conditions of a certain Agency Lease Agreement (the "Agency Lease Agreement") dated as of March 1, 2004, by and between the Issuer and the Company. Under the commitment

(the “Fannie Mae Commitment”) issued by Fannie Mae to Bank of America, N.A., in its capacity as loan servicer (the “Loan Servicer”), Fannie Mae has agreed, in connection with the Bonds, but subject to the terms and conditions of the Fannie Mae Commitment, to provide credit enhancement for certain of the Company’s payment obligations under the Agency Lease Agreement pursuant to, and subject to, the limitations of a Standby Credit Enhancement Instrument (the “Credit Facility”), issued by Fannie Mae to the Trustee, and as further described herein. See “SECURITY FOR THE BONDS—Credit Facility” and “APPENDIX F—FORM OF CREDIT ENHANCEMENT INSTRUMENT.” The obligation of the Company to reimburse Fannie Mae for any funds provided by Fannie Mae under the Credit Facility will be set forth in a Reimbursement Agreement, dated as of March 1, 2004 (the “Reimbursement Agreement”), between the Company and Fannie Mae.

The Bonds and the obligations of the Company under the Reimbursement Agreement will be secured by a first lien priority Multifamily Mortgage, Assignment of Rents and Security Agreement encumbering the Project Facility, dated as of March 1, 2004 (the “Security Instrument”). The Agency Lease Agreement is a nonrecourse obligation of the Company subject to certain limited exceptions. Payments on the Agency Lease Agreement will be made by the Company to the Trustee from the Closing Date to the Conversion Date and to the Loan Servicer after the Conversion Date, and, in turn, will be remitted by the Loan Servicer, net of certain fees, escrows and other amounts, to the Trustee. The payment provisions of the Agency Lease Agreement have been established and structured so that the aggregate rental payments due under the Agency Lease Agreement will not be less than the interest and principal payable on the outstanding Bonds. The payments required to be made by the Company under the Agency Lease Agreement, if timely made by the Company, are intended to be sufficient to pay, when due, the principal of and interest on the outstanding Bonds.

On the Closing Date, the Issuer will, pursuant to an Assignment and Intercreditor Agreement, dated as of March 1, 2004 (the “Assignment”), among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Company, assign the Agency Lease Agreement (other than Reserved Rights), without recourse, to the Trustee and Fannie Mae, as their interests may appear (the “Assigned Rights”). Upon such assignment, the Agency Lease Agreement (other than Reserved Rights) will be part of the Trust Estate for the Bonds. Further, upon such assignment, so long as (i) any obligations exist under the Credit Facility or the Company owes any obligation to Fannie Mae, and (ii) no Wrongful Dishonor occurs and continues, the Trustee may not exercise any of the Assigned Rights and Fannie Mae has the exclusive right to exercise all rights and remedies (other than the Reserved Rights) under the Assigned Documents. Fannie Mae also has the right to direct the Trustee to assign all of its right, title and interest in and to the Assigned Documents to Fannie Mae.

Fannie Mae’s participation in the financing of the Project Facility will not extend beyond the Construction Phase as defined in the Construction Phase Financing Agreement, dated as of March 1, 2004 (the “Construction Phase Financing Agreement”), among Fannie Mae, Bank of America, N.A., in its capacity as Construction Phase Credit Facility Provider (the “Construction Phase Credit Facility Provider”) and the Loan Servicer, and acknowledged, accepted and agreed to by the Company, unless the “Conditions to Conversion” set forth in the Fannie Mae Commitment and the Construction Phase Financing Agreement are satisfied on or before the Termination Date set forth in the Fannie Mae Commitment (the “Termination Date”) (or, to the extent not satisfied, are waived by Fannie Mae). If the Conditions to Conversion set forth in the Fannie Mae Commitment and the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae) the Loan Servicer is to issue a Conversion Notice on or before the Termination Date, in which event the project financing will convert from the Construction Phase to the Permanent Phase (as each such term is defined in the Construction Phase Financing Agreement) (“Conversion”) effective on the date specified in the Conversion Notice (the “Conversion Date”), Fannie Mae’s participation in the financing will continue and the Credit Facility will continue in effect. If, however, the Conditions to Conversion are not satisfied on or before the Termination

Date (or, to the extent not satisfied, are not waived by Fannie Mae) with the result that the Loan Servicer fails to issue a Conversion Notice on or before the Termination Date, the financing will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to special mandatory redemption in whole. (See "THE BONDS—Redemption").

Any such special mandatory redemption will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the Redemption Date. No such redemption will be made at a premium. In the event of such a special mandatory redemption in whole, the redemption price is to be paid with funds provided under the Credit Facility. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Lender from amounts advanced under the Credit Facility. In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase, as the case may be. The Termination Date is April 1, 2006, subject to extension as provided in the Construction Phase Financing Agreement or by Fannie Mae in its discretion. The grant of any such extension is subject to the satisfaction of certain conditions.

The Conditions to Conversion include, for example, completion of construction of the Project Facility and the achievement of a specified level of occupancy from the leasing of units in the Project Facility. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur.

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Bonds permitted to remain outstanding after Conversion, as finally determined in accordance with the Fannie Mae Commitment and the Construction Phase Financing Agreement, will not be less than the original principal amount of the Bonds; if such principal amount, as finally determined in accordance with the Fannie Mae Commitment and the Construction Phase Financing Agreement, is less than the original principal amount of the Bonds, the principal amount of the Bonds must, as a Condition to Conversion, be reduced by the Company's prepayment of the rental payments due under the Agency Lease Agreement in part (a "Pre-Conversion Equalization Payment"); upon such prepayment, a corresponding portion of the Bonds will be subject to special mandatory redemption. See "THE BONDS—Redemption" herein. Any such special mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. No such redemption will be made at a premium. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and the Bonds will be subject to special mandatory redemption in whole, as described above.

Prior to Conversion, Fannie Mae will, pursuant to the Construction Phase Financing Agreement, be protected against loss by the Construction Lender pursuant to a Construction Phase Credit Facility acceptable to Fannie Mae. Certain events concerning the Construction Lender, the Construction Phase Financing Agreement and the Construction Phase Credit Facility may result in the prepayment of the rental payments due under the Agency Lease Agreement and a corresponding special mandatory redemption of the Bonds. See "THE BONDS—Redemption." The Construction Phase Credit Facility will be delivered for the sole benefit of Fannie Mae and will not secure payment of the Bonds.

Prior to or simultaneously with the issuance of the Bonds, the Company will enter into an Interest Reduction Payment Agreement (the "IRP Agreement") with the Secretary of Housing and Urban Development ("HUD"), the Issuer, Fannie Mae, the Company and the Trustee pursuant to Section 236 of the National Housing Act (the "NHA Act") whereby the Company will receive certain interest reduction payments with respect to the Project ("Interest Reduction Payments"). Payments pursuant to the IRP Agreement are a firm obligation of HUD and are not subject to annual Congressional appropriations.

The Project Facility is required to be occupied by tenants whose incomes satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations issued under

the Code. These restrictions are set forth in the Tax Regulatory Agreement, dated the date of delivery of the Bonds, as amended (the "Regulatory Agreement"), between the Issuer and the Company. See "THE COMPANY AND THE PROJECT FACILITY" herein.

Any failure of the Company to comply with the terms of the Regulatory Agreement may cause interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes, possibly retroactively as well as prospectively. See "TAX MATTERS" and "BONDHOLDERS' RISKS" herein. None of the Trustee, the Issuer or the Bondholders may cause an acceleration or redemption of the Bonds solely because of a default by the Company under the Regulatory Agreement or because interest on the Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes. In addition, the interest rate on the Bonds will not be adjusted in the event that interest payable on the Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes.

The Bonds are a special obligation of the Issuer secured by, among other property comprising the Trust Estate described in the Indenture and the security for the Bonds, the following: (a) the Agency Lease Agreement (excluding the Reserved Rights), (b) Fannie Mae's credit enhancement pursuant to the Credit Facility, (c) the Net Bond Proceeds, to the extent not disbursed to or on the order of the Company, (d) the Revenues when received by the Trustee and any other money received by the Trustee for the payment of the principal of and interest on the Bonds, (e) amounts otherwise on deposit in the Funds and Accounts under the Indenture (other than money on deposit from time to time in the Rebate Fund, the Costs of Issuance Fund and the Fees Account pursuant to the Indenture) and (f) certain Investment Income.

Fannie Mae has designated the Loan Servicer to provide loan servicing in connection with the Project. Fannie Mae may subsequently designate another eligible servicing institution to provide loan servicing in connection with the Project or may elect to provide loan servicing in connection with the Project itself.

The Bonds are subject to optional, mandatory sinking fund and special mandatory redemption prior to maturity as described under the heading, "THE BONDS—Redemption" herein.

The Bonds are special, limited obligations of the Issuer, payable solely from the Trust Estate under the Indenture and the Credit Facility. The Bonds are not a debt of the State, the City of Yonkers or of any other political subdivision of the State, and neither the State, the City of Yonkers nor any other political subdivision of the State will be liable for the payment of the Bonds. The faith and credit of the Issuer, the State, the City of Yonkers or any political subdivision of the State are not pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing powers.

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

A copy of the Credit Facility and brief descriptions of the Bonds, the security for the Bonds, the Issuer, Fannie Mae, the Company and the Project Facility are included in this Official Statement together with summaries of certain provisions of the Indenture, the Agency Lease Agreement, the Reimbursement Agreement and the Continuing Disclosure Agreement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Agency Lease Agreement, the Reimbursement

Agreement, the Continuing Disclosure Agreement, the Credit Facility and other documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto in the aforementioned documents, copies of all of which are available for inspection in the designated office of the Trustee which is presently located at Wells Fargo Bank, N.A., 9062 Old Annapolis Road, Columbia, Maryland 21045.

THE BONDS

General

The Bonds are issuable only as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds are dated their date of issuance, and will bear interest at the rates per annum and mature as set forth on the inside cover of this Official Statement, subject to prior redemption as described under the caption "THE BONDS—Redemption" below.

Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and be payable on May 1 and November 1 of each year, commencing on November 1, 2004 (each an "Interest Payment Date"), calculated from the Interest Payment Date next preceding the date of authentication of the Bonds, provided that if the date of authentication is an Interest Payment Date for which interest has been paid or is after the Record Date, but prior to the next Interest Payment Date, the Bonds will bear interest from such Interest Payment Date, provided further that if the date of authentication is prior to the Record Date for the first Interest Payment Date, the Bonds will bear interest from the Dated Date of the Bonds. Notwithstanding the foregoing, if, at the time of authentication of any Bond, interest on the Bond is in default, the Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid on the Bond, from the Dated Date of the Bond.

The Bonds will be delivered in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interest in the Bonds may be purchased in book-entry form only. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders will mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of and interest on the Bonds while under the Book-Entry System are to be made in accordance with the rules, regulations and procedures established by DTC in connection with such Book-Entry System. See "THE BONDS—Book-Entry Only System" herein.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to November 1, 2021.

(a) *Optional Redemption On And After First Call Date.* On and after November 1, 2021, the Bonds shall be subject to optional redemption in whole or in part only (a) upon optional prepayment of the Principal Component in whole or in part in accordance with the Agency Lease Agreement and other Project Documents and (b) with the prior written consent of the Credit Provider. Optional redemption of the Bonds shall occur on the first day of any month for which timely notice of redemption can be given at 100% of the principal amount thereof, plus accrued interest, if any, to the Redemption Date.

(b) *Available Moneys Requirement.* Optional redemption is not permitted unless (a) the redemption is effected solely with Available Moneys, or (b) the Credit Provider provides its prior written

consent to a redemption with other than Available Moneys. Notwithstanding any other provision of the Indenture to the contrary and regardless of any consent to redemption as described in the preceding clause (b), optional redemption of the Bonds shall not be permitted unless, on or before the Redemption Date, the Trustee has on hand Available Moneys in an amount sufficient to pay the End Period Payment on the Redemption Date. Neither the Issuer, the Credit Provider nor the Loan Servicer shall have any responsibility or liability to provide funds to be included in the End Period Payment.

Special Mandatory Redemption. The Bonds are subject to special mandatory redemption, in whole or in part, as described below. Unless otherwise specified, each special mandatory redemption shall be (a) effected on the earliest practicable Redemption Date for which timely notice of redemption can be given following the occurrence of the event requiring such redemption; and (b) at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest on such Bonds to the Redemption Date. Bonds subject to special mandatory redemption in part shall be redeemed in Authorized Denominations; if the Trustee receives an amount for the special mandatory redemption of the Bonds which is not equivalent to an Authorized Denomination, Bonds shall be redeemed in an amount equal to the next lowest whole integral of an Authorized Denomination to the amount received by the Trustee, with any excess to be held in the Redemption Account.

(a) ***Failure of Conversion.*** The Bonds shall be redeemed in whole not later than twenty (20) days after the Conversion Date if the Loan Servicer does not issue the Final Notice of Conversion on or before the Termination Date, unless the Credit Provider shall otherwise direct the Trustee and the Loan Servicer in writing provided, however, that any such direction by the Credit Provider shall not have an adverse effect on any rating then assigned by a Rating Agency.

(b) ***Casualty or Condemnation.*** The Bonds shall be redeemed in whole or in part, at the direction of the Credit Provider in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property (in any such events, "Proceeds") are not applied in accordance with the Agency Lease Agreement and the Project Documents, after payment of the expenses, if any, of collecting the Proceeds, to restoring or repairing the Mortgaged Property or, with the prior written consent of the Credit Provider, otherwise used for improvements to the Mortgaged Property, or applied to the reimbursement of amounts owed to the Credit Provider pursuant to the Reimbursement Agreement. Such special mandatory redemption shall be:

(i) (A) in whole following the involuntary destruction or loss of the Mortgaged Property in its entirety or nearly in its entirety; (B) funded with the Proceeds, with funds on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) and with funds provided by the Company pursuant to the Agency Lease Agreement, provided, however, that the Trustee shall be entitled to an Advance under the Credit Facility, in accordance with its terms, to the extent that the sum of the Proceeds, funds on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) and lease payments and other funds provided by the Company pursuant to the Agency Lease Agreement are insufficient to redeem all of the Bonds Outstanding; and (C) deemed an involuntary prepayment of the Principal Component; or

(ii) (A) in part following the involuntary destruction or loss of the Mortgaged Property in part; (B) funded with the Proceeds; (C) in a principal amount equal to the next lowest whole integral of an Authorized Denomination to which such Proceeds can be rounded with any remaining Proceeds to be held in the Redemption Account; and (D) deemed an involuntary prepayment of the Principal Component.

(c) *Certain Defaults.* The Bonds shall be redeemed in whole or in part at the written direction of the Credit Provider given to the Trustee and in the amount specified by the Credit Provider if the redemption is in part, as follows:

(i) in whole prior to the Conversion Date, or in whole or in part on or after the Conversion Date, upon the occurrence of an Event of Default by the Company under (and as respectively defined in) the Security Instrument, the Credit Facility Agreement or the Agency Lease Agreement; or

(ii) in whole, upon the occurrence of a "Company Default" (including the event described in paragraph (a) Failure of Conversion, above or a "Direction to Draw" under, and as each such term is defined in, the Construction Phase Financing Agreement.

(d) *Excess Net Bond Proceeds.* The Bonds shall be redeemed, after the Conversion Date, in whole or in part in the event and to the extent that funds are received from the Loan Servicer for deposit in the Redemption Account as a result of (i) certain excess proceeds in the Project Fund on the Conversion Date, or (ii) certain proceeds in the Project Fund upon a failure of conversion.

(e) *After the Conversion Date from Excess Cash.* The Bonds shall be redeemed, after the Conversion Date, in whole or in part, on each such Interest Payment Date, to the extent of certain excess moneys remaining in the General Account. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Funds and Accounts."

(f) *Pre-Conversion Equalization.* The Bonds shall be redeemed in part in the event that the Company makes a Pre-Conversion Equalization Payment, and in the amount of such Pre-Conversion Equalization Payment.

Mandatory Sinking Fund Redemption

The Bonds maturing on November 1, 2018 shall be subject to mandatory sinking fund redemption in part, by random drawing, prior to maturity, from sinking fund installments on the dates and in the amounts set forth in the below table. The redemption price shall be equal to 100% of the principal amount of Bonds to be redeemed (and, therefore, without premium), plus accrued interest to the Redemption Date.

Redemption Date	Principal Amount	Redemption Date	Principal Amount
May 1, 2014	\$160,000	November 1, 2016	\$155,000
November 1, 2014	140,000	May 1, 2017	160,000
May 1, 2015	145,000	November 1, 2017	165,000
November 1, 2015	145,000	May 1, 2018	170,000
May 1, 2016	150,000	November 1, 2018*	170,000

* Final maturity.

The Bonds maturing on November 1, 2024 are subject to mandatory sinking fund redemption in part, by random drawing, prior to maturity, from sinking fund installments on the dates and in the amounts set forth in the below table. The redemption price will be equal to 100% of the principal amount of Bonds to be redeemed (and, therefore, without premium), plus accrued interest to the Redemption Date.

Redemption Date	Principal Amount	Redemption Date	Principal Amount
May 1, 2019	\$175,000	May 1, 2022	\$210,000
November 1, 2019	180,000	November 1, 2022	215,000
May 1, 2020	185,000	May 1, 2023	220,000
November 1, 2020	190,000	November 1, 2023	225,000
May 1, 2021	200,000	May 1, 2024	235,000
November 1, 2021	205,000	November 1, 2024*	240,000

* Final maturity.

The Bonds maturing on November 1, 2036 are subject to mandatory sinking fund redemption in part, by random drawing, prior to maturity, from sinking fund installments on the dates and in the amounts set forth in the below table. The redemption price will be equal to 100% of the principal amount of Bonds to be redeemed (and, therefore, without premium), plus accrued interest to the Redemption Date.

Redemption Date	Principal Amount	Redemption Date	Principal Amount
May 1, 2025	\$245,000	May 1, 2031	\$345,000
November 1, 2025	255,000	November 1, 2031	355,000
May 1, 2026	260,000	May 1, 2032	365,000
November 1, 2026	270,000	November 1, 2032	375,000
May 1, 2027	275,000	May 1, 2033	390,000
November 1, 2027	285,000	November 1, 2033	400,000
May 1, 2028	295,000	May 1, 2034	410,000
November 1, 2028	300,000	November 1, 2034	425,000
May 1, 2029	310,000	May 1, 2035	435,000
November 1, 2029	320,000	November 1, 2035	445,000
May 1, 2030	330,000	May 1, 2036	460,000
November 1, 2030	335,000	November 1, 2036*	475,000

* Final maturity.

Adjustment for Redemptions from Other Than Sinking Fund Installments. If less than all of the Bonds of a specific maturity have been redeemed other than from sinking fund installments applicable to such Bonds, the principal amount of the Bonds of such maturity to be redeemed in each year from sinking fund installments shall be decreased pro rata (in \$5,000 denominations) among all sinking fund installments applicable to such Bonds.

Notice of Redemption

For any redemption of Bonds pursuant to the Indenture, the Trustee shall give notice of redemption of any Bonds in the name and on behalf of the Issuer by mail, not less than fifteen (15) nor more than sixty (60) days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. Notwithstanding the foregoing, so long as the Book-Entry System is maintained in effect, the Trustee must give notice of redemption only to the entity designated in the Representation Letter. The Trustee may give notice of redemption prior to the

receipt of all funds necessary to effect the redemption, provided that redemption shall not occur unless and until the Trustee has on deposit and available or, if applicable, has received, all of the funds necessary to effect the redemption (and only if such funds constitute Available Moneys as and to the extent required by the Indenture); otherwise, such redemption shall be cancelled. The Trustee shall cause a second notice of redemption to be sent by mail within ten (10) days after the thirtieth day following the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment on or before the thirtieth day following the Redemption Date.

Each notice of redemption shall state: (i) the date of the redemption notice; (ii) the date of issue of the Bonds as originally issued and the complete official name of the Bonds, including the series designation; (iii) the numbers of the Bonds to be redeemed, by giving the individual certificate number of each Bond to be redeemed (or stating that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed, or that all or a stated portion of the Bonds of one or more maturities have been called for redemption); (iv) the CUSIP numbers of all Bonds being redeemed; (v) in the case of a partial redemption of Bonds, the principal amount of each Bond being redeemed; (vi) the rate or rates of interest borne by each Bond being redeemed; (vii) the maturity date of each Bond being redeemed; (viii) the place or places where amounts due upon such redemption will be payable; (ix) the Redemption Date and redemption price of each Bond being redeemed; (x) the address and telephone number of the office of the Trustee to contact with respect to such redemption; (xi) that all Bonds to be redeemed are required to be surrendered at the office of the Trustee designated by the Trustee for that purpose for redemption at the redemption price; (xii) that interest on such Bonds will not accrue from and after the Redemption Date; (xiii) if applicable, that redemption is conditional upon receipt by the Trustee of sufficient moneys, as permitted or required by the Indenture, to redeem the Bonds; and (xiv) any conditions precedent to redemption.

Neither failure to give or receive any notice, nor failure to give notice timely nor any defect in any notice (or in its content, or in the manner in which notice is given) shall affect the validity or sufficiency of any proceedings for the redemption of the Bonds to be redeemed.

The Trustee shall revoke any notice of optional redemption if the Available Moneys requirement is not satisfied. See "THE BONDS—Optional Redemption—Available Moneys Requirement" above. The Trustee shall revoke any notice of optional or special mandatory redemption if the Trustee does not, on a Redemption Date, have sufficient funds, as permitted or required by the Indenture, to redeem the Bonds to be redeemed on such Redemption Date. The Trustee shall give notice of revocation by the same means as for the giving of notice of redemption, or by Electronic Means confirmed in writing. The redemption shall be cancelled once the Trustee has given notice of revocation. Notwithstanding notice having been given in the manner provided above, any redemption of Bonds shall be cancelled at the direction of the Credit Provider if the Credit Provider has notified the Trustee in writing that a default under any Credit Facility Agreement has occurred.

Redemption Payments

If notice of redemption has been given and all conditions precedent to redemption have been satisfied, the Bonds so called for redemption shall become due and payable on the Redemption Date, and interest on such Bonds shall cease to accrue from and after the Redemption Date and the holders of the Bonds so called for redemption shall thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. Except during any period in which the Bonds are subject to the Book-Entry System, no payment shall be made by the Trustee with respect to any Bond called for redemption until such Bond is presented for payment or cancellation or the Trustee receives the items required by the Indenture with respect to any mutilated, lost, stolen or destroyed Bond. During any period in which the Bonds are subject to the Book- Entry System, the rules, regulations and practices governing the Book-Entry System shall govern whether and the extent to

which the Trustee shall make payments on any Bond called for redemption with or without surrender of the Bond (or portion of the Bond) to be redeemed, and the circumstances (if any) under which the Issuer shall be required to execute, and the Trustee shall authenticate and deliver, a new Bond in exchange for the unredeemed portion of any Bond called for redemption in part. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds shall be held in trust for the account of the holders of the Bonds to be redeemed.

Selection of Bonds To Be Redeemed Upon Partial Redemption of Bonds

If less than all of the Outstanding Bonds are called for redemption (other than mandatory sinking fund redemption), Bonds to be redeemed shall be selected by the Trustee on a reasonably proportionate basis, in minimum amounts of \$5,000 from among all the then existing maturities of the Bonds Outstanding. "Reasonably proportionate basis" shall be determined and effectuated as nearly as practicable by multiplying the total amount of money available to redeem Bonds by the ratio which the principal amount of Bonds Outstanding in each maturity bears to the principal amount of all of the Bonds Outstanding, and within a maturity by random drawing or in such other manner as the Trustee shall, in its sole discretion, deem fair. In the case of an optional redemption from an optional prepayment of the Lease Payments, the Trustee shall make its selection immediately following receipt of notice of the optional prepayment. In the case of a special mandatory redemption, the Trustee shall make such selection immediately following: (i) a deposit of funds with respect to a special mandatory redemption as a result of certain defaults, excess net Bond proceeds or after the Conversion Date from excess cash; (ii) receipt of funds with respect to a special mandatory redemption as a result of a failure of conversion or casualty or condemnation; (iii) a transfer of funds with respect to a special mandatory redemption after the conversion date from excess cash; or (iv) receipt of the Company's Pre-Conversion Equalization Payment with respect to any redemption as a result of failure of pre-conversion equalization.

With respect to any special mandatory redemption as a result of a failure of Conversion or casualty or condemnation, the sufficiency of the scheduled cash flow from the Lease Payments and Investment Income with respect to the General Account to pay the principal of and interest on the Bonds and the Third Party Fees (to the extent included in the Lease Payment, when due and payable following such redemption, shall be established by a then current Cash Flow Projection which shall be verified by a Verification Report (upon each of which the Trustee may rely), each prepared and delivered to the Trustee, the Credit Provider and the Loan Servicer, at the Company's expense, at least fifteen (15) days prior to the Redemption Date. In the event that any Bonds of the same maturity are to be redeemed in part, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of such Bond, and from the numbers so assigned to such Bonds, the Trustee shall randomly select as many numbers, at \$5,000 for each number, as shall equal the principal amount of such Bonds to be redeemed. The Bonds within a maturity that are to be redeemed shall be the Bonds to which are assigned the numbers selected by the Trustee, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. Bonds may be redeemed only in Authorized Denominations. Notwithstanding the foregoing, so long as the Bonds remain in the Book-Entry System, the Bonds to be redeemed shall be selected by DTC, or any successor Securities Depository, and the DTC Participant through such selection process as is applicable at such time. Bonds which have theretofore been selected for redemption shall not be deemed Outstanding. If less than the entire principal amount of a Bond is called for redemption, the Issuer shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the holder of such Bond, in exchange for the unredeemed principal amount of such Bond, Bonds of the same maturity, interest rate, principal amount, series and tenor in any Authorized Denomination in the amount of the unredeemed principal of the surrendered Bond.

Purchase of Bonds in Whole in Lieu of Redemption

Unless otherwise expressly provided in the Indenture, if at any time Available Moneys are held in any Fund or Account to be used to redeem Bonds, in lieu of such redemption the Company may, in writing, direct the Trustee to use part or all of such moneys to purchase Bonds which would otherwise be subject to redemption from such moneys. The purchase price of such Bonds (excluding accrued interest, but including any brokerage and other charges) shall not exceed the applicable redemption price of the Bonds which would be redeemed but for the operation of this provision, with accrued interest to be paid on any such Bond to be paid from the same Fund or Account from which accrued interest would be paid upon the redemption of such Bond. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the Bonds and may not occur, without the consent of the Trustee, after a Record Date. All Bonds so purchased shall be cancelled by the Trustee and the face amount of the Bonds so purchased shall be applied as a credit against the Issuer's obligation to redeem such Bonds from such moneys. Savings resulting from the purchase of Bonds at less than their respective redemption prices shall be used to purchase or redeem additional Bonds to the extent permitted by the Indenture. The Company may, at the expense of the Company, and with the consent of the Credit Provider, direct the Trustee to request the submission of tenders following notice to Bondholders requesting such submission prior to making the aforescribed purchases. Notice of acceptance of tenders shall be given by first class mail, postage prepaid, to all registered Bondholders or, in the case of Book-Entry Bonds, to DTC or any successor Securities Depository. The Company may specify the maximum and minimum period of time which shall transpire between the date upon which such notice is to be given and the date upon which such tenders are to be accepted. No tenders shall be considered or accepted at any price exceeding the price indicated in this paragraph. The Trustee shall accept bids with the lowest price and in the event the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and if there are tenders at an equal price above the amount of moneys available for purchase, then the Trustee shall select by random drawing, in such manner as it shall determine in its discretion, the Bonds tendered which shall be purchased.

Special Purchase in Lieu of Redemption

If all Bonds Outstanding are called for redemption in whole upon the occurrence of (a) a failure of Conversion, (b) an Event of Default under the Security Instrument, the Credit Facility Agreement or the Agency Lease Agreement, or (c) a Company Default or a Direction to Draw, at any time that the Construction Phase Credit Facility is in effect, the Bonds may, in lieu of such redemption, be purchased ("Special Purchase Bonds") by the Trustee, at the written direction of the Construction Phase Credit Facility Provider to the Trustee, for the account of the Construction Phase Credit Facility Provider. Any such purchase of Bonds shall be in whole and not in part. Such purchase shall be made on the date the Bonds are otherwise scheduled to be redeemed (the "Special Purchase Date"). The purchase price of the Special Purchase Bonds (the "Special Purchase Price") shall be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any, on the Special Purchase Bonds to the Special Purchase Date. The payment source shall consist solely of funds to be advanced by the Credit Provider under the Credit Facility together with funds otherwise available under the Indenture to otherwise pay the redemption price of the Special Purchase Bonds as directed by the Credit Provider.

Special Purchase Bonds which are not delivered to the Trustee on the Special Purchase Date shall be deemed to have been so purchased and not redeemed on the Special Purchase Date and shall cease to accrue interest as to the former owner on the Special Purchase Date. Special Purchase Bonds shall be registered in the name of the Construction Phase Credit Facility Provider or any third party designated by the Construction Phase Credit Facility Provider and shall be delivered to the party designated by the Construction Phase Credit Facility Provider. Following such purchase, the Registered Owner of the Special Purchase Bonds shall be the owner of such Bonds for all purposes under the Indenture and interest accruing on such

Bonds from and after the Special Purchase Date shall be payable solely to the Registered Owner of the Special Purchase Bonds.

Notice of the election by the Construction Phase Credit Facility Provider to purchase Bonds otherwise called for redemption shall be delivered in writing to the Trustee, the Credit Provider, the Loan Servicer and the Rating Agency not less than three (3) days prior to the date otherwise scheduled for redemption of the Bonds.

It is the intention of the Issuer that the purchase of Special Purchase Bonds shall not constitute a merger or extinguishment of the indebtedness of the Issuer evidenced by the Bonds so purchased or of the indebtedness of the Company under the Agency Lease Agreement; Special Purchase Bonds shall for all purposes be regarded as Outstanding under the Indenture, except as otherwise expressly provided in the Indenture. Upon the purchase of any Special Purchase Bond, the notice of redemption previously given with respect to such Bond shall be deemed to be a notice of mandatory tender of such Bond.

Notwithstanding anything contained in the Indenture to the contrary, in no event shall the Credit Facility (or any funds advanced under the Credit Facility) directly or indirectly secure, or provide a source of payment of amounts due from time to time with respect to, the Special Purchase Bonds. From and after the Special Purchase Date and until the termination of the Credit Facility, the Credit Provider shall continue to be entitled to all rights, privileges, benefits and security granted to the Credit Provider under the Bond Documents and the Project Documents. In no event shall the Credit Provider be deemed to be the owner of any Special Purchase Bond whether pursuant to the Indenture or otherwise unless such Bond is transferred to, and registered in the name of, the Credit Provider in accordance with the provisions of the Indenture and only at the written direction of the Credit Provider (which shall not be effective unless accompanied by the written consent of the General Counsel of the Credit Provider and the Controller of the Credit Provider).

Special Purchase Bonds may not be transferred to another Registered Owner without the written approval of the Issuer. Any approved transfer must be of all of the Outstanding Special Purchase Bonds to a single Registered Owner. If at the time of transfer the Special Purchase Bonds have an investment grade rating from the Rating Agency, neither the transfer approval requirement nor the single transferee restriction will apply. All such transfers shall be made in compliance with applicable securities laws.

Book-Entry Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of the Bonds of such maturity, 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 securities that its participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sale 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry Only System for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an omnibus proxy (the “Omnibus Proxy”) to the Issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 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 Issuer, 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 Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Issuer and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in its name for the purposes of payment of the principal of, or interest on, the Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Issuer and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Issuer (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or interest on the Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Issuer; or other action taken by DTC as a registered owner. Interest and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

For every transfer and exchange of beneficial ownership of the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service with respect to the Bonds at any time by giving notice to the Issuer and discharging its responsibilities with respect thereto under applicable law, or the Issuer may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Issuer may retain another securities depository for the Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Issuer directs the Trustee to deliver such bond certificates, such Bonds may thereafter be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same Series and maturity as set forth in the Indenture, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Issuer.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Issuer, the Trustee nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE ISSUER'S OBLIGATION UNDER THE ACT AND THE INDENTURE TO THE EXTENT OF SUCH PAYMENTS.

SECURITY FOR THE BONDS

Pledge of Trust Estate

To secure the payment of the principal of, interest and any premium on the Bonds according to their tenor and effect, to secure all obligations owed to the Credit Provider under the Credit Facility Documents and the Project Documents, and to secure the performance and observance by the Issuer of the covenants expressed or implied in the Indenture and in the Bonds, the Issuer assigns and grants a security interest in and to the property described in the following paragraphs (i) through (v) to the Trustee for the benefit of the Owners of the Bonds and to the Credit Provider, as their interests may appear, subject to the Assignment and the provisions of the Indenture permitting the application of such property for the purposes set forth in the Indenture:

- (i) all right, title and interest of the Issuer in and to the Agency Lease Agreement, and all amendments, modifications and supplements of the foregoing, reserving, however, the Reserved Rights;
- (ii) all rights to receive payments on the Agency Lease Agreement and under the Project Documents, and the right to receive Revenues and other moneys for payment of the principal and interest on the Bonds, including without limitation payments and other sums received pursuant to the Guaranty Agreement, the IRP Agreement and the Credit Facility and all proceeds of insurance or condemnation awards, but excluding any rights to payment with respect to the Reserved Rights;
- (iii) all right, title and interest of the Issuer in and to the Net Bond Proceeds and the accrued interest, if any, derived from the sale of the Bonds, and all Funds, Accounts and Investments under the Indenture (including, but not limited to, moneys, documents, securities, investments, instruments and general intangibles on deposit or otherwise held by the Trustee under the Indenture), including Investment Income and any payments received pursuant to the IRP Agreement and pledged to repayment of the Bonds, but excluding moneys in the Fees Account, the Rebate Fund and the Costs of Issuance Fund (including within such exclusion Investment Income earned on amounts on deposit in the Costs of Issuance Fund and Investment Income retained in the Rebate Fund);
- (iv) any and all other rights and interests in property, whether tangible or intangible, from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the Indenture; and
- (v) all of the proceeds of the foregoing, including, but not limited to, Investments and Investment Income (except as excluded in paragraph (iii) above);

Credit Facility

General. On the Closing Date, the Trustee will accept the Credit Facility from Fannie Mae, and, thereafter the Trustee is required to abide by and take all actions required of the Trustee under the Credit Facility in accordance with its terms.

In addition to the other security provided under the Indenture, certain rental payments under the Agency Lease Agreement will be secured by the Credit Facility. The form of the Credit Facility is contained

in "APPENDIX F—FORM OF CREDIT ENHANCEMENT INSTRUMENT" attached hereto. Information regarding Fannie Mae is contained herein under the caption "FANNIE MAE."

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

Mortgage

The Bonds and the obligations of the Company under the Reimbursement Agreement will be secured by a first priority lien Multifamily Mortgage, Assignment of Rents, Security Agreement and Fixture Filing encumbering the Project Facility, dated as of March 1, 2004 (the "Security Instrument").

Guaranty Agreement

In order to further secure its obligations to pay principal and interest on the Bonds, the Company has entered into a Guaranty Agreement, dated as of March 1, 2004 (the "Guaranty"), in favor of the Trustee, to the limited extent set forth therein. The Trustee has assigned the Guaranty to Fannie Mae pursuant to an Assignment of Guaranty Agreement dated as of March 1, 2004.

Limited Liability

The Bonds are special, limited obligations of the Issuer, payable solely from the Trust Estate under the Indenture. The Bonds are not a debt of the State, the City of Yonkers or of any other political subdivision of the State, and neither the State, the City of Yonkers nor any other political subdivision of the State will be liable for the payment of the Bonds. The faith and credit of the Issuer, the State, the City of Yonkers or any political subdivision of the State are not pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing powers.

BONDHOLDERS' RISKS

The following is a summary of certain risks associated with the purchase of the Bonds. This summary is not intended to be a comprehensive list of the risk factors associated with the Bonds. The Bonds are to be payable from payments to be made by the Company under the Agency Lease Agreement. The Company's obligation to make such payments pursuant to the Agency Lease Agreement is nonrecourse and secured only by the revenues and assets comprising the Project Facility. The Company's ability to make such payments is subject to financial conditions applicable to the Company and the Project Facility which may change in the future to an extent that cannot be determined at this time.

Redemption Prior to Maturity

A variety of factors described could result in the redemption of the Bonds prior to maturity. The possibility of such a redemption could affect the ability of the Bonds to be valued or sold, at a premium. See "THE BONDS—Redemption" herein.

Limited Liability

The Bonds are special, limited obligations of the Issuer, payable solely from the Trust Estate under the Indenture and amounts paid by Fannie Mae under the Credit Facility. The Bonds are not a debt of the State of New York (the "State") or of any other political subdivision of the State, and neither the State nor any other political subdivision of the State will be liable for the payment of the Bonds. The faith and credit of the Issuer, the State or any political subdivision of the State are not pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing power.

Bankruptcy of Company

In the event of a bankruptcy filing by or against the Company, all or a portion of any payments made to Bondholders within 91 days of the filing of such bankruptcy could be recovered from Bondholders by the order of a bankruptcy judge finding that such payments to Bondholders were preferential payments within the meaning of Section 547 of the United States Bankruptcy Code. In the event Bondholders were ordered to return payments previously received, Bondholders' recourse through the Trustee, would be to the obligations of Fannie Mae to the Trustee as and to the extent provided in the Credit Facility.

No Acceleration or Redemption upon Loss of Tax Exemption

The Company has covenanted and agreed to comply with the provisions of the Code relating to the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. The financing documents contain provisions and procedures designed to assure compliance with such covenant. See "TAX MATTERS" herein. However, the Company's covenant to comply with the requirements of the Code is nonrecourse to the Company and the Company's liability is limited to the revenues and assets comprising the Project Facility. Furthermore, the Company's failure to comply with such provisions will not constitute a default under the Agency Lease Agreement and will not give rise to a redemption or acceleration of the Bonds (unless Fannie Mae determines, at its option and in its sole and absolute discretion, that such failure will constitute such a default) and is not the basis for an increase in the rate of interest payable on the Bonds. Consequently, interest on the Bonds may become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds by reason of the Company's failure to comply with the requirements of federal tax law, and the Issuer and the Trustee will not have remedies available to them to mitigate the adverse economic effects to the owners of the Bonds of such inclusion by reason of the Company's non-compliance.

Performance of the Project Facility; Potential Early Redemption of Bonds

No assurance can be given as to the future performance of the Project Facility. The economic feasibility of the Project Facility depends in large part upon the ability of the Company to attract sufficient numbers of residents and to maintain substantial occupancy throughout the term of the Bonds at sufficient rents. Occupancy of the Project Facility may be affected by competition from existing housing facilities (including facilities owned by the Company or an affiliate of the Company) or from housing facilities which may be constructed in the area served by the Project Facility (including facilities constructed by the Company or affiliates of the Company). The Issuer has not independently reviewed the feasibility of the Project Facility and makes no representation, direct or indirect, that the Project Facility will be able to generate sufficient income for the Company to make its debt service payments under the Agency Lease Agreement or other payment obligations of the Company under the Bond Documents or the Project Documents, especially if operating expenses should increase beyond what the Company had anticipated. A default by the Company under the Agency Lease Agreement, including the failure by the Company to pay on the date due any amounts required to be paid by the Company under the Agency Lease Agreement or the Reimbursement Agreement, may result in a mandatory redemption or acceleration of the Bonds. No premium will be paid

on the Bonds in the event of such a redemption or acceleration. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Event of Default” herein.

Forward-Looking Statements

Certain statements in this Official Statement that relate to the Project and the Company including, but not limited to, statements under the caption “THE COMPANY AND THE PROJECT FACILITY,” are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Company. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Project and the Company to be materially different from any expected future results or performance. Such factors include, but are not limited to, items described in “BONDHOLDERS’ RISKS”.

Enforceability of Remedies

The remedies available to the Trustee and the owners of the Bonds upon an event of default under the Credit Facility, the Indenture, the Regulatory Agreement or the Financing Agreement are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered on the Closing Date, and the obligations of the parties to the documents, will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Failure to Satisfy Conditions to Conversion

If the Conversion Notice is not issued on or before the Termination Date, (a) Conversion will not occur, (b) the Bonds will be subject to special mandatory redemption pursuant to the Indenture unless the Bonds are purchased by or for the account of the Construction Lender pursuant to the Indenture and (c) the Credit Facility will terminate in accordance with its terms.

Construction Phase Credit Facility Provider

Pursuant to the Construction Phase Financing Agreement, the Construction Phase Credit Facility Provider has provided to Fannie Mae the Letter of Credit. The Letter of Credit is to be used to reimburse Fannie Mae in the event Fannie Mae is required to pay amounts under the Credit Facility during the Construction Phase. Under the terms of the Construction Phase Financing Agreement, Fannie Mae will be authorized, subject to the terms and conditions of the Construction Phase Financing Agreement, to draw on the Letter of Credit in certain events, including, but not limited to, (a) a default by the Company under the Security Instrument, (b) the receipt by Fannie Mae of a notice from the Trustee requesting payment from Fannie Mae under the Credit Facility, and (c) the failure to satisfy the Conditions to Conversion on or before the Termination Date. In addition, the Construction Phase Credit Facility Provider may direct Fannie Mae, upon the occurrence of a default under the Construction Phase Credit Reimbursement Agreement, to draw on the Letter of Credit to effect a corresponding special mandatory redemption or purchase of the Bonds in whole with funds drawn on the Credit Facility or available under the Indenture. The Construction Phase Credit Facility does not secure the Bonds.

Termination of Payments Under the IRP Agreement

In the event the subsidy payments under the IRP Agreement are terminated, such terminated payments would not be available to pay expenses of the Project Facility, including amounts due under the

Agency Lease Agreement, which could result in a default under the Reimbursement Agreement. Such default could result in a mandatory redemption of the Bonds. See "THE BONDS—Redemption" herein.

THE ISSUER

The Issuer has been established under Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") and Chapter 83 of the 1982 Laws of New York (collectively, with the Enabling Act, the "Act"), which includes among its purposes the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, civic, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living.

The Issuer is empowered to lease or sell any or all of its facilities, to issue its bonds, for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and Redemption Price of and interest on any such bonds so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities, whether then owned or thereafter acquired, and to pledge the revenues and receipts from the lease or sale thereof to secure the payment of such bonds and interest thereon.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE BY THE ISSUER AS TO PRINCIPAL, PREMIUM, SINKING FUND INSTALLMENTS AND INTEREST SOLELY FROM THE TRUST ESTATE. THE BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR THE CITY OF YONKERS, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF YONKERS SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE FULL FAITH AND CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR THE CITY OF YONKERS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR. THE ISSUER HAS NO TAXING POWERS.

NEITHER THE MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE PERSONALLY LIABLE OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY WITH RESPECT TO THE BONDS. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE ISSUER OR ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS HAS BEEN INCLUDED IN THIS OFFICIAL STATEMENT.

THE ISSUER HAS NOT VERIFIED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN INFORMATION SET FORTH UNDER "THE ISSUER" AND "NO LITIGATION—THE ISSUER" HEREIN. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT WITH RESPECT TO THE PROJECT, THE CREDIT PROVIDER, THE CONSTRUCTION PHASE CREDIT FACILITY PROVIDER OR THE COMPANY.

FANNIE MAE

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. It is the largest investor in home mortgage loans in the United States with a net portfolio of \$921 billion of mortgage loans as of September 30, 2003. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

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

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD. Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. Five of the eighteen members of Fannie Mae's Board of Directors are appointed by the President of the United States, and the other thirteen are elected by the holders of Fannie Mae's common stock.

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

As of September 30, 2003, Fannie Mae's core capital was \$32.75 billion. Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec>.

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

ESTIMATED SOURCES AND USES OF FUNDS

Deposits under the Indentures

The proceeds of the sale of the Bonds and certain deposits of Company moneys are expected to be initially deposited under the Indentures as follows:

SOURCES:

Par Amount of Bonds	\$ 16,400,000.00
Company Equity	<u>1,495,371.00</u>
Total Sources	<u>\$ 17,895,371.00</u>

USES:

Cost of Issuance*	\$ 1,128,380.57
Initial Debt Service Deposit	55,000.00
Capitalized Interest	1,062,751.00
Cost of Project	<u>15,649,239.43</u>
Total Uses	<u>\$ 17,895,371.00</u>

* The compensation for First Albany Capital, Inc. in underwriting and placing the Bonds will take the form of a discount on the purchase price paid by First Albany Capital, Inc. on the underwritten bonds. Includes, but is not limited to, costs of issuance for counsel fees, printing, Trustee fees, Underwriter's Discount, State Bond Issuance Fee, Title Insurance and related expenses.

Low Income Housing Tax Credit Equity

Simultaneously with the issuance of the Bonds, the Company expects to admit one or more limited partners (collectively, the "Investor Partner") for the purpose of raising capital, through the syndication of low income housing tax credits ("LIHTC"), to finance a portion of cost of acquiring and rehabilitating the Project Facility. Pursuant to such syndication, the Company expects to receive from the Investor Partner aggregate equity contributions in the approximate amount of \$6,001,483, which contributions may be funded through a series of installments upon the achievement of, among other things, certain construction and operation milestones. The amount and timing of such equity installments are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from current projections and neither the Company, the Issuer nor the Underwriter makes any representation as to the availability of such funds.

THE COMPANY AND THE PROJECT FACILITY

The following information concerning the Company and the Project Facility has been provided by the Company and has not been independently confirmed or verified by the Underwriter, the Issuer, the Trustee or Fannie Mae. Although the information shown below has been obtained from sources believed to be reliable, no representation is made herein by the Issuer, the Trustee, Fannie Mae or the Underwriter as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Company

Herriot Street Housing, L.P. (the "Company") is a New York limited partnership formed for the sole purpose of owning and operating the Project. The general partner of the Company is Herriot Street Partners LLC, an New York limited liability company, whose managing member is Marathon Development Group, LLC, a New Jersey limited liability company.

General Project Facility Description

The Project Facility, commonly known as Jackson Terrace Apartments, is located in the City of Yonkers, Westchester County, New York on approximately 1.29 acres of land at 100 Herriot Street. The Project Facility is an existing low income multifamily housing facility consisting of 181 dwelling units in an eleven (11) story building. The Project Facility was completed in 1971 under the HUD 236 program. Originally sponsored and developed by Jackson Terrace Associates, L.P. (the "Seller") as replacement housing for units razed for the Project, the Facility has evolved into housing for low income families in the City of Yonkers. While well maintained, many of the original building components are reaching the end of their useful life and the common areas and individual units suffer from dated appearance.

The Project Facility is located in the southwestern part of the City of Yonkers approximately four blocks from the waterfront and benefits from ready access to train and bus lines as well as a major regional hospital, St. Joseph's Hospital.

Proposed Rehabilitations

The Company expects to expend approximately \$6 million in rehabilitation expenditures on the Project Facility. The Rehabilitation will include replacing the existing roofing system, replacing boilers and upgrading the mechanical systems to improve energy efficiency, and refurbishing the corridors and common areas. Individual units will receive new appliances and new finishes, including cabinets, countertops, bathroom fixtures and flooring. The Project Facility will include a number of on-site amenities, including a renovated, secure parking garage, the installation of a new intercom and security system and an expanded laundry room with greater capacity.

The Property Manager

The management agent for the Project Facility will be Montrose Management Associates, Inc., a New York corporation (the "Manager"). Montrose has managed the Project Facility for nearly 30 years. The principals of the Manager are familiar with the dynamics of the local market as well as the day-to-day operations of the building, having been involved with the Project Facility since its inception. The Manager manages 11 apartment projects with more than 1,500 apartment units.

The Developer

Marathon Development Group, Ltd. (the "Developer") will act as the developer of the Project Facility. The Developer is an affiliate of Marathon Development Group, LLC ("Marathon"), an affordable housing company based in Manhasset, New York. The principal of Marathon, Mark Soja and his staff have extensive experience with a variety of affordable housing programs. Marathon recently completed the acquisition and repositioning of Wagon Werks Apartments, a 60-unit LIHTC family apartment complex located in Columbia, Pennsylvania. At acquisition, the property suffered from economic occupancy of less than 55% with numerous issues of Section 42 non-compliance. Within 9 months, economic occupancy increased to 95%, and issues of non-compliance have been addressed.

Prior to forming Marathon, Mr. Soja also served as Development Manager for a leading developer of affordable housing based in New York. As Development Manager, he successfully completed the acquisition and redevelopment of a 168-unit apartment community, that suffered high vacancy, deferred maintenance and was on the brink of foreclosure. A single-asset entity acquired the facility, rehabilitated the buildings and added 24 new apartments. The project was financed with taxable and tax-exempt bonds issued by the New York State Housing Finance Agency. The rehabilitation process included substantially rehabilitating 162 apartment units and the new construction of 24 units as well as the relocation and income

qualification of existing tenants. After the rehabilitation and remarketing of the community, the property stabilized and generates both cash flow and LIHTC to the equity investor.

Mr. Soja's additional experience as development manager includes new construction of more than 400 units of income-restricted housing. These facilities were financed with a combination of conventional debt, tax-exempt bonds, LIHTCs, Federal Home Loan Bank loan proceeds, as well as loans from other subsidized lending programs. One such property received an award from the National Association of Home Builders for the most creative financing of affordable multi-family rental housing.

Mr. Soja, an attorney admitted to practice in New York State, also served as a vice president with the Municipal Bond Division of Gruntal & Company, where he was responsible for the origination and analysis of affordable multi-family and senior housing for tax-exempt bond financings.

Interest Reduction Payment Agreement and Section 236 Program

The Project Facility will be subject to and will receive certain Interest Reduction Payments ("Interest Reduction Payments") and housing assistance payments pursuant to the terms of an IRP Agreement (the "IRP Agreement") and Section 236 of the National Housing Act (the "NHA").

Payments pursuant to the IRP Agreement are a firm obligation of HUD and are not subject to annual Congressional appropriations. The IRP Agreement entered into by the Company with HUD is scheduled to expire on November 1, 2013. Funds pursuant to the IRP Agreement will be applied to repay debt service on the Bond Component.

The Project Facility will receive Interest Reduction Payments on or about the fifth day of each month. Each month, commencing in April, 2004 and continuing to and including November 1, 2013, the Trustee will execute and submit to HUD a completed Mortgagee's Certification and Application for Interest Reduction Payments, Form HUD-3111 (the "IRP Requisition"), directing that the payment under the IRP Agreement for the immediately succeeding month be paid directly to the Trustee for deposit pursuant to the Indenture.

Under the Section 236(e)(2) Program (the "Decoupling Program") under the NHA, Interest Reduction Payments may continue to be paid for the benefit of a project after the original mortgage is prepaid, if the property is preserved as affordable housing. HUD has approved the Company's proposal to preserve the Project Facility as affordable housing and to continue the Interest Reduction Payments. Further, HUD will allow the Issuer to assign its rights and interest in the Interest Reduction Payments to the Trustee and Fannie Mae, as their interests may appear as part of the new financing.

Rent Subsidies

Fifty-two(52) units in the Project Facility are subject to and benefit from project-based rent subsidies in the form of two (2) Housing Assistance Payment Contracts pursuant to which existing rent subsidies will be continued based upon existing contract rents. In addition, the Project Facility presently has one (1) tenant possessing Section 8 vouchers. However, there is no certainty as to the number of units in the Project Facility that will benefit from such tenant-based rental subsidies in the future.

CONSTRUCTION PHASE CREDIT FACILITY PROVIDER

Pursuant to the Construction Phase Financing Agreement, the Construction Phase Credit Facility Provider will provide to Fannie Mae the Construction Phase Credit Facility in the form of a letter of credit. The Construction Phase Credit Facility is to be used to reimburse Fannie Mae if Fannie Mae is required to pay amounts under the Credit Facility during the Construction Phase. Under the terms of the Construction

Phase Financing Agreement, Fannie Mae will be authorized, subject to the terms and conditions of the Construction Phase Financing Agreement, to draw on the Construction Phase Credit Facility in certain events, including, but not limited to, (a) a default by the Company under the Security Instrument, (b) the receipt by Fannie Mae of a notice from the Trustee requesting payment from Fannie Mae under the Credit Facility, and (c) the failure to satisfy the Final Conditions to Conversion on or before the Termination Date. In addition, the Construction Phase Credit Facility Provider may direct Fannie Mae, upon the occurrence of an event of default under the Construction Phase Credit Reimbursement Agreement to draw on the Construction Phase Credit Facility to effect a corresponding special mandatory redemption or purchase of the Bonds in whole or in part with funds drawn on the Credit Facility. The Construction Phase Credit Facility does not secure the Bonds.

THE LOAN SERVICER

Beginning on the Conversion Date, Bank of America, N.A., a national banking association (the "Loan Servicer"), will perform mortgage servicing functions with respect to the Agency Lease Agreement on behalf of and in accordance with Fannie Mae requirements. The servicing arrangements between Fannie Mae and the Loan Servicer for such servicing are solely between Fannie Mae and the Loan Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to such servicing.

The Loan Servicer will be obligated, pursuant to its arrangements with Fannie Mae and Fannie Mae's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Fannie Mae. Fannie Mae will monitor the Loan Servicer's performance and has the right to remove the Loan Servicer with or without cause. The duties performed by the Loan Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims.

TAX MATTERS

Federal Income Taxes

In the opinion of Harris Beach LLP, Bond Counsel, and subject to the limitations set forth in the immediately succeeding paragraph, under the existing statutes, regulations, administrative rulings and court decisions, as of the date of such opinion, the interest on the Bonds is not included in gross income for federal income tax purposes, except that no opinion is expressed as to such non-inclusion of interest on any Bond for any period during which such Bond is held by a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" thereto, within the meanings given such quoted terms in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest on the Bonds is an "item of tax preference" for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations.

The Code establishes certain requirements which must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds will be and remain not included in gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of Bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Failure to comply with the continuing requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Indenture, the Agency Lease Agreement and accompanying documents, exhibits and certificates, the Issuer and the Company have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Bonds should be aware that the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Bonds, (ii) interest on the Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Bonds, may be subject to federal income taxation under the Code for certain S corporations to have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or contained by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Agency Lease Agreement and the Regulatory Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. Harris Beach LLP expresses no opinion as to any Bond or the interest thereon if any such change occurs or actions are taken or not taken upon the advice or approval of a Bond Counsel other than Harris Beach LLP.

Bond Counsel has not undertaken to provide advice after the date of issuance and delivery of the Bonds regarding events which may affect the tax status of interest on the Bonds. No assurance can be given that future legislation or amendments to the code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

All quotations from and summaries and explanations of provisions of law do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

Attached to this Official Statement as Appendix D is the form of approving opinion of Bond Counsel.

State and Local Income Taxes

In the opinion of Bond Counsel, under existing law as of the date of issuance of the Bonds, interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

Any noncompliance with the Federal income tax requirements set forth above would not, however, affect the exemption of interest on the Bonds from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York or the City of Yonkers). Bond Counsel expresses no opinion regarding any other federal or state and local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Bonds.

Interest on the Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Bonds under other state or local jurisdictions. Each purchaser of Bonds should consult his or her own tax advisor regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of New York.

THE PRECEDING INFORMATION UNDER THE HEADING "TAX MATTERS" WAS NOT FURNISHED BY THE ISSUER, AND THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS THEREOF

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Harris Beach LLP, New York, New York, as Bond Counsel. Certain legal matters will be passed upon for the Company by its counsel, Cannon Heyman & Weiss, LLP, Albany, New York, for Fannie Mae by its Legal Department and by Arent Fox PLLC, Washington, D.C., and for the Underwriter by its counsel, Girvin & Ferlazzo, P.C., Albany, New York.

The fees of certain of the foregoing counsel are contingent upon the issuance and delivery of the Bonds.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the Owners of the Bonds upon an Event of Default under the Agency Lease Agreement, the Security Instrument, the Guaranty, the Indenture or the Credit Facility are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, including specifically the Federal Bankruptcy Code (Title 11 of the United States Code), the remedies provided for under the Federal Bankruptcy Code, the Agency Lease Agreement, the Indenture or the Credit Facility may not be readily available or may be limited.

In addition, the Agency Lease Agreement provides that the obligations of the Company contained in such agreement (other than certain obligations to the Issuer and the Trustee individually and not on behalf of the owners of the Bonds) will be limited obligations payable solely from the income and assets of the Project, and no member of the Company shall have any personal liability for the satisfaction of any obligation of the Company under such agreement or of any claim against the Company arising out of such agreement or the Indenture.

The various legal opinions to be delivered in connection with the delivery of the Bonds, the Indenture, the Agency Lease Agreement, the Security Instrument and the Credit Facility will be qualified to the extent that the enforceability of certain legal rights related to the Bonds, the Indenture, the Agency Lease Agreement and the Credit Facility are subject to limitations imposed by such things as the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance and bankruptcy, insolvency, reorganization.

CONTINUING DISCLOSURE

The Issuer and the Company have determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The Company has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Issuer will have no liability to the Holders of the Bonds or any other person with respect to such disclosures.

The Company will covenant, pursuant to the Continuing Disclosure Agreement (the "Disclosure Agreement") to provide annually certain financial information and operating data relating to the Project Facility by no later than June 1 of each year, commencing with June 1, 2004 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events such as a default under the Indenture or

Agency Lease Agreement, a change in the rating on the Bonds, an event adversely affecting the tax-exempt status of the Bonds, or adversely affecting the Bondholders, or any event similar thereto. The Annual Reports will be filed by Wells Fargo Bank, N.A., as dissemination agent (the "Dissemination Agent") on behalf of the Company with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the "Repositories") and a State repository, if any, and may also be obtained from the Dissemination Agent. The notices of material events will be filed by the Dissemination Agent on behalf of the Company, with the Municipal Securities Rulemaking Board, the Repositories and a State repository, if any.

The Company's obligations under the Disclosure Agreement will terminate when the Bonds are paid in full, which will be not later than their maturity date of November 1, 2036.

NO LITIGATION

The Issuer

It is a condition of the Underwriter's acceptance of the Bonds that on the date of issuance of the Bonds, an authorized officer of the Issuer execute a certificate to the effect that there is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the Issuer to enter into the Indenture or to issue the Bonds.

The Company

In addition, an authorized representative of the Company will be required to execute a certificate to the effect that there is no litigation pending that in any manner questions the right of the Company to operate the Project Facility in accordance with the provisions of the Agency Lease Agreement and the Project Documents.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned the Bonds a rating of "Aaa" based on the Credit Enhancement Instrument. Such rating reflects only the view of Moody's, and any desired explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal or such rating could have an adverse effect on the market price of the Bonds. Such rating should not be taken as a recommendation to buy or hold the Bonds.

UNDERWRITING

The Bonds other than the Placed Bonds (the "Underwritten Bonds") are being purchased by First Albany Capital, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Underwritten Bonds from the Issuer at a purchase price of par, less an underwriting discount of \$34,000. The Placed Bonds are being sold by the Issuer to an institutional purchaser. First Albany Capital, Inc. will act as placement agent for the Issuer for the Placed Bonds. The Underwriter will receive a placement fee (\$105,400) in connection with the Placed Bonds. The compensation for First Albany Capital, Inc. in underwriting the Underwritten

Bonds and placing the Placed Bonds will take the form of a discount on the purchase price paid by the Underwriter on the Underwritten Bonds. The obligations of the Underwriter to purchase the Underwritten Bonds is conditioned on the issuance of the Placed Bonds. The Bond Purchase Agreement with respect to the Underwritten Bonds provides that the Underwriter will purchase all of such Bonds, if any are purchased.

The Underwritten Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such Underwritten Bonds into investment trusts) and others at prices lower than the public offering prices shown on the cover page of this Official Statement, and such public offering prices may be changed from time to time by the Underwriter.

The Company has agreed to indemnify the Underwriter and the Issuer with respect to certain information contained in this Official Statement.

OTHER MATTERS

The foregoing summaries and explanations do not purport to be comprehensive and are expressly made subject to the exact provisions of the documents referred to herein. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Issuer with the holders of the Bonds is fully set forth in the Indenture, and this Official Statement is not to be construed as constituting an agreement with the purchasers of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Issuer and the Company.

CITY OF YONKERS INDUSTRIAL
DEVELOPMENT AGENCY

By: /s/ Edward Sheeran
Chairman

HERRIOT STREET HOUSING, L.P., a New York limited partnership

By: Herriot Street Partners LLC, a New York limited liability company, its General Partner

By: Marathon Development Group, LLC, a New Jersey limited liability company, its Managing Member

By: /s/ Mark Soja
Name: Mark Soja
Title: Manager

APPENDIX A
CERTAIN DEFINITIONS

“Account” means any Account within a Fund.

“Act” means Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended and Chapter 83 of the Laws of 1982 of the State of New York, as amended and codified as Section 903 of the General Municipal Law.

“Act of Bankruptcy” means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

“ADA” means the Americans with Disabilities Act of 1990, as amended, and all regulations promulgated thereunder.

“Additional Rent” means all fees, charges, reimbursements and other amounts payable by the Company pursuant to the Agency Lease (other than Lease Payments).

“Administrative Fee” means the administrative fee of the Issuer payable upon issuance of the Bonds and thereafter in connection with consent by the Issuer to modifications to the Project or assignment of the Agency Lease or sublet of the Project Facility.

“Advance” means an advance under the Credit Facility, which may be a Scheduled Payment Advance, a Bankruptcy Related Advance or an Extraordinary Advance, as each such term is defined in the Credit Facility.

“Agency Lease” means the Agency Lease Agreement dated as of March 1, 2004, between the Issuer and the Company, as amended, modified, supplemented or restated from time to time.

“Application” means the application submitted on or about May 21, 2003, to the Issuer by the Company relating to the Project and the Financial Assistance requested in connection therewith.

“Assignment” means the Assignment and Intercreditor Agreement, dated as of March 1, 2004, by and among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Company, as it may be amended, modified, supplemented or restated from time to time.

“Assignment of Guaranty Agreement” means the Assignment of Guaranty Agreement dated as of March 1, 2004 from the Trustee to Fannie Mae, as it may be amended, modified, supplemented or restated from time to time.

“Authorized Attesting Officer” means the Secretary or an Assistant Secretary of the Issuer.

“Authorized Company Representative” means any person who, at any time and from time to time, may be designated as the Company’s authorized representative by written certificate furnished to the Issuer, the Loan Servicer, the Credit Provider and the Trustee containing the specimen signature of such person and signed on behalf of the Company by or on behalf of any authorized general partner of the Company, which certificate may designate an alternate or alternates. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Company Representative is an Authorized Company Representative until such time as the Company files with it (with a copy to the Issuer, the Loan

Servicer and the Credit Provider) a written certificate identifying a different person or persons to act in such capacity.

“Authorized Construction Phase Credit Facility Provider Representative” means any person from time to time designated by the by-laws or a resolution or other official action or authority of the governing board or authorized officer of the Construction Phase Credit Facility Provider to act on behalf of the Construction Phase Credit Facility Provider as set forth in a written certificate furnished to the Trustee, the Issuer, the Credit Provider and the Loan Servicer containing the specimen signature of such authorized person. Such certificate may, on the basis of such by laws, resolution or other official action, designate an alternate or alternates who shall have the same authority, duties and powers as the person initially designated as the Authorized Construction Phase Credit Facility Provider Representative. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Construction Phase Credit Facility Provider Representative is an Authorized Construction Phase Credit Facility Provider Representative until such time as such provider files with it and with the Issuer, the Credit Provider and the Loan Servicer a written certificate identifying a different person or persons to act in such capacity.

“Authorized Denomination” means \$5,000 or any integral multiple of \$5,000.

“Authorized Officer” means the Chairman, Vice Chairman or Executive Director of the Issuer, and any other officer or employee of the Issuer designated to perform a specified act, to sign a specified document or to act generally on behalf of the Issuer by a written certificate furnished to the Trustee (a copy of which shall be forwarded by the Trustee to the Credit Provider, the Loan Servicer and the Company), which certificate is signed by the Chairman, Vice Chairman or Executive Director of the Issuer and contains the specimen signature of such other officer or employee of the Issuer.

“Available Moneys” means, as of any date of determination (a) the proceeds of the Bonds, (b) moneys received by the Trustee pursuant to the Credit Facility, (c) any other amounts, including without limitation moneys received by the Trustee pursuant to the IRP Agreement, with respect to which the Trustee has received an Opinion of Counsel to the effect that (1) the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court and (2) payments of such amounts to the Bondholders would not be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Issuer or the Company become a debtor in proceedings commenced under the Bankruptcy Code, and (d) Investment Income derived from the investment of moneys described in clause (a), (b) or (c).

“Bankruptcy Code” means Title 11 of the United States Code, entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“Beneficial Owner” means the beneficial owner of any Bond held in book entry form or the Registered Owner of any Bond held in certificated form.

“Bond” or “Bonds” means the Issuer’s Multifamily Housing Revenue Bonds, Series 2004 (Herriot Street Housing, L.P. Project) in the original aggregate principal amount of \$16,400,000.

“Bond Counsel” means Harris Beach LLP or any attorney at law or other law firm selected by the Issuer and acceptable to the Credit Provider, of nationally recognized standing in matters pertaining to the excludability from gross income, for Federal income tax purposes, of the interest payable on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United State of America.

“Bond Documents” means the Indenture, the Bonds, the Company Lease, the Agency Lease, the Regulatory Agreement, the Bond Purchase Agreement, the Assignment, the Credit Facility, the Disclosure Agreement, the IRP Agreement, the Guaranty Agreement and the PILOT Agreement, and all other documents, agreements and instruments executed and delivered in connection with the issuance, sale and delivery of the Bonds, as each such document, agreement or instrument may be amended, modified, supplemented or restated from time to time.

“Bond Issuance Charge” means the charge payable to the State in connection with the issuance of the Bonds.

“Bond Payment Component” means (1) the monthly scheduled payment in respect of the Principal Component, (2) premium, if any, and any principal amount due on the Bonds as a result of redemption, acceleration, or otherwise, and (3) interest on the unpaid principal balance of the Principal Component at the Pass-Through Rate.

“Bond Payment Date” means any (a) Interest Payment Date, (b) other date on which interest is payable, including any Redemption Date, each Maturity Date and the date of payment following a declaration of acceleration of the Bonds and (c) date on which principal of the Bonds is payable.

“Bond Purchase Agreement” means, collectively, the Bond Purchase Agreement, dated March 3, 2004, by and among the Underwriter, the Issuer and the Company, with respect to the Bonds maturing on November 1, 2004 through and including November 1, 2013, and the Bond Purchase Agreement, dated March 3, 2004 by and among First Albany Capital, Inc., as placement agent, the Issuer, the Company and Fannie Mae, with respect to the Bonds maturing on and after November 1, 2018.

“Bond Register” means the bond register established and maintained by the Trustee.

“Bond Registrar” means the Trustee or its designee as keeper of the Bond Register.

“Bond Resolution” means the resolution adopted by the Issuer on October 23, 2003, authorizing and approving the issuance and sale of the Bonds and authorizing and approving the execution and delivery of the Indenture, the Company Lease, the Agency Lease, the Bond Purchase Agreement, the Assignment, the Security Instrument, the PILOT Agreement and certain other documents, making certain appointments and determining certain details with respect to the Bonds.

“Bond Year” means the period of twelve (12) consecutive months ending on October 31 in any year in which Bonds are or will be Outstanding, provided that the first Bond Year shall commence on the Closing Date and end on October 31, 2004.

“Bondholder,” “holder,” “Owner,” or “owner” means, with respect to any Bond, the Registered Owner of the Bond.

“Book Entry Bonds” means any Bonds which are issued in book entry form, as evidenced by a single certificate for each stated principal maturity of the Bonds, and registered in the name of and delivered to a Securities Depository.

“Book Entry System” means an electronic system in which the clearance and settlement of securities transactions is made through electronic book entry changes.

“Business Day” means any day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the city or cities in which the Principal Office of the Trustee is located are required or

authorized by law or executive order to close, (c) a day on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are required or authorized by law or executive order to close or (d) a day on which the Credit Provider is closed.

“Capitalized Funds Account” means the Capitalized Funds Account of the Project Fund.

“Cash Flow Projection” means a cash flow projection prepared by an independent firm of certified public accountants, a financial advisory firm or other independent third party qualified and experienced in the preparation of cash flow projections for multi family residential rental projects, designated by the Company and acceptable to the Credit Provider and the Rating Agency, establishing, to the satisfaction of the Rating Agency, the sufficiency of (a) the scheduled payments due under the Agency Lease (together with and after taking into account the Initial Debt Service Deposit) and (b) Investment Income with respect to the General Account to pay the principal of and interest on the Bonds and the Third Party Fees (to the extent included in the Lease Payment Rate), in each instance, when due and payable, including, but not limited to, any cash flow projection prepared in connection with (A) the initial issuance and delivery of the Bonds, as provided in the Indenture, (B) Conversion, or (C) a partial prepayment of the Lease Payments and a corresponding partial optional redemption or special mandatory redemption of Bonds.

“City” means the City of Yonkers, New York.

“Closing Date” means the date on which the Bonds are issued and delivered.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code shall be deemed to include (a) any successor provision of any successor internal revenue law and (b) the applicable regulations, whether final, temporary or proposed, under such provision or successor provision.

“Company” means Herriot Street Housing, L.P., a New York limited partnership.

“Company Documents” means all documents (including, but not limited to, the Bond Documents and the Project Documents) to which the Company is a party and all other documents to which the Company is a party and which are being executed and delivered by the Company in connection with the transactions provided for in the Bond Documents and the Project Documents.

“Company Lease” means the Company Lease Agreement dated as of March 1, 2004, between the Issuer and the Company, as amended, modified, supplemented or restated from time to time.

“Completion Date” means the date on which the rehabilitation of the Mortgaged Property is completed, in accordance with the Credit Provider’s requirements, as evidenced by a certification of the Loan Servicer delivered to the Issuer, the Trustee, the Credit Provider, the Construction Phase Credit Facility Provider and the Company.

“Conditions to Conversion” has the meaning given to that term in the Construction Phase Financing Agreement.

“Construction Phase” has the meaning given to that term in the Construction Phase Financing Agreement.

“Construction Phase Credit Documents” means, individually and collectively, the Construction Phase Financing Agreement, the Construction Phase Credit Facility, the Construction Phase Credit Reimbursement

Agreement and all other documents evidencing, securing or otherwise relating to the Construction Phase Credit Facility, including all amendments, modifications, supplements and restatements of such documents.

“Construction Phase Credit Facility” means the two standby letters of credit in the face amounts of \$14,498,100 and \$2,013,625, dated the Closing Date, delivered by the Construction Phase Credit Facility Provider to the Credit Provider, or any replacement construction phase credit facility acceptable to the Credit Provider.

“Construction Phase Credit Facility Provider” means, so long as the Construction Phase Credit Facility is in effect, Bank of America, N.A., a national banking association.

“Construction Phase Credit Reimbursement Agreement” means the Reimbursement Agreement, dated as of March 1, 2004, between the Company and the Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

“Construction Phase Financing Agreement” means the Construction Phase Financing Agreement, dated as of March 1, 2004, by and among the Credit Provider, the Loan Servicer, the Trustee and the Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

“Conversion” means the conversion of the Project from the Construction Phase to the Permanent Phase.

“Conversion Date” means the date specified as such by the Loan Servicer in the Preliminary Notice of Conversion.

“Costs” means, in connection with the Project, any cost incurred which is reasonable and necessary for carrying out all work and undertakings with respect to the Project, including the cost of necessary studies, surveys, plans and specifications, architectural, engineering, legal or other special services, development costs, fees and expenses of the Trustee and the reasonable cost of financing incurred by the Company or the Issuer in connection with the execution of the Bond Documents or the issuance and payment of the Bonds.

“Costs of Issuance” means (a) the fees, costs and expenses of (1) the Issuer, (2) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds), (3) the Trustee, (4) the Loan Servicer, (5) the Credit Provider, (6) the Company’s financial advisor, if any, (7) the Construction Phase Credit Facility Provider and (8) the Rating Agency; (b) the reasonable fees and expenses of (1) the Issuer’s counsel, (2) the Underwriter’s counsel, (3) Bond Counsel, (4) the Loan Servicer’s counsel, if any, (5) the Credit Provider’s counsel, (6) a portion of the Company’s counsel, (7) the Trustee’s counsel, if any, and (8) the Construction Phase Credit Facility Provider’s counsel; (c) the costs of preparing the initial Cash Flow Projection and the initial Verification Report; (d) costs of printing the offering documents relating to the sale of the Bonds; and (e) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with administering the Agency Lease and Mortgaged Property.

“Costs of Issuance Deposit” means the deposit to be made by the Company with the Trustee on the Closing Date, as required by the Agency Lease, and deposited by the Trustee into the Costs of Issuance Fund.

“Costs of Issuance Fund” means the Costs of Issuance Fund created by the Indenture.

“Credit Facility” means the Standby Credit Enhancement Instrument, dated the date of issuance of the Bonds, issued by the Credit Provider to the Trustee or any Replacement Credit Facility issued by the Credit Provider.

“Credit Facility Account” means the Credit Facility Account of the Revenue Fund.

“Credit Facility Agreement” means, individually or collectively, the Reimbursement Agreement and all other agreements and documents securing the Credit Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, modified, supplemented or restated from time to time.

“Credit Provider” means Fannie Mae.

“Dated Date” means the date designated as such on the face of the Bonds.

“Default Rate” means a rate per annum equal to the 16% or the maximum interest rate permitted by law, whichever is less.

“Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of March 1, 2004, between the Company and the Trustee.

“DTC” means The Depository Trust Company and any successor to it or any nominee of it.

“DTC Participant” means any broker dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository.

“DTC System” means the initial securities depository system.

“Electronic Means” means telecopy transmission or other similar electronic means of communication approved in writing by the Credit Provider, including a telephonic communication confirmed by writing or written transmission.

“End Period Payment” means, with respect to any optional redemption of Bonds, the premium due on the Bonds, if any, and interest due on the Bonds to the Redemption Date.

“Environmental Laws” means all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of any water or water vapor, any land, including land surface or subsurface, air, fish, wildlife, biota and all other natural resources and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

“Equipment” means the furniture, fixtures, equipment and other tangible personal property, if any, described in Exhibit B attached to the Company Lease.

“Event of Default” means, with respect to the Indenture, any of the events described in Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Preliminary Notice—Events of Default”, and, with respect to the Agency Lease, any of the events described in Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE AGENCY LEASE AGREEMENT—Events of Default—Events of Default”.

“Exempt Property” means only tangible personal property conveyed to or acquired by the Issuer in accordance with the Company Lease which is acquired, on or before the Completion Date, for incorporation in the Project or for use in connection therewith.

“Extraordinary Items” means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses.

“Fannie Mae” means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. § 1716 et seq., and its successors and assigns.

“Fannie Mae Commitment” means Fannie Mae’s Commitment to the Loan Servicer, pursuant to which Fannie Mae has agreed, upon satisfaction of the terms and conditions set forth in the Fannie Mae Commitment, to provide credit enhancement for the Bond Payment Component.

“Fees Account” means the Fees Account of the Revenue Fund.

“Final Lease Payment Date” means the first day of the month preceding the month of the final Maturity Date of the Bonds.

“Final Notice of Conversion” means a written notice by the Loan Servicer to the Issuer, the Trustee, the Company, the Construction Phase Credit Facility Provider and the Credit Provider given on or before the Termination Date (a) stating that the Conditions to Conversion have been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the Termination Date, stating that such Condition to Conversion has been waived in writing by the Credit Provider on or before the Termination Date, and (b) stating that Conversion has occurred.

“Financial Assistance” has the meaning given to such term in Section 854(14) of the Act, including the issuance of the Bonds and the grant of exemption from real property taxation, mortgage recording tax and sales and use tax.

“Fund” means any Fund created by the Indenture.

“General Account” means the General Account of the Revenue Fund.

“General Partner” means Herriot Street Partners, LLC, a New York limited liability company.

“Government Obligations” means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

“Guaranty Agreement” means the Guaranty Agreement dated as of March 1, 2004 made by the Company for the benefit of the Trustee, as it may be amended, modified, supplemented or restated from time to time.

“Highest Rating Category” has, with respect to an Investment, the following meanings: If the Bonds are rated by a Rating Agency, the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating category provided by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax exempt municipal debt

established by S&P is “A 1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG 1” (for fixed rate) or “VMIG 1” (for variable rate) for one year or less and “Aaa” for greater than one year. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment, and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

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

“Impositions” means Real Estate Taxes, payments in lieu of Real Estate Taxes and any special assessments, such as user charges, fire protection, water, utility or sewer charges, or other governmental charges customarily charged to all users on a nondiscriminatory basis.

“Improvements” means the 181 affordable housing rental units and the other buildings, structures and improvements located on the Land, including, without limiting the generality of the foregoing, all buildings, including the units, structures, fixtures, furnishings, equipment and other related facilities, real, personal and mixed, all personal property and all franchises, land, rights of way, privileges, easements, licenses, rights and any other interests in property used or useful in connection with or incident to such facilities, or used or useful by the Issuer or the Company in connection therewith.

“Indenture” means the Trust Indenture, dated as of March 1, 2004, as amended, modified, supplemented or restated from time to time as permitted by the Indenture.

“Indirect Participant” means any person on behalf of whom such a DTC Participant directly or indirectly holds an interest in the Bonds.

“Initial Debt Service Deposit” means the deposit to be made from net proceeds of the Bonds by the Trustee into the General Account.

“Interest Payment Date” means May 1 and November 1 of each year beginning November 1, 2004, each Redemption Date, each Maturity Date and the date of payment upon an acceleration of the Bonds.

“Interest Reduction Payment” means the monthly amount requisitioned by and paid to the Trustee from HUD under the IRP Agreement for deposit in the General Account of the Revenue Fund.

“Investment” means any Permitted Investment and any other investment held under the Indenture that does not constitute a Permitted Investment.

“Investment Agreement” means any investment agreement with respect to amounts on deposit in any Fund or Account, as described in paragraph (vii) of the definition of Permitted Investments.

“Investment Income” means the earnings, profits and accredited value derived from the investment of moneys pursuant to the Indenture.

“IRP Agreement” means the Agreement for Interest Reduction Payments dated as of March 1, 2004, among the Company, the Issuer, Fannie Mae, the Secretary of Housing and Urban Development and the Trustee, as such agreement may be amended, modified, supplemented or restated from time to time.

“Issuer” means City of Yonkers Industrial Development Agency, a public benefit corporation organized under the laws of the State, and its successors and assigns.

“Key Principal Guaranty” means the Key Principal Guaranty dated as of March 1, 2004 by the guarantor thereunder for the benefit of Fannie Mae, as it may be amended, modified, supplemented or restated from time to time.

“Land” means the real property described in the Security Instrument.

“Lease Payments” means the rental payments (other than Additional Rent) payable by the Company pursuant to the Agency Lease as described in Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE AGENCY LEASE AGREEMENT—Lease Payments”.

“Lease Payments Interest” has the meaning given to that term in the Assignment.

“Lease Payment Rate” means annual interest rate equal to the sum of the Pass Through Rate and the Set Rate Interest.

“Lien” means any interest in property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including, but not limited to, the security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term “Lien” includes reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including, but not limited to, mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar encumbrances, affecting real property. For the purposes of this definition, a Person shall be deemed to be the owner of any property that it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the property has been retained by or vested in some other Person for security purposes.

“Loan Servicer” means Bank of America, N.A., a national banking association, and any successor servicer appointed by the Credit Provider.

“Maturity Date” means any maturity date of the Bonds.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it shall be dissolved or shall no longer assign credit ratings to long term debt, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as shall assign credit ratings to long term debt.

“Mortgaged Property” means the Land, the Improvements and the other property encompassed within the meaning of Mortgaged Property under the Security Instrument.

“Net Bond Proceeds” means the proceeds derived from the issuance, sale and delivery of the Bonds representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel addressed to the Issuer, the Trustee and, at its request, the Credit Provider, and in form and substance acceptable to the Issuer, the Trustee and the Credit Provider.

“Opinion of Counsel” means a written opinion of legal counsel acceptable to the recipient(s) of the opinion; if the opinion is with respect to an interpretation of Federal tax laws or regulations, or bankruptcy matters, such legal counsel shall also be an attorney or firm of attorneys experienced in such matters.

“Outstanding” means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under the Indenture except:

- (i) Bonds cancelled or delivered for cancellation at or prior to such date;
- (ii) Bonds deemed to be paid in accordance with the Indenture; and
- (iii) Bonds in lieu of which others have been authenticated under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned or held by or for the account of the Company shall be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination unless all Bonds are owned or held by or for the account of the Company. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which are either registered in the name of or known by the Trustee to be held for the account of the Company shall be disregarded.

“Pass Through Rate” means the annual rate sufficient to pay when due the interest on the Bonds, the Trustee’s Annual Fee and the Rebate Analyst’s Annual Fee.

“Permanent Phase” has the meaning given to that term in the Construction Phase Financing Agreement.

“Permitted Encumbrances” means the easements and restrictions listed in a schedule of exceptions to coverage in the title insurance policy.

“Permitted Investments” means, to the extent authorized by law for investment of moneys of the Issuer:

- (i) Government Obligations.
- (ii) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.
- (iii) Obligations, in each case rated in the Highest Rating Category, of (a) any state or territory of the United States of America, (b) any agency, instrumentality, authority or political subdivision of a state or territory, or (c) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.

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

(v) Commercial paper rated in the Highest Rating Category.

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

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

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

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

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

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn or suspended by any Rating Agency or falls below the Highest Rating Category the provider must, within ten (10) days following such event either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (i) or (ii) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected, in the case of an agreement relating to the Revenue Fund, in a manner and in an amount sufficient to maintain (x) the integrity of any Cash Flow Projection provided with respect to the Bonds and (y) the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (i) or (ii) by depositing collateral with the Trustee or a third party custodian, in the case of an agreement relating to the Revenue Fund, in an amount sufficient to maintain (xx) the integrity of any Cash Flow Projection provided with respect to the Bonds and (yy) the then current rating of the Bonds; (B) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or

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

If an agreement described in paragraph (vii) is entered into which does not require the Qualified Financial Institution providing the agreement to either (a) satisfy the requirements of clause (A) or clause (B) of subparagraph (4) of paragraph (vii) upon a withdrawal or suspension of, or downgrade in, the rating of the Qualified Financial Institution providing, guaranteeing or insuring the agreement, or (b) compensate the Trustee for any loss in yield upon reinvestment if the agreement is terminated following a withdrawal or suspension of, or downgrade in, the rating of the Qualified Financial Institution providing, guaranteeing or insuring the agreement, the yield on the Investment Agreement above the minimum yield permitted by the Rating Agency (presently 0.75% per annum for the two (2) year period following the Closing Date, then increasing over time to 2.50% for the remaining term of the Investment) shall not be taken into account in any Cash Flow Projection provided to the Rating Agency in connection with its rating of the Bonds. Notwithstanding anything else in this paragraph (vii) to the contrary, the only acceptable rating category for an agreement described in this paragraph (or any guarantee or insurance for such agreement) relating to an Investment of moneys on deposit in any Fund or Account other than the Project Fund shall be the Highest Rating Category.

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

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

Permitted Investments shall not include any of the following:

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

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

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

(4) Any interest only or principal only stripped security.

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

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

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

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

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

“Person” means any natural person, firm, partnership, association, limited liability company, corporation, company or public body.

“PILOT Agreement” means the Payment in Lieu of Tax Agreement, dated as of March 1, 2004, between the Company and the Issuer, as amended, modified, supplemented or restated from time to time.

“Pre-Conversion Equalization Payment” means a prepayment made by the Company on or before the Conversion Date in the amount by which the “Permanent Phase Amount” determined by the Loan Servicer is less than the outstanding principal balance of the Bonds.

“Preference Claim” means the making of any claim in connection with seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds.

“Principal Amount” means \$16,400,000, the original principal amount of the Bonds on the Closing Date.

“Principal Component” means the sum of (1) the Facility Fee payable to the Credit Provider and (2) from and after the Conversion Rate, the Servicing Fee.

“Principal Office” of the Trustee or the Loan Servicer means, respectively, the office of the Trustee or the Loan Servicer at the respective address set forth in the Indenture, or such other address as may be specified in writing by the Trustee or the Loan Servicer, as applicable.

“Proceeds” means the proceeds of insurance from any casualty to, or proceeds of any award from any condemnation or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property

“Project” means the project undertaken by the Issuer at the request of the Company consisting of (a) the acquisition by the Company of a fee interest in the Land and the Improvements, (b) the renovation, reconstruction and upgrading of the Improvements to accommodate (i) approximately 150,000 square feet of residential space consisting of approximately 11 studio apartments, 11 one-bedroom units, 124 two-bedroom units and 34 three-bedroom units (the “Residential Units”) and 1 three-bedroom unit reserved for the superintendent, of which Residential Units, approximately 95% will be leased to households earning no more than 60% of the area’s median gross income; and (ii) approximately 20,000 square feet of common area space consisting principally of a lobby and laundry areas; (c) the acquisition and installation in and around the Improvements of the Equipment; (d) the paying of certain Costs; and (e) the Issuer’s acquisition of a leasehold interest in the Project Facility pursuant to the Company Lease and the Issuer’s sublease to the Company of the Project Facility pursuant to the Agency Lease.

“Project Account” means the Project Account of the Project Fund.

“Project Documents” means, collectively, Agency Lease, the Security Instrument, the Reimbursement Agreement, the Replacement Reserve Agreement, and all other agreements, documents and instruments evidencing, securing or otherwise relating to the Project, including all amendments, modifications, supplements and restatements of such agreements, documents and instruments, but excluding the Regulatory Agreement.

“Project Facility” means the Land, the Improvements and the equipment installed in the Improvements.

“Project Fund” means the Project Fund created by the Indenture.

“Qualified Financial Institution” means any (a) bank or trust company organized under the laws of any state of the United States of America; (b) national banking association; (c) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; (d) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America; (e) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York; (f) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (g) other entity specifically approved by Fannie Mae.

“Qualified Project Costs” means all Costs allocable to the acquisition, reconstruction, renovation, rehabilitation, installing and equipping of the Project incurred by the Company on or after July 10, 2003 (except as otherwise permitted by the Regulatory Agreement), and allocable to a capital account with respect to the Project for Federal tax purposes (or which would be so allocated either with a proper election to capitalize such expense or but for a proper election of the Company to deduct such expense), but “Qualified Project Costs” shall not include (a) any Costs of issuing the Bonds (except as permitted by the Regulatory Agreement), and (b) if any portion of the Project is acquired from or constructed by any affiliate of the Company, any amounts payable to such affiliate in excess of the actual out of pocket costs incurred by such affiliate, and (c) interest on the Bonds allocable to any portion of the Project Facility after the date that portion of the Project Facility is placed in service.

“Rating Agency” means any national rating agency then maintaining a rating on the Bonds.

“Rating Category” means one of the generic rating categories of the Rating Agency.

“Real Estate Taxes” means all general levy real estate taxes levied against the Project Facility by the applicable governmental authorities.

“Rebate Analyst” means a person that is (a) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and in compliance with the arbitrage rebate regulations promulgated under the Code, (b) chosen by the Company, and (c) engaged for the purpose of determining the amount of required deposits, if any to the Rebate Fund.

“Rebate Analyst’s Annual Fee” means the annual fee of the Rebate Analyst, if any, in the amount of \$500.00 for its rebate calculation services.

“Rebate Fund” means the Rebate Fund created by the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the month preceding the month in which the Interest Payment Date falls.

“Redemption Account” means the Redemption Account of the Revenue Fund.

“Redemption Date” means any date upon which Bonds are to be redeemed pursuant to the Indenture.

“Registered Owner” means the registered owner of any Bonds, as shown in the Bond Register.

“Regulatory Agreement” means the Tax Regulatory Agreement, dated the Closing Date, by and between the Company and the Issuer, as amended, modified, supplemented or restated from time to time.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of March 1, 2004, between the Credit Provider and the Company, as amended, modified, supplemented or restated from time to time or any agreement entered into in substitution therefor.

“Rents and Profits” means the rents, profits, issues, products and income of the Mortgaged Property received or collected by or on behalf of the Company.

“Replacement Credit Facility” means, at the request of the Credit Provider, the Trustee shall exchange the Credit Facility with the Credit Provider for a new credit facility.

“Replacement Reserve” means the funds deposited with the Loan Servicer pursuant to the Replacement Reserve Agreement.

“Replacement Reserve Agreement” means the Replacement Reserve and Security Agreement dated as of March 1, 2004, between the Company and Fannie Mae, as it may be amended, modified, supplemented or restated from time to time.

“Representation Letter” means a letter of representations in the form required by DTC.

“Requisition” means, a requisition in the form of Exhibit B or Exhibit C to the Indenture required to be submitted in connection with disbursements from the Project Account or the Costs of Issuance Fund, respectively.

“Reserved Rights” means those certain rights of the Issuer under the Agency Lease to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to receive notices, reports or other information, and to enforce notice and reporting requirements, its right to make determinations and

grant approvals hereunder and under the other Bond Documents, its right to inspect and audit the books, records and premises of the Company and the Project Facility, its right to collect reasonable attorneys' fees and related expenses, its right to specifically enforce the Company's covenant to comply with applicable Federal tax law and State law (including the Act and the rules of the Issuer) and its right to give or withhold consent to amendments, changes, modifications and alterations to the Agency Lease, the LIHTC Agreement, the Assignment, the Security Instrument and any other document to which the Issuer is a party relating to the Reserved Rights. Reserved Rights include without limitation the right of the Issuer to receive sums due to it, to enforce and to receive amounts payable under the Agency Lease and subject to the provisions of the Agency Lease as described in Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE AGENCY LEASE AGREEMENT—Remedies Upon an Event of Default—Enforcement of Reserved Rights”, to enforce its rights and exercise its remedies under the Agency Lease against the Company.

“Revenue Fund” means the Revenue Fund created by the Indenture.

“Revenues” means all (a) payments made under the Agency Lease, (b) payments made under the Credit Facility, (c) payments made pursuant to the IRP Agreement, and (d) Investment Income (excluding Investment Income earned from moneys on deposit in the Rebate Fund and the Costs of Issuance Fund).

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., and its successors and assigns, or if it shall be dissolved or shall no longer assign credit ratings to long term debt, then any other nationally recognized statistical rating agency, designated by the Issuer and acceptable to the Trustee, the Credit Provider and the Company, as shall assign credit ratings to long term debt.

“Sales Taxes” means any tax(es) imposed by Article 28 of the New York Tax Law, as the same may be amended from time to time.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns, and any replacement securities depository appointed under the Indenture.

“Security” means the Trust Estate and the Credit Facility.

“Security Instrument” means the Multifamily Mortgage, Assignment of Rents and Security Agreement, dated as of March 1, 2004, together with all riders and exhibits, securing the Bonds and the obligations of the Company to the Credit Provider under the Credit Facility Agreement, executed by the Issuer and the Company with respect to the Mortgaged Property, as it may be amended, modified, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, modified, supplemented or restated from time to time.

“SEQRA” means the State Environmental Quality Review Act, as amended from time to time, and the regulations promulgated thereunder.

“Servicing Fee” means the fee payable to the Loan Servicer for administering and servicing the Agency Lease and Mortgaged Property for the Credit Provider on and after the Conversion Date.

“Set Rate Interest” means the sum of (1) the Facility Fee payable to the Credit Provider and (2) from and after the Conversion Rate, the Servicing Fee.

“Special Purchase Bonds” means, if all Bonds Outstanding are called for redemption in whole due to (i) a failure of Conversion or (ii) the occurrence of defaults as described under the heading “THE BONDS—Redemption—Special Mandatory Redemption—Certain Defaults” at any time that the Construction Phase Credit Facility is in effect, the Bonds that, in lieu of such redemption, are purchased.

“Special Purchase Date” means the date the Bonds are otherwise scheduled to be redeemed.

“Special Purchase Price” means purchase price of the Special Purchase Bonds.

“State” means the State of New York.

“Supplemental Indenture” means any indenture duly authorized and entered into between the Issuer and the Trustee amending or supplementing the Indenture in accordance with the provisions of the Indenture.

“Termination Date” means April 1, 2006, subject to extension by the Loan Servicer pursuant to the Construction Phase Financing Agreement or by the Credit Provider in its sole discretion, provided, however, that any such extension by the Credit Provider shall not have an adverse effect on any rating then assigned to the Bonds by a Rating Agency.

“Third Party Fees” means, individually or collectively, as the context shall require, the Trustee’s Annual Fee and Rebate Analyst’s Annual Fee, if any, the Issuer’s administrative fees, fees (other than the Servicing Fee) due to the Loan Servicer, fees (other than the Facility Fee) due to the Credit Provider and all fees of the Rating Agencies.

“Trust Estate” means the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee pursuant to the Indenture and the Assignment.

“Trustee” means Wells Fargo Bank, N.A., a national bank, duly organized and existing under the laws of the United States, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“Trustee’s Annual Fee” means the annual ongoing trust administration fee of the Trustee equal to \$3,500 per annum payable as provided in the Agency Lease, computed and payable semiannually in advance on each Interest Payment Date.

“U.C.C.” means the Uniform Commercial Code of the State as in effect now or in the future, whether or not such Uniform Commercial Code is applicable to the parties or the transactions.

“Underwriter” means First Albany Capital, Inc.

“Verification Agent” means an independent firm of certified public accountants, an independent financial advisory firm or other independent third party designated by the Company and acceptable to the Credit Provider, qualified and experienced in the verification of the mathematical accuracy of scheduled cash flows and other funds to pay the principal of and interest on bonds and fees, which has been engaged to prepare a Verification Report.

“Verification Report” means a report prepared by a Verification Agent verifying the mathematical accuracy of a Cash Flow Projection.

“Wrongful Dishonor” means an uncured failure by the Credit Provider to make an Advance to the Trustee upon proper presentation of a Certificate which conforms to the terms and conditions of the Credit Facility.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains various covenants and security provisions, certain of which are summarized below and not otherwise deemed or discussed in this Official Statement. Reference should be made to the Indenture for a full and complete statement of its provisions.

Creation of Funds and Accounts. The following Funds and Accounts are created with the Trustee:

- (i) the Project Fund and within the Project Fund, a Project Account and a Capitalized Funds Account;
- (ii) the Revenue Fund and within the Revenue Fund, the General Account, the Redemption Account, the Credit Facility Account and the Fees Account;
- (iii) the Costs of Issuance Fund; and
- (iv) the Rebate Fund.

The Trustee shall hold and administer the Funds and Accounts in accordance with the Indenture. (Section 4.1)

Initial Deposits. On the Closing Date, the Trustee shall make the following deposits:

- (i) \$16,205,600, representing the Net Bond Proceeds (less the portion of the Net Bond Proceeds deposited in the Costs of Issuance Fund and the portion of the Net Bond Proceeds deposited in the General Account) shall be deposited into the Project Fund and allocated as follows: \$15,142,849 shall be deposited into the Project Account and \$1,062,751 shall be deposited into the Capitalized Funds Account;
- (ii) \$ -0-, representing accrued interest on the Bonds, shall be deposited into the General Account;
- (iii) \$55,000, from Net Bond Proceeds, representing the Initial Debt Service Deposit, shall be deposited into the General Account;
- (iv) \$ -0-, representing a portion of Net Bond Proceeds shall be deposited into the Costs of Issuance Fund;
- (v) \$153,000, received from the Company representing the Costs of Issuance Deposit shall be deposited into the Costs of Issuance Fund; and
- (vi) \$1,342,371, received from the Company, shall be deposited in the Project Account. (Section 4.2)

The Project Fund.

Disbursements and Transfers. Amounts on deposit in (a) the Project Account shall, with the approval of the Construction Phase Credit Facility Provider, be disbursed by the Trustee from time to time for the sole purpose of paying Costs of the Project approved by the Construction Phase Credit Facility

Provider pursuant to the Construction Phase Credit Documents and (b) the Capitalized Funds Account shall be transferred automatically by the Trustee to the General Account monthly, in full or partial satisfaction of monthly Lease Payments payable by the Company under the Agency Lease until the Capitalized Funds Account is depleted. Transfers from the Capitalized Funds Account to the General Account shall be made not later than three (3) Business Days prior to the respective dates on which the Company's monthly payments of interest are due. The Trustee shall immediately notify the Construction Phase Credit Facility Provider if sufficient funds are not available to make the transfers as and when described in this paragraph. At such time as funds in the Capitalized Funds Account are no longer required for the purposes of such account, the Trustee shall transfer all funds in the Capitalized Funds Account to the Project Account.

Requisitions. The Trustee shall make disbursements from the Project Account only upon the receipt of Requisitions, signed by an Authorized Company Representative and countersigned by an Authorized Construction Phase Credit Facility Provider Representative. The Trustee shall have no duty to determine whether any requested disbursement from the Project Account complies with the Construction Phase Credit Documents. The countersignature of the Authorized Construction Phase Credit Facility Provider Representative on a Requisition shall be deemed a certification and, insofar as the Trustee and the Issuer are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Construction Phase Credit Documents applicable to the disbursement have been fully satisfied or waived. The Trustee shall, immediately upon each receipt of a completed Requisition signed by the Authorized Company Representative and countersigned by an Authorized Construction Phase Credit Facility Provider Representative, initiate procedures with the provider of the Investment Agreement applicable to the Project Fund, if any, to make withdrawals under that Investment Agreement as necessary to fund the Requisition.

Timing. If a Requisition signed by the Authorized Company Representative and countersigned by an Authorized Construction Phase Credit Facility Provider Representative is received by the Trustee by noon, Chicago time, on any given Business Day, the Trustee shall pay the requested disbursement within two (2) Business Days (for this purpose, including in the definition of "Business Day" only clauses (a) and (b) of such definition ("Included Business Days")). If a Requisition signed by the Authorized Company Representative and countersigned on behalf of the Construction Phase Credit Facility Provider by an Authorized Construction Phase Credit Facility Provider Representative is received by the Trustee after noon, Chicago time, on any given Business Day, the Trustee shall pay the requested disbursement within three (3) Included Business Days. Upon final disbursement of all amounts on deposit in the Project Fund, the Trustee shall close the Project Fund.

Transfers to Effect Certain Special Mandatory Redemptions of Bonds.

Conversion; Excess Project Fund Funds. On the Conversion Date (and, if applicable, from time to time after the Conversion Date) the Trustee shall transfer to the Redemption Account any amounts remaining on deposit in the Project Fund which are not required to pay Costs of the Project not yet due and payable or which are being contested in good faith, in each case as determined under the Construction Phase Credit Documents, provided that any remaining amount less than \$5,000 or any amount in excess of a multiple of \$5,000 shall be transferred to the General Account. The Trustee shall apply any amounts so transferred to the redemption of Bonds as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Excess Net Bond Proceeds".

Failure of Conversion; Excess Project Fund Funds Moneys. If the Loan Servicer does not issue the Final Notice of Conversion on or before the Termination Date, the Trustee shall, promptly following the Termination Date, unless otherwise directed in writing by The Credit Provider, transfer any amounts remaining on deposit in the Project Fund on the Termination Date to the Redemption Account, provided that if the Trustee purchases the Bonds for the account of the Construction Phase Credit Facility Provider in lieu of redemption, such transfer shall be made on such later date as shall be specified by the Construction Phase

Credit Facility Provider, but in any event not later than three (3) years after the Closing Date. The Trustee shall apply any amounts so transferred to the Redemption Account to the redemption of Bonds as described under the heading “THE BONDS—Redemption—Special Mandatory Redemption—Failure of Conversion”.

Certain Other Special Redemptions. Immediately prior to (a) any special mandatory redemption of the Bonds in whole described in clause (i) under the heading “THE BONDS—Redemption—Special Mandatory Redemption—Casualty Or Condemnation” or (b) any special mandatory redemption of the Bonds in whole described under the heading “THE BONDS—Redemption—Special Mandatory Redemption—Certain Defaults”, any amounts then remaining in the Project Fund shall, at the written direction of the Credit Provider, be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision. (Section 4.3)

The Revenue Fund—General Account.

Deposits into the General Account. The Trustee shall deposit each of the following amounts into the General Account:

- (i) on the Closing Date, the accrued interest, if any, on the Bonds;
- (ii) on the Closing Date, the Initial Debt Service Deposit;
- (iii) all money transferred from the Capitalized Funds Account as described above under “The Project Fund—Disbursement and Transfers”;
- (iv) all regularly scheduled Lease Payments;
- (v) interest paid in connection with any prepayment of the Principal Component;
- (vi) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Accounts of the Project Fund shall be credited to and be retained in the respective Accounts of the Project Fund, Investment Income earned on accounts on deposit in the Rebate Fund shall be credited to and be retained in the Rebate Fund and Investment Income earned on amounts on deposit in the Costs of Issuance Deposit Account shall be credited to and be retained in the Costs of Issuance Deposit Account);
- (vii) from time to time, upon receipt, Available Moneys provided as described in “THE BONDS—Redemption—Optional Redemption—Available Moneys Requirement” to fund the interest portion of any End Period Payment;
- (viii) all Interest Reduction Payments received by the Trustee pursuant to the IRP Agreement; and
- (ix) any other moneys made available for deposit into the General Account from any other source.

Disbursements from the General Account. The Trustee shall disburse or transfer, as applicable, moneys on deposit in the General Account at the following times and apply such moneys in the following manner and in the following order of priority:

(i) on each Interest Payment Date, the Trustee shall disburse an amount equal to the amount of interest due on the Bonds on such Interest Payment Date and shall apply such amount to the payment of such interest so due;

(ii) on each Redemption Date on which a mandatory sinking fund redemption is scheduled to take place, the Trustee shall transfer to the Redemption Account an amount of principal equal to the sinking fund redemption payment due on such Redemption Date;

(iii) on each Maturity Date and on the date of acceleration of the Bonds, the Trustee shall disburse an amount equal to the principal due on the Bonds on such date and shall apply such amount to the payment of such principal so due; and

(iv) on each Interest Payment Date, the Trustee shall transfer an aggregate amount equal to that portion of the Trustee's Annual Fee and the Rebate Analyst's Annual Fee to the extent (a) such Third Party Fees are included in the Lease Payments, as described in the Agency Lease, and (b) such Third Party Fees are not paid in advance on the Closing Date and are payable on such date (or on any date prior to the next Interest Payment Date) to the Fees Account.

(v) all amounts required to be deposited into the Rebate Fund pursuant to the Indenture.

(vi) on each Interest Payment Date following the Conversion Date, and following the disbursement, transfer and application of funds described in the preceding paragraphs (i) through (iv), the Trustee shall transfer any amounts remaining in the General Account (excluding, however, the amount of any Lease Payments due on such Interest Payment Date) to the Redemption Account and, following such transfer, shall apply any moneys so transferred (including any moneys so transferred on any prior Interest Payment Date), to the redemption of Bonds as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—After the Conversion Date from Excess Cash".

Remittance of Set Rate Interest to the Credit Provider. In addition to the disbursements and transfers described in the immediately preceding paragraph, on and before the Conversion Date, the Trustee shall, monthly, remit to the Credit Provider, out of the General Account, in accordance with written instructions provided by the Credit Provider to the Trustee, that portion of the Company's monthly Lease Payments under the Agency Lease allocable to Set Rate Interest. The Trustee's remittance shall be made immediately upon receipt of the Company's Lease Payment under the Agency Lease, including any such payment by transfer from the Capitalized Funds Account as described above under "The Project Fund—Disbursements and Transfers", but in any event, not later than the Business Day following receipt of payment from the Company or, if applicable, the Business Day following the date on which any such payment of interest is made from amounts on deposit in the Capitalized Funds Account and credited to the Company under the terms of the Agency Lease. (Section 4.4)

The Revenue Fund—Redemption Account.

Deposits into the Redemption Account. The Trustee shall deposit each of the following amounts into the Redemption Account:

(i) any Lease Payment in respect of prepayment of principal of the Bonds, and any Available Moneys provided by or on behalf of the Company with respect to an optional redemption of Bonds to fund any premium on the Bonds to be paid in connection with such prepayment;

- (ii) that portion of any other deposit or transfer of funds representing principal corresponding to the principal to be paid on any optional or special mandatory redemption of Bonds;
- (iii) any amount required to be transferred from the Project Fund to the Redemption Account to effect certain special mandatory redemptions of Bonds;
- (iv) any amount required to be transferred from the General Account to the Redemption Account as described above under clause (ii) of "The Revenue Fund—General Account—Disbursements from the General Account";
- (v) after the Conversion Date, any amount required to be transferred from the General Account to the Redemption Account as described above under clause (v) of "The Revenue Fund—General Account—Disbursements from the General Account; and
- (vi) any other amount received by the Trustee and required by the terms of the Indenture or the Agency Lease to be deposited into the Redemption Account.

Disbursements from the Redemption Account. The Trustee shall disburse moneys on deposit in the Redemption Account at the following times and apply such moneys in the following manner:

- (i) on each Redemption Date on which a mandatory sinking fund redemption is scheduled to take place, the Trustee shall apply amounts on deposit in the Redemption Account, including amounts transferred as described above under clause (ii) of "The Revenue Fund—General Account—Disbursements from the General Account", to payment of the sinking fund redemption due on such Redemption Date; and
- (ii) on each Redemption Date on which an optional redemption or a special mandatory redemption is scheduled to take place, the Trustee shall apply amounts on deposit in the Redemption Account to the payment of principal of and premium, if any, on the Bonds to be redeemed on such Redemption Date. (Section 4.5)

The Revenue Fund—Credit Facility Account.

Deposits into the Credit Facility Account. The Trustee shall deposit all amounts advanced under the Credit Facility, including amounts advanced in respect of the Special Purchase Price of Bonds to be purchased in lieu of redemption pursuant to the Indenture, into the Credit Facility Account. No other moneys shall be deposited into the Credit Facility Account. The Credit Facility Account shall be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

Disbursements from the Credit Facility Account. The Trustee shall, on each date on which a payment is due under the Indenture and in respect of which an Advance is made under the Credit Facility, apply such Advance, on the date such payment is due, to the payment of the amounts in respect of which such Advance was made. (Section 4.6)

The Revenue Fund—Fees Account.

Deposits into the Fees Account. The Trustee shall deposit into the Fees Account (a) amounts described in clause (iv) above under "The Revenue Fund—General Account—Disbursements from the General Account", and (b) any payment of a Third Party Fee pursuant to the Agency Lease to the extent that such Third Party Fee is not included in the Lease Payments.

Disbursements from the Fees Account. Following the deposit described in the immediately preceding paragraph, the Trustee shall disburse moneys on deposit in the Fees Account on each Interest Payment Date to the payment of Third Party Fees in satisfaction of the obligations of the Company under the Agency Lease. In the event the amount in the Fees Account is insufficient to pay such Third Party Fees, the Trustee shall inform the Loan Servicer and make written demand on the Company for the amount of such insufficiency and, pursuant to the terms of the Agency Lease, the Company shall be liable to promptly pay the amount of such insufficiency to the Trustee within five (5) Business Days after the date of the Trustee's written demand. (Section 4.7)

The Costs of Issuance Fund.

Deposits into Costs of Issuance Fund. On the Closing Date, the Company shall deliver to the Trustee the Costs of Issuance Deposit. On the Closing Date, the Trustee shall deposit (i) the Costs of Issuance Deposit into the Costs of Issuance Fund and (ii) the portion of the Net Bond Proceeds into the Costs of Issuance Fund, all as described above under the paragraph "Initial Deposits".

Disbursements from the Costs of Issuance Fund. The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund pursuant to requisitions in the form attached to the Indenture, signed by an Authorized Company Representative, to pay Costs of Issuance. The Trustee may conclusively rely on such requisitions for purposes of making such disbursements. Moneys on deposit in the Costs of Issuance Fund shall not be part of the Trust Estate and shall be used solely to pay Costs of Issuance.

Disposition of Remaining Amounts. Any moneys remaining in the Costs of Issuance Fund six (6) months after the Closing Date and not needed to pay still unpaid Costs of Issuance shall be returned to the Company. (Section 4.8)

The Rebate Fund.

Deposits; Administration. The "Rebate Fund" shall be held and applied as provided in the Indenture. On any date on which any amounts are required by applicable Federal tax law to be rebated to the Federal government, amounts shall be withdrawn by the Trustee from the General Account and deposited into the Rebate Fund for such purpose. All money at any time deposited into the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy any rebate requirement (as calculated by the Rebate Analyst) to the United States Government. Neither the Issuer, the Company, the Bondholders nor the Credit Provider shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture, by the Agency Lease and by the Regulatory Agreement. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Issuer or of Bond Counsel or the Rebate Analyst on behalf of the Issuer, including supplying all necessary information in the manner set forth in the Regulatory Agreement. The Trustee shall not be required to take any actions under the Regulatory Agreement in the absence of written instructions from the Issuer, or from Bond Counsel or the Rebate Analyst on behalf of the Issuer. Within fifty five (55) days of the end of each Bond Year, the Company shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions, with respect to the computation of the rebatable arbitrage, described, if applicable, in the Regulatory Agreement (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). Within fifty five (55) days of the end of each fifth Bond Year, upon the written direction of the Issuer, or Bond Counsel or the Rebate Analyst on behalf of the Issuer, the Trustee shall deposit into the Rebate Fund amounts provided by the Company, if and to the extent required in order that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with the foregoing provisions described in this

paragraph. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebate requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Company as provided for in the Indenture. The Trustee shall pay, as directed by the Issuer, or Bond Counsel or the Rebate Analyst on behalf of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund:

- (i) not later than sixty (60) days after the end of (a) the fifth Bond Year and (b) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and
- (ii) not later than sixty (60) days after the payment of all of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

Each payment required to be made as described in this paragraph shall be made to the Internal Revenue Service Center at the address required for such submission on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Rebate Analyst and provided to the Trustee. Notwithstanding any provision of the Indenture to the contrary, the obligation to remit payment of the rebate amount to the United States and to comply with all other requirements of the Indenture relating to the Rebate Fund, and of the Agency Lease relating to tax covenants and payment of rebate amounts, and the requirements of the Regulatory Agreement shall survive the defeasance or payment in full of the Bonds.

Records. The Trustee shall obtain and keep such records of the computations made relating to rebatable arbitrage as are required under Section 148(f) of the Code. The Trustee shall keep and make available to the Issuer and the Company such records concerning the investments of the gross proceeds of the Bonds and the investments of earnings from those investments as may be requested by the Issuer or the Company in order to enable the Company to make the computations required under Section 148(f) of the Code.

Exception. Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in the Indenture need not be made to the extent that neither the Issuer nor the Company will thereby fail to comply with any requirements of Section 148(f) of the Code based on an Opinion of Bond Counsel, a copy of which shall be provided to the Trustee. (Section 4.9)

Certain Moneys to Be Applied at the Direction of the Credit Provider. Upon a special mandatory redemption of the Bonds due to a failure of Conversion or casualty or condemnation, the funds on deposit in the Funds and Accounts (other than in the Rebate Fund, the Costs of Issuance Deposit Account and the Fees Account) shall, at the written direction of the Credit Provider, in its discretion, be transferred to the Redemption Account and applied to the redemption of the Bonds to be redeemed. Upon any default by the Company under any Bond Document, any Project Document or any Credit Facility Agreement, all or a portion of the funds on deposit in the Funds and Accounts (other than the Costs of Issuance Fund, the Rebate Fund and the Fees Account) shall, notwithstanding anything described below under "Application of Moneys" to the contrary, be paid or applied in any manner and for any purpose directed in writing by the Credit Provider. (Section 4.10)

Moneys Held for Particular Bonds. The amounts held by the Trustee for payment of the interest, principal or redemption price due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust by it for the Bondholders entitled to such payment and, for the purposes of the

Indenture, such interest, principal or redemption price, after the due date of payment, shall no longer be considered to be unpaid. (Section 4.13)

Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond shall have been deposited with the Trustee for the benefit of the owner of the Bond and shall have remained unclaimed for two (2) years after such principal has become due and payable, such amounts shall, to the extent amounts are owed to the Credit Provider, as set forth in a written statement of the Credit Provider addressed to the Trustee, be paid to the Credit Provider, with any excess to be paid to the Company. Upon such payment, all liability of the Issuer and the Trustee to the holder of any Bond for the payment of such Bond shall forthwith cease, determine and be completely discharged, provided, however, that the Trustee, before being required to make any such payment to the Credit Provider or the Company, shall cause to be published once in a financial newspaper or journal of general circulation in New York, New York, notice that such moneys remain unclaimed and that, after a date specified in such notice, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such moneys then remaining will be paid to the Credit Provider or the Company. The cost of such publication shall be paid from the unclaimed amount held by the Trustee. The obligation of the Trustee to pay any such amounts to the Credit Provider or the Company shall be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition or escheat of unclaimed property.

Investment Limitations. Moneys held as part of any Fund or Account shall be invested and reinvested in Permitted Investments. Permitted Investments shall have maturities corresponding to, or shall be available for withdrawal without penalty no later than, the dates upon which such moneys will be needed for the purpose for which such moneys are held. Moneys on deposit in the (a) General Account and the Fees Account shall be invested only in investments described in paragraphs (i), (ii), (iii), (vii) and (viii) of the definition of Permitted Investments; (b) Redemption Account shall be invested only in investments described in paragraph (i) of the definition of Permitted Investments; (c) Credit Facility Account shall be held uninvested; and (d) Costs of Issuance Fund shall, until transferred, disbursed or returned to the Company pursuant to the Indenture, be invested only in investments described in paragraph (viii) of the definition of Permitted Investments. Permitted Investments shall be held by or under the control and administration of the Trustee. All Investment Income from moneys held in all Funds and Accounts other than the Project Fund, the Rebate Fund and the Costs of Issuance Fund upon receipt shall be deposited into the General Account, Investment Income from moneys held in the Project Fund shall be retained in the Project Fund, Investment Income from moneys held in the Rebate Fund shall be retained in the Rebate Fund and Investment Income from moneys held in the Costs of Issuance Fund shall be retained in the Costs of Issuance Fund. (Section 5.1)

Limitations on Liability. Notwithstanding any other provision of the Indenture to the contrary:

- (i) the obligations of the Issuer with respect to the Bonds are not general obligations of the Issuer but are special, limited obligations of the Issuer payable by the Issuer solely from the Security for the Bonds;
- (ii) nothing contained in the Bonds or in the Indenture shall be considered as assigning or pledging any funds or assets of the Issuer other than the Trust Estate;
- (iii) the Bonds shall not be a debt of the State of New York, the City of Yonkers or of any other political subdivision of the State, and neither the State of New York, the City of Yonkers nor any other political subdivision of the State shall be liable for the payment of the Bonds;

(iv) neither the faith and credit of the Issuer, the State of New York, the City of Yonkers nor of any other political subdivision of the State is pledged to the payment of the principal or of interest on the Bonds;

(v) no failure of the Issuer to comply with any term, condition, covenant, representation, warranty or agreement in the Indenture or in any document executed by the Issuer in connection with the Mortgaged Property, or the issuance, sale and delivery of the Bonds shall subject the Issuer to liability for any claim for damages, costs or other charge except to the extent that the same can be paid or recovered from the Trust Estate; and

(vi) the Issuer shall not be required to advance any moneys derived from any source other than the Trust Estate for any of the purposes of the Indenture, any of the other Bond Documents or any of the Project Documents, whether for the payment of the principal or redemption price of, or interest on, the Bonds, the payment of any fees or administrative expenses or otherwise.

The Issuer and the Trustee acknowledge that (a) the obligations of Fannie Mae as the Credit Provider under the Credit Facility are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally chartered, stockholder owned corporation, and (b) payment of principal of, premium, if any, and interest on the Bonds is not guaranteed by Fannie Mae. (Section 6.3)

Acceptance of the Credit Facility. On the Closing Date, the Trustee shall accept the Credit Facility issued by the Credit Provider. The Trustee shall abide by and take all actions required of the Trustee under the Credit Facility in accordance with its terms in order to have moneys available to make payments to Bondholders as required by the Indenture. (Section 7.1)

No Disposition of Credit Facility. The Trustee shall not, without the prior written consent of the Registered Owners of all of the Bonds then Outstanding, transfer, assign or release the Credit Facility until the principal of and interest on the Bonds shall have been paid or duly provided for in accordance with the terms of the Indenture, except (a) to a successor Trustee, or (b) to the Credit Provider upon expiration or other termination of the Credit Facility in accordance with its terms, including expiration on its stated expiration date, or (c) upon payment under the Credit Facility of the full amount payable under the Credit Facility. If at any time during the term of the Credit Facility a successor Trustee shall be appointed and qualified under the Indenture and the Credit Facility is not assignable or transferable to the successor Trustee, the resigning Trustee shall request the Credit Provider to deliver a new Credit Facility, substantially identical to the Credit Facility, to the successor Trustee. The resigning Trustee shall continue to serve as Trustee under the Indenture until such time as the new Credit Facility is delivered to the successor Trustee. If the resigning Trustee fails to make this request, the successor Trustee shall do so before accepting its appointment. Upon delivery of the new Credit Facility to the successor Trustee, the prior Credit Facility shall be returned to the Credit Provider and cancelled, and the new Credit Facility shall thereafter be subject to all of the provisions of the Indenture relating to the Credit Facility and shall be deemed for all purposes of the Indenture to be the Credit Facility then in effect. (Section 7.2)

Replacement Credit Facility. At the request of the Credit Provider, the Trustee shall exchange the Credit Facility with the Credit Provider for a new credit facility (a "Replacement Credit Facility"), provided that such exchange shall not adversely affect the rating then in effect for the Bonds. (Section 7.3)

Enforcement of Credit Facility. The Trustee shall hold the Credit Facility and shall in its name enforce all rights of the Trustee and all obligations of the Credit Provider under the Credit Facility for the benefit of the Bondholders. (Section 7.5)

Limitations on Rights of Credit Provider. Notwithstanding anything contained in the Indenture or the Agency Lease to the contrary, all provisions of the Indenture and the Agency Lease regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned in such provisions if (a) a Wrongful Dishonor has occurred, but only for so long as the Wrongful Dishonor is continuing, (b) the Credit Facility shall at any time for any reason be determined under applicable law, by a court of final competent jurisdiction, to be null and void and not valid and binding on the Credit Provider, or the validity or enforceability thereof is being contested by the Credit Provider or by any governmental agency or authority which has taken control of the assets of the Credit Provider in any bankruptcy, insolvency or similar proceeding and which shall be authorized under applicable law to so act on behalf of the Credit Provider, or (c) the Credit Provider is temporarily restrained from making a payment under the Credit Facility by court order or by action of any governmental or quasi-governmental body, provided, however, that the Credit Provider's right to all notices under the Bond Documents and to the payment of amounts due to the Credit Provider pursuant to the terms of the Bond Documents shall continue in full force and effect. (Section 7.8)

References to Credit Provider When No Credit Facility Is in Effect. All provisions of the Indenture or the Agency Lease relating to the rights of the Credit Provider shall be of no force or effect if there is no Credit Facility in effect or if a Wrongful Dishonor has occurred (but only so long as the Wrongful Dishonor is continuing) and all amounts owing to the Credit Provider under the Credit Facility Agreement have been paid. In such event, all references to the Credit Provider shall have no force or effect. (Section 7.9)

Discharge of Lien and Security Interest.

Discharge. Upon satisfaction of the conditions precedent set out in the immediately succeeding paragraph, the Trustee shall (a) execute and deliver to the Issuer such instruments in writing prepared by the Issuer or its counsel at the sole and reasonable expense of the Company and provided to the Trustee and the Credit Provider as shall be required to cancel and discharge the Indenture and the pledge and assignment of the Trust Estate; (b) reconvey, assign and deliver to the Issuer so much of the Trust Estate as may be in its possession or subject to its control (except for (1) moneys and Government Obligations held for the purpose of paying Bonds and (2) moneys and Permitted Investments held in the Rebate Fund for payment to the United States Government), who shall, in turn, convey, assign and deliver the remaining Trust Estate to the Company; and (c) return the Credit Facility to the Credit Provider.

Conditions to Discharge. The conditions precedent to the cancellation and discharge of the Indenture and the other acts described in the immediately preceding paragraph are (a) payment in full of the Bonds; (b) payment of the Trustee's Annual Fee and the Trustee's ordinary costs and expenses under the Indenture; (c) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Agreement, the Guaranty Agreement and the Project Documents have been fully paid; (d) receipt by the Trustee of a written statement from the Construction Phase Credit Facility Provider stating that all amounts owed to the Construction Phase Credit Facility Provider in respect of the Construction Phase Credit Facility have been fully paid; (e) payment of all Extraordinary Items; (f) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid; (g) receipt by the Trustee of an Opinion of Counsel, at the reasonable expense of the Company, to the effect that the Credit Provider has no further obligation under the Credit Facility; and (h) receipt by the Trustee of an Opinion of Counsel, at the reasonable expense of the Company, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied.

Survival of Rights and Powers. The rights and powers granted to the Trustee with respect to the payment, transfer and exchange of Bonds and the Reserved Rights of the Issuer shall survive the cancellation and discharge of the Indenture. (Section 8.1)

Payment of Outstanding Amounts. If the Bonds have been paid in full, but any one or more of the other conditions precedent set out above under “Discharge of Lien and Security Interest—Conditions to Discharge” are not satisfied because an amount has not been paid, the Trustee shall, prior to cancellation and discharge of the Indenture, pay over, assign and deliver to the persons listed below, in the strict order set out below, the amounts required to satisfy those conditions precedent:

The Trustee’s Annual Fee and Ordinary Costs and Expenses. If any portion of the Trustee’s Annual Fee currently due and unpaid or ordinary costs and expenses of the Trustee remain unpaid at the time of discharge, the Trustee shall pay over, assign and deliver to itself so much of (and not to exceed) the Trust Estate as shall be necessary to fully pay such unpaid amounts. No Extraordinary Items shall be included under this paragraph.

The Credit Provider. If the Trustee receives a written statement from the Credit Provider stating that moneys are owed to the Credit Provider under the Credit Facility Agreement, the Guaranty Agreement or the Project Documents the Trustee shall pay over, assign and deliver to the Credit Provider so much of (and not to exceed) the remaining Trust Estate as shall be necessary to fully pay all amounts due and owing to the Credit Provider, as determined by the Credit Provider, in its sole and absolute discretion.

The Construction Phase Credit Facility Provider. If the Trustee receives a written statement from the Construction Phase Credit Facility Provider stating that moneys are owed to the Construction Phase Credit Facility Provider in respect of the Construction Phase Credit Facility, the Trustee shall pay over, assign and deliver to the Construction Phase Credit Facility Provider so much of (and not to exceed) the remaining Trust Estate as shall be necessary to fully pay all amounts due and owing to the Construction Phase Credit Facility Provider, as determined by the Construction Phase Credit Facility Provider, in its sole and absolute discretion.

Trustee. If any Extraordinary Items have not been paid to the Trustee, the Trustee shall pay over, assign and deliver to itself so much of (and not to exceed) the remaining Trust Estate as shall be necessary to fully pay all amounts owing to the Trustee for Extraordinary Items.

Issuer. If the Trustee receives a written statement from the Issuer stating that moneys are owed to the Issuer in respect of the Reserved Rights, the Trustee shall pay over, assign and deliver to the Issuer so much of (and not to exceed) the remaining Trust Estate as shall be necessary to fully pay all amounts owing to the Issuer in respect of the Reserved Rights. (Section 8.2)

Defeasance.

Provision for Payment of Bonds. Any Bond shall be deemed to have been paid within the meaning of the Indenture if:

- (i) there has been irrevocably deposited with the Trustee either (A) sufficient Available Moneys or (B) Government Obligations, which are not subject to early redemption and which are purchased with Available Moneys, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount of such Government Obligations or the interest earnings on Government Obligations (the earnings to be held in trust also), be sufficient, together with any Available Moneys deposited pursuant to this paragraph, in each case as verified by a written report of an independent certified public accountant, for the payment on their respective maturity dates, or redemption dates prior to maturity, of the principal of

such Bonds and redemption premium, if any, and interest to accrue on such Bonds to such maturity or redemption dates, provided that the Trustee has received, at the reasonable expense of the Company (a) an Opinion of Counsel rendered by bankruptcy counsel that such Available Moneys or Government Obligations purchased with Available Moneys are not subject to avoidance under Section 547 or 544 and are not subject to an automatic stay pursuant to Section 362 of the Bankruptcy Code or any successor statute and, as such, are not recoverable under Section 550(a) of the Bankruptcy Code or other applicable insolvency law, should there be a petition by or against the Company, any general partner of the Company or the Issuer under the Bankruptcy Code or any other bankruptcy act; and (b) an Opinion of Bond Counsel to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the excludability of the interest payable on the Bonds from gross income for Federal income tax purposes;

(ii) all Third Party Fees due or to become due have been paid or sufficient additional moneys to make the required payments have been irrevocably deposited with the Trustee; and

(iii) for any such Bonds to be redeemed on any date prior to their maturity, the Trustee has received in form satisfactory to it irrevocable instructions to redeem such Bonds on a date on which the Bonds are subject to redemption, and either evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices.

The Trustee shall redeem the Bonds specified by such irrevocable instructions on the date specified by such irrevocable instructions.

Defeased Bonds No Longer Outstanding. At such time as a Bond shall be deemed to be paid under the Indenture, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of payment in accordance with the terms of the Indenture.

Investment Limitations Not Applicable. Limitations elsewhere specified in the Indenture regarding the investment of moneys held by the Trustee shall not be construed to prevent the depositing and holding of the obligations described above under clause (i) (B) of "Defeasance—Provision for Payment of Bonds" for the purpose of providing for the defeasance of the lien of the Indenture as to Bonds which have not yet become due and payable. All income from all Government Obligations in the hands of the Trustee as described under "Defeasance" which has been identified by an independent certified public accountant as not required for the payment of the Bonds and interest on such income with respect to which such moneys have been so deposited shall be deposited with the Trustee as and when realized and collected for use and application as are other moneys deposited with the Trustee in the Revenue Fund.

Particular Bonds. Notwithstanding any other provision of the Indenture to the contrary, all moneys or Government Obligations set aside and held in trust as described under "Defeasance" for the payment of Bonds (including accrued interest on such Bonds) shall be applied to and used solely for the payment of the particular Bonds (including interest on such Bonds) with respect to which such moneys or Government Obligations have been so set aside in trust. (Section 8.3)

Events of Default; Preliminary Notice.

Events of Default. Each of the following shall constitute an Event of Default:

(i) default in the payment of any interest due on any Bond (including, unless the Construction Phase Credit Facility Provider specifies otherwise by written notice to the Trustee, a

Special Purchase Bond) on any Interest Payment Date or any other date when and as the same becomes due;

(ii) default in the payment of the principal of any Bond (including, unless the Construction Phase Credit Facility Provider specifies otherwise by written notice to the Trustee, a Special Purchase Bond) when and as the same becomes due, whether at the stated maturity of the Bond or upon any redemption of the Bond;

(iii) written notice from the Credit Provider to the Trustee of a default by the Issuer in the observance or performance of any covenant, agreement or condition on the part of the Issuer in the Indenture or in the Bonds (other than an Event of Default set forth in clause (i) or (ii) above) and the continuance of such default for a period of thirty (30) days after written notice of the default from the Trustee to the Issuer, Fannie Mae, the Loan Servicer (on and after the Conversion Date) and the Company;

(iv) The occurrence and continuation of an Event of Default under the Agency Lease or the Guaranty Agreement;

(v) The Trustee, the Issuer and the Company shall have received written notice from the Credit Provider of the occurrence of an Event of Default under the Reimbursement Agreement or the Security Instrument; or

(vi) an Act of Bankruptcy.

Preliminary Notice. The Trustee will immediately notify the Issuer, the Loan Servicer, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect), the Company and the Credit Provider after the Trustee obtains knowledge or receives notice of the occurrence of an Event of Default or an event which would become an Event of Default with the passage of time or the giving of notice, or both, identifying the paragraph in the Indenture under which the Event of Default has occurred or may occur.

Non Default and Prohibition of Mandatory Redemption Upon Event of Taxability. The occurrence of any event (a "Tax Event") which results in the interest payable on the Bonds being includable for Federal income tax purposes, in the gross income of the Bondholders, including, but not limited to, any violation of any provision of the Regulatory Agreement or any of the other Bond Documents, shall not (a) constitute an Event of Default under the Indenture, the Bonds or any of the other Bond Documents, or permit any party (other than the Credit Provider) to accelerate, or to direct acceleration of, the Lease Payments or the Bonds, or give rise to a mandatory redemption of the Bonds, unless the Credit Provider, in its sole and absolute discretion, provides written notice to the Trustee that such Tax Event constitutes an Event of Default under the Reimbursement Agreement or the Security Instrument and, by cross default, a default under the Agency Lease; or (b) give rise to the payment to the Bondholders of any amount, denoted as "supplemental interest," "additional interest," "penalty interest," "damages," "liquidated damages" or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. Nothing described in this paragraph shall be deemed to amend or modify the terms of the Project Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee shall, by notice in writing to the Company, Fannie Mae, the Loan Servicer and the Registered Owners of the Bonds, inform the Company, Fannie Mae, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect), the Loan Servicer and the Registered Owners of the Bonds that a Tax Event has occurred and whether the Tax Event has been cured, is curable within a reasonable period or is incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, and each of them acknowledges that,

except at the direction of the Credit Provider, they shall not have, upon the occurrence of a Tax Event, any right, power, authority or obligation to cause or direct acceleration of the Bonds or the Lease Payments, to enforce the Agency Lease or to foreclose the Security Instrument, to accept a deed to the Mortgaged Property in lieu of foreclosure, or to effect any other comparable conversion of the Agency Lease. (Section 9.1)

Acceleration; Rescission of Acceleration.

Acceleration. Upon:

- (i) the occurrence of an Event of Default described above in clauses (i) or (ii) under "Event of Default", the Trustee may, and shall upon the written request of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, by written notice to the Issuer, the Company, the Credit Provider and the Loan Servicer and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, declare the principal of all Bonds then Outstanding (if not then due and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider and payable) and the interest accrued, and to accrue, on the Outstanding Bonds to the date of such declaration immediately due and payable; or
- (ii) the occurrence of an Event of Default described above in clauses (iii), (iv), (v) or (vi) under "Event of Default", the Trustee may, upon receiving the prior written consent of the Credit Provider, and shall, upon the written direction of the Credit Provider, by written notice to the Issuer, the Company, the Credit Provider, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect) and the Loan Servicer, declare the principal of all Bonds then Outstanding (if not then due and payable) and the interest accrued, and to accrue, on the Outstanding Bonds to the date of such declaration immediately due and payable.

Upon any such declaration of acceleration, the Trustee shall (a) give immediate notice to the Credit Provider and request an Advance under the Credit Facility pursuant to the Indenture, (b) exercise such rights as it may have under the Agency Lease to declare all Lease Payments to be immediately due and payable, and (c) give the notice required by the Indenture.

Notice. Upon any decision to accelerate payment of the Bonds, the Trustee shall notify the Bondholders of the declaration of acceleration, that interest on the Bonds will cease to accrue upon such declaration, and that payment of such Bonds will be made upon presentment of the Bonds at the Principal Office of the Trustee not earlier than fifteen (15) days following the date of acceleration. Such notice shall be sent by registered mail, overnight delivery service or other secure means, postage or charges prepaid or, at the Trustee's option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner's last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration shall not affect the validity of such declaration.

Rescission of Acceleration. If, at any time after a declaration of acceleration and before the payment of any money due to the Bondholders, (1) the Company shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid interest (if any) on all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, (2) the reasonable expenses of the Trustee are paid or adequate provision is made therefor, and (3) all other defaults under the Indenture are cured or, if not cured, are waived in writing by the Credit Provider, or if there is a Wrongful Dishonor by the Credit Provider, by the Bondholders of not less than 51% in aggregate principal amount of the Bonds then Outstanding, then the Trustee, on behalf of the Bondholders of all the Bonds then outstanding and with the prior written consent of the Credit Provider, shall rescind and annul such declaration and its

consequences, provided that no such rescission and annulment shall extend to or shall affect any subsequent Event of Default or impair or exhaust any right or power arising by virtue of any subsequent Event of Default. (Section 9.2)

Other Remedies. Subject to provisions of the Indenture relating to non-interference and non-impairment of the Agency Lease, upon the occurrence and continuance of an Event of Default, the Trustee may, with or without taking action to accelerate the Bonds as described above, but only with the prior written consent of the Credit Provider, and shall, at the direction of the Credit Provider if the Event of Default occurs as described above under clauses (iii), (iv), (v) or (vi) under "Event of Default", pursue any of the following remedies:

- (i) an action in mandamus or other suit, action or proceeding at law or in equity (a) to enforce the payment of the principal of, premium, if any, or interest on the Bonds then Outstanding, or (b) for the specific performance of any covenant or agreement contained in the Indenture or in the Agency Lease or the Regulatory Agreement;
- (ii) the liquidation of the Trust Estate pledged under the Indenture; or
- (iii) an action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

Subject to the rights of the Credit Provider and limitations on the rights of the Bondholder, Issuer and Trustee under the Indenture as described below, and the requirement, if any, that the Credit Provider consent in writing to the exercise by the Trustee of any such available remedy, upon the occurrence and continuance of an Event of Default, the Trustee shall exercise such of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders and the Credit Provider. (Section 9.3)

Preservation of Security and Remedies if Wrongful Dishonor Occurs; Rights of Bondholders. Upon the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may proceed, and upon the written request of the holders of not less than 25% of the aggregate principal amount of the Bonds Outstanding and the receipt of indemnity reasonably satisfactory to the Trustee, shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or the Agency Lease, or in aid of the execution of any power granted in the Indenture, or in the Agency Lease or by the Act, or for the enforcement of any legal or equitable right or remedy, as the Trustee, being advised by counsel, shall deem most effective to protect and enforce such rights or to perform any of its duties under the Indenture. (Section 9.4)

Remedies Not Exclusive. Subject to the rights of the Credit Provider and limitations on the rights of the Bondholder, Issuer and Trustee under the Indenture as described below, no right or remedy conferred upon or reserved to the Trustee (or to the Bondholders) by the terms of the Indenture is intended to be exclusive of any other right or remedy, but each and every such right and remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee or to the Bondholders under the Indenture or under the Agency Lease, the Regulatory Agreement or the Credit Facility or now or hereafter existing at law or in equity. (Section 9.5)

Waiver. To the extent not precluded by law, the Trustee, upon notice to and with the prior written consent of the Credit Provider (unless a Wrongful Dishonor has occurred and is continuing) and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, may waive any Event of Default under the Indenture and its consequences and, if the Trustee has accelerated payment of the Bonds, rescind the declaration of acceleration (unless precluded by the Indenture) and shall do so upon the written request of (a) the Credit Provider or (b) Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, provided, however, that there shall be no such waiver or rescission unless the principal and interest on the Bonds in arrears (without regard to the acceleration), together with interest at the applicable rate or rates of interest borne by the Bonds on such overdue principal and, to the extent permitted by law, on such overdue interest, shall have been paid or provided for by the Company or by the Credit Provider and all fees and expenses of the Trustee shall have been paid or provided for by the Company or the Credit Provider. In the case of any such waiver, the Issuer, the Company, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture. The Trustee may not waive any Event of Default under the Indenture unless the Trustee receives confirmation from the Credit Provider that, after the waiver, the Credit Facility will remain in effect in an amount sufficient to maintain the rating on the Bonds, provided, however, that such waiver will be permitted if (a) the Issuer consents to the waiver, (b) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver, and (c) 100% of the Bondholders consent to the waiver. (Section 9.6)

Limited Effect of Waiver. No waiver of any Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent to such Event of Default. (Section 9.7)

Delay or Omission. No delay or omission to exercise any right or remedy provided in the Indenture upon any Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence in it and every such right and remedy may be exercised from time to time as often as may be deemed expedient. (Section 9.8)

Rights of the Credit Provider and the Bondholders to Direct Proceedings; Rights and Limitations Applicable to Bondholders, Issuer and Trustee.

Rights to Direct Proceedings. Notwithstanding anything contained in the Indenture to the contrary, the Credit Provider itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee shall be indemnified to its satisfaction, except for actions required as described above under “Acceleration; Rescission of Acceleration—Acceleration”.

Limitations on Bondholders’ Rights. No Bondholder shall have the right to enforce the provisions of the Indenture, the Agency Lease, the Regulatory Agreement, the Guaranty Agreement or any Project Document, or to institute any proceeding in equity or at law for the enforcement of the Indenture, the Agency Lease, the Regulatory Agreement, the Guaranty Agreement or any Project Document, or to take any action with respect to an Event of Default under, and as respectively defined in, the Indenture, the Agency Lease, the Regulatory Agreement, the Guaranty Agreement or any Project Document, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture, the Agency Lease, the Regulatory Agreement, the Guaranty Agreement or any Project Document upon an Event of Default unless (1) such Bondholder has given the Trustee, the Issuer, the Credit Provider, and, so long as the Construction Phase

Credit Facility is in effect, the Construction Phase Credit Facility Provider, the Loan Servicer and the Company written notice of the Event of Default, (2) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, (3) the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (4) the Trustee has been offered reasonable indemnity, where required, and (5) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. Except as described in this paragraph, no Bondholder shall have any right in any manner whatever by his or her action to affect, disturb or prejudice the pledge of Revenues or of any other moneys, funds or securities under the Indenture. No Bondholder shall have the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility. Nothing in the Indenture shall affect or impair any right of enforcement conferred on any Bondholder by the Act or other laws of the State to enforce (1) the obligation of the Issuer to pay the principal of and interest on the Bonds to such Bondholder at the time and place, from the sources and in the manner as provided in the Indenture or (2) the payment of the principal of and interest on any Bonds at and after the maturity of such Bonds.

Non Interference and Non Impairment of Agency Lease. Notwithstanding anything contained in the Indenture to the contrary, so long as the Credit Facility remains in effect and a Wrongful Dishonor has not occurred, or if it has occurred is not continuing, neither the Issuer, the Trustee nor any person under their control nor the Bondholders shall, without the prior written consent of the Credit Provider and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, exercise, directly or indirectly, any remedy or direct any proceeding under the Bond Documents or Project Documents, directly or indirectly:

- (i) initiate or take any action which may have the effect, directly or indirectly, of (a) impairing the ability of the Company to timely pay the principal of, interest on, or other amounts due and payable under, the Agency Lease, the Guaranty Agreement or Project Documents, or (b) impairing or defeating the validity or priority of the lien created by the Security Instrument;
- (ii) interfere with or attempt to influence the exercise by the Credit Provider of its rights under the Agency Lease, the Guaranty Agreement or Project Documents, including, but not limited to, the Credit Provider's remedial rights upon the occurrence of an Event of Default by the Company under the Security Instrument; or
- (iii) upon the occurrence of an Event of Default under the Security Instrument, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Agency Lease,

provided nothing described in this paragraph shall prohibit the Issuer's right to enforce its Reserved Rights to the extent and as permitted under the provisions of the Agency Lease, and provided, further, that the Issuer or the Trustee, as the case may be, may (a) enforce rights under the Credit Facility (so long as the Credit Facility is in effect), (b) enforce the tax covenants set forth in the Indenture and the Agency Lease, and (c) enforce rights of specific performance under the Agency Lease and the Regulatory Agreement, except that neither the Issuer nor the Trustee shall seek damages or any monetary recovery under the Agency Lease (other than in the case of the Issuer with respect to Reserved Rights) or the Regulatory Agreement. (Section 9.9)

Action by Trustee. All rights of action under the Indenture or upon any of the Bonds enforceable by the Trustee may be enforced by the Trustee without the possession of any of the Bonds, or the production of the Bonds at the trial or other proceedings relative to such suit, action or proceeding, and any such suit, action or proceeding instituted by the Trustee may be brought in its name for the ratable benefit of the Bondholders,

without the necessity of joining any Bondholder as a party, and for the benefit of the Credit Provider. In any action, suit or other proceeding by the Trustee, the Trustee shall be paid fees, counsel fees and expenses in accordance with the Indenture. (Section 9.11)

Application of Moneys. Amounts derived from payments under the Credit Facility shall be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds and shall not be applied to pay any fees or expenses or advances of the Trustee or the Issuer (except to the extent such fees are payable out of the Fees Account from transfers to the Fees Account from the General Account), including amounts in respect of indemnification. All other moneys received by the Trustee pursuant to any action taken under the Indenture relating to defaults and remedies and all moneys on deposit in the Funds and Accounts under the Indenture (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) shall, subject to the rights of the Credit Provider to direct application of certain moneys as described above under "Certain Moneys to be Applied at the Direction of the Credit Provider", be deposited into the General Account, and after payment, first, of any unpaid portion of the Trustee's Annual Fee currently due and unpaid and the ordinary costs and expenses of the Trustee and, second, of the fees and expenses of the Issuer, the balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Mortgaged Property (as identified and required by the Credit Provider), shall be applied as set forth in the immediately following four paragraphs.

Principal on Bonds Not Due and Payable. Unless the principal of all Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First, to the payment of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably of the amounts due, without any discrimination or privilege;

Second, to the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates upon which they became due, with interest on such Bonds from the respective dates upon which they became due at the rate or rates borne by the Bonds, to the extent permitted by law, and if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled to such payment without any discrimination or privilege; and

Third, to the payment of amounts owed to the Credit Provider under the Credit Facility, the Agency Lease, the Guaranty Agreement and the Project Documents, as specified to the Trustee in writing by the Credit Provider, and then to any unpaid amounts due to the Trustee for Extraordinary Items, for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee.

Principal on Bonds Declared Due and Payable. If the principal of all the Bonds has become or been declared due and payable, all such moneys shall be applied, first, to the payment of the principal and interest then due and unpaid upon the 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 Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; second, to pay the Credit Provider amounts owed to it under the Credit Facility Agreement, the Agency Lease, the Guaranty Agreement and the Project Documents, as specified to the Trustee in writing by the Credit Provider; and third, to the Company (but only if all amounts due the Trustee and the Issuer and the Construction Phase Credit Facility Provider have been

paid, otherwise to first pay such amounts in the priority set forth in the Indenture as described above under “Payment of Outstanding Amounts”).

Acceleration Rescinded. If the principal of all the Bonds has been declared due and payable, and if such declaration is thereafter rescinded under the Indenture, then, in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied as described in the immediately preceding paragraph.

General. Whenever moneys are to be applied as described above in “Application of Moneys” and the four immediately succeeding paragraphs, such moneys shall be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by the Indenture. Whenever the Trustee applies such moneys, it shall fix the date (which shall be an Interest Payment Date unless it deems an earlier date more suitable) upon which such application is to be made, and upon such date, interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid. Whenever the principal of and interest on all Bonds have been paid in full under the provisions of the Indenture and all other conditions set out in the Indenture relating to the discharge of lien and security interest have been satisfied, any balance remaining in the Funds and Accounts shall be paid as described above under “Discharge of Lien and Security Interest”. (Section 9.12)

Resignation of Trustee. The Trustee (or any successor Trustee) may resign only upon giving sixty (60) days’ prior written notice to the Issuer, the Credit Provider, the Loan Servicer, the Company, the Construction Phase Credit Facility Provider (if such resignation is on or before the Conversion Date) and to each Registered Owner of Bonds then outstanding as shown on the Bond Register. Notwithstanding such notice, such resignation shall take effect only upon the appointment of a successor Trustee in accordance with the Indenture and the acceptance of such appointment by such successor Trustee. The Trustee’s rights to indemnity and reimbursement of outstanding fees and expenses shall survive the Trustee’s resignation. (Section 10.6)

Removal of Trustee. The Trustee may be removed at any time, upon thirty (30) days’ prior written notice to the Trustee, (a) by the Issuer, with the prior written consent of the Credit Provider; (b) by an instrument or concurrent instruments in writing delivered to the Issuer, the Credit Provider, the Loan Servicer, the Trustee and the Company, signed by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, and approved by the Credit Provider, which written instrument shall designate a successor trustee; or (c) by the Credit Provider. Such removal shall take effect only upon the appointment of a successor Trustee in accordance with the Indenture and the acceptance of such appointment by such successor Trustee. The Trustee’s rights to indemnity and reimbursement of outstanding fees and expenses shall survive the Trustee’s resignation. (Section 10.7)

Appointment of Successor Trustee. Upon the resignation or removal of the Trustee, a successor Trustee shall be appointed by the Issuer with the prior written consent of the Company and the Credit Provider, provided that if the Company is then in default under any Bond Document or any Project Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default, such appointment shall be made by the Issuer with the prior written consent of the Credit Provider. If, in the case of resignation or removal of the Trustee, no successor is appointed within thirty (30) days after the notice of resignation or within thirty (30) days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee shall appoint a successor with the prior written consent of the Issuer and

the Credit Provider or apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider shall have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee. (Section 10.8)

Supplemental Indentures Not Requiring Bondholder Consent. The Issuer and the Trustee, without the consent of or notice to any of the Bondholders, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

- (i) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any Supplemental Indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture;
- (ii) to amend, modify or supplement the Indenture in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;
- (iii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;
- (iv) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture or such Supplemental Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States;
- (v) to appoint a successor trustee, separate trustee or co trustee, or a separate Bond Registrar in the manner provided in the Indenture;
- (vi) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the Credit Facility then in effect, provided that the provision of such other Credit Facility conforms to the requirements of the Indenture and does not adversely affect the rating then in effect for the Bonds;
- (vii) to make any change in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the rating of "AAA" and/or "Aaa" awarded to the Bonds by the Rating Agency or to otherwise comply with the requirements of any Rating Agency then rating the Bonds;
- (viii) to comply with the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary or desirable in the Opinion of Bond Counsel;
- (ix) to implement any secondary market disclosure, required under applicable law with respect to the Bonds, the Issuer, the Company or the Mortgaged Property; or
- (x) in connection with any other change in the Indenture which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders.

If the Trustee has received written confirmation from the Rating Agency to the effect that such Supplemental Indenture will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds

and all conditions precedent as described in this paragraph have been satisfied, and all required approvals and opinions of counsel have been provided, the Trustee shall join the Issuer in the execution of any such Supplemental Indenture. The Trustee shall promptly furnish a copy of any such Supplemental Indenture to the Credit Provider, the Loan Servicer, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect) and the Company. (Section 11.1)

Supplemental Indentures Requiring Bondholder Consent. Exclusive of Supplemental Indentures described in the immediately preceding paragraph and subject to the terms and provisions contained in this paragraph, the Issuer, in its sole discretion, and the Trustee may, with the consent of Bondholders owning 51% or more in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying, altering, amending, adding to or rescinding, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, provided that nothing described in this paragraph shall permit, or be construed as permitting:

- (i) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owners of all of the Bonds then Outstanding;
- (ii) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;
- (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;
- (iv) the creation of a lien prior to or on parity with the lien of the Indenture, without the consent of the owners of all of the Bonds then Outstanding;
- (v) a change in the percentage of Bondholders necessary to waive an Event of Default or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;
- (vi) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture, the Assignment or the Credit Facility;
- (vii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;
- (viii) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds then Outstanding; or
- (ix) the amendment of the section of the Indenture containing the provisions described in this paragraph, without the consent of the holders of all of the Bonds then Outstanding.

The giving of notice to and consent of the Bondholders to any such Supplemental Indenture shall be obtained as provided in the Indenture. When requested by the Issuer or the Company, and if all conditions precedent described in this paragraph have been satisfied, and all required approvals and opinions of counsel have been provided, the Trustee shall join the Issuer in the execution of any such Supplemental Indenture. The Trustee shall promptly furnish a copy of any such Supplemental Indenture to the Credit Provider, the Loan Servicer

and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider and the Company. (Section 11.2)

Amendments to Agency Lease Not Requiring Bondholder Consent. The Issuer and the Trustee, without the consent of or notice to any of the Bondholders, (a) may enter into or permit any amendment of the Agency Lease and (b) subject to the provisions of the Indenture requiring certain approvals, shall, at the direction of the Credit Provider, enter into any amendment of the Agency Lease, for one or more of the following purposes:

- (i) to cure any ambiguity or to correct or supplement any provision contained in the Agency Lease which may be defective or inconsistent with any other provision of the Agency Lease;
- (ii) to make such other provisions with regard to matters or questions arising under the Agency Lease which are not materially adverse to the interests of the Bondholders;
- (iii) to amend, modify or supplement the Agency Lease in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;
- (iv) to grant to or confer upon the Issuer or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be so granted or conferred, or to grant or pledge to the Issuer or the Trustee for the benefit of the Bondholders any additional security;
- (v) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders;
- (vi) to comply with the requirements of any Rating Agency then rating the Bonds;
- (vii) to comply with regulations or rulings issued with respect to the Code, to the extent determined as necessary or desirable in the Opinion of Bond Counsel;
- (viii) to permit the Company to enter into a modification of any Project Document on terms approved by the Credit Provider, provided that there has first been delivered to the Trustee (1) written evidence of such approval and the approval by the Credit Provider of the proposed form of amendment and any other documents relating to the amendment and (2) written evidence from the Rating Agency that such modifications and any related changes to the terms of the financing will not adversely affect the rating then applicable to the Bonds; or
- (ix) in connection with any other change which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders,

provided that if the Trustee has received written confirmation from the Rating Agency to the effect that such amendment will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent described in this paragraph have been satisfied, and all required approvals and opinions of counsel have been provided, the Trustee shall join the Issuer and the Company in the execution of any such amendment. The Trustee shall promptly furnish a copy of any such amendment to the Issuer, the Credit Provider, the Loan Servicer and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, and the Company. (Section 11.3)

Amendments to Agency Lease Requiring Bondholder Consent. Except as described in the immediately preceding paragraph, the Issuer and the Trustee shall not enter into any other modification or amendment of the Agency Lease, nor shall any such modification or amendment become effective, without the written consent of the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, such consent to be obtained in accordance with the Indenture. No such amendment may, without the consent of the owners of all the Outstanding Bonds, reduce the amounts or delay the Lease Payments, provided that any such amounts may be reduced without such consent solely to the extent that such reduction (a) results from a partial redemption from other than sinking fund installments or (b) represents a reduction in any fees payable from such amounts (including, but not limited to, a reduction in Set Rate Interest). The Trustee shall provide a copy of any such modification or amendment to the Issuer, the Credit Provider, the Loan Servicer and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, and the Company. (Section 11.4)

Amendments, Changes and Modifications to the Credit Facility and the Regulatory Agreement.

The Credit Facility. The Trustee may, without notice to or the consent of the owners of the Bonds, accept any amendment to the Credit Facility (1) in connection with any change in the Credit Facility, including a revised Lease Payment Schedule to the Credit Facility as a result of a partial prepayment of the Principal Component or Lease Payments or otherwise; or (2) as may be required for purposes of curing any ambiguity, formal defect or omission which is not materially adverse to the interests of the Bondholders or which does not prejudice in any material respect the interests of the Bondholders. Except for such amendments, the Credit Facility may be amended only with the written consent of the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, except that, without the written consent of the owners of all Outstanding Bonds, no amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided that any such amounts may be reduced without such consent solely to the extent that such reduction represents a written agreement to reduce fees payable from such amounts. A copy of each such amendment shall be provided to the Loan Servicer.

The Regulatory Agreement. Subject to the provisions of the Indenture requiring certain approvals and opinions of counsel to be provided, the Company, the Trustee and the Issuer may enter into any amendment or modification of the Regulatory Agreement without the consent of the owners of the Bonds, provided that the Company shall furnish to the Trustee and the Issuer (1) an Opinion of Bond Counsel to the effect that such amendment or modification of the Regulatory Agreement will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes, and (2) the written consent of the Credit Provider. A copy of each such amendment shall be provided to the Loan Servicer. (Section 11.5)

Notice to and Consent of Bondholders. If consent of the Bondholders is required under the terms of the Indenture for any supplement, amendment or modification to the Indenture, the Agency Lease, the Regulatory Agreement or the Credit Facility, or for any other similar purpose, the Trustee shall cause notice of the proposed execution of the supplement, amendment or modification to be given by first class mail to the Bondholders. Such notice shall briefly set forth the nature of the proposed supplement, amendment or modification, and shall state that copies of any such supplement, amendment or modification are on file at the Principal Office of the Trustee for inspection by the Bondholders. If, within thirty (30) days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the holders of not less than the required percentage of all Bonds then Outstanding, by instruments filed with the Trustee, shall have consented to the supplement, amendment or modification, then the Trustee may execute such supplement, amendment or modification, and the consent of the Bondholders shall be conclusively presumed. The consent of the holder of any Bond shall be binding on any transferee and successor transferees of such

Bond. Any other notice required to be delivered to Bondholders pursuant to the Indenture shall be given, or caused to be given, by the Trustee by first class mail. (Section 11.6)

Required Approvals. Notwithstanding any other provisions of the Indenture which may state or imply to the contrary, no amendment, supplement, change or modification may be made to any Bond Document, Project Document or any other document executed and delivered in connection with the Bonds without the prior written consent of the Credit Provider. Anything in the Indenture to the contrary notwithstanding, a supplement or amendment or other document described under the Indenture which affects any rights or obligations of the Company shall not become effective unless and until the Company (if the Company is not then in default under any Bond Document or any Project Document and if no event shall have occurred which, with notice or the passage of time or both, would constitute such a default shall have occurred and be continuing) has consented in writing to the execution of such supplemental indenture, amendment or other document. The Trustee shall not be required to enter into any supplement or amendment or other document described under the Indenture which is, in the judgment of the Trustee, to the prejudice of the Bondholders or the Trustee. The Issuer shall not be required to enter into any supplement or amendment or other document described under the Indenture which affects the Reserved Rights or otherwise has a material or adverse effect on the Issuer. (Section 11.7)

Opinions of Counsel. Subject to the provisions of the Indenture relating to the appointment and duties of the Trustee, the Trustee may obtain, at the Company's reasonable expense, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that any supplement or amendment to the Indenture, the Agency Lease, the Regulatory Agreement or the Credit Facility at the time in effect is authorized and permitted by the Indenture and, if applicable, is not materially adverse to the interests of the Bondholders. No supplement or amendment with respect to the Indenture, the Agency Lease, the Regulatory Agreement or the Credit Facility at the time in effect shall be effective until the Issuer and the Trustee shall have received an Opinion of Bond Counsel to the effect that such supplement or amendment will not adversely affect the exclusion from gross income, for Federal income tax purposes, of the interest payable on the Bonds. Such Opinion of Bond Counsel shall be addressed to, or a reliance letter shall be delivered to, the Credit Provider. (Section 11.8)

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AGENCY LEASE AGREEMENT

The following summarizes certain provisions of the Agency Lease. Such summary is in all respects subject to and qualified in its entirety by reference to the document itself in its complete form, copies of which are available at the corporate trust office of the Trustee.

Conveyance of Leasehold Interest; Non-Merger; Beneficial Interest.

The Company has conveyed to the Issuer, pursuant to the Company Lease, a leasehold interest in the Project Facility, provided that subject to the provisions of the Company Lease, the Company shall have the exclusive possession of the Project Facility thereunder. The Company represents and warrants that such interest in the Project Facility is free and clear of all Liens except for Permitted Encumbrances. (Section 2.3)

Agreement to Issue Bonds; Application of Proceeds.

The Issuer agrees, subject to the terms and conditions of the Agency Lease, to issue and cause to be delivered to the Underwriter, the Bonds in the form attached to, and bearing interest and maturing as set forth in, the Indenture and assign all of its right, title and interest under the Agency Lease (other than Reserved Rights) to the Trustee and Credit Provider, as their interests may appear.

The Company, as agent for the Issuer, in compliance with Section 13 of the Lien Law to the extent to which that Section may be found to apply by its terms, covenants that it (i) will hold the right to receive the proceeds of the Bonds, as a trust fund to be applied first for the purpose of paying the "cost of improvement" (as said term is defined in Section 2(5) of the Lien Law), and (ii) will apply the same first to the payment of the "cost of improvement" before using any part of the total of the same for any other purpose. (Section 2.5)

Rights and Obligations of the Company Upon Prepayment of the Bond. In the event the Bonds shall have been paid in full prior to the termination date specified in the Agency Lease or provision for such payment shall have been made in accordance with the Indenture, all references in the Agency Lease to the Bonds, and the Bond Documents applicable thereto, shall be ineffective. If all fees, expenses, indemnifications and related amounts payable to the Issuer shall have been made and the Credit Provider has consented in writing to the termination of the Agency Lease, the Company may by written notice to the Issuer elect that the Agency Lease shall be terminated and of no further force and effect, except as may otherwise be specifically provided in the Agency Lease. In the event of any such termination, the Issuer, the Trustee or the Credit Provider, as the case may be, at the sole cost of the Company, shall execute or authorize and deliver to the Company for recording or filing, as appropriate, such instruments as shall be furnished by the Company and as shall be reasonably necessary to effect the termination or discharge of the financing statements, the Assignment and any other security interest in favor of such Person relating to the Project Facility or the Agency Lease. (Section 2.7)

General Obligation. The Company is unconditionally obligated, anything else to the contrary notwithstanding, to timely pay amounts sufficient to pay, when due, the principal of, premium, if any, and interest on, and the purchase price of, the Bonds. (Section 3.1)

Company's Obligations With Respect to Redemption.

Optional Prepayment and Redemption. In the event of an optional redemption of Bonds, the Company shall timely pay, or cause to be paid (with Available Moneys, except as otherwise permitted by the Indenture), (a) an amount equal to the unpaid principal balance of the Bonds, (b) interest payable on the Bonds to the Redemption Date, (c) the premium, if any, payable with respect to the Bonds, (d) any other amount that is part of the End Period Payment, (e) an amount sufficient to pay any fees, costs and expenses in connection with such redemption and (f) all other amounts payable under the Bond Documents and the Project Documents in connection with the redemption of the Bonds on the applicable Redemption Date.

Special Mandatory Redemption. In the event of a special mandatory redemption of Bonds:

(i) in whole or in part, as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Casualty Or Condemnation," the Company shall timely pay or cause to be paid (a) in the event of the involuntary destruction or loss of the Mortgaged Property in its entirety or nearly in its entirety as a result of casualty or condemnation, an amount sufficient to effect the redemption of the Bonds on the applicable Redemption Date or (b) in the event of an involuntary destruction or loss of the Mortgaged Property in part as a result of a casualty or condemnation, a principal amount equal to the insurance or condemnation proceeds received by the Company and applied, in accordance with the Project Documents, to redemption of Bonds on the applicable Redemption Date and, in the case of (a) or (b), (1) interest payable on the Bonds to be redeemed to the Redemption Date, (2) an amount sufficient to pay any fees, costs and expenses in connection with such redemption and (3) all other amounts payable under the Bond Documents and the Project Documents in connection with the corresponding redemption of the Bonds to be redeemed on the applicable Redemption Date;

(ii) in whole or in part as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Excess Net Bond Proceeds," the Company shall timely pay, or cause to be paid, in addition to the proceeds of the Bonds on deposit in the Revenue Fund to be applied to the redemption of Bonds, (1) interest payable on the Bonds to be redeemed to the Redemption Date, (2) an amount sufficient to pay any fees, costs and expenses in connection with such redemption and (3) all other amounts payable under the Bond Documents and the Project Documents in connection with the redemption of the Bonds on the applicable Redemption Date; and

(iii) in whole as described in "THE BONDS—Redemption—Failure of Conversion", or in part as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Certain Defaults," the Company shall timely pay, or cause to be paid (1) the principal amount of Bonds if the redemption is in whole relating to a failure of Conversion or certain defaults, or the principal amount of the Bonds to be redeemed at the written direction of, and in the amount specified by, the Credit Provider if the redemption is in part relating to certain defaults, (2) interest payable on the Bonds to be redeemed to the Redemption Date, (3) an amount sufficient to pay any fees, costs and expenses in connection with such redemption and (4) all other amounts payable under the Bond Documents and the Project Documents in connection with the redemption of the Bonds to be redeemed on the applicable Redemption Date.

Payment Procedures. All payments shall be made in accordance with the payment procedures set forth in the Agency Lease. (Section 3.2)

Pre-Conversion Equalization Payment and Special Mandatory Redemption. In the event of a Pre-Conversion Equalization Payment and a special mandatory redemption of Bonds in part, the Company shall

pay, or cause to be paid (a) an amount equal to the principal amount of the Bonds sufficient to reduce the outstanding principal amount of the Bonds to the Permanent Phase Amount (as determined in accordance with the Construction Phase Financing Agreement), (b) interest payable on the Bonds to be redeemed to the Redemption Date, (c) an amount sufficient to pay any fees, costs and expenses in connection with such redemption and (4) all other amounts payable under the Bond Documents and the Project Documents in connection with the redemption of the Bonds to be redeemed on the applicable Redemption Date. (Section 3.2)

Agreement to Issue Bonds; Application of Proceeds. The Issuer has authorized the issuance of the Bonds in the aggregate principal amount of \$16,400,000 and agrees to make Net Bond Proceeds available to payment of Costs of the Project. Upon the issuance and delivery of the Bonds, the Issuer will deliver the Net Bond Proceeds to the Trustee for deposit in the Funds and Accounts in accordance with the Indenture. Disbursements will be made from the Project Fund as provided in the Indenture. (Section 4.1)

Lease Payments.

Company's Obligation to Make Lease Payments; Fannie Mae's Credit Enhancement Obligations with Respect to Lease Payments. The Company shall make payments under the Agency Lease which shall, at all times and in all events, be sufficient to timely pay, when due, the principal of, premium, if any, and interest on, the Bonds, as the same may come due, whether at maturity, upon redemption or by acceleration or otherwise, plus all (a) Third Party Fees, and (b) Set Rate Interest. The Company's obligations set forth in the preceding sentence are absolute and unconditional, and are not diminished by any provision of any Bond Document or any Project Document which may state or imply to the contrary, or by the amount of Investment Income available to be applied to the payment of the foregoing obligations.

Lease Payments. The original principal balance of the Bonds to be serviced by the Lease Payments is \$16,400,000 (the "Principal Component"). The "Lease Payment Rate" is 5.45% per annum, which comprises the Pass-Through Rate plus Set Rate Interest. The "Pass-Through Rate" means the annual rate sufficient to pay when due the interest on the Bonds, the Trustee's Annual Fee and the Rebate Analyst's Annual Fee, and is equal to 5.25% per annum from the Closing Date to but not including the Conversion Date, and 4.55% per annum from and after the Conversion Date. "Set Rate Interest" means, from the Closing Date to but not including the Conversion Date, an amount equal to the Facility Fee payable to the Credit Provider, and from and after the Conversion Date, an amount equal to the Facility Fee plus the Servicing Fee; and is equal to 0.20% per annum from the Closing Date to but not including the Conversion Date, and 0.90% per annum from and after the Conversion Date. For purposes of determining Fannie Mae's obligations under the Credit Facility, the "Bond Payment Component" of the Lease Payment is (1) the monthly scheduled payment, if any, in respect of the Principal Component or that portion of the Principal Component payable as a result of any mandatory redemption or acceleration of the Bonds, and (2) interest on the unpaid principal balance of the Principal Component at the Pass-Through Rate.

On the first day of each month, commencing on April 1, 2004 and continuing to and including the Conversion Date, the Company shall make Lease Payments in the amount of \$87,618.23 each (except that the first such payment, due on April 1, 2004, shall be in the amount of \$50,376.58 and shall cover the period from the Closing Date to but not including April 1, 2004). Commencing on the first day of the month following the Conversion Date, and continuing on the first day of each month thereafter to and including November 1, 2013, the Company shall make level monthly Lease Payments in the amount of \$103,528.68 each; and commencing on December 1, 2013 and continuing on the first day of each month thereafter to and including the first to occur of the 30th anniversary of the Conversion Date, or October 1, 2036 (the "Final Lease Payment Date"), the Company shall make level monthly Lease Payments in the amount of \$81,310.45 each. Notwithstanding the foregoing, Lease Payments sufficient to pay the premium, if any, and any principal amount or interest due on the Bonds as a result of redemption, acceleration or otherwise shall be payable at

the times and as provided in the Agency Lease, including without limitation, Articles III and XIII hereof. In addition, the Lease Payments are subject to adjustment relating to certain prepayments under the Agency Lease as described below under "Prepayments" based upon a Cash Flow Projection and Verification Report satisfying the requirements of the Indenture.

Funding. Upon issuance and delivery of the Issuer shall cause (a) the Net Bond Proceeds to be delivered to the Trustee for deposit into the Funds and Accounts in accordance with Section 4.2 of the Indenture and (b) the accrued interest on the Bonds, if any, to be delivered to the Trustee for deposit into the General Account.

Timing; Disbursements. Disbursements shall be made from the Project Fund and the Costs of Issuance Fund as provided in the Indenture. (Section 4.2)

Payment of Third Party Fees and Other Fees and Expenses. In addition to all fees, costs, expenses and other amounts required to be paid by the Company under the Agency Lease and the Reimbursement Agreement, the Company shall pay, without duplication, the following fees and expenses:

(i) fees included in the Lease Payment Rate:

(A) the Trustee's Annual Fee and Rebate Analyst's Annual Fee; and

(B) fees that comprise Set Rate Interest;

(ii) the Third Party Fees not included in the Lease Payment Rate and other fees and expenses shall constitute additional rent ("Additional Rent") and consist of:

(A) the fees (other than the Servicing Fee included in Set Rate Interest) and expenses due to the Loan Servicer in connection with the Agency Lease and the Mortgaged Property;

(B) to the extent not previously paid by the Company, the fees and expenses required to be paid by the Loan Servicer to the Credit Provider, such fees and expenses to be paid at the times and in the manner required by the Credit Provider, provided that the imposition of such obligation on the Company shall not diminish the Loan Servicer's obligation to pay such fees to the Credit Provider;

(C) all amounts required to pay to or on behalf of the Issuer (a) the fees of the Issuer, (b) the Bond Issuance Charge, and (c) all expenses of the Issuer incurred at any time in connection with the Project, the financing of the Mortgaged Property or the Bonds, including, but not limited to, reasonable counsel fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of the Bond Documents, the Project Documents or any other documents relating to the Project, the Mortgaged Property or the Bonds or in connection with questions or other matters arising under such documents or in connection with any federal or state tax audit; all payments for fees and expenses shall be made by the Company to the Issuer or to any payee designated by the Issuer not later than thirty (30) days after receipt of invoices rendered to the Company by the Issuer;

(D) the Trustee's acceptance fee, if any, which shall be paid to the Trustee on the Closing Date, and all amounts required from time to time to (a) pay the fees of the Trustee for its duties and services as Trustee in connection with the Bonds, and (b) reimburse

the Trustee for all advances, out-of-pocket expenses, fees, costs and other charges, including reasonable counsel fees and expenses, and taxes (excluding income, value added and single business taxes), reasonably and necessarily incurred by the Trustee in performing its duties as Trustee under the Indenture, the Agency Lease, the Disclosure Agreement, the Credit Facility and the Regulatory Agreement and (c) pay and reimburse the Trustee for any fees and expenses incurred in connection with any default under the Indenture, the Agency Lease or under the Regulatory Agreement; all payments for fees and expenses shall be made by the Company to the Trustee not later than thirty (30) days after receipt of invoices rendered to the Company by the Trustee;

(E) all amounts required to pay the fees and expenses of the Rebate Analyst as required by the Agency Lease, (exclusive of that portion of the Rebate Analyst's Annual Fee included in the Lease Payment Rate); all payments for fees and expenses other than the portion of the Rebate Analyst's Annual Fee included in the Lease Payment Rate shall be made by the Company not later than thirty (30) days after receipt of invoices rendered to the Company by the Rebate Analyst;

(F) all Costs of Issuance;

(G) all costs of registering, printing, reprinting, preparing and delivering any replacement bonds required under the Indenture and in connection with the registration, printing, reprinting or transfer of Bonds;

(H) all fees and expenses of the Credit Provider, the Loan Servicer, their respective counsel, title insurance, survey, recording and other costs related to underwriting, closing and disbursing the Bond proceeds and of assigning the Agency Lease to the Trustee and the Credit Provider, as their interests may appear; and

(I) all fees of the Rating Agency.

The Company further agrees to timely honor any demand by the Trustee pursuant to the Indenture for payment on account of any insufficiency in the Fees Account. The Company acknowledges that all fees, costs, expenses and other amounts described under this heading, including any fees, costs and expenses involved in any reoffering of the Bonds, are obligations solely of the Company and (a) as to fees described in clauses (i) and (ii) under this heading, must be paid by the Company in all events, including the insufficiency of the amounts included in the Lease Payment Rate to pay such fees, and (b) as to fees described in clause (ii) under this heading, must be paid by the Company separate and apart from Lease Payments, will constitute Additional Rent and will not be included in the Lease Payment Rate. The Company further acknowledges and agrees that (a) all fees, costs and expenses involved in any adjustment of the interest rate on the Bonds and, therefore, of the Pass Through Rate and (b) all fees, costs and expenses involved in any tender, purchase or reoffering of Bonds are obligations solely of the Company and must be paid by the Company separate and apart from payments due under the Lease Payments and will not be provided for in any of the Project Documents or reflected in the Lease Payment Rate. None of the Issuer, the Trustee, the Credit Provider or the Loan Servicer shall have (a) any liability, responsibility or accountability for the payment, remittance or handling of any such fees, costs or expenses or (b) any obligation to pay any such fees, costs or expenses. The payment of items of Additional Rent identified in clause (ii) under this heading and of amounts due relating to (1) certain fees, costs, expenses and other amounts in connection with a prepayment and redemption and (2) indemnification, shall not be secured by the Security Instrument or constitute a lien on the Mortgaged Property in any manner (unless the Loan Servicer or the Credit Provider shall, in its sole discretion, advance such fees and expenses), shall be unsecured obligations of the Company and shall be subordinate to the Company's obligations under the Project Documents. (Section 4.3)

Notice of Payments; Application of Payments.

(a) With each payment of Lease Payment or Additional Rent under the Agency Lease, the Company shall specify in detail, as applicable, the amount of such payment constituting (a) the Bond Payment Component including (i) interest at the Pass-Through Rate, (ii) Set Rate Interest, including interest allocable to the Facility Fee and to the Servicing Fee, (iii) amount of principal amortization of the Principal Component, and (iv) amount of premium, if any, (b) interest at the Default Rate, if applicable, (c) late charges, if applicable, (d) a deposit for escrows for taxes, insurance, the Replacement Reserve, and if applicable, other impositions and reserves, (e) a payment pursuant to any Collateral Agreement and (f) any other amounts included in such payment (with a description of the nature and purpose of such amounts) including without limitations all fees and expenses described above under "Payment of Third Party Fees and Other Fees and Expenses" that are not included in the Lease Payment Rate.

(b) If at any time the Trustee or the Loan Servicer receives, from the Company or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, the Credit Provider, as holder of the Mortgage Rights, may direct the application of that payment to amounts then due and payable in any manner and in any order determined by the Credit Provider in its discretion. The Company agrees that neither the acceptance of a payment from the Company in an amount that is less than all amounts then due and payable nor the application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction. (Section 4.4)

Immediately Available Funds; Place of Payment. All Lease Payments shall be timely paid by the Company, when due, in immediately available funds and shall be paid, to and including the Conversion Date, to the Trustee, and, following the Conversion Date, to the Loan Servicer (or other entity then servicing the Mortgaged Property and the Agency Lease for the Credit Provider). The Trustee shall remit to the Credit Provider the Set Rate Interest component of Lease Payments received by the Trustee prior to and on the Conversion Date. Thereafter, Lease Payments received by the Loan Servicer are to be remitted (net of Set Rate Interest) to the Trustee and any payments of Additional Rent received by the Loan Servicer shall be paid to the Trustee for payment to the appropriate Person, unless paid by the Loan Servicer to the Credit Provider or other Person entitled thereto. The Company agrees to hold the Issuer, the Trustee, the Loan Servicer and the Credit Provider harmless from any liability on account of any failure of the Company to make such payments. (Section 4.5)

Certain Notices From Trustee. The Trustee shall, in accordance with the terms and conditions of the Credit Facility, timely give all notices required by the Credit Facility, including, without limitation, a notice to the Credit Provider, with copies to the Issuer and the Loan Servicer of the Trustee's failure to receive any Required Lease Payment (as defined in the Credit Facility) when due, which notice shall be given by the Trustee, not later than 4:00 p.m. Eastern Time on the Business Day next succeeding any day on which the Required Lease Payment was due. (Section 4.6)

Modification of Project Documents; Consent at Direction of the Credit Provider. Neither the Issuer nor the Trustee shall:

(i) consent or enter into, without the prior written consent of the Credit Provider, or fail to consent or enter into, at the written direction of the Credit Provider, any amendments or modifications to, or adjustments or revisions of, the terms and conditions of any Project Document, provided that the Issuer may without the prior written consent of the Credit Provider enter into any amendment, modification, adjustment or revision of the Agency Lease relating to the Reserved Rights, and provided further that the Issuer shall not be obligated to consent to any such amendment,

modification, adjustment or revision of the Reserved Rights or which otherwise has a material adverse effect on the Issuer;

(ii) take, without the prior written consent of the Credit Provider, or fail to take at the written direction of the Credit Provider, any action in the event of a default or otherwise under any Project Document, including, without limitation, any action which would cause there to be insufficient money available for the scheduled Lease Payments; or

(iii) enter into any contracts or agreements or perform any acts which amend or affect any Project Document. (Section 4.7)

Prepayments. The Principal Component may not be prepaid except as described under this heading.

No prepayments, in whole or in part, are permitted prior to November 1, 2021, except (a) involuntary prepayments, (b) prepayments from (1) insurance proceeds or (2) the proceeds of any condemnation award, in either case, in connection with a special mandatory redemption of the Bonds, in whole or in part, as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Casualty Or Condemnation," or (3) excess Net Bond Proceeds, in whole or in part, as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Excess Net Bond Proceeds," or (c) other prepayments expressly permitted or required by the Agency Lease.

Voluntary Prepayments. On or after November 1, 2021, the Company may, at the option of the Company, voluntarily prepay the Principal Component, in whole, or in part (except for a Pre-Conversion Equalization Payment) (it being understood and agreed that the right to optionally prepay the Principal Component other than with Available Moneys shall be subject to, and evidenced by, the prior written consent of the Credit Provider provided to the Trustee and the Loan Servicer), provided that, as a prerequisite to the right to make any such voluntary prepayment, the Company shall give written notice of such voluntary prepayment to the Loan Servicer, the Credit Provider and the Trustee not less than sixty (60) days prior to the date of such prepayment, and provided, further, that, as a condition to acceptance of the prepayment, the Loan Servicer and the Credit Provider shall have been provided with an Available Moneys Certificate. Any prepayment shall be made on the last Business Day of a month.

Partial Prepayment. The Company shall have no right to make a partial prepayment of the Principal Component of the Lease Payments (a) except from insurance proceeds or the proceeds of a condemnation award in connection with a special mandatory redemption of the Bonds as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Casualty Or Condemnation," or from excess Net Bond Proceeds, in whole or in part, as described under the heading "THE BONDS—Redemption—Special Mandatory Redemption—Excess Net Bond Proceeds," (b) unless the Loan Servicer or the Credit Provider (as holder of the Mortgage Rights) shall require a partial prepayment of this outstanding Principal Component after a default under the Agency Lease, the Security Agreement, the Guaranty Agreement or any of the other Project Documents, whether through the application of funds held by the Loan Servicer pursuant to any Project Document against the indebtedness secured by the Security Instrument or otherwise, or (c) unless the Loan Servicer or the Credit Provider shall for any other reason accept or direct a partial prepayment by the Company of the Principal Component.

Any permitted or required partial prepayment of the outstanding Principal Component shall (a) be made on the first day of the month preceding the Redemption Date established under the Indenture or Maturity Date set forth in the Bonds, (b) be applied against the outstanding Principal Component under the Agency Lease and (c) not extend or postpone the due date of any monthly Lease Payments due following the prepayment. Provided that the Trustee and the Credit Provider shall have received the Cash Flow Projection and Verification Report required by the Indenture, the amount of each of such subsequent monthly

installments shall be decreased to the extent necessary to amortize the then remaining Principal Component at the Lease Payment Rate then in effect under the Agency Lease in level monthly payments of principal and interest (computed at the Lease Payment Rate then in effect, on the outstanding Principal Component) over a period equal to 360 months minus the number of months which have elapsed since, and including the month of, the Amortization Commencement Date, commencing with the Amortization Commencement Date, provided, however, that all indebtedness evidenced by the Agency Lease and the Bonds shall, if not sooner paid, be due and payable on the Final Lease Payment Date. The Company shall, at the direction of the Loan Servicer or the Credit Provider, execute a separate agreement to reflect and implement the reamortization of the outstanding unpaid Principal Component in level monthly installments of principal and interest (computed at the Lease Payment Rate then in effect, on the outstanding Principal Component) over the remaining term to maturity of the Bonds.

Prepayment At Direction of Credit Provider. Notwithstanding any other provision of the Agency Lease to the contrary, the Agency Lease and the Principal Component (a) are, at the option and written direction of the Credit Provider (as holder of the Mortgage Rights), subject to involuntary prepayment by the Company, at any time, upon acceleration of Lease Payments under the Agency Lease or acceleration of the Bonds, in whole or in part, in amounts sufficient, and in time, to pay, when due, the redemption price of Bonds to be redeemed or paid upon any special mandatory redemption of Bonds pursuant to the Indenture.

Notice of Voluntary Prepayment. The requirement that the Company give written notice of a voluntary prepayment to the Loan Servicer, the Trustee and the Credit Provider not less than sixty (60) days prior to the date of the voluntary prepayment shall not apply to (a) any prepayment to be made from (1) insurance proceeds or (2) the proceeds of a condemnation award, (b) any partial prepayment permitted or required by the Agency Lease, provided that the Company shall give written notice of any such prepayments at the earliest practicable time.

Each written notice of prepayment given pursuant to the Agency Lease shall state the date on which the prepayment will be made, the amount of Principal Component to be prepaid, the reason for the prepayment and the nature of all amounts required to be paid by the Company in connection with the prepayment, as described in the immediately succeeding paragraph.

Company's Payment Obligations. If the Company makes a prepayment for any reason, including, without limitation, an optional prepayment, as permitted by the terms of the Agency Lease, and an involuntary prepayment, the Company shall pay, in addition to paying the Principal Component to be prepaid, as an additional obligation under the Agency Lease, the following:

- (i) all accrued and unpaid interest due on the Agency Lease through the date of prepayment or, if the prepayment is in whole, all accrued and unpaid interest due on the Agency Lease to the first day of the month following the date of prepayment;
- (ii) all other amounts due and payable under the Project Documents as of the date of prepayment including, but not limited to, all amounts which the Loan Servicer or the Credit Provider has advised the Company are due and payable at the time of such prepayment;
- (iii) any Termination Fee due under the Reimbursement Agreement;
- (iv) all other amounts due and payable upon such prepayment under the Bond Documents including premium, if any, payable to the Bondholders of the Bonds to be redeemed and interest to accrue on the principal amount of the Bonds to be redeemed to the date of redemption; and

(v) an amount sufficient to pay all fees, costs and expenses of the Issuer, the Trustee or any other Person in connection with such prepayment and redemption and, in the case of redemption in whole, to pay all other amounts payable under the Agency Lease and the Indenture. (Section 4.8)

Payments under the IRP Agreement. All payments received under the IRP Agreement shall be credited to amounts due as Lease Payments. Each month the Trustee, on behalf of the Issuer, shall execute and submit to HUD, on or before the 20th day of the month, a completed Mortgagee's Certification and Application for Interest Reduction Payments, Form HUD-3111, in substantially the form attached to the Agency Lease (the "IRP Requisition"), directing that the payment under the IRP Agreement for the immediately succeeding month be paid directly to the Trustee. In the event any information set forth in the IRP Requisition with respect to the Project changes, the Company shall immediately notify the Trustee of such change and shall provide to the Trustee a modified Form HUD-3111 reflecting such change. The Trustee may rely conclusively on the information set forth in the IRP Requisition, and shall be indemnified by the Company with respect thereto pursuant to the Agency Lease. The Trustee shall deposit and apply such payments in the Revenue Fund and shall notify the Company and the Loan Servicer, in writing, no later than the 5th day of each month, if payment has not been received in accordance with the schedule attached to the IRP Agreement. The Company acknowledges its continuing obligation to make Lease Payments regardless whether payments under the IRP Agreement are received by the Trustee and notwithstanding any failure of the Trustee to make timely submission of the form HUD 3-1111 in accordance with the requirements described in this paragraph. (Section 4.10)

Obligations of the Company Unconditional. The obligation of the Company to make Lease Payments and payments of Additional Rent and any other amounts payable under the Agency Lease, to pay in all events amounts sufficient to timely pay, when due, the principal of, premium, if any, and interest on, the Bonds, to make all payments required by the Agency Lease, including the payment of rebate amounts, to provide indemnification, to pay and perform all of its obligations under the Project Documents and to make any and all other payments required by the Bond Documents and the Project Documents, shall be absolute and unconditional and shall not be subject to diminution by set off, recoupment, counterclaim, abatement or otherwise. Until the Bonds have been fully paid or provision has been made for payment of the Bonds in accordance with the Indenture or until such later time as is required by the terms of the Agency Lease or any other Project Document, the Company (a) shall continue to make Lease Payments, (b) shall perform and observe all of its other obligations contained in the Company Documents and (c) shall not terminate the Agency Lease for any cause, including, without limiting the generality of the foregoing, any defect in title to the Mortgaged Property, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of the Mortgaged Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, or any failure of the Issuer to perform or observe any of its obligations arising out of or connected with the Agency Lease. It is the intent and expectation of the Company that the Company's payments under the Agency Lease will be sufficient for the payment in full of the Bonds, including (a) the principal and interest, including principal due upon any redemption of Bonds, when due, and (b) any premium required to be paid in connection with any redemption of Bonds, and for the payment of the Third Party Fees and the other amounts due as described above under clause (ii) of "Payment of Third Party Fees and Other Fees and Expenses". In the event of a deficiency in the funds available under the terms of the Indenture for payment of the principal of, premium, if any, or interest on the Bonds, Third Party Fees or other amounts due as described above under clause (ii) of "Payment of Third Party Fees and Other Fees and Expenses" when due, regardless of the reason for the deficiency, including any deficiency resulting from any shortfall in payments made or to be made by the Company under any other Project Documents or any shortfall in Investment Income from that included in any Cash Flow Projection, whether occasioned by a default under any Permitted Investment or a change in Investment Agreements or otherwise, the Company will, upon notice of the deficiency from the Trustee and demand for payment, including any demand by the Trustee pursuant to the Indenture for payment of any insufficiency in the Fees Account, immediately pay the amount of the

deficiency to the Loan Servicer for remittance to the Trustee, provided that if the Credit Provider shall have advanced funds under the Credit Facility for any of such purposes, the Company agrees to immediately pay the amounts owed the Credit Provider in reimbursement of the funds provided by the Credit Provider as provided in the Reimbursement Agreement. No advance made by the Credit Provider under the Credit Facility with respect to the payment of the Bond Payment Component shall relieve the Company of any of its obligations under the Bond Documents, the Project Documents or any other document contemplated by the Agency Lease or by such other documents. (Section 5.1)

Company's Obligations Secured by Mortgaged Property. The Issuer and the Company acknowledge that the Mortgaged Property will be encumbered by the Agency Lease to the extent described in this paragraph and by the other Project Documents including the Guaranty Agreement and by the obligation of the Company to pay all amounts due and owing under the Agency Lease (other than items of Additional Rent described above in clause (ii) under "Payment of Third Party Fees and Other Fees and Expenses" and other amounts due relating to (1) certain fees, costs, expenses and other amounts, and (2) indemnification). The Company's obligations with respect to items of Additional Rent described above in clause (ii) under "Payment of Third Party Fees and Other Fees and Expenses", with respect to other amounts due relating to (1) certain fees, costs, expenses and other amounts, and (2) indemnification or under the Regulatory Agreement (if any) for the payment of money including, without limitation, obligations with respect to Reserved Rights, claims for damages occasioned by the breach or alleged breach by the Company of its obligations under the Reserved Rights, or the Regulatory Agreement and claims for indemnification, are not secured by, and do not in any manner constitute a lien on, the Mortgaged Property. (Section 5.2)

Nonrecourse Liability. Except as otherwise described in this paragraph, the personal liability of the Company or General Partner to pay any amounts due and owing under the Agency Lease including without limitation the Principal Component, Lease Payments or Additional Rent under the Agency Lease and any other agreement evidencing Company's obligation under the Agency Lease and the Security Instrument shall be limited to (a) the Mortgaged Property, (b) the personal property described in or pledged under any Project Document and (c) the Rents and Profits to the extent the Rents and Profits are necessary first, to pay the Operating Expenses due and payable as of the time of receipt of such Rents and Profits, and then, to pay the Principal Component and Lease Payments due and payable under the Agency Lease and any other sums due and payable under the Security Instrument or any other Project Document (including but not limited to deposits or reserves due and payable under any Project Document), except to the extent that the Company did not have the legal right, because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums. Except as otherwise described in this paragraph, (a) neither Issuer, with respect to its Reserved Rights only, nor Credit Provider (as holder of the Mortgage Rights), shall seek any judgment for a deficiency against the Company or the General Partner or their heirs, legal representatives, successors or assigns, in any action to enforce any judgment under the Agency Lease, and (b) Credit Provider (as holder of the Mortgage Rights) shall not seek any action to enforce any right or remedy under the Security Instrument, except as may be necessary in any action brought under the Security Instrument to enforce the lien against the Mortgaged Property or to exercise any remedies under the Agency Lease assigned to it pursuant to the Assignment or any remedies arising under any other Project Document. If, without obtaining the prior written consent of the Credit Provider (as holder of the Mortgage Rights) (A) a Transfer (as defined in the Security Instrument) shall occur which gives Credit Provider the right, at its option, to declare all sums secured by the Security Instrument immediately due and payable or (B) the Company shall violate the single asset covenant contained in Section 33 of the Security Instrument, then, if any such event shall continue for thirty (30) days, the Company and General Partner shall be personally liable for full recourse liability under the Agency Lease and the other Project Documents. Notwithstanding anything described in this paragraph to the contrary, the Company and the General Partner shall be personally liable on a joint and several basis, in the amount of any loss, damage or cost (including but not limited to attorneys' fees) resulting from: (a) fraud or material misrepresentation in writing by the Company or the Company's agents or employees or any general partner of the Company in connection with (1) obtaining the Credit Facility, (2) executing the Agency

Lease, or (3) complying with any of the Company's obligations under the Project Documents; (b) insurance proceeds, condemnation awards, security deposits from tenants or other sums or payments received by or on behalf of the Company in its capacity as sublessee or fee owner of the Project Facility not being applied in accordance with the provisions of the Agency Lease or the Security Instrument (except to the extent that the Company did not have the legal right because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums or payments), (c) all revenues received by the Company (except to the extent that the Company did not have the legal right because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums) in respect of a failure to apply the revenues received by or on behalf of the Project Facility in the manner and for the purposes provided in the Project Documents and the Agency Lease (including but not limited to deposits or reserves payable under any Project Documents or Collateral Agreement), (d) the Company's failure to pay to the Loan Servicer or to the Credit Provider (as assignee of the Mortgage Rights) transfer fees and charges due and payable under Section 21(c) of the Security Instrument, (e) a Bankruptcy Event (as defined in the Key Principal Guaranty), (f) action by the Company challenging the validity of or obligations of the Company under the Guaranty Agreement or any Company Document, (g) the Company's failure following a default under any Project Documents to deliver to the Loan Servicer or Fannie Mae (as assignee of the Mortgage Rights) on demand, all revenues from the Project Facility (except (1) to the extent that the Company did not have the legal right because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums and (2) with respect to revenues from the Project Facility distributed in any calendar year if the Company has paid and applied all amounts in accordance with the Project Documents and the Agency Lease) books and records relating to the Project Facility, (h) the Company's failure to pay to the Loan Servicer or the Credit Provider any payments made to the Company under the Housing Assistance Payments Contract (the "HAP Contract") to the extent such payments are not made to the Loan Servicer as provided for under that certain Assignment of Housing Assistance Payments Contract pertaining to the HAP Contract of even date herewith by and among the Company, the Loan Servicer and Fannie Mae, or (i) the Company's failure to observe or perform the Reserved Rights after notice and opportunity to cure, provided that commencement of any action by Issuer for monetary damages in connection with a default in its Reserved Rights shall be subject to certain limitations as described below under "Limitations on Actions". Nothing in the Agency Lease shall be deemed to prohibit the naming of the Company or General Partner in an action to realize upon the remedies provided in the Agency Lease either at law or in equity, subject to the foregoing limitation against a personal money judgment or deficiency decree against the Company, the members of the Company, the General Partner or their heirs, personal representatives, successors and assigns, or to prohibit the naming of any person in any action to realize upon the remedies provided in any guaranty given in favor of or assigned to the Issuer, the Trustee or the Credit Provider. (Section 5.3)

Subordination. The obligations of the Company to pay all amounts due and owing under the Agency Lease (other than items of Additional Rent described above in clause (ii) under "Payment of Third Party Fees and Other Fees and Expenses" and other amounts due relating to (1) certain fees, costs, expenses and other amounts, and (2) indemnification in connection a prepayment of the Principal Component) are secured by the Security Instrument. The obligations of the Company to pay items of Additional Rent described above in clause (ii) under "Payment of Third Party Fees and Other Fees and Expenses" and other amounts due relating to (1) certain fees, costs, expenses and other amounts, and (2) indemnification are subordinate in all respects to the Project Documents, provided that notwithstanding such subordination, as a consequence of a default with respect to the Reserved Rights, the Issuer shall be entitled to exercise one or more of the remedies described below under "Enforcement of Reserved Rights". (Section 5.4)

Regulatory Agreement. The covenants of the Company in the Regulatory Agreement shall be deemed to constitute covenants of the Company running with the land and an equitable servitude for the benefit of the owners of the Bonds and shall be binding upon any owner of the Mortgaged Property until (a) such time as such restrictions expire under their own terms, or (b) the Issuer (in its sole and absolute discretion) and the Trustee consent to the release of such restrictions, or (c) the Regulatory Agreement is otherwise terminated

by its terms. The Company covenants to file of record the Regulatory Agreement and such other documents and take such other steps as are necessary in order to assure that the restrictions contained in the Regulatory Agreement will, subject to the terms of the Regulatory Agreement, be binding upon all owners of the Mortgaged Property. The Company covenants to include such restrictions or a reference to such restrictions in any documents transferring any interest in the Mortgaged Property to another to the end that such transferee has notice of, and is bound by, such restrictions. Subject to the provisions of the Agency Lease, the Issuer and the Trustee shall have the right to seek specific performance of or injunctive relief to enforce the requirements of any covenants of the Company contained in the Regulatory Agreement or the Agency Lease. (Section 10.1)

Right To Enforce Compliance. The Issuer with respect to the Reserved Rights and the Trustee, the Loan Servicer and the Credit Provider subject to and in accordance with the Assignment and the provisions described below under "Limitation on Actions" shall each have the right, but not the obligation, to enforce compliance by the Company and its successors as subsequent owners of the Mortgaged Property with the requirements of the Agency Lease and the Regulatory Agreement. Notwithstanding the foregoing, the Trustee agrees that it will, subject to the provisions of the Indenture and the Agency Lease, at the direction of the Issuer, take such action as may be required to achieve compliance by the Company with the terms and provisions of the Agency Lease and the Regulatory Agreement. (Section 10.2)

Damage, Destruction and Condemnation. If prior to full payment of the Bonds (or provision for payment of the Bonds in accordance with the provisions of the Indenture) the Mortgaged Property or any portion of it is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, the Mortgaged Property or any portion of it shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, or shall be transferred pursuant to an agreement or settlement in lieu of eminent domain proceedings, the Company shall nevertheless be obligated to continue to pay the amounts specified in the Agency Lease. (Section 10.3)

Obligation of the Company To Acquire and Reconstruct the Mortgaged Property. The Company shall proceed with reasonable dispatch to complete the acquisition, renovation, reconstruction and equipping of the Project Facility. If amounts on deposit under the Project Fund and available to be disbursed to the Company are not sufficient to pay the costs of such acquisition, renovation, reconstruction and equipping, the Company shall pay such costs from its own funds. The Company shall not be entitled to any reimbursement from the Issuer, the Trustee, the Loan Servicer, the Credit Provider or the Bondholders in respect of any such costs or to any diminution or abatement in the repayment of the Bonds or Lease Payments. Neither the Issuer nor the Credit Provider shall be liable to the Company, the Bondholders or any other person if for any reason the Project Facility is not completed or if the proceeds of the Bonds are insufficient to pay all Costs of the Project Facility. The Issuer does not make any representation or warranty, either express or implied, that moneys, if any, which will be paid into the Project Fund and transferred to the Loan Servicer to be held pursuant to the Construction Phase Financing Agreement or otherwise made available to the Company will be sufficient to complete the Project, and the Issuer shall not be liable to the Company, the Bondholders or any other person if for any reason the Project is not completed. (Section 10.4)

Repair and Restoration Following Damage, Destruction or Condemnation.

(a) If the Project Facility shall be damaged or destroyed (in whole or in part) or title to all or substantially all of the Project Facility shall be taken at any time while the Agency Lease is in effect:

(i) the Issuer shall have no obligation to replace, repair, rebuild, restore or relocate the Project Facility;

(ii) there shall be no abatement or reduction in the amounts payable by the Company under the Agency Lease (whether or not the Project Facility is replaced, repaired, rebuilt, restored or relocated); and

(iii) upon the occurrence of such damage or destruction, the amounts derived from the insurance covering the Project Facility or condemnation proceeds shall be applied in accordance with the Security Instrument (or if no Bonds shall be Outstanding and the Security Instrument no longer in effect, such proceeds shall be applied as described in clause (c) below).

(b) Any such replacements, repairs, rebuilding, restorations or relocations shall be subject to the following conditions:

(i) the restored Project Facility shall continue to constitute a "project" as such term is defined in the Act, and the tax exempt status of the interest on the Bonds shall not, in the opinion of Bond Counsel, be adversely affected;

(ii) the Project Facility will be subject to no Liens, other than Permitted Encumbrances; and

(iii) any other conditions the Credit Provider and the Loan Servicer shall reasonably impose.

(c) If (i) the entire amount of the Bonds and interest thereon has been fully paid, or provision therefor has been made in accordance with the Indenture, (ii) if all amounts due to the Trustee, the Issuer, the Credit Provider and the Loan Servicer have been fully paid and (iii) the Company elects not to restore or repair the Project Facility, then all such remaining net proceeds of any insurance or condemnation shall be paid to the Company and the Agency Lease and the leasehold interest of the Issuer in the Project Facility shall terminate.

(d) In the event the Project Facility shall not be restored, repaired and reopened for operation within 180 days following damage, destruction or condemnation, the Issuer may by written notice terminate its leasehold interest in the Project Facility and reconvey the Project Facility to the Company pursuant to the Company Lease with the effect and as provided in the Agency Lease. (Section 10.5)

Maintenance of Project Facility.

The Company shall:

(1) keep the Project Facility in good condition and repair and preserve the same against waste, loss, damage, and depreciation, ordinary wear and tear excepted;

(2) make all necessary repairs and replacements to the Project Facility or any part thereof (whether ordinary or extraordinary, structural, or non structural, foreseen or unforeseen) which is damaged, destroyed, or condemned; and

(3) operate the Project Facility in a sound and economic manner. (Section 10.6)

Assignment or Sublet. The Company shall not assign the Agency Lease (by operation of law or otherwise) or sublet all or any portion of the Project Facility without the prior written consent of the Credit Provider and, if the Company fails to timely pay each Total PILOT Payment in accordance with the PILOT Agreement (including any applicable cure period), the Issuer. Any permitted assignment or sublease shall be subject and

subordinate to the Agency Lease. Any lease or sublease of residential rental units comprising the Project Facility in the ordinary course of the Company's business shall not require the prior written consent of the Credit Provider or the Issuer, provided that each such lease, sublease or rental agreement shall be subject to the Agency Lease, shall comply with the Regulatory Agreement and the applicable provisions of the other Bond Documents, and shall not cause the Project Facility to fail to constitute a qualified "project" in accordance with the Act. (Section 10.7)

Issuer Assignment of the Agency Lease. Pursuant to the Indenture, the Issuer shall pledge, assign and transfer all of its right, title and interest in and to the Agency Lease (other than the Reserved Rights of the Issuer), and the revenues, receipts and collections under the Agency Lease, to the Trustee, for the benefit of the Bondholders and the Credit Provider, as security for the payment of the principal of, premium, if any, and interest on the Bonds, as security for the reimbursement of amounts owing by the Company to the Credit Provider under the Agency Lease and the Reimbursement Agreement, and as security for the payment of amounts due from the Company under the Project Documents. The parties to the Agency Lease acknowledge that the covenants and agreements contained in the Agency Lease and in the Indenture are for the benefit of the Bondholders from time to time and the Credit Provider and may be enforced on their behalf by the Trustee. The Issuer shall, at the expense of the Company, execute and deliver from time to time, in addition to the instruments of assignment specifically provided for in the Agency Lease, such other and further instruments and documents as may be reasonably requested by the Trustee or the Credit Provider from time to time to further evidence, effect or perfect such pledge and assignment for the purposes stated in the Indenture. The Company acknowledges and consents to the assignment and pledge of the Trust Estate (subject to the reservation by the Issuer of its Reserved Rights) by the Issuer to the Trustee, for the benefit of the Bondholders and the Credit Provider, as security for the payment of the Bonds and as security for the payment of amounts owing by the Company under the Agency Lease and the Project Documents, including as part of the Trust Estate (a) the moneys deposited to the various Funds and Accounts under the Indenture (excluding the Rebate Fund, the Costs of Issuance Fund and the Fees Account), including Investment Income (other than Investment Income with respect to the Rebate Fund and certain Investment Income with respect to the Costs of Issuance Fund), and (b) all of the Issuer's rights and interests under the Agency Lease (but excluding the Issuer's Reserved Rights) and the reserves, receipts and collections under the Agency Lease and the right and interest to enforce, either jointly or separately, the performance of the obligations of the Company under the Agency Lease. The Company further acknowledges and consents to the right of the Trustee to enforce all rights of the Issuer and the Bondholders assigned under the Indenture. (Section 11.1)

Third Party Beneficiaries. The Trustee for the benefit of the Bondholders, the Loan Servicer and the Credit Provider are intended to be, and shall be, third party beneficiaries of the Agency Lease, and subject to the provisions of the Assignment and the provisions described below under "Limitation on Actions", each shall have the right (but not the obligation) to enforce the terms of the Agency Lease insofar as the Agency Lease sets forth obligations of the Company under the Agency Lease. (Section 11.2)

Right To Perform Company's Obligations. In the event the Company fails to perform any of its obligations under the Agency Lease, the Issuer, the Trustee, the Credit Provider and/or the Loan Servicer, may, but shall not be obligated to, perform such obligation and pay all costs related to such performance; all such costs so advanced by the Issuer, the Trustee, the Credit Provider or the Loan Servicer shall become an additional obligation of the Company under the Agency Lease, payable on demand, with interest on such obligation at the maximum rate permitted by law. Advances by the Loan Servicer or the Credit Provider shall constitute Additional Rent under the Agency Lease, shall be secured by the Security Interest and shall not be subordinate to the Project Documents. In the event of an advance made by the Issuer due to the Company's default, the interest on the advance shall be at the Default Rate. (Section 12.1)

Events of Default.

Events of Default. Each of the following shall constitute an Event of Default under the Agency Lease:

- (i) the failure by the Company to pay any amounts due under the Agency Lease at the times and in the amounts required by the Agency Lease; or
- (ii) the failure by the Company to observe or perform any covenants, agreements or obligations in the Agency Lease on its part to be observed or performed (other than as provided in clause (i) above) for a period of thirty (30) days after receipt of written notice from the Trustee or with respect to any covenant, agreement or obligation constituting a Reserved Right, from the Issuer specifying such failure and requesting that it be remedied, provided, however, that if the failure is such that it cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds, and if corrective action is instituted by the Company within such period and diligently pursued until the failure is corrected, and provided further that any such failure shall have been cured within ninety (90) days of receipt of notice of such failure; or
- (iii) any breach of any of the covenants, agreements or obligations of the Company under, or the occurrence of a default under, the Regulatory Agreement, including any exhibits to the Regulatory Agreement; or
- (iv) the determination by the Issuer, the Trustee, the Loan Servicer or the Credit Provider that any representation or warranty made by the Company in the Agency Lease or in any document delivered by or on behalf of the Company to the Issuer, the Trustee, the Loan Servicer or the Credit Provider in connection with the Mortgaged Property, the Agency Lease or the Bonds was untrue or misleading in any material respect as of the date made or deemed made; or
- (v) the occurrence of an Event of Default under and as defined in the Indenture or under and as defined in any other Bond Document caused by the Company's failure to comply with the terms or conditions of any such Bond Document; or
- (vi) the occurrence of any of the following: the Company shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or the Company shall take any action to authorize any of the actions described above in this clause (vi), or any proceeding shall be instituted against the Company seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is being contested by the Company in good faith, such proceeding shall remain undismissed or unstayed for a period of sixty (60) days; or

(vii) the filing or making of any claim against the Trust Estate as a result of an Act of Bankruptcy; or

(viii) an Event of Default as a result of a determination by the Credit Provider pursuant to the provisions described below under "Cross Default".

The provisions of the Agency Lease are subject to the provisions described in Appendix B—"Summary of Certain Provisions of the Indenture—Events of Default; Preliminary Notice—Non-Default and Prohibition of Mandatory Redemption Upon Event of Taxability".

Cross Default. The occurrence of a default under the Project Documents shall not constitute an Event of Default under the Agency Lease unless the default is declared by the Credit Provider, in its sole and absolute discretion, to be an Event of Default under the Agency Lease, such declaration to be made by written notice to the Trustee. The occurrence of an Event of Default under the Agency Lease shall not constitute a default under any Project Document unless the Event of Default is declared by the Credit Provider, in its sole and absolute discretion, to be a default under the Agency Lease, such declaration to be made by written notice to the Trustee and the Issuer. A default by the Company in the payment or performance of any obligation of the Company contained in (a) any of the Bond Documents, (b) any of the other Project Documents, (c) the Reimbursement Agreement, (d) any subordinate financing (unless otherwise agreed to in writing by the Credit Provider), (e) the Regulatory Agreement or any other regulatory or restrictive agreement recorded against the Mortgaged Property, including, but not limited to, any such agreement entered into in connection with the allocation to the Mortgaged Property of federal low income housing tax credits, or (f) any form of public, quasi-public, public/private or private debt and/or equity infusion, grant, subsidy, tax relief or abatement, plan, program or other form of assistance, not cured within any applicable cure period, shall, at the option of the Credit Provider (as holder of the Mortgage Rights), constitute a default under the Agency Lease, the Security Instrument and each of the other Project Documents and entitle the Credit Provider (as holder of the Mortgage Rights), at its option, in its discretion, to direct or invoke any remedies set forth in the Agency Lease, including, but not limited to, any remedy set forth in the Agency Lease or as otherwise afforded by law or in equity. A default under the Agency Lease shall, at the Credit Provider's option, in the Credit Provider's discretion, constitute a default under the Reimbursement Agreement. (Section 13.1)

Remedies Upon an Event of Default.

General. Subject to the provisions described below under "Limitation on Actions", whenever any Event of Default shall have occurred and be continuing under the Agency Lease, the Trustee may take any one or more of the following remedial steps:

(i) give immediate notice to the Issuer, the Loan Servicer and the Credit Provider, and if the Event of Default is the failure to receive a Required Lease Payment (as defined in the Credit Facility), the Trustee shall present to the Credit Provider a Certificate for a Scheduled Payment Advance under the Credit Facility;

(ii) if the principal and interest accrued on the Bonds shall have been declared immediately due and payable pursuant to the acceleration provisions of the Indenture, the Trustee shall give notice to the Issuer, the Loan Servicer and the Credit Provider and present an appropriate certificate for an Advance under the Credit Facility, provided, however, that if the Trustee shall rescind or annul a declaration of acceleration of Bonds pursuant to the Indenture, the Issuer, the Trustee, the Loan Servicer and the Credit Provider shall be restored to their former rights and positions, and all rights, duties and obligations of the parties shall continue as if no adverse proceeding had been taken, subject to the limits of any adverse determination;

(iii) take such action as is permitted by the Project Documents but only with the prior written consent of the Credit Provider;

(iv) to the extent of any insufficiency in the payment of the Bonds after the Trustee shall have received an Advance under the Credit Facility, the Trustee may, by any suit, action or proceeding, but only with the prior written consent of the Credit Provider, pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Agency Lease, to enforce the performance of any covenant, obligation or agreement of the Company under the Agency Lease (and subject to the nonrecourse provisions of the Agency Lease, the Guaranty Agreement) and the Regulatory Agreement, or to enjoin acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee;

(v) declare, by written notice to the Company, but only with the prior written consent of the Credit Provider, to be immediately due and payable, whereupon the same shall become immediately due and payable: (A) all unpaid installments of rent payable as described above under "Lease Payments—Lease Payments" in amount equal to the aggregate unpaid Principal Component together with all interest (computed at the Lease Payment Rate) that has accrued and will accrue thereon to the date of payment, and (B) all other payments due under the Agency Lease;

(vi) re-enter and take possession of the Project Facility, on ten (10) days' written notice to the Company, without terminating the Agency Lease and without being liable for any prosecution or damages therefor, but only with the prior written consent of the Credit Provider, and sublease the Project Facility for the account of the Company, holding the Company liable for the amount, if any, by which the aggregate of the rents and other amounts payable by the Company under the Agency Lease exceeds the aggregate of the rents and other amounts received from the sublessee under such sublease;

(vii) terminate, on ten (10) days' written notice to the Company, the Agency Lease and all rights of the Company under the Agency Lease, but only with the prior written consent of the Credit Provider and, without being liable for any prosecution or damages therefore, exclude the Company from possession of the Project Facility and lease (or sublease, as the case may be) the Project Facility to another Person for the account of the Company, holding the Company liable for the amount, if any, by which the aggregate of the rents and other amounts payable by the Company under the Agency Lease exceeds the aggregate of the rents and other amounts received from such other Person under the new lease;

(viii) at the written direction or with the prior written consent of the Credit Provider, apply in any court of competent jurisdiction for specific performance by the Company of its covenants, obligations and agreement under the Agency Lease or for injunctive relief to prevent any violation of the covenants, obligations or agreements on the part of the Company to be observed or performed under the Agency Lease (the Company acknowledges and agrees that money damages alone would not be an adequate remedy at law for a default by the Company arising from a failure to comply with the Agency Lease, and therefore the Company agrees that the remedy of specific performance or injunctive relief shall be available to the Trustee in any such case); or

(ix) at the written direction or with the prior written consent of the Credit Provider, take whatever other action at law or in equity may appear necessary or desirable to enforce any obligation of the Company under the Agency Lease.

In addition, upon the occurrence of an Event of Default, the Issuer, the Trustee, the Loan Servicer and the Credit Provider shall have access to and may inspect, examine, audit and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Company.

Enforcement of Reserved Rights. The Issuer, without the consent of the Trustee, but only after written notice to the Trustee, the Loan Servicer, the Credit Provider and the Company, may, upon the occurrence of an Event of Default with respect to any Reserved Rights, reconvey to the Company its leasehold interest under the Company Lease, bring an action for money damages, bring an action for specific performance to enforce the performance and observance of any Reserved Rights of the Issuer, provided that the Issuer may not, without the prior written consent of the Trustee and the Credit Provider cause the Trustee to declare the principal of all Bonds then Outstanding and the interest accrued on the Bonds to be immediately due and payable, or cause the Trustee to accelerate, foreclose or take any other action or seek other remedies under the Bond Documents, the Project Documents or any other documents contemplated by the Agency Lease or by such other documents to obtain such performance or observance, and provided, further, that the Issuer shall be entitled to collect any judgment against the Company for money damages only from Rents and Profits received from the Company with respect to the Project Facility and remaining after satisfaction of all amounts owing to the Credit Provider and Loan Servicer under the Project Documents.

Permitted Cures of an Event of Default. The Trustee may, with the prior written consent of the Credit Provider, and shall, at the written direction of the Credit Provider, permit the Company, for a period specified by the Credit Provider, to cure any default under the Agency Lease and the Security Instrument, but only if (a) the Company pays to the Trustee or the Loan Servicer, as the case may be, for proper remittance, all overdue Lease Payments, (b) the Company cures any nonmonetary defaults under the Agency Lease, the Security Instrument and the other Project Documents to the satisfaction of the Credit Provider, and (c) the Company pays all fees, costs and expenses of the Trustee, the Issuer, the Loan Servicer and the Credit Provider, including, without limitation, Extraordinary Items due to the Trustee and all legal fees and expenses, incurred in connection with the default. The Company acknowledges that any cure of any default will not affect any subsequent default under the Project Documents.

Waiver and Annulment.

(a) If, after any Event of Default (i) all amounts which would then be payable under the Agency Lease by the Company if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Company, and (ii) the Company shall have also performed all other obligations in respect of which it is then in default under the Agency Lease and shall have paid the reasonable fees and expenses of the Issuer, the Trustee, the Credit Provider and the Loan Servicer, including reasonable attorneys' fees and expenses paid or incurred in connection with such default, then and in every such case, such Event of Default shall be waived and annulled by the Trustee, but only if so directed by the Credit Provider, in its sole and absolute discretion; no such waiver or annulment shall extend to or affect any subsequent Event of Default, nor impair any right or remedy consequent on such Event of Default, nor extend to or affect any Event of Default with respect to performance or observance of Reserved Rights unless consented to by the Issuer.

(b) From time to time, without affecting the obligation of the Company, or the successors or assigns of the Company, to pay the outstanding Principal Component and observe the covenants of the Company contained in the Agency Lease, without affecting the guaranty of any person, corporation, partnership or other entity for payment of the outstanding Principal Component, without giving notice to or obtaining the consent of the Company, the successors or assigns of the Company or any guarantor, and without liability on the part of the Issuer or any assignee of the Issuer of the Agency Lease, the Credit Provider, as holder of the Mortgage Rights, may, at its option, extend the time for payment of the outstanding Principal Component or any part of the outstanding Principal Component, reduce the Lease Payments, release

anyone liable on the outstanding Principal Component, modify the terms and time of payment of the outstanding Principal Component, join in any extension or subordination agreement, release any security given for the Bonds or the Reimbursement Agreement, take or release other or additional security, and agree in writing with the Company to a modification of the rate of interest or period of amortization of the Principal Component or to a change in the amount of the monthly Lease Payment installments. Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors and endorsers of the Agency Lease and the Bonds.

Limitations on Actions. Notwithstanding any other provision of the Agency Lease or the Regulatory Agreement to the contrary:

(i) neither the Issuer, the Trustee nor any person under the control of either shall, without the prior written consent of the Credit Provider, exercise any remedies or direct any proceedings under the Bond Documents or the Project Documents other than to (a) enforce rights under the Credit Facility, (b) enforce the tax covenants in the Indenture, the Regulatory Agreement and the Agency Lease, (c) enforce rights of specific performance under the Regulatory Agreement, or (d) enforce the Issuer's Reserved Rights, provided, however, that any enforcement under (b) or (c) above shall not include seeking any monetary recovery against the Company apart from a monetary recovery associated with Reserved Rights; and provided, further, that (1) any claim of the Issuer for a monetary recovery with respect to enforcement of the Reserved Rights shall be subordinate to the obligations to make Lease Payments and (2) the enforcement of any claim for a monetary recovery with respect to the Reserved Rights shall not cause the Company to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law now or hereafter in effect; and

(ii) so long as the Credit Facility remains outstanding and a Wrongful Dishonor has not occurred or, if it has occurred, is not continuing, neither the Issuer, the Trustee, nor any person under their control shall without the prior written consent of the Credit Provider:

(A) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Company to timely pay the Lease Payments;

(B) interfere with or attempt to influence the exercise by the Credit Provider of any of the rights under the Agency Lease assigned to it pursuant to the Assignment or otherwise with respect to the Mortgaged Property, including, without limitation, its remedial rights under the Security Instrument upon the occurrence of an event of default by the Company under the Agency Lease or the Security Instrument; or

(C) upon the occurrence of an event of default under the Security Instrument, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the rights under the Agency Lease assigned to the Trustee or the Credit Provider pursuant to the Assignment or otherwise with respect to the Mortgaged Property;

provided that nothing described in this paragraph shall restrict the Issuer's right to reconvey its leasehold interest in the Project Facility pursuant to the Company Lease in accordance with the provisions described below under "Issuer Termination Right" or as otherwise permitted under the Company Lease. (Section 13.2)

Limitations on Waivers. In the event any covenant, agreement or condition contained in the Agency Lease shall be breached by a party and thereafter waived by another party, such waiver shall not bind any party which has not waived the breach and shall be limited to the particular breach so waived and shall not be

deemed to waive any other breach under the Agency Lease nor be a waiver of the same breach on a future occasion. By reason of the assignment and pledge of certain of the Issuer's rights and interests in the Agency Lease to the Trustee, the Issuer shall have no power to waive or release the Company from any Event of Default or the performance or observance of any obligation or condition of the Company under the Agency Lease (other than with respect to performance or observance of the Reserved Rights) without first requesting and receiving the prior written consent of the Trustee and the Credit Provider, but shall do so if requested by the Trustee and the Credit Provider, provided that the Issuer shall not be required to grant such waiver or release unless it shall have been provided with (a) an Opinion of Counsel that such action will not result in any pecuniary liability to it and an Opinion of Bond Counsel that such waiver shall not cause interest on the Bonds to be included in the gross income, for federal income tax purposes, of the holders of the Bonds, (b) such indemnification as the Issuer shall deem necessary, and (c) written notice from the Trustee and the Credit Provider of the request for such waiver or release, and provided, further, that the Issuer shall not be required to waive or release any Event of Default or the performance or observance by the Company of any obligation or condition which affects any Reserved Rights or otherwise has a material adverse effect on the Issuer. (Section 13.3)

Notice of Default; the Credit Provider's Right To Cure. The Issuer and the Trustee shall each give notice to the other and to the Loan Servicer and the Credit Provider of the occurrence of any Event of Default by the Company under the Agency Lease of which it has actual knowledge. The Loan Servicer and the Credit Provider shall each have the right, but not the obligation, to cure any default by the Company, and upon performance by the Loan Servicer or the Credit Provider of the covenant, agreement or obligation of the Company with respect to which an Event of Default has occurred, the parties to the Agency Lease shall be restored to their former respective positions, it being agreed that the Loan Servicer and the Credit Provider shall have right to reimbursement from the Company of moneys so expended and any other appropriate redress for actions taken to cure any default by the Company. (Section 13.4)

Amendment. The Agency Lease and all other documents contemplated by the Agency Lease to which the Issuer is a party may be amended or terminated only as permitted by the Indenture, provided that no amendment to the Agency Lease shall be binding upon any party to the Agency Lease until such amendment is reduced to writing and executed by the parties to the Agency Lease, provided further that no amendment, supplement or other modification to the Agency Lease or any other Bond Document (other than an amendment, supplement or other modification relating solely to the Reserved Rights) shall be effective without the prior written consent of the Credit Provider. (Section 14.2)

Company To Remain Obligated

(a) Notwithstanding the reconveyance of the Issuer's leasehold interest in the Project Facility pursuant to the provisions of the Company Lease, the obligations of the Company under the Agency Lease shall survive and remain in full force and effect from its dated date to and including the later of (i) such date as all of the Bonds shall have been fully paid or retired (or provision for such payment shall have been made as provided in the Indenture) and all amounts, including fees, costs and expenses, owing to the Issuer, the Trustee, the Loan Servicer and the Credit Provider under the Agency Lease, the Guaranty Agreement or under the Reimbursement Agreement, as applicable, shall have been paid and (ii) the Credit Provider shall have consented in writing to the termination of the Agency Lease and the obligations of the Company under the Agency Lease (except those obligations which by the terms of the Agency Lease survive termination), provided, however, that certain provisions of the Agency Lease shall survive the termination of the Agency Lease.

(b) Notwithstanding any payment by the Company under the Agency Lease or the occurrence of the Final Lease Payment Date or the Maturity Date of any Bond, the Agency Lease shall not be extinguished or canceled, but shall remain in effect, and the Company's obligation to make Lease

Payments and payments of Additional Rent and other amounts due under the Agency Lease shall continue so long as, and to the extent that, the Credit Provider is obligated under the Credit Facility to make a Bankruptcy-Related Advance and until such time as (i) all sums due under the Agency Lease have been paid in full and (ii) the Credit Provider has consented in writing to the termination of the Agency Lease and the Company's obligations to make such payments, provided that nothing described under this heading shall permit termination of any obligation of the Company under the Agency Lease which expressly survives expiration or termination of the Agency Lease.

Liability Insurance

(a) At all times during which the Issuer has a leasehold interest in the Project Facility, the Company shall maintain insurance, with insurance companies licensed to do business in the State of New York, against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Company, including, without limitation:

(i) in the event of any construction, reconstruction, improvement or renovation of any part of the Project, Owners & Contractors Protective Liability Insurance for the benefit of the Company and the Issuer in a minimum amount of \$5,000,000.00 per occurrence and aggregate coverage for personal injury and property damage during any period of such construction, reconstruction, improvement or renovation of any part of the Project;

(ii) public liability insurance in accordance with customary insurance practices for similar operations with respect to the Project and the business thereby conducted in a minimum amount of \$5,000,000.00 per occurrence and aggregate coverage, which insurance (A) will also provide coverage of the Company's obligations of indemnity under the Agency Lease, (B) may be effected under overall blanket or excess coverage policies of the Company or any affiliate or subtenant thereof, and (C) shall not contain any provision for deductible amount;

(iii) such additional coverage of the foregoing insurance and such other insurance in such amounts and against such insurable hazards as the Issuer from time to time may reasonably require.

Notwithstanding the foregoing, if the Issuer determines that the "insurance hazard group classification" for the operations at the Project are Class I, II or III, the limits set forth in "ii" above shall be reduced to \$3,000,000.00 per occurrence and aggregate coverage; or if the Issuer determines that such classification is Class IV, such limits shall be reduced to \$4,000,000.00 per occurrence and aggregate coverage.

(b) All insurance required by paragraph (a) above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

(c) Each of the policies or certificates evidencing the insurance required above to be obtained shall:

(i) designate the Company, the Issuer, the Trustee, the Credit Provider and any other Person required by the Project Documents as additional insureds;

(ii) provide that there shall be no recourse against the Issuer for the payment of premiums or commissions or (if such policies or binders provide for the payment thereof) additional premiums or assessments;

(iii) provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried by the Issuer to the extent that such other insurance provides the Issuer with contingent and/or excess liability insurance with respect to its respective interest as such in the Project, and shall expressly provide that all provisions thereof, except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Company) shall operate in the same manner as if there were a separate policy covering each insured;

(iv) provide that if the insurers cancel such insurance for any reason whatsoever, or the same is allowed to lapse or expire, or there be any reduction in amount, or any material change is made in the coverage, such cancellation, lapse, expiration, reduction or change shall not be effective as to the Issuer until at least thirty (30) days after receipt by the Issuer of written notice by such insurers of such cancellation, lapse, expiration or change (with the exception of cancellation for non-payment, for which the Issuer must receive ten (10) days prior written notice of cancellation);

(v) waive any right of subrogation of the insurers thereunder against any person insured under such policy, and waive any right of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any person insured under such policy; and

(vi) contain such other terms and provisions as any owner or operator of facilities similar to the Project would, in the prudent management of its properties, require to be contained in policies, binders or interim insurance contracts with respect to facilities similar to the Project owned or operated by it.

(d) The Company agrees that it will carry or cause to be carried in effect workers' compensation insurance, disability benefits insurance and such other form of insurance which the Issuer or the Company is required by law to provide, covering loss resulting from injury, sickness, disability or death of the employees of the Company and all contractors and subcontractors employed upon or with respect to the Project at the time of original construction or of any additions, remodeling, alterations, repair, restoration or reconstruction thereafter. The Company shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by law.

(e) On or before the commencement of the term of the Agency Lease, the Company shall deliver or cause to be delivered to the Issuer duplicate copies of insurance policies and/or binders or certificates of insurance evidencing compliance with the insurance requirements of the Agency Lease. At least ten (10) business days prior to the expiration of any such policy, the Company shall furnish the Issuer with evidence that such policy has been renewed or replaced or is no longer required by the Agency Lease.

(f) The Company shall not do any act, or suffer or permit any act to be done, whereby any insurance required by the Agency Lease would or might be suspended or impaired.

(g) THE ISSUER DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED IN THE AGENCY LEASE, WHETHER IN SCOPE OF COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE BUSINESS OR INTEREST OF THE COMPANY.

(h) Within one hundred twenty (120) days after the end of each of its fiscal years, the Company shall file with the Issuer a certificate of a representative of the Company to the effect that the insurance it maintains with respect to the Project complies with the provisions described under this heading and that certificates thereof have been filed with the Issuer and the policies evidenced thereby are in full force and effect. (Section 16.1)

Impositions, Taxes, Assessments and Charges

Impositions. The Company shall pay all Impositions, foreseen or unforeseen, ordinary and extraordinary, under any present or future law whether billed in the name of the Company or in the name of the Issuer. The Company shall be liable for Impositions, whether or not such Impositions encumber the Issuer's leasehold interest. The obligation of the Company to pay Impositions calculated to and including the date of termination of the Issuer's leasehold interest in the Project Facility even though such Impositions may not yet be due by such date, shall survive termination of the Agency Lease or such interest. The Company shall provide the Issuer with proof of payment of Impositions within sixty (60) days after each payment.

In the event the Project is exempt from Impositions solely due to the Issuer's leasehold interest of the Project, the Company shall pay all Impositions to the appropriate authorities equivalent to the Impositions which would have been imposed on the Project if the Issuer had no such interest.

The Issuer shall promptly forward to the Company in writing any notice, bill or other statement received by the Issuer concerning any Imposition. The Company may, at its expense and in its own name, in good faith and with due diligence, contest any Imposition and shall give notice of such contest to the Issuer. In the event of such contest, the Company may permit the Imposition so contested to remain unpaid during the period of such contest unless (i) the failure to pay will subject the Project to loss, forfeiture or sale prior to completion of the contest, or (ii) the Issuer would be in any danger of any civil or criminal liability, other than normal accrual of interest, whereupon such Imposition shall be paid forthwith by the Company without prejudice to its contest.

Taxes and Governmental Charges. The Company shall pay, as the same may become due, all taxes and governmental charges of any kind which may lawfully be assessed or levied against or with respect to the Project or the revenues therefrom. (Section 16.3)

Issuer Termination Right.

(a) Notwithstanding anything to the contrary in the Agency Lease or the Indenture and in addition to any other rights or remedies available to Issuer, the Issuer may, upon the occurrence of any of the following events and without the consent of the Credit Provider or the Trustee, terminate the Company Lease and upon such termination, the Issuer shall reconvey to the Company the Issuer's leasehold interest in the Project Facility upon the occurrence of any of the following events:

(i) Failure by the Company to keep continuously in effect the insurance required by the Agency Lease; or

(ii) Failure by the Company to observe and perform any other covenant, condition or agreement under the Agency Lease, in the PILOT Agreement (other than an event described in (iii) below) or under any other agreement between the Company and the Agency on its part to be performed which covenant, condition or agreement constitutes a Reserved Right, and continuance of such failure for a period of thirty (30) days after receipt by the Company of written notice specifying the nature of such default, provided that if such

failure is not reasonably susceptible to cure within thirty (30) days and the Company commences and diligently pursues such cure within said thirty (30) day period, then the thirty (30) day period shall be extended for up to an additional ninety (90) days (one hundred twenty (120) days total) so long as the Company diligently pursues such cure; or

(iii) Failure by the Company to timely pay each Total PILOT Payment in accordance with the PILOT Agreement (including any applicable cure period); or

(iv) During any period in which the Issuer has a leasehold interest in the Project Facility, the assignment or transfer of the Agency Lease or any interest in the Project Facility to any Person other than Fannie Mae without the prior written consent of the Issuer.

The Issuer shall give a copy of any notice of default to the Credit Provider, the Trustee and the Loan Servicer simultaneously with the giving of such notice to the Company and shall accept a timely cure of such default by the Credit Provider, the Trustee and the Loan Servicer.

(b) Notwithstanding clause (a) to the contrary, the Company may, without the consent of the Issuer, lease or sublease the residential rental units comprising the Project Facility in the ordinary course of the Company's business, provided that each such lease, sublease or rental agreement shall be subject to the Agency Lease, comply with the Regulatory Agreement, the Project Facility shall continue to constitute a qualified "project" in accordance with the Act, and any such lease, sublease or rental agreement shall be on such terms and with such persons as shall be permitted by the Bond Documents and any other Company Documents. The Company shall promptly, upon written request of the Issuer, furnish copies of any such leases, subleases or rental agreements entered into as described in this clause (b).

(c) The Company acknowledges that continuance of the leasehold interest of the Issuer under the Company Lease after the Closing Date is solely for the purpose of providing the exemption of the Project Facility from real property and sales and use taxation. The termination of the Issuer's leasehold interest in the Project Facility or the reconveyance by the Issuer of its interest in the Project Facility shall not without written consent of the Credit Provider constitute a merger of the fee estate and leasehold estate of the Company in the Project Facility, nor relieve the Company from performance and observance of the terms, conditions and covenants of the Company under the Agency Lease and the other Company Documents and with respect to the Bonds and the Indenture. (Section 16.10)

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The following is a brief summary of certain provisions of the Reimbursement Agreement. The summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the Reimbursement Agreement, a copy of which is on file with the Trustee.

Events of Default

The occurrence of any one or more of the following events shall constitute an Event of Default under the Reimbursement Agreement:

- (a) An Event of Default occurs under the Bond Documents; or
- (b) Borrower fails to make any deposit of funds demanded by Bank under the Reimbursement Agreement within fifteen (15) days after Bank's written demand; or
- (c) Borrower fails to comply with any other covenant contained in the Reimbursement Agreement calling for the payment of money and does not cure that failure within fifteen (15) days after written notice from Bank; or
- (d) Borrower, any General Partner, any Guarantor (if any), becomes insolvent or the subject of any bankruptcy or other voluntary or involuntary insolvency proceeding, in or out of court, for the adjustment of debtor-creditor relationships; provided, however, that any such involuntary insolvency proceeding shall not be considered an Event of Default hereunder if it is either (i) consented to in writing by Bank, or (ii) has been dismissed within ninety (90) days of the filing thereof; or
- (e) Any of Borrower's limited partners becomes insolvent or the subject of any insolvency proceeding, provided, however, that an involuntary insolvency proceeding shall not be considered an Event of Default hereunder if it is either (i) consented to in writing by Bank, or (ii) dismissed within ninety (90) days of the filing thereof; or
- (f) Borrower dissolves or liquidates, or any of these events happens to any general partner or limited partner of Borrower, to any Guarantor (if any), or to any indemnitor hereunder or under any of the other Reimbursement Documents (if any); or
- (g) Any Guarantor dies or any general partner or limited partner of Borrower ceases for any reason to act in that capacity and is not replaced with a substitute Guarantor or general or limited partner of Borrower, as the case may be, acceptable to Bank (or otherwise previously approved in writing by Bank, pursuant to the Reimbursement Agreement or otherwise) within thirty (30) days; or
- (h) An Accelerating Transfer (as such term is defined in the Security Instrument) occurs; or
- (i) Any representation or warranty when made or given in any of the Reimbursement Documents proves to be false or misleading in any material respect; or
- (j) Construction of the Improvements is not completed by the Completion Date; or

(k) Construction of the Improvements is halted or abandoned prior to the Completion Date for any period of thirty (30) consecutive days for any cause not beyond the reasonable control of Borrower or any of its contractors or subcontractors, except as otherwise agreed in writing by Bank; or

(l) Any governmental, judicial or legal authority having jurisdiction over the Property orders or requires that construction of the Improvements be stopped in whole or in part, or any required approval, license or permit is withdrawn or suspended, and the order, requirement, withdrawal or suspension remains in effect either (i) for the Initial Cure Period, or (ii) for a total period of ninety (90) days, so long as Borrower begins within the Initial Cure Period and continues diligently to take steps to remove the effect of the order, requirement, withdrawal or suspension, and Bank determines that Borrower is reasonably likely to prevail; or

(m) Borrower is in default under the Architect Contract, the Construction Contract, any other contract for the construction of the Improvements or any lease of any part of the Land or any space within the Improvements, either (i) for the Initial Cure Period, or (ii) for a total period of ninety (90) days, so long as Borrower begins within the Initial Cure Period and continues diligently to cure the default, and Bank determines that the cure cannot be reasonably completed at or before expiration of the Initial Cure Period; or

(n) A default or failure of condition of Borrower occurs under the Partnership Agreement and is not cured within the Initial Cure Period, or Borrower fails for any reason to cause Investor Limited Partner to make any payment that is due and payable as set forth in the Partnership Agreement; or

(o) Any General Partner or any Guarantor or any person affiliated with any General Partner or any Guarantor fails to meet the conditions of, or fails to perform any obligation under, any other agreement any of General Partner or any Guarantor has with Bank or any affiliate of Bank; or

(p) Borrower defaults under any agreement in connection with any credit in the amount of \$25,000 or more that Borrower or such affiliated person has obtained from anyone else if the default consists of failing to make a payment when due or gives the other lender the right to accelerate the obligation; or

(q) Any General Partner or any Guarantor defaults under any agreement in connection with any credit in the amount of \$25,000 or more that General Partner or any Guarantor has obtained from anyone else if the default consists of failing to make a payment when due or gives the other lender the right to accelerate the obligation; or

(r) Any of the following occurs: (i) a judgment is entered against Borrower, any General Partner, or any Guarantor where the amount is \$25,000 or more and which (A) is not satisfied or appealed within sixty (60) days of the entry thereof, and (B) is not Covered by Insurance; or (ii) any lawsuit is filed against Borrower, General Partner or any Guarantor which is not Covered by Insurance, and such litigation would potentially materially adversely affect Borrower's ability to repay the Financing, or Guarantor's ability to perform under the Guaranty as determined by Bank; or (iii) any government authority takes action materially adversely affecting either (A) the construction of the Improvements; (B) Borrower's intended use of the Property, or (C) Borrower's ability to repay the Financing; or

(s) Bank fails to have an enforceable second lien on or security interest in any property given as security for the Letter of Credit (except as otherwise agreed by Bank in writing); or

(t) Under any of the Reimbursement Documents, a default or an Event of Default (as defined in that document, subject to applicable notice and cure periods) occurs; or

(w) Any Guarantor fails to comply with any covenant contained in its (their) Guaranty, or any Guaranty becomes unenforceable for any reason, or any Guarantor purports to revoke or terminate its Guaranty; or

(x) Under any of the Bond Documents a default or an Event of Default (as defined in that document, subject to applicable notice and cure periods) occurs; or

(y) Under the Permanent Commitment, or the Bond Documents, a default or an Event of Default (as defined in that document, subject to applicable notice and cure periods) occurs; or

(z) Borrower fails to comply with any provision contained in the Reimbursement Agreement, other than those events specifically referred to above and thus set out as separate Events of Default in Section 7.1 of the Reimbursement Agreement, and does not cure that failure either (i) within the Initial Cure Period after written notice from Bank, or (ii) within ninety (90) days after such written notice, so long as Borrower begins within the Initial Cure Period and continues diligently to cure the failure, and Bank determines that the cure cannot be reasonably completed at or before expiration of the Initial Cure Period.

Remedies Upon an Event of Default

(a) If an Event of Default occurs under the Reimbursement Agreement, Bank may exercise any right or remedy under any of the Reimbursement Documents or otherwise available at law or in equity, and all of Bank's rights and remedies are cumulative. If any Event of Default occurs, Bank's obligation to approve disbursements under the Reimbursement Documents automatically terminates, and Bank in its sole and absolute discretion may withhold any one or more disbursements. Bank may also withhold any one or more disbursements after an Unmatured Event of Default occurs and is continuing. By consenting to a disbursement of Bond Proceeds, Bank will not be deemed to have waived any Event of Default unless Bank agrees otherwise in writing in each instance.

(b) If any Event of Default occurs, Bank shall have the right in its sole and absolute discretion to enter the Property and take possession of it, whether in person, by agent or by court appointed receiver, collect rents and otherwise protect its collateral and rights under the Reimbursement Documents. If Bank exercises any of the rights or remedies provided in Section 7.2 of the Reimbursement Agreement, that exercise shall not make Bank a partner or joint venturer of Borrower. All sums which are expended by Bank in preserving its collateral shall be considered an additional loan to Borrower secured by the Security Instrument and bearing interest at the Default Rate, as defined herein, and shall be secured by the Security Instrument and any other collateral held by Bank in connection with the Letter of Credit.

(c) If Borrower becomes the subject of any insolvency proceeding (which, if an involuntary insolvency proceeding, has not been (i) consented to in writing by Bank, or (ii) dismissed within ninety (90) days of the filing thereof), all of Borrower's obligations under the Reimbursement Documents automatically become immediately due and payable upon the filing of the petition commencing such proceeding, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or other notices or demands of any kind or character. Upon the occurrence of any other Event of Default, all of Borrower's obligations under the Reimbursement Documents may become due and payable immediately without notice of default, presentment, demand for payment, protest, notice of nonpayment or dishonor or other notices or demands of any kind or character, all at Bank's option, exercisable in its sole and absolute discretion. If such acceleration occurs, Bank may consent to the application of any undisbursed Bond Proceeds and any sums in the Operating Account and/or the Other Funds Account to Borrower's obligations under the Reimbursement Documents, in any order and proportions as Bank may determine in its sole and absolute discretion.

(d) Also upon any Event of Default that occurs during the course of construction of the Improvements, Bank in its sole and absolute discretion may enter and take possession of the Property, whether in person, by agent or by court-appointed receiver, and take any and all actions that Bank in its sole discretion may consider necessary to complete construction of the Improvements, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to Bank's right at any time to discontinue any work without liability. By choosing to complete the Improvements, Bank does not assume any liability to Borrower or any other person for completing them or for the manner or quality of their construction, and Borrower expressly waives any such liability. If Bank exercises any of the rights or remedies provided in the Reimbursement Agreement, that exercise will not make Bank, or cause Bank to be deemed, a partner or joint venturer of Borrower. Bank in its sole discretion may choose to complete construction in its own name. All sums expended by Bank in completing construction will be considered to have been disbursed to Borrower and will be secured by the Security Instrument and any other collateral held by Bank in connection with the Letter of Credit; any such sums will be considered to be an additional loan to Borrower bearing interest at the Default Rate and shall be secured by the Security Instrument and any other collateral held by Bank in connection with the Letter of Credit. For these purposes Bank, in its sole and absolute discretion, may reallocate any line item or cost category of the Cost Breakdown.

No Waiver; Consents

Each waiver by Bank must be in writing, and no waiver may be construed as a continuing waiver. No waiver shall be implied from Bank's delay in exercising or failure to exercise any right or remedy against Borrower or any security. Bank's consent to any act or omission by Borrower shall not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for Bank's consent to be obtained in any future or other instance. All Bank's rights and remedies are cumulative.

Amendments

The Reimbursement Agreement may not be modified or amended except by a written agreement signed by the party against whom enforcement is sought.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

HARRIS BEACH LLP
805 Third Avenue
New York, New York 10022

[Closing Date]

City of Yonkers Industrial Development Agency
City Hall
40 South Broadway
Yonkers, New York 10701

Re: City of Yonkers Industrial Development Agency
\$16,400,000 Multifamily Housing Revenue Bonds, Series 2004
(Herriot Street Housing, L.P. Project)

Ladies and Gentlemen:

We have examined the validity of the above-referenced bonds (the "Series 2004 Bonds") by the City of Yonkers Industrial Development Agency (the "Issuer"). The Series 2004 Bonds are authorized to be issued pursuant to (i) Article 18-A of the General Municipal Law of the State of New York and Chapter 83 of the Laws of 1982 of the State of New York (collectively, the "Act"), and (ii) a bond resolution (the "Bond Resolution"), adopted by the members of the Issuer on October 23, 2003, for the purpose of providing funds to assist in the financing of a certain project (the "Project") for the benefit of Herriot Street Housing, L.P. (the "Company") consisting of (a) the acquisition by the Company of a fee interest in an approximately 1.29 acre parcel of land located at 100 Herriot Street, Yonkers, New York (the "Land") and the existing improvements located thereon (the "Existing Improvements"), (b) the renovation, reconstruction and upgrading of the Existing Improvements to accommodate (i) approximately 150,000 square feet of residential space consisting of approximately 11 studio apartments, 11 one-bedroom units, 124 two-bedroom units and 34 three-bedroom units (the "Residential Units") and 1 three-bedroom unit reserved for the superintendent, of which Residential Units, approximately 95% will be leased to households earning no more than 60% of the area's median gross income; and (ii) approximately 20,000 square feet of common area space consisting principally of a lobby and laundry areas; (c) the acquisition and installation in and around the Improvements of certain tangible personal property (the "Equipment" and collectively with the Land, the Existing Improvements and the Improvements, the "Facility"), (d) the paying of certain costs and expenses incidental to the issuance of the Series 2004 Bonds; and (e) the Issuer's acquisition of a leasehold interest in the Facility and the Issuer's sublease to the Company of the Facility.

The Series 2004 Bonds are being issued pursuant to a certain Trust Indenture (the "Indenture"), dated as of March 1, 2004, by and between the Issuer and Wells Fargo Bank, N.A., as trustee (the "Trustee").

The Series 2004 Bonds maturing on November 1, 2004 through and including November 1, 2013 are being purchased by First Albany Capital, Inc. (the "Underwriter") pursuant to a certain bond purchase agreement, dated March 3, 2004, by and among the Issuer, the Company and the Underwriter, and the Series 2004 Bonds maturing on or after November 1, 2018 are being purchased by Fannie Mae pursuant to a bond purchase agreement, dated March 3, 2004, by and among the Issuer, the Company, First Albany Capital, Inc.

as placement agent, and Fannie Mae (such bond purchase agreements together being referred to herein as the “Bond Purchase Agreements”).

Contemporaneously with the issuance of the Series 2004 Bonds, the Company and the Issuer have entered into a certain Company Lease Agreement, dated as of March 1, 2004, by and between the Issuer and the Company, pursuant to which the Company leased the Facility to the Issuer (the “Company Lease Agreement”), and the Company and the Issuer entered into a certain Agency Lease Agreement, dated as of March 1, 2004, by and between the Issuer and the Company, pursuant to which the Issuer subleased the Facility to the Company (the “Agency Lease Agreement”).

As security for certain of the Company’s payment obligations under the Agency Lease Agreement, Fannie Mae (the “Credit Provider”) has issued its standby credit enhancement instrument, dated the date hereof.

The Series 2004 Bonds are secured by a certain Assignment and Intercreditor Agreement, dated as of March 1, 2004, by and among the Issuer, the Trustee and the Credit Provider (the “Assignment”), pursuant to which the Issuer has assigned to the Trustee and the Credit Provider all of its rights (except Reserved Rights, as defined in the Indenture) under the Company Lease Agreement and the Agency Lease Agreement.

The Series 2004 Bonds are further secured by a certain Multifamily Mortgage, Assignment of Rents, Security Agreement and Fixture Filing, dated as of March 1, 2004 (the “Security Instrument”), executed by the Issuer and the Company with respect to the Mortgaged Property (as defined in the Security Instrument).

The Series 2004 Bonds are further secured by a certain Guaranty Agreement, dated as of March 1, 2004, from the Company to the Trustee (the “Guaranty”), pursuant to which the Company guarantees payment of the principal of, premium, if any, and interest on the Series 2004 Bonds, to the limited extent set forth therein. The Guaranty has been assigned to the Credit Provider pursuant to a certain Assignment of Guaranty Agreement, dated the date hereof, executed by the Trustee and accepted by the Credit Provider.

The Issuer and the Company have entered into a certain Tax Regulatory Agreement, dated the date of issuance of the Series 2004 Bonds (the “Regulatory Agreement”), in which the Issuer and the Company have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended, and regulations and rulings of the United States Treasury Department promulgated thereunder (collectively, the “Code”).

The Series 2004 Bonds are dated the date hereof, and bear interest from that date on the unpaid principal amount at the rates set forth therein and in the Indenture. The Series 2004 Bonds are subject to redemption prior to maturity, in the manner and upon the terms and conditions set forth in the Indenture and the Series 2004 Bonds.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents, without having conducted any independent investigation.

In rendering the opinions set forth below, we have relied upon the opinions of counsel to the Issuer, Dennis E.A. Lynch, Esq.; counsel to the Company, Cannon, Heyman & Weiss LLP; and counsel to the

Trustee, Gordon Glaza, Esq., all of even date herewith, as to certain matters set forth in each of such opinions, without making any independent investigation of the factual basis therefor or the legal conclusions set forth therein.

All capitalized terms, not otherwise defined herein, shall have the meaning given such terms in Article I of the Indenture.

Based upon and in reliance upon the foregoing, it is our opinion that:

(a) The Issuer is a duly organized and existing corporate governmental agency constituting a public benefit corporation of the State.

(b) The Issuer is duly authorized and entitled by law to issue, execute, sell and deliver the Series 2004 Bonds for the purposes of assisting in acquiring, constructing and equipping the Facility and to execute and deliver the Agency Lease Agreement, the Company Lease Agreement, the Indenture, the Security Instrument, the Assignment, the Regulatory Agreement and the Bond Purchase Agreements (collectively, the "Issuer Documents").

(c) The Bond Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and binding upon the Issuer in accordance with its terms.

(d) Each of the Issuer Documents has been duly executed and delivered by the Issuer and is validly and legally binding and enforceable against the Issuer in accordance with its terms.

(e) The Series 2004 Bonds have been duly authorized, executed and delivered, have been duly issued for value by the Issuer and are the valid and legally binding special obligations of the Issuer payable in accordance with their terms and are entitled to the benefit and security of the Indenture in accordance with its terms.

(f) The Series 2004 Bonds do not constitute a debt of the City of Yonkers, New York nor the State of New York, and neither the City of Yonkers, New York nor the State of New York will be liable thereon.

(g) Under statutes, regulations, administrative rulings and court decisions existing as of the date hereof, interest on the Series 2004 Bonds is not included in gross income for Federal income tax purposes, except that no opinion is expressed with respect to any Series 2004 Bonds for any period during which such Series 2004 Bonds are held by a Person who is a "substantial user" of the Facility or any "related person" thereto, as such quoted terms are defined in Section 147(a) of the Code. Furthermore, interest on the Series 2004 Bonds is an item of tax preference for purposes of calculating the Federal alternative minimum tax imposed on individuals and corporations.

(h) Under statutes existing as of the date hereof, interest on the Series 2004 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including the City of New York and the City of Yonkers, New York).

(i) The Series 2004 Bonds are exempt securities within the meaning of the Securities Exchange Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, and no registration of the Series 2004 Bonds, the Agency Lease Agreement, the Company Lease Agreement or the Guaranty under the Securities Exchange Act of 1933, as amended, or of the Indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the Series 2004 Bonds.

In rendering the opinion set forth in paragraph (g) above that interest on the Series 2004 Bonds is not included in gross income for Federal income tax purposes, we have relied upon, among other things, certain representations and covenants of the parties to this transaction, including: (A) the Company in (1) the Agency Lease Agreement, (2) the Regulatory Agreement, (3) the Tax Certification of the Company, dated as of the date hereof, and (4) the General Certificate of the Company, dated the date hereof, and (B) the Issuer in (1) the Indenture, (2) the Agency Lease Agreement, (3) the Certificate as to Arbitrage of the Issuer, dated as of the date hereof, and (4) the General Certificate of the Issuer, dated the date hereof. We call your attention to the fact that there are certain requirements contained in the Code with which the Issuer and the Company must comply after the date of issuance of the Series 2004 Bonds in order for interest on the Series 2004 Bonds to be and remain not included in gross income for Federal income tax purposes. The Issuer, the Company or any other Person, by failing to comply with such requirements, may cause interest on the Series 2004 Bonds to become includable in gross income for Federal income tax purposes, retroactive to the date of issue of the Series 2004 Bonds.

Except for the opinion as set forth in paragraph (g) above, we express no opinion regarding other Federal income tax consequences arising with respect to the Series 2004 Bonds. Purchasers of the Series 2004 Bonds, including, without limitation, purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security benefits or other Federal retirement benefits are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 2004 Bonds.

The Code further provides for the Issuer to file a certification of the Governor (or another person designated by the state legislature) with its information report for the Series 2004 Bonds stating that the unified volume cap limitation on bonds of a type including the Series 2004 Bonds provided for in the Code is met. As of the date hereof, no such certification has been received. No assurance can be given that such certification will be received. The failure to file such certification can result in the loss of the exclusion from gross income for Federal income tax purposes of the interest on the Series 2004 Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bond Resolution, the Series 2004 Bonds, any of the Issuer Documents and any other document executed in connection therewith may be limited by any applicable bankruptcy, insolvency or other similar law or equitable principle now or hereafter enacted by the State of New York or the Federal government or pronounced by a court having proper jurisdiction, affecting the enforcement of creditors' rights generally.

We express no opinion as to (i) the title to the Facility, (ii) the sufficiency of the description of the Facility in the Indenture, the Agency Lease Agreement, the Company Lease Agreement, the Security Instrument or any other document and (iii) the priority of any liens, charges or encumbrances on the Facility.

Further, we have not been requested to examine and have not examined any documents or information relating to the Company other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial information, or the adequacy thereof, which has been or may be supplied to the Trustee, the initial purchaser of the Series 2004 Bonds or any other person.

This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date of this opinion letter. We express no opinion herein except as to the laws of the State of New York and the federal laws of the United States.

Very truly yours,

APPENDIX F

FORM OF STANDBY CREDIT ENHANCEMENT INSTRUMENT

This Standby Credit Enhancement Instrument, dated March 16, 2004 (the "Credit Facility"), is an undertaking of **FANNIE MAE**, and is provided at the request and pursuant to the instructions of **HERRIOT STREET HOUSING, L.P.** (the "Borrower"), a New York limited partnership, for the benefit of **WELLS FARGO BANK, N.A.** (the "Trustee"), a national banking association, duly organized and existing under the laws of the United States, not in its individual or corporate capacity, but solely as trustee under the Indenture.

The meaning of capitalized terms can be determined by reference to Section 1.1.

In consideration of the Borrower entering into the Reimbursement Agreement, the payment of certain fees to Fannie Mae, and other good and valuable consideration, Fannie Mae undertakes the following:

1. Definitions.

1.1. Capitalized terms used in this Credit Facility shall have the meanings given to those terms in this Section 1.1 or elsewhere in this Credit Facility. Capitalized terms used in this Credit Facility and not defined in this Credit Facility are defined in, and have the meanings given to those terms in, the Indenture or the Agency Lease Agreement.

"Act of Bankruptcy" means any proceeding instituted under the Bankruptcy Code by or against the Borrower or the Servicer.

"Advance" means a Scheduled Payment Advance, an Extraordinary Advance or a Bankruptcy-Related Advance, as such terms are defined in Section 4.

"Affiliate" as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

"Agency Lease Agreement" means the Agency Lease Agreement, dated as of March 1, 2004, between the Issuer and the Borrower, as amended, modified, supplemented or restated from time to time.

"Amount Available" has the meaning given to that term in Section 2.

"Assignment" means the Assignment and Intercreditor Agreement, dated as of March 1, 2004, among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as it may be amended, modified, supplemented or restated from time to time.

"Authorized Officer" means an officer of the Trustee who is duly authorized to execute and deliver Certificates on behalf of the Trustee.

"Bankruptcy Code" means Title 11 of the United States Code, entitled "Bankruptcy", as now in effect and as amended from time to time in the future, or any successor provisions of federal law.

“Bankruptcy-Related Interest Portion” has the meaning given to that term in Paragraph (ii) of Section 2.

“Bond Payment Component” has the meaning given to that term in the Agency Lease Agreement.

“Bonds” means the Issuer’s Multifamily Housing Revenue Bonds Series 2004 (Herriot Street Housing, L.P. Project) in the original aggregate principal amount of \$16,400,000.

“Borrower” means the person identified as such in the first paragraph of this Credit Facility as the “Borrower” and any successor as permitted under the Security Instrument.

“Business Day” means a day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the City of New York, New York or the city in which the Principal Office of the Trustee is located are required or authorized by law or executive order to close, (c) any day on which Fannie Mae is closed or (d) on and after the Conversion Date, a day on which banking institutions located in the city in which the Principal Office of the Loan Services is located are required or authorized by law or executive order to cease.

“Capitalized Interest Payment” means any regularly scheduled monthly payment of interest at the Lease Payment Rate under the Agency Lease Agreement, which is to be funded from amounts on deposit in the Capitalized Funds Account of the Project Fund and withdrawn by the Trustee, in accordance with the Indenture, to pay interest due on the Bonds, as to which payment the Borrower is entitled to receive a credit under, and subject to the terms and conditions of, the Agency Lease Agreement.

“Certificate” means any certificate in a form attached to this Credit Facility as an Exhibit.

“Closing Date” has the meaning given to that term in the Indenture.

“Credit Facility” means this Standby Credit Enhancement Instrument, as it may be amended, modified, supplemented or restated from time to time.

“Due Date” means the eighteenth (18th) day of each month or, if such day is not a Business Day, the next preceding Business Day.

“Event of Default” means any Event of Default as defined in the Reimbursement Agreement.

“Excluded Bond” means any Bond which is not Outstanding under the Indenture, any Special Purchase Bond or any Bond registered in the name of or otherwise owned, directly or indirectly, by the Borrower or by any Affiliate of the Borrower.

“Exhibit” means any exhibit to this Credit Facility.

“Expiration Date” means the Expiration Date stated in Section 3.1.

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

“Indenture” means the Trust Indenture, dated as of March 1, 2004, between the Issuer and the Trustee, as it may be amended, modified, supplemented or restated from time to time.

“Interest Portion” has the meaning given to that term in paragraph (ii) of Section 2.

“Issuer” means the City of Yonkers Industrial Development Agency a public benefit corporation in the State of New York, and its successors under the laws of the State.

“Lease Payments” has the meaning given to that term in the Agency Lease Agreement.

“Mortgage Payment Amortization Schedule” means the Mortgage Payment Amortization Schedule attached to and a part of this Credit Facility, as it may be amended from time to time.

“Mortgaged Property” has the meaning given to that term in the Security Instrument.

“Pass-Through Rate” has the meaning given to that term in the Agency Lease Agreement.

“Principal Component” has the meaning given to that term in the Agency Lease Agreement.

“Principal Portion” has the meaning given to that term in paragraph (i) of Section 2.

“Required Lease Payment” means only (a) the Bond Payment Component of the regularly scheduled monthly Lease Payments due and payable under the Agency Lease Agreement on the first day of each month, and (b) on the final lease payment date of the Agency Lease Agreement, the unpaid principal balance of the Principal Component and all accrued and unpaid interest (at the Pass-Through Rate) due on the Principal Component as of the maturity date of the Agency Lease Agreement. “Required Lease Payment” does not mean and expressly excludes, (a) all other payments due or payable under the Agency Lease Agreement, the Security Instrument and the other Mortgage Documents, such exclusion to extend expressly, without limitation, to (1) interest in excess of interest at the Pass-Through Rate, including that portion of the Lease Payment Rate that comprises Set Rate Interest, (2) any prepayment of principal and accrued and unpaid interest on the Principal Component attributable to such principal, including any payments in respect of the principal of, premium, if any, and interest on, the Bonds payable to the Bondholders upon a redemption of Bonds occasioned by a prepayment of the Principal Component, (3) late charges, (4) default interest, (5) payments for reserves, taxes, insurance and other impositions and (6) payments pursuant to any Collateral Agreement (as defined in the Security Instrument) executed in connection with the Mortgaged Property and (b) all payments of the Principal Component in respect of the principal of, premium, if any, and the interest on, any Excluded Bond.

“Security Instrument” has the meaning given to that term in the Agency Lease Agreement.

“Set Rate Interest” has the meaning given to that term in the Agency Lease Agreement.

“Servicer” means, initially, Bank of America, N.A., a national banking association, or any other entity approved by Fannie Mae, in its discretion, as the servicer of the Mortgaged Property, and any permitted successors or assigns.

“Servicer Advance” means any advance made by the Servicer of any amount payable under the Agency Lease Agreement upon the Borrower’s failure to pay such amount when due, including, but not limited to, a Required Lease Payment.

“Termination Date” has the meaning given to that term in Section 3.1.

1.2 Rules of Construction. The following rules of construction shall apply to this Credit Facility:

- (i) words importing persons include natural persons, trusts, companies, associations, partnerships, limited liability companies and corporations;
- (ii) the singular form of any word used in this Credit Facility, including the terms defined in Section 1.2, shall include the plural, and vice versa, unless the context otherwise requires; the use in this Credit Facility of a pronoun of any gender shall include correlative words of the other gender;
- (iii) all references to Certificates shall mean certificates in the forms attached to this Credit Facility;
- (iv) all references to Exhibits shall mean Exhibits to this Credit Facility;
- (v) sections mentioned by number only are the respective sections of this Credit Facility so numbered;
- (vi) references to "this section" or "this subsection" shall refer to the particular section or subsection of this Credit Facility in which such reference appears;
- (vii) any captions, titles or headings preceding the text of any section are solely for convenience of reference and shall not constitute part of this Credit Facility, shall not limit or otherwise affect its meaning, construction or effect and shall not be deemed to describe the scope or intent of any provision of this Credit Facility; and
- (viii) wherever the term "including" is used in this Credit Facility, such term shall mean "including, but not limited to, and only by way of example."

2. Amount Available. The Amount Available of this Credit Facility (a) for Advances other than Bankruptcy-Related Advances is \$16,471,750) for Bankruptcy-Related Advances is \$16,694,175 (in either case, as such amount may be reduced or reinstated from time to time under this Credit Facility, the "Amount Available"). Of the Amount Available:

- (i) up to \$16,400,000 (the "Principal Portion") is available to be advanced to the Trustee for the payment of the unpaid principal balance of the Principal Component or the portion of the purchase price of Bonds tendered for purchase under the Indenture equal to the unpaid principal balance of the Bonds; and
- (ii) up to (a) \$71,750 (the "Interest Portion") is available to be advanced to the Trustee for the payment of up to thirty (30) days of interest actually accrued on the unpaid principal balance of the Principal Component at the Pass-Through Rate of 5.25%, calculated on the basis of a 360-day year comprised of twelve 30-day months in connection with Advances other than Bankruptcy-Related Advances and (b) \$294,175 (the "Bankruptcy-Related Interest Portion") is available to be advanced to the Trustee for the payment of up to one hundred twenty three (123) days of interest actually accrued on the unpaid principal balance of the Principal Component at the Pass-Through Rate of 5.25%, calculated on the basis of a 360-day year comprised of twelve 30-day months in connection with Bankruptcy-Related Advances.

3. Expiration; Earlier Termination; Continuation; Business Day Convention; Cancellation.

3.1 Expiration; Earlier Termination. This Credit Facility expires at 4:00 p.m., Washington, D.C. time, on November 6, 2036 (the "Expiration Date"). This Credit Facility terminates automatically upon the first to occur of (a) the Expiration Date, (b) the honoring by Fannie Mae of an Advance which has the effect of reducing the Principal Portion to zero when such Principal Portion is not subject to reinstatement or (c) Fannie Mae's receipt of a Certificate in the form of Exhibit I (which shall be conclusive evidence of the matters set forth in such Certificate) signed by a person who purports to be an Authorized Officer. The date determined in the preceding sentence is the "Termination Date" of this Credit Facility.

3.2 Business Day Convention. In the event that any date on which this Credit Facility would otherwise expire or terminate shall be a day other than a Business Day, this Credit Facility shall continue in effect and shall not expire or terminate until 4:00 p.m., Washington, D.C. time, on the first Business Day after the date on which this Credit Facility would otherwise expire or terminate.

3.3 Continuation. Notwithstanding the provisions of Sections 3.1 and 3.2, this Credit Facility shall continue in effect beyond the Termination Date solely with respect to Fannie Mae's obligations to make a Bankruptcy-Related Advance with respect to any payment made by the Borrower under the Agency Lease Agreement or with respect to any Servicer Advance made prior to such Termination Date and within one hundred twenty-three (123) days prior to an Act of Bankruptcy until the earlier of the date on which Fannie Mae shall have paid to the Trustee the amount recovered or the date on which all applicable statutes of limitations shall have expired without a claim having been filed (or if any claim shall have been filed prior to such expiration, the latter of the date on which such claim has been denied with prejudice by a final order which is no longer subject to appeal or the date on which such claim has been paid by Fannie Mae). In no event shall this Credit Facility be deemed to continue in effect beyond the Termination Date to the extent that any Advance by Fannie Mae with respect to the Mortgaged Property would be applied by the Trustee to the payment of principal or interest on any Excluded Bond.

3.4 Delivery. This Credit Facility shall be returned by the Trustee to Fannie Mae upon termination of all of Fannie Mae's obligations under this Credit Facility.

4. Advances.

4.1 Certificates. Fannie Mae shall advance funds under this Credit Facility upon presentation of the applicable Certificate by the Trustee to Fannie Mae at the address and in the manner set forth in Section 12.1. Any Certificate submitted to Fannie Mae by the Trustee shall (a) have all blanks appropriately completed, (b) be signed by an Authorized Officer and (c) be a Certificate in the form of:

(i) Exhibit A (a "Scheduled Payment Advance") if the Advance is requested by the Trustee because, as of 3:00 p.m., Washington, D.C. time, on the Business Day immediately following a Due Date, the Trustee either (a) has not received a Required Lease Payment or (b) has received payment of an amount less than the amount of the Required Lease Payment due to the Trustee on the Due Date;

(ii) Exhibit B (an "Extraordinary Advance") if the Advance is requested by the Trustee (a) as a result of an acceleration of the Bonds pursuant to Section 9.2 of the Indenture, or (b) in connection with a special mandatory redemption of the Bonds pursuant to Section 3.3(1), 3.3(2), 3.3(3) or 3.3(4) of the Indenture;

(iii) Exhibit C (a "Bankruptcy-Related Advance") if the Advance is requested by the Trustee with respect to any payment made by the Borrower under the Agency Lease Agreement or any Servicer Advance which is (a) recovered from any Bondholder as a result of an Act of Bankruptcy or (b) prevented from being paid to the Bondholders as a result of the imposition of an automatic stay pursuant to the Bankruptcy Code; or

4.2 Manner of Payment. All Advances made under this Credit Facility will be made in immediately available funds of Fannie Mae. Fannie Mae, by delivery of a Notice of Credit in the form attached to this Credit Facility as Exhibit F, may direct the Trustee from time to time to effect an Advance by deducting the amount of the Advance from an account maintained by Fannie Mae with the financial institution serving as Trustee; any such deduction shall constitute payment under this Credit Facility.

4.3 Exclusions. The Trustee shall not request Advances, and Advances shall not be made under this Credit Facility to pay (a) the principal of, or interest on, or the purchase price of, any Excluded Bond, (b) premium that may be payable upon the redemption of any Bond or (c) interest that may accrue on the Principal Component or on any Bond after the final scheduled maturity date of the Agency Lease Agreement or after the final scheduled maturity date of such Bond, as applicable.

5. Timing of Advances.

5.1 Presentation of Certificates. Funds under this Credit Facility are available to the Trustee upon presentation of the Trustee's appropriately completed Certificate in the form of Exhibit A, B, C or D, as stated in Section 4.1, provided that such presentation is made in accordance with Section 12.1.

In lieu of personal presentation to Fannie Mae of a Certificate, the Trustee may transmit the Certificate to Fannie Mae by means of telecopy (such transmission to be immediately followed by telephonic notice) in accordance with Section 12.1. Fannie Mae may provide for a means of electronic submission of Certificates by subsequent notice to the Trustee.

5.2 Payment of Advance. Fannie Mae agrees that upon proper presentation of a Certificate in respect of a Scheduled Payment Advance, an Extraordinary Advance or a Bankruptcy-Related Advance presented under this Credit Facility which conforms strictly to the terms and conditions of this Credit Facility, Fannie Mae will honor the Certificate and pay the amount specified in the Certificate in accordance with the following:

(A) at or prior to 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the fifth (5th) Business Day following such presentation, Fannie Mae shall pay the specified amount to the Trustee; or

(B) after 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the sixth (6th) Business Day following such presentation, Fannie Mae shall pay the specified amount to the Trustee.

6. Reduction; Reinstatement.

6.1 Reduction.

6.1(1) Principal Portion. The Principal Portion of the Amount Available shall be reduced permanently and automatically, without the possibility of reinstatement, by (a) the portion of the amount of

each Scheduled Payment Advance, Extraordinary Advance and Bankruptcy-Related Advance made by Fannie Mae under this Credit Facility allocable to the Principal Component, or (b) the principal amount specified in a Certificate of Reduction in the form of Exhibit D, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae. The portion of each Scheduled Payment Advance, Extraordinary Advance and Bankruptcy-Related Advance allocable to the Principal Component shall (a) in the case of a Scheduled Payment Advance, be equal to the principal portion of the Required Lease Payment covered by the Scheduled Payment Advance (determined by reference to the Mortgage Payment Amortization Schedule) or (b) in the case of an Extraordinary Advance and Bankruptcy-Related Advance, be equal to the portion of the Principal Component covered by the Extraordinary Advance or the Bankruptcy-Related Advance. The Principal Portion of the Amount Available shall also be reduced permanently and automatically, without the possibility of reinstatement, and shall not be subject to reinstatement, ninety-one (91) days after (a) each Lease Payment by the Borrower to the extent such payment reduces the outstanding principal balance of the Principal Component, the amount of the reduction to be an amount equal to the portion of the Borrower's Lease Payment applied to reduce the outstanding principal balance of the Principal Component (determined by reference to the Mortgage Payment Amortization Schedule, unless otherwise specified by Fannie Mae) or (b) each Servicer Advance which reduces the outstanding principal balance of the Principal Component, the amount of such reduction to be in an amount equal to the portion of the Servicer's Advance applied to reduce the outstanding principal balance of the Principal Component (determined by reference to the Mortgage Payment Amortization Schedule, unless otherwise specified by Fannie Mae), provided that, in the case of (1) a payment by the Borrower, an Act of Bankruptcy has not occurred as to the Borrower within such ninety-one (91) day period, and (2) a Servicer Advance, an Act of Bankruptcy has not occurred as to the Servicer within such ninety-one (91) day period. Fannie Mae shall notify the Trustee in writing, within ten (10) days after receipt of written notice from the Servicer of the application of any Lease Payment by the Borrower or any Servicer Advance applied to reduce the outstanding principal balance of the Principal Component other than in accordance with the Mortgage Payment Amortization Schedule, and the amount of such reduction.

6.1(2) Interest Portion. The Interest Portion of the Amount Available shall be reduced by (a) the Interest Portion of the amount of each Scheduled Payment Advance, Extraordinary Advance and Bankruptcy-Related Advance made by Fannie Mae under this Credit Facility, subject to reinstatement as provided in Section 6.2(2) or (b) the amount specified in a Certificate of Reduction in the form of Exhibit D, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae. The Interest Portion of the Amount Available shall be reduced permanently and automatically in an amount equal to thirty (30) days interest calculated at the Pass-Through Rate on the basis of a 360-day year comprised of twelve 30-day months in the amount of any permanent reduction in the Principal Portion of the Amount Available.

6.1(3) Reduction Without Exception. Reductions of the Principal Portion and the Interest Portion under Section 6.1(1) and Section 6.1(2), respectively, shall be automatic, notwithstanding any acts or omissions, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance under this Credit Facility or the proceeds of any Advance or otherwise in connection with this Credit Facility.

6.2 Reinstatement--Scheduled Payment Advance; Extraordinary Advance.

6.2(1) Reinstatement of Principal Portion. The Principal Portion of any Scheduled Payment Advance or any Extraordinary Advance shall not be reinstated.

6.2(2) Reinstatement of Interest Portion. The Interest Portion of a Scheduled Payment Advance shall, subject to permanent reduction in an amount equal to thirty (30) days interest calculated at the Pass-Through Rate on the basis of a 360-day year comprised of twelve 30-day months in the amount of the permanent reduction in the Principal Portion of the Amount Available on account of such Scheduled Payment Advance, be reinstated automatically and immediately in an amount equal to the amount of the Interest Portion of the Scheduled Payment Advance subject, however, to any permanent reduction of the

Interest Portion in connection with a permanent reduction of the Principal Portion of the Amount Available, as provided above. Subject to the foregoing, there shall be no reinstatement of the Interest Portion.

6.3 Reinstatement; Bankruptcy-Related Advance.

6.3(1) Principal Portion. Bankruptcy-Related Advances of the Principal Portion of the Amount Available under this Credit Facility for payment of amounts paid by the Borrower as principal of the Principal Component or by the Servicer as a Servicer Advance and either (a) recovered from Bondholders pursuant to the Bankruptcy Code or (b) made subject to the automatic stay prior to payment to the Bondholders shall not be reinstated and the Principal Portion of the Amount Available shall be reduced permanently and automatically by an amount equal to the amount of principal so paid.

6.3(2) Interest Portion. Bankruptcy-Related Advances of the Bankruptcy-Related Interest Portion shall reinstate automatically and immediately, provided that the Bankruptcy-Related Interest Portion shall be reduced permanently and automatically in an amount equal to one hundred twenty-three (123) days of interest at the Pass-Through Rate, calculated on the basis of a 360-day year comprised of twelve 30 day months, in the amount of any permanent reduction in the Principal Portion of the Amount Available on account of a Bankruptcy-Related Advance.

6.4 Substitute Credit Facility. Upon any reduction in the Amount Available under this Credit Facility, as provided in this Credit Facility, Fannie Mae may deliver to the Trustee a substitute Credit Facility in exchange for this Credit Facility, which shall have an amount available equal to the amount to which the Amount Available shall have been so reduced, but otherwise having terms identical to this Credit Facility, except for such changes in dollar amount corresponding to such permanent reduction or otherwise identifying any substitute Borrower or any substitute Mortgage Document.

7. Discharge of Obligations. Only the Trustee may present a Certificate for an Advance under this Credit Facility. Subject to the reinstatement provisions of Sections 6.2 and 6.3, upon the payment to the Trustee of the amount specified in a Certificate presented under this Credit Facility, Fannie Mae shall be fully discharged of its obligations under this Credit Facility with respect to the amount paid under such Certificate and Fannie Mae shall not thereafter be obligated to make any further payments under this Credit Facility in respect of the amount paid under such Certificate to the Trustee or any other person who may have made to the Trustee or makes to the Trustee a demand for payment of principal of, purchase price of, or interest on, the Principal Component or any Bond.

8. Nature of Fannie Mae's Obligations. Fannie Mae's obligation to make an Advance to the Trustee upon the proper presentation of a Certificate which conforms strictly to the terms and conditions of this Credit Facility (i) are absolute, unconditional and irrevocable, (ii) shall be fulfilled strictly in accordance with this Credit Facility and (iii) shall not be affected by any rights of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Borrower, the Servicer or any other person. Fannie Mae's obligations under this Credit Facility are primary obligations and shall not be suspended, discontinued, reduced, terminated or affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or the Borrower under the Agency Lease Agreement or the Reimbursement Agreement or by the performance or non-performance of any party under any agreement between or among the Issuer and the Trustee, the Issuer and the Borrower or the Borrower and Fannie Mae, including but not limited to, the Reimbursement Agreement.

9. Transfer. This Credit Facility may be successively transferred in its entirety (but not in part) upon presentation to Fannie Mae of an appropriately completed transfer form attached as Exhibit E, signed by a person who purports to be an Authorized Officer, to the transferee specified in such Certificate. Except

as provided in the preceding sentence, the Trustee shall not transfer, assign or release this Credit Facility other than to Fannie Mae on termination.

10. Non-Conformance of Documentation. If a request for payment under this Credit Facility made by the Trustee does not conform strictly to the terms and conditions of this Credit Facility, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after delivery of such request for payment, such notice to be promptly confirmed in writing to the Trustee, and Fannie Mae shall hold any documents at the Trustee's disposal or, at the Trustee's option, return the same to the Trustee.

11. Credit Facility Following Foreclosure. In the event that Fannie Mae acquires the Project through foreclosure, by accepting a deed-in-lieu of foreclosure or by comparable conversion of the Mortgaged Property, this Credit Facility shall continue in full force and effect. After any such conversion of the Mortgaged Property, Fannie Mae may deliver to the Trustee a substitute Credit Facility in exchange for this Credit Facility, which shall have an amount available equal to the amount to which the Amount Available may have been so reduced, but otherwise having terms identical to this Credit Facility, except for such changes in dollar amount corresponding to permanent reduction in the Amount Available or otherwise identifying any substitute Borrower or revised Mortgage Documents.

12. Notice.

12.1 Fannie Mae. All documents, notices, Certificates and other communications must (a) be in writing and (b) be personally delivered to Fannie Mae at 3900 Wisconsin Avenue, NW, Washington, D.C. 20016, Attention: Director, Multifamily Asset Servicing or may be sent to Fannie Mae by telecopy to the following number: Telecopy No. (301) 280-2065 and (c) make specific reference to this Credit Facility by the bond caption of the Bonds relating to this Credit Facility. All telephonic notices confirming telecopy communications to Fannie Mae shall be made to the Vice President, Multifamily Operations at Telephone No. (202) 752-8369. Fannie Mae shall notify the Trustee in writing of any change in address or telecopy number to which all documents, notices and other communications should be delivered or of any changes relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall upon receipt by the Trustee be immediately binding under this Credit Facility.

12.2 Trustee. All notices to the Trustee under this Credit Facility sent by telecopy shall be addressed to it at Telecopy No. (410) 715-3791. Such number may be changed only by presentation to Fannie Mae of a letter executed by an Authorized Officer certifying that he or she is such an officer, in form satisfactory to Fannie Mae and specifying a different Telecopy Number.

13. Entire Credit Facility. This Credit Facility sets forth in full the terms of Fannie Mae's undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to in this Credit Facility (including, but not limited to, the Bonds) or in which this Credit Facility is referred to or to which this Credit Facility relates, except for the Exhibits referred to in this Credit Facility; any such reference shall not be deemed to incorporate into this Credit Facility by reference any document, instrument or agreement except for such Exhibits.

14. Governing Law. The Credit Facility shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

FANNIE MAE

By: _____

Name:

Title:

Signed March __, 2004; to be effective as of the
Closing Date

EXHIBIT A

CERTIFICATE FOR "SCHEDULED PAYMENT ADVANCE"

\$16,400,000

City of Yonkers Industrial Development Agency
Multifamily Housing Revenue Bonds, Series 2004
(Herriot Street Housing, L.P. Project)
("Bonds")

Any capitalized term used but not defined
in this Certificate shall have the meaning
given that term in the Credit Facility (as defined below).

The Trustee by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae,
with reference to the Standby Credit Enhancement Instrument relating to the Bonds (the "**Credit Facility**"),
that:

(1) The Trustee is the Trustee under the Indenture.

(2) The Trustee has not received a Required Lease Payment due to the Trustee on the Due Date
falling on _____, or has received a payment on or before such Due Date but in an amount less than the
amount of the Required Lease Payment due to the Trustee on such Due Date.

(3) The amount of the Required Lease Payment due to the Trustee on the Due Date was
\$_____.

(4) The Trustee received a payment on or before the Due Date in an amount equal to
\$_____, which amount is less than the amount of the Required Lease Payment due to the Trustee on
the Due Date.

(5) The amount of the deficiency in the Required Lease Payment is \$_____.

(6) The Trustee requests payment of a Scheduled Payment Advance in the amount of the
deficiency in the Required Lease Payment, which amount is \$_____.

(7) The amount of the requested Advance does not exceed the Amount Available for a Scheduled
Payment Advance and was determined in accordance with the Mortgage Payment Amortization Schedule.

(8) In accordance with the Mortgage Payment Amortization Schedule, the portion of the
requested Advance representing principal of the Principal Component is \$_____, and the portion of
the requested Advance representing interest on the Principal Component is \$_____.

(9) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will
deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will
apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be
applied by the Trustee for any purpose other than as specified in the Indenture.

(10) Payment of the Advance shall be made to the Trustee at [SPECIFY ACCOUNT].

(11) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to \$ _____ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$ _____, subject to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on _____.

WELLS FARGO BANK, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT B

CERTIFICATE FOR "EXTRAORDINARY ADVANCE"

\$16,400,000

City of Yonkers Industrial Development Agency
Multifamily Housing Revenue Bonds, Series 2004
(Herriot Street Housing, L.P. Project)
("Bonds")

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility (as defined below).

The Trustee by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Standby Credit Enhancement Instrument relating to the Bonds (the "**Credit Facility**"), that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) Either (check applicable box):

• •(A) payment of the Bonds has been accelerated in accordance with and as permitted by Section 9.2 of the Indenture; or

• •(B) the Trustee has received a prepayment of the Principal Component following the involuntary destruction or loss of the Mortgaged Property in its entirety or nearly in its entirety as a result of casualty or condemnation or an award in lieu of condemnation and the sum of (1) the Proceeds (as defined in the Indenture) applied to the prepayment of the Principal Component, (2) funds, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture to be applied, at the direction of Fannie Mae, to the payment of the Principal Component and (3) funds provided by the Borrower pursuant to paragraph (i) of Section 3.2(2)(1) of the Agency Lease Agreement, is less than the unpaid principal balance of the Bonds Outstanding and therefore insufficient to effect a special mandatory redemption of the Bonds pursuant to paragraph (i) of Section 3.3(1) of the Indenture; or

• •(C) the Trustee has received a partial prepayment of the Principal Component following the involuntary destruction or loss of the Mortgaged Property in part as a result of casualty or condemnation or an award in lieu of condemnation and Fannie Mae's written direction to effect a special mandatory redemption of the Bonds in part in accordance with paragraph (ii) of Section 3.3(1) of the Indenture and the sum of (1) the Proceeds (as defined in the Indenture) applied to the prepayment of the Principal Component and (2) funds provided by the Borrower pursuant to paragraph (i) of Section 3.2(2)(1) of the Agency Lease Agreement, is insufficient to effect a special mandatory redemption of the Bonds in part pursuant to paragraph (ii) of Section 3.3(1) of the Indenture; or

• •(D) the Bonds are subject to special mandatory redemption in whole pursuant to Section 3.3(1) of the Indenture or the Trustee has received Fannie Mae's written direction to effect a special mandatory redemption of the Bonds in whole or in part in accordance with Section 3.3(2) of the Indenture.

• •(E) the Trustee has transferred amounts remaining in the Project Fund or the Revenue Fund to the Redemption Account pursuant to Section 4.3 or Section 4.5(1)(iii) respectively, of the Indenture

in order to effect a special mandatory redemption of Bonds pursuant to Section 3.3(3) of the Indenture, and the Borrower has failed to pay in full, when due, as required by paragraph (ii) of Section 3.2(2) of the Agency Lease Agreement, the interest payable on the Bonds to be redeemed, on account of such redemption, to the Redemption Date.

(3) The amount of the requested Advance (check applicable box) is:

• • (A) under paragraph (2)(A) of this Certificate is \$_____, which amount is sufficient, and does not exceed the amount necessary, after taking into account moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$_____, to provide for payment of the outstanding principal balance of the Principal Component, plus accrued interest on the Principal Component at the Pass-Through Rate to the date of the Trustee's declaration of acceleration of the Bonds;

• • (B) under paragraph (2)(B) of this Certificate is \$_____, which amount is sufficient, and does not exceed the amount necessary, after taking into account the sum of (a) the amount of the Proceeds applied to the prepayment of the Principal Component, which amount is \$_____, (b) moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture to be applied, at the direction of Fannie Mae, to the payment of the Principal Component, which amount is \$_____ and (c) funds provided by the Borrower pursuant to the Agency Lease Agreement, which amount is \$_____, and the sum of all of which is \$_____, to provide for payment of the outstanding principal balance of the Principal Component, plus accrued interest on the Principal Component at the Pass-Through Rate to the date of the redemption of the Bonds and, therefore, to redeem all of the Bonds Outstanding; and

• • (C) under paragraph (2)(C) of this Certificate is \$_____, which amount is sufficient and does not exceed the amount necessary, taking into account any payment made by the Borrower pursuant to paragraph (i) of Section 3.2(2) of the Agency Lease Agreement with respect to interest due on the Bonds to be redeemed pursuant to paragraph (ii) of Section 3.3(1) of the Indenture, for payment of the amount by which the principal balance of the Principal Component is to be paid in part, plus accrued interest on the Principal Component at the Pass-Through Rate to the date of the redemption of the Bonds Outstanding to be redeemed; the portion of the requested Advance representing principal of the Principal Component is \$_____ and the portion of the requested Advance representing interest on the Principal Component is \$_____ ; or

• • (D) under paragraph (2)(D) of this Certificate is \$_____, which amount is sufficient and does not exceed the amount necessary, taking into account, at the direction of Fannie Mae, moneys, if any, held by the Trustee in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$_____, to provide, with respect to a special mandatory redemption in part pursuant to Section 3.3(2) of the Indenture, for payment of the amount by which the principal balance of the Agency Lease Agreement is to be paid in part, plus accrued interest on the Agency Lease Agreement at the Pass-Through Rate to the date of the redemption of the Bonds Outstanding to be redeemed; the portion of the requested Advance representing principal on the Agency Lease Agreement is \$_____ and the portion of the requested Advance representing interest on the Agency Lease Agreement is \$_____.

• • (E) under paragraph (2)(E) of this Certificate is \$_____, which amount is sufficient and does not exceed the amount necessary, taking into account any payment made by the Borrower pursuant to paragraph (i) of Section 3.2(2) of the Agency Lease Agreement with respect to interest due on the Bonds to be redeemed pursuant to Section 3.3(3) of the Indenture, to provide for payment of the interest due to the Bondholders to the date of the redemption of the Bonds to be redeemed.

(4) The amount of the requested Advance does not exceed the Amount Available.

(5) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.

(6) Payment of the Advance shall be made to the Trustee at [SPECIFY ACCOUNT].

(7) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to \$ _____ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$ _____.

The Trustee has executed and delivered this Certificate on _____.

WELLS FARGO BANK, N.A., as Trustee

By: _____
Authorized Officer

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EXHIBIT C

CERTIFICATE FOR “BANKRUPTCY-RELATED ADVANCE”

\$16,400,000

City of Yonkers Industrial Development Agency
Multifamily Housing Revenue Bonds, Series 2004
(Herriot Street Housing, L.P. Project)
("Bonds")

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility (as defined below).

The Trustee by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Standby Credit Enhancement Instrument relating to the Bonds (the "**Credit Facility**"), that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) Either (check applicable box):

• •(A) the Borrower has made a Lease Payment under the Agency Lease Agreement or the Servicer has made a Servicer Advance, in either case which payment was used to pay interest or principal of and interest on the Bonds, and such payment would have been made by Fannie Mae had (a) the Borrower failed to make such payment, (b) the Servicer failed to make a Servicer Advance in lieu of such payment and (c) the Trustee properly presented a Certificate to Fannie Mae in the form of Exhibit A; or

• •(B) the Borrower has made an optional prepayment under the Agency Lease Agreement which has resulted in an optional redemption of Bonds which optional prepayment and redemption were consented to in writing by Fannie Mae; or

• •(C) a payment has been made with moneys held under the Indenture to pay the principal of or interest on the Bonds; and

(3) Either (check applicable box):

• •(A) the payments received by the Bondholders, as described in paragraph (2) above, have been recovered from Bondholders pursuant to sections 547, 549 or 550 of the Bankruptcy Code (or pursuant to any successor provisions of law) pursuant to a final nonappealable order of a court of competent jurisdiction in any proceeding instituted under such Bankruptcy Code; or

• •(B) the Trustee has been prevented from using moneys on deposit under the Indenture to pay an amount due to Bondholders pursuant to the terms of the Indenture as a result of the imposition of the automatic stay by a bankruptcy court under Section 362 of the Bankruptcy Code (or pursuant to any successor provision of law).

(4) The Trustee requests an Advance under the Principal Portion of the Credit Facility in the amount of \$ _____ and under the Bankruptcy-Related Interest Portion of the Amount Available of the Credit Facility in the amount of \$ _____.

(5) Either (check applicable box):

• • (A) the amount of principal of Bonds that has been recovered from Bondholders is \$_____, and the amount of interest on the Bonds that has been recovered is \$_____, and the total amount of the requested Advance referred to in paragraph (4) does not exceed such amount; or

• • (B) the amount of principal of the Bonds that is subject to the automatic stay is \$_____, and the amount of interest on the Bonds that is subject to the automatic stay is \$_____, and the total amount of the requested Advance referred to in paragraph (4) does not exceed such amount;

(6) The amount of the requested Advance does not exceed the Principal Portion of the Amount Available or the Bankruptcy-Related Interest Portion of the Amount Available, respectively, on the date of this Certificate.

(7) In accordance with the Mortgage Payment Amortization Schedule, the portion of the requested Advance representing principal of the Principal Component is \$_____, and the portion of the requested Advance representing interest on the Principal Component is \$_____.

(8) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.

(9) Payment of the Advance shall be made to the Trustee at Wells Fargo Bank, N.A., 9062 Old Annapolis Road, Columbia, MD 21045-1951.

(10) Upon payment in accordance with this Certificate, the Principal Portion of the Amount Available is reduced to \$_____ and the Bankruptcy-Related Interest Portion of the Amount Available is reduced to \$_____, subject to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on _____.

WELLS FARGO BANK, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT D

CERTIFICATE OF REDUCTION

\$16,400,000

City of Yonkers Industrial Development Agency
Multifamily Housing Revenue Bonds, Series 2004
(Herriot Street Housing, L.P. Project)
("Bonds")

Any capitalized term used but not defined
in this Certificate shall have the meaning
given that term in the Credit Facility (as defined below).

The Trustee by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae,
with reference to the Standby Credit Enhancement Instrument relating to the Bonds (the "**Credit Facility**"),
that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) The aggregate principal amount of Bonds Outstanding has been reduced to \$ _____.

(3) Effective on [INSERT DATE], the Amount Available under the Credit Facility shall be
reduced by an amount equal to the sum of \$ _____, representing (a) the amount of \$ _____ with
respect to the payment of the principal or that portion of the purchase price of Bonds applicable to the
principal amount of the Bonds, and (b) the amount of \$ _____ with respect to the payment of interest
or that portion of the purchase price of Bonds applicable to accrued interest on the Bonds, all in accordance
with the terms and conditions of the Indenture.

By its execution of this Certificate, the Trustee certifies to Fannie Mae that the Trustee is authorized
to deliver this Certificate to Fannie Mae and that the amounts specified in paragraph (iii) above have been
determined in accordance with the terms and conditions of the Indenture.

The Trustee has executed and delivered this Certificate on _____.

WELLS FARGO BANK, N.A., as Trustee

By: _____
Authorized Officer

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EXHIBIT E

CERTIFICATE FOR SUCCESSOR TRUSTEE

Fannie Mae
3900 Wisconsin Avenue, NW
Washington, D.C. 20016

Re: \$16,400,000 City of Yonkers Industrial Development Agency Multifamily Housing Revenue Bonds,
Series 2004 (Herriot Street Housing, L.P. Project) ("Bonds")

Ladies and Gentlemen:

With reference to your Standby Credit Enhancement Instrument relating to the Bonds (the "Credit Facility"), we transfer all rights in the Credit Facility to _____, subject to the terms and conditions of the Credit Facility. We certify that the transferee is the successor Trustee under the Indenture referred to in the Credit Facility and such successor Trustee has been approved in writing by Fannie Mae. The transferee has acknowledged below that it is the successor Trustee.

By this transfer, all rights of the undersigned beneficiary in the Credit Facility are transferred to the transferee and the transferee shall have the sole rights as beneficiary of the Credit Facility, including sole rights relating to any amendments, whether increase or extensions or other amendments and whether now existing or made in the future. All amendments are to be advised direct to the transferee.

WELLS FARGO BANK, N.A., as Trustee

By: _____
Authorized Officer

Dated _____

The above signature of an Authorized Officer or other authorized representative conforms to that on file with us. The Authorized Officer or other representative is authorized to sign for the Trustee.

Bank: _____

By: _____
Name: _____
Authorized Officer: _____

_____ hereby acknowledges that it is the successor to _____ as Trustee under the Indenture.

By: _____
Authorized Officer

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EXHIBIT F

NOTICE OF CREDIT

Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia, MD 21045-1951
Attention: Curtis H. Clicquennoi

Re: \$16,400,000 City of Yonkers Industrial Development Agency Multifamily Housing Revenue Bonds,
Series 2004 (Herriot Street Housing, L.P. Project) ("Bonds")

Ladies and Gentlemen:

Until further notice, you are authorized to deduct the amount of an Advance under the Standby Credit Enhancement Instrument relating to the Bonds from the following Fannie Mae account maintained at your institution:

WELLS FARGO BANK, N.A., as Trustee

By: _____
Authorized Officer

FANNIE MAE

By: _____
Name: _____
Title: _____

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EXHIBIT G

NOTICE OF TERMINATION

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Re: \$16,400,000 City of Yonkers Industrial Development Agency Multifamily Housing Revenue Bonds,
Series 2004 (Herriot Street Housing, L.P. Project) ("Bonds")

Gentlemen:

The undersigned, a duly Authorized Officer of the undersigned Trustee, certifies to Fannie Mae, with respect to the Standby Credit Enhancement Instrument issued in connection with the Bonds (the "Credit Facility"), that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized terms used but not defined in this Notice shall have the meaning given to that term in the Credit Facility.

The undersigned certifies to Fannie Mae that none of the Bonds are Outstanding under the Indenture other than, if applicable, Excluded Bonds.

Pursuant to the Indenture we are delivering the Credit Facility to you for cancellation.

Very truly yours,

WELLS FARGO BANK, N.A., as Trustee

By: _____
Authorized Officer

Dated: _____

