September 10, 1986

Honorable Felix G. Rohatyn
Chairman
Municipal Assistance Corporation
One World Trade Center, Suite 8901
New York, New York 10048

Dear Mr. Rohatyn:

On August 6, 1986, you requested a status report on the City’s plans to facilitate the development of moderate income rental housing through the utilization of funds which have been provided by the Municipal Assistance Corporation. The Housing Development Corporation has issued bonds for 80-20 housing projects. The MAC funds are used to subsidize the 80% of the units so that they are affordable to people earning less than $48,000. Of course, the 20% low-income units would be available to people earning substantially less.

As you know, the Housing Assistance Corporation, the Housing Development Corporation subsidiary which is responsible for administering the MAC generated subsidies allocated to housing projects, has received $40 million of the $100 million allocation total. We expect that the Fiscal 1986 $10 million appropriation will be transmitted to the Housing Assistance Corporation within the next 30 days. Another $50 million will be made available in the next 2 fiscal years. Based on our current projects, together with future projects which we envisage, I am confident that we will be able to fully utilize the $100 million to develop affordable housing for New Yorkers.

When I assumed my responsibilities here at HPD, I found that we have not made the progress we had hoped for. As Mayor Koch indicated at our recent announcement, the development of affordable rental housing is perhaps the most difficult development objective to attain. HPD and HDC have also learned from their experiences over the last 2 years and we are confident that we have corrected or minimized many of the problems which have impeded the development of this model rental housing program. Additionally, the current interest rate environment provides us with an opportunity to reduce the cost of housing.

In April, 1985, the City announced the selection of 9 new construction and substantial rehabilitation projects on privately held sites. We encountered a number of difficulties with these projects, many of them beyond our control. The difficulties related to site control, project feasibility and cost. As we moved forward with certain projects, the selected developers had difficulties with financing and insurance.
Two proposed developments (new construction projects in Brooklyn) were abandoned shortly thereafter as the developers failed to achieve or maintain site control. Two other projects proved to be infeasible. One project, which was to be located in Washington Heights, was beset by design problems. The site proved too narrow to permit the construction of an acceptable apartment project. The second site, in Kew Gardens, Queens, could not be constructed within reasonable cost constraints. Despite our instruction that the sponsor present an acceptable design format and development plans consistent with program requirements the applicant's failure to perform resulted in the project's disqualification in November, 1985.

The remaining 5 projects are in various stages of processing. The most advanced is 1010 Eastern Parkway, which commenced construction in December, 1985, and is near completion. We expect this 16-unit rehabilitation project to achieve occupancy within the next 60 days.

A second development, a 122-unit new construction project in Staten Island, closed last week. Construction will proceed within 2 months, and completion will occur within a year.

Three other projects are in various stages of processing. A 27-unit Brooklyn rehabilitation project appears ready to commence construction. However, the developer has indicated that given pending tax code revisions, he may wish to withdraw the site from the program and develop the site as an unregulated condominium.

The 2 remaining first phase sites are new construction projects; one is a 130-unit development in Harlem; and the other a 155-unit project for the elderly in Queens. The Harlem project has been enthusiastically received by the community and would constitute the first rental project to be developed in Harlem without a deep subsidy. Both projects have encountered zoning and/or development/financing obstacles which imperiled project feasibility. However, we have been working with the developers in an effort to resolve such matters and we are hopeful that construction will commence within the next 6 months. In addition, HDC is exploring alternative financing methods which could reduce annual debt service payments, thereby reducing the required annual subsidies.

Finally, with regard to the first phase of the Moderate Income Rental Housing Program Initiative, it should be noted that we have continued to work closely with Starrett Housing Corporation throughout the past 18 months in connection with a proposed 250-unit development adjacent to Starrett City. This project was not formally announced because the site required rezoning. It now appears, however, that the City Planning Commission is prepared to begin the rezoning process. Thus, we may now be in a position to proceed with this major project.

We anticipate that these 6 projects, consisting of 700 units, will utilize in excess of $20 million in subsidy principal.

Mayor Koch recently announced the second phase of projects to be developed on City-owned sites. We believe our planning for these projects was improved based on our experience with Phase One. We are confident that we will be able to move faster.
Of the 12 projects, 8 will result in the substantial rehabilitation of 474 units in Brooklyn and the Bronx. We have begun the accelerated disposition process, and we anticipate that the Board of Estimate will approve these projects by no later than December, 1986. Construction will commence by Spring, 1987. We are working very closely with the developers so that we can meet all the requirements of participating lenders/insurers on schedule.

The second phase also involves 4 new construction projects on City sites, encompassing 563 units. Disposition of these City sites for new construction projects involves a more lengthy and complex review process than is legally required for rehabilitation projects. In addition, two of these sites will require zoning changes. Notwithstanding these facts, we believe that we will have a construction start on these sites by Summer, 1987.

The 12 projects, involving 1,037 units, in the second phase of the MAC program will require in excess of $30 million in subsidy principal.

In sum, we estimate that the 1,700 units in Phase One and Two will require the use of $50-$60 million in MAC principal. The MAC contributions from Fiscal Years 1985 and 1986, together with interest earnings, are expected to be sufficient to fund the first 2 phases of the program. We expect that the entire $50 million will be committed to projects under construction within the next 18 months. In the near future, we expect to select sites for additional program projects which will absorb the remaining $50 million in MAC funds. As I am sure you know, however, future progress may well be impacted by the proposed revisions in the tax code which will affect the economics of rental housing.

As my evaluation of the program continues and evidence of our commitment to this and similar endeavors becomes apparent to the development community, I am hopeful that additional proposals from substantial builders will enable the broadening of the City's affordable housing initiatives, efforts which could utilize assistance from MAC or other capital sources.

Of course, we share your concern that scarce capital resources are effectively and expeditiously utilized in the City's overall housing and economic development efforts. The need for affordable rental housing is one of the City's most pressing problems. I can assure you that we will continue to strengthen our efforts to overcome those obstacles which have heretofore slowed our progress.

Sincerely yours,

Paul A. Crotty
Commissioner

PAC/nas
To the Financial Control Board:

Since first becoming aware of the problem in September, I have been concerned about the housing notes of the Housing Development Corporation now held by four of the New York City pension funds and next coming due on November 13, 1981. Both in my capacity as an HDC board member and as Director of Management and Budget for the City I am aware of the negative impact which even an appearance of default by HDC would have on both HDC and the City. Although hertofore the pension funds have renewed the notes each time they have come due, I am aware that they have become reluctant to continue to do so. It has been clear to me that a long-term financing vehicle for this HDC debt must be put in place.

Therefore I have pressed the staff and other board members of HDC to obtain alternate financing prior to the next due date for the notes on November 13. I have expressed the City's willingness to assist HDC in achieving a viable refinancing mechanism both through the efforts of my staff and by expressing the City's willingness to assure the rate which HDC might offer for a general housing bond through the City's obligation to maintain the debt service reserve for such a bond issue or by use of the direct draw on various revenue streams from the State.

With the benefit of the City rate assurance, a refinancing proposal has been developed through the cooperation of HDC, Kirchner Moore & Company as investment bankers, and my staff. I attach a memorandum of understanding setting forth the terms of refinancing arrived at, with the exception that the proposal as now contemplated would be for a principal amount of $35.75 million with HDC providing the necessary funds for the debt service reserve. I am informed that Kirchner Moore has a purchaser for this offer and that the terms of the refinancing have been described to the City pension fund trustees. Thus far the police pension fund board has expressed its agreement with the proposed refinancing without opposition and I am informed that it is reasonable to expect that, upon meeting, the remaining pension fund boards will respond similarly. I am
informed by HDC and my staff that there is no reason at this time to expect that the refinancing as proposed will not take place prior to November 13 when the notes next come due. I am further informed that in the unlikely event that the purchaser now contemplated by Kirchner Moore does not make the purchase, an offer substantially in the form proposed would be saleable elsewhere in the current market.

In light of the long history of periodic renewals, the City's willingness to support an interest rate on an HDC bond in excess of dedicated revenues for a limited period if necessary, and the existence of a proposed refinancing which has progressed thus far without impediment and is scheduled to close prior to November 13, 1981, I am confident that the secure and orderly treatment of City and Covered Organization debt with which you and the City are vitally concerned will be maintained through the successful refinancing of the HDC housing notes.

Very truly yours,

Alair A. Townsend
Director
October 22, 1981

Mr. Comer Coppie
Executive Director
Financial Control Board
270 Broadway
New York, New York

Re: HDC Series XII Notes

Dear Mr. Coppie:

Regarding the issuance by HDC of bonds to retire these notes it is clearly understood that the amount of the bonds will not exceed $35,747,000.

Accordingly there will be a capital reserve fund requirement assuming a 15% coupon on the bonds of $5,373,489.00. This fund will be provided by HDC from monies presently on hand, to wit:

1. On hand with the Morgan Guaranty Trust Company as depository pursuant to the note resolution $3,300,000

2. On deposit with the Morgan Guaranty Trust Company 2,073,489
   $5,373,489

In addition HDC estimates the costs of issuance for the bonds to be $500,000. Pursuant to agreements with the two housing companies/mortgagors (North Waterside and Knickerbocker Plaza) these costs will be borne by them.

Very truly yours,

John L. Warren
October 22, 1981

The Honorable Thomas DeRogatis  
Deputy Comptroller for Finance  
City of New York  
Municipal Building - Room 520  
New York, New York 10007

Dear Tom:

We understand approximately $35 million of notes of the New York City Housing Development Corporation ("HDC") currently held by certain New York City employee pension funds will mature on November 13, 1981. HDC is currently pursuing a financing approach which is intended to provide funds for the repayment of such outstanding notes.

In this connection, you have asked for our views as to the feasibility of securing alternate financing for the repayment of HDC's notes in the event the approach currently being pursued by HDC is not successfully completed. The alternate financing approach would involve the public or private sale of new HDC notes with a one year maturity. These new notes would be secured by HDC collateral currently securing the outstanding notes, and repayment of the new notes is to be further secured by a "take-out" agreement with the pension funds.

In our view under current market conditions, such new notes can be sold at an interest rate below 12%, which we have been informed is the maximum rate HDC is capable of paying. In reaching this conclusion, we have had no conversations with HDC, and have conducted no review of its financial position, or the collateral which would secure the new notes. Similarly, we have had no extensive conversations with representatives of any New York
City pension funds regarding this financing approach, nor have we reviewed their financial ability to provide the proposed "take-out". We have necessarily assumed that appropriate legal arrangements would be developed to fully bind the pension funds to provide a "take-out", if necessary, at the maturity of the new notes.

Finally, we want to stress that our views are based only on current municipal market conditions, and do not constitute a projection of market conditions over any future period including the period ending with the maturity of the existing notes.

Sincerely,

[Signature]

Dillon, Read & Co. Inc.
October 22, 1981

Mr. Comer Coppie  
Executive Director  
Financial Control Board  
270 Broadway  
New York, N.Y. 10007

Re: HDC Series XII Notes

Dear Mr. Coppie:

As you are aware, four of the New York City Pension Funds now hold $35.75 million principal amount of the Corporation's housing notes, originally issued to such pension funds in 1975 and since renewed six times. At the time when the notes were last renewed by the pension funds, the latter expressed reluctance to continue to renew the notes and the Corporation undertook to find alternative financing for this debt. Since that time, the Corporation has formulated a refinancing proposal in cooperation with the City and Kirchner Moore & Company, investment bankers, as set forth in the memorandum of understanding dated October 21, 1981, attached hereto. The proposed refinancing will take the form of an HDC Housing Bond with an annual repurchase commitment by the pension funds upon request by the bondholders.

We have been informed by Kirchner Moore that they have described the terms of the proposed financing to a purchaser who is willing and able to purchase the HDC bonds at the offered terms by November 13, 1981.

We have been further informed that the terms of the proposed financing have been described to the boards of trustees of the four City pension funds. One of the boards has met and indicated its approval of the proposed refinancing as outlined, except that they stipulate that the principal amount of the refinancing may not exceed $35.75 million. We expect that the remaining three boards will respond similarly at their meetings scheduled within the next week.

The Chairman of the Corporation has reviewed the proposed financing and found the terms acceptable within the limit set by the funds. The staff of the Corporation has reviewed the financing with the Vice-Chairman who also found the terms acceptable. The Chairman expects the HDC members will approve a refinancing upon substantially the terms outlined within a $35.75 million total.
Mr. Comer Coppie  

October 22, 1981

The City Comptroller has reviewed the financing as required by the Private Housing Finance Law with respect to a private placement of the Corporation's bonds and has indicated that he will approve a financing in substantially the terms outlined.

The Corporation has instructed its bond counsel to prepare the documentation for the sale which it expects will be available in draft form in the near future. At this time, the Corporation is aware of no impediment to the timely closing of the proposed financing prior to November 13, 1981.

Please contact me if you require further information.

Very truly yours,

Roger C. Simons

Attachment

cc: Alair Townsend
Memorandum of Understanding

The New York City Housing Development Corporation (the "Corporation") proposes to issue its Multi-Family Housing Bonds, 1981 Series, dated as of November 1, 1981 and maturing November 1, 2025 (the "Bonds") in an amount sufficient to provide for (a) (i) the funding of a capital reserve fund in an amount equal to the maximum annual debt service on the Bonds, (ii) the payment in full of the $35,747,000 aggregate principal amount of Series XII Housing Notes of the Corporation (the "Notes") and (iii) the costs of issuance of the Bonds, less (b) certain amounts on hand and available with the Corporation to make such payments, presently estimated to be $3,350,000. The Corporation will have on hand prior to the maturity of the Notes the amount of interest to be paid on such Notes, i.e., $1,787,350.

The Bonds are to be purchased by a money-market fund (the "Investor") through an investment banker, Kirchner Moore & Company, Denver, Colorado, acting as placement agent for the Corporation (the "Agent").

The Notes mature November 13, 1981 and are presently held, in differing amounts, by the New York City Employees' Retirement System, New York City Fire Department Pension Fund, Article 1-B, New York City Police Pension Fund, Article 2 and Teachers' Retirement System of The City of New York (the "Pension Funds").

The Notes are presently secured by two mortgages (the "Mortgages") and the related Section 236 interest subsidy contracts and are general obligations of the Corporation. The Bonds would be similarly secured and in addition will be further secured by a capital reserve fund, any earnings thereon and the ability of the City to maintain such reserve and the obligation of the State to pay over certain per capita aid to maintain such reserve (subject to legislative appropriation of such per capita aid). The financing is designed to be immune from the bankruptcy or other adverse changes to the condition of the Corporation.

Long-term borrowing rates are presently prohibitive and a method of financing has been designed to take advantage of short-term rates. In order to achieve such design, the holders of Bonds must be assured of a market for the Bonds if they seek to sell.

To provide such assurance, the Pension Funds are to execute a Tender and Purchase Agreement (the "Tender Agreement") pursuant to which the Pension Funds will be ratably obligated
on November 1 each of the years 1982 through 1991, upon
proper notice and presentment, to purchase any Bonds tendered
at a price of par. Upon an exercise of the Tender Agreement
the Pension Funds are to be paid a fee as described below.

In order to make a tender on any Bonds less likely
to occur, the interest rate has been keyed to an index which
it is believed will maintain the Bonds at a current short-
term yield until November 1, 1991. The interest rate (i)
until such date will be determined by formula, i.e., .65%
of the average of the discount rate for 13-week United States
Treasury bills auctioned during each of the four weeks prior
to the May 1 or November 1 date on which such interest rate
commences and (ii) from and subsequent to November 1, 1991,
until maturity or earlier redemption, the interest rate on
the Bonds shall be set at 200 basis points above the Twenty
Bond-Bond Buyer Index established in the most recent week
not later than October 1, 1991 (both (i) and (ii) the "Interest
Rate") provided, however, that such Interest Rate shall not
be less than 7% per annum nor more than 15% per annum.

If a tender should occur, the Corporation, at its
expense, will provide to the Pension Funds such disclosure
documents regarding the Corporation or such Bonds as may then
be required by applicable law so as to more readily enable the
Pension Funds to re-sell such Bonds.

If a Pension Fund should hold Bonds for any period
of time, it shall be paid a fee during each six month period
commencing on May 1 or November 1 computed on the principal
balance of Bonds so held (i) until November 1, 1991 at a rate
equal to the coupon equivalent of the 13-week United States
Treasury bills auctioned during the most recent week prior to
such May 1 or November 1, and (ii) from and subsequent to
November 1, 1991, until maturity or earlier redemption, at a
rate equal to the 30 year United States Treasury Bond yield
determined as of October 1, 1991, in both cases (i) and (ii)
less the then applicable Interest Rate (the "Tender Fee"),
provided however, that such Tender Fee shall not be more than
5% per annum.

The Bonds will be issued under a resolution of the
Corporation (the "Bond Resolution"). As noted above, the
Mortgages related subsidy contracts and revenues therefrom
will be pledged to the payment of the Bonds. Upon delivery
of the Bonds, two permanent accounts and one temporary account
will be established, being the debt service fund (the "Debt
Service Fund"), capital reserve fund ("Capital Reserve Fund"
and cost of issuance fund. The latter fund will be used to pay any costs related to the issuance of the Bonds and any excess will be deposited in the Debt Service Fund. The proceeds of the Bonds required to pay the principal of and interest on the Notes are to be deposited in the note account for such Notes. The Debt Service Fund will be the repository of the above-mentioned revenues from the Mortgages and subsidy contracts and any earnings on the Capital Reserve Fund. The Capital Reserve Fund will be funded upon delivery of the Bonds at an amount equal to the maximum aggregate principal and interest payable in any one year (assuming the interest rate was 15%). The Debt Service Fund will be used to make payments in the following order, to the extent required (i) the Tender Fee each May 1 and November 1, (ii) interest on the Bonds each May 1 and November 1 and (iii) principal due on the Bonds by redemption or maturity each November 1. To the extent that monies available in the Debt Service Fund are insufficient to pay principal and interest on the Bonds, monies in the Capital Reserve Fund are to be so utilized. It is probable that if the interest rate on the Bonds exceeds 12% the trustee will have to draw on the Capital Reserve Fund. Any deficiency in the Capital Reserve Fund is to be certified to The City of New York (the "City") and the State of New York (the "State") in accordance with the provisions of Article XII of the State Private Housing Finance Law (the "Act"). Pursuant to the Act the City and the State are authorized to cure such deficit. Amounts in the Capital Reserve Fund which might be subject to arbitrage yield restrictions may be invested in obligations of the City or State if such investment would increase the return to such Fund.

The operative documents are to be the Bond Resolution, a placement and purchase agreement among the Corporation, the Agent and the Investor (the "Purchase Agreement"), the Tender Agreement between the Pension Funds and the trustee on behalf of the holders of the Bonds, and a disclosure agreement between the Corporation and the Pension Funds. The payment of the Tender Fee will be established in the Bond Resolution.

The Bonds will be redeemable, in whole or in part, at the option of the Corporation, at par, on any November 1 upon notice as required by the Bond Resolution. The Bonds will also be redeemable, at the option of the Corporation, at par, plus accrued interest, if any, at any time, in whole or in part, but only to the extent such Bonds are held by a Pension Fund. The Bonds will also be subject to annual mandatory redemptions on each November 1 until maturity commencing November 1, 1982 from sinking fund payments with priority of redemption given to Bonds held by the Pension Funds. The Corporation will be permitted to purchase Bonds or redeem Bonds from excess monies, if any, and credit such purchases against its sinking fund obligation.
It is expected that a closing will be held in the first week of November. The execution of the Purchase Agreement and the closing are expected to be simultaneous. The initial Bonds will be delivered as a single, fully registered piece. Because of the floating rate aspect of the Bonds, coupon bonds will not be permissible. Registered Bonds in multiples of $5,000 will be available at some time after the closing.
October 22, 1981

Comer S. Coppie
Executive Director
Financial Control Board
270 Broadway
New York, NY 10007

Dear Mr. Coppie:

I understand that the matter of the refinancing of the Series XII Housing Notes (the "Notes") of the New York City Housing Development Corporation ("HDC") is presently under review by the Board. As Deputy Comptroller for Asset Management I am charged with the investment and management of the assets of the City pension systems including the Notes and have been directly involved in the effort to refinance them. I therefore would like to offer you my perspective on the proposal which has been developed to provide the funds necessary to redeem the Notes on November 13.

The Notes were last rolled-over six months ago. At that time, and in prior discussions with HDC, I endeavored to make clear to HDC the sentiment of the several Boards of Trustees of the four systems holding the Notes that the Notes be retired. In the past, I have advanced several alternative approaches to refinancing within HDC's operating constraints, unfortunately, earlier efforts met with a lack of response from HDC. Over the course of the last few months, however, the HDC Board and management have evidenced a keen and constructive desire to solve this issue in a manner consistent with the requirements of the pension systems.

These requirements, briefly stated, are that the systems not be exposed to undue and uncompensated risk, that the rate to be paid on any investment in HDC obligations be keyed to a taxable (i.e. non tax-exempt) rate, and that HDC have the intent and incentive to finance its programs outside the pension systems. The proposal to issue $35,747,000 of HDC bonds as contained in the latest draft Memorandum of Understanding (10/21/81) a copy of which is enclosed, addresses these requirements as follows:
1. **Security of the Bonds** - The Notes presently are general obligations of HDC further secured by mortgages on two projects. The bonds, in addition to the security features of the Notes will be subject to a reserve fund. This reserve fund will be funded, upon issuance of the bonds, in an amount equal to the highest amount of annual debt service on the Bonds. Should the reserve fund drop below the required level than the fund is to be replenished either through a City appropriation or an intercept on State per capita and to the City.

2. **Interest Rate** - The Notes presently bear an interest rate of 10%. The Bonds are structured to bear a floating rate which in the hands of the public is 65% of the 13-week Treasury Bill rate within a minimum and maximum range of 7-15% respectively. Should the Bonds be put to the Systems, then the rate goes to the full 13-week Treasury Bill rate and the maximum rate escalates to 20%. The Systems will, of course, be receiving the full principal payment on the sale of the Bonds. These proceeds will be invested to yield a non-tax-exempt rate for as long as the put option is not exercised.

3. **Incentive to HDC to take out the Systems** - The benefit to HDC of the refinancing scheme as structured lies in the put feature which allows the bonds to be rated as a short-term risk. This reduces interest rates while in the hands of the public and increases HDC's options over time. We have been informed that over the course of the ten years duration of the put option HDC should be able to generate sufficient funds to redeem the Bonds. The Systems, however, are concerned that HDC be seeking a solution which eliminates the System's liability on the Bonds and in this regard the "penalty" implicit in the non-tax exempt rate when the Bonds are held by the Systems should provide real incentive to HDC to refund the Bonds when market conditions permit.

The security features of the Bonds are similar to and slightly better than those of MAC bonds. If HDC has the present capability of meeting the debt service on the Bonds bearing a 12% without the necessity of outside assistance, as has been represented to us then a reasonable scenario exists for a long-term solution to this issue. In light of the City control of the Board of Directors of HDC there exists not only an incentive but a mechanism for taking out the Systems thereby minimizing the prospects of a deficit in the HDC reserve fund and a call on State per capita and to the City.

Acting as a fiduciary on behalf of the Pension Systems, I have needed to determine that the proposed refinancing is reasonable and prudent within the investment constraints of the Systems and with an eye towards the total context in which the Systems exists. As an investment I am able to recommend
the deal as outlined to the Systems and fully expect them to approve it, as the Police Pension Fund has done.

It is important to note that the interests of the Systems are not limited to the discrete question of this refinancing. Clearly the refinancing is superior to the rights the Systems would have in the event of a default, moreover, the Systems have a vital interest in the solution of this issue and the minimization of any negative and unwarranted publicity which would affect the market perception of City-related securities.

The magnitude of the Systems' City-related holdings makes the resolution of this matter a concern much graver than the relatively modest size of the investment for each of the Systems. For this reason and for the others related above, the HDC refinancing has received my full approval and recommendation. Its terms were carefully negotiated to secure for the Systems the full measure of features necessary for such approval and on that basis I unreservedly anticipate the full support of the Boards of trustees of each of the Pension Systems.

In closing, I understand the importance of this matter to you and stand available to provide you with any additional information you might require.

Very truly yours,

Jack R. Meyer  
Deputy Comptroller  
Asset Management

JRM/jje  
Enc.
October 22, 1981

Hon. Comer Coppie
Executive Director
Financial Control Board
270 Broadway - 21 Floor
New York, N.Y. 10007

Dear Comer:

As per your request for further clarification, I would like to reiterate the City's position and intentions with regard to the pending matter of refinancing the $35.7 million of HDC notes now held by certain pension funds: first, we are confident that the transaction now contemplated and described in our recent communications will in fact be executed in a timely fashion; second, we view the prospect of a potential HDC default or litigation alleging such default in connection with these notes with the utmost gravity.

Accordingly, in the event that this contemplated refinancing transaction is not executed prior to November 13, 1981, and if alternative arrangements cannot be made to remove any threat of impending default, I want to assure you that the City will provide the financial or other means necessary for the City to prevent the occurrence of such default, subject to necessary governmental approvals.

Very truly yours,

Alair A. Townsend
Director

AAT:rf
Memorandum of Understanding

The New York City Housing Development Corporation (the "Corporation") proposes to issue its Multi-Family Housing Bonds, 1981 Series, dated as of November 1, 1981 and maturing November 1, 2025 (the "Bonds") in an amount sufficient to provide for (a) (i) the funding of a capital reserve fund in an amount equal to the maximum annual debt service on the Bonds, (ii) the payment in full of the $35,747,000 aggregate principal amount of Series XII Housing Notes of the Corporation (the "Notes") and (iii) the costs of issuance of the Bonds, less (b) certain amounts on hand and available with the Corporation to make such payments, presently estimated to be $3,350,000. The Corporation will have on hand prior to the maturity of the Notes the amount of interest to be paid on such Notes, i.e., $1,787,350.

The Bonds are to be purchased by a money-market fund (the "Investor") through an investment banker, Kirchner Moore & Company, Denver, Colorado, acting as placement agent for the Corporation (the "Agent").

The Notes mature November 13, 1981 and are presently held, in differing amounts, by the New York City Employees' Retirement System, New York City Fire Department Pension Fund, Article 1-B, New York City Police Pension Fund, Article 2 and Teachers' Retirement System of The City of New York (the "Pension Funds").

The Notes are presently secured by two mortgages (the "Mortgages") and the related Section 236 interest subsidy contracts and are general obligations of the Corporation. The Bonds would be similarly secured and in addition will be further secured by a capital reserve fund, any earnings thereon and the ability of the City to maintain such reserve and the obligation of the State to pay over certain per capita aid to maintain such reserve (subject to legislative appropriation of such per capita aid). The financing is designed to be immune from the bankruptcy or other adverse changes to the condition of the Corporation.

Long-term borrowing rates are presently prohibitive and a method of financing has been designed to take advantage of short-term rates. In order to achieve such design, the holders of Bonds must be assured of a market for the Bonds if they seek to sell.

To provide such assurance, the Pension Funds are to execute a Tender and Purchase Agreement (the "Tender Agreement") pursuant to which the Pension Funds will be ratably obliged
It is expected that a closing will be held in the first week of November. The execution of the Purchase Agreement and the closing are expected to be simultaneous. The initial Bonds will be delivered as a single, fully registered piece. Because of the floating rate aspect of the Bonds, coupon bonds will not be permissible. Registered Bonds in multiples of $5,000 will be available at some time after the closing.
and cost of issuance fund. The latter fund will be used to pay any costs related to the issuance of the Bonds and any excess will be deposited in the Debt Service Fund. The proceeds of the Bonds required to pay the principal of and interest on the Notes are to be deposited in the note account for such Notes. The Debt Service Fund will be the repository of the above-mentioned revenues from the Mortgages and subsidy contracts and any earnings on the Capital Reserve Fund. The Capital Reserve Fund will be funded upon delivery of the Bonds at an amount equal to the maximum aggregate principal and interest payable in any one year (assuming the interest rate was 15%). The Debt Service Fund will be used to make payments in the following order, to the extent required (i) the Tender Fee each May 1 and November 1, (ii) interest on the Bonds each May 1 and November 1 and (iii) principal due on the Bonds by redemption or maturity each November 1. To the extent that monies available in the Debt Service Fund are insufficient to pay principal and interest on the Bonds, monies in the Capital Reserve Fund are to be so utilized. It is probable that if the interest rate on the Bonds exceeds 12% the trustee will have to draw on the Capital Reserve Fund. Any deficiency in the Capital Reserve Fund is to be certified to The City of New York (the "City") and the State of New York (the "State") in accordance with the provisions of Article XII of the State Private Housing Finance Law (the "Act"). Pursuant to the Act the City and the State are authorized to cure such deficit. Amounts in the Capital Reserve Fund which might be subject to arbitrage yield restrictions may be invested in obligations of the City or State if such investment would increase the return to such Fund.

The operative documents are to be the Bond Resolution, a placement and purchase agreement among the Corporation, the Agent and the Investor (the "Purchase Agreement"), the Tender Agreement between the Pension Funds and the trustee on behalf of the holders of the Bonds, and a disclosure agreement between the Corporation and the Pension Funds. The payment of the Tender Fee will be established in the Bond Resolution.

The Bonds will be redeemable, in whole or in part, at the option of the Corporation, at par, on any November 1 upon notice as required by the Bond Resolution. The Bonds will also be redeemable, at the option of the Corporation, at par, plus accrued interest, if any, at any time, in whole or in part, but only to the extent such Bonds are held by a Pension Fund. The Bonds will also be subject to annual mandatory redemptions on each November 1 until maturity commencing November 1, 1982 from sinking fund payments with priority of redemption given to Bonds held by the Pension Funds. The Corporation will be permitted to purchase Bonds or redeem Bonds from excess monies, if any, and credit such purchases against its sinking fund obligation.
on November 1 each of the years 1982 through 1991, upon proper notice and presentment, to purchase any Bonds tendered at a price of par. Upon an exercise of the Tender Agreement the Pension Funds are to be paid a fee as described below.

In order to make a tender on any Bonds less likely to occur, the interest rate has been keyed to an index which it is believed will maintain the Bonds at a current short-term yield until November 1, 1991. The interest rate (i) until such date will be determined by formula, i.e., .65% of the average of the discount rate for 13-week United States Treasury bills auctioned during each of the four weeks prior to the May 1 or November 1 date on which such interest rate commences and (ii) from and subsequent to November 1, 1991, until maturity or earlier redemption, the interest rate on the Bonds shall be set at 200 basis points above the Twenty Bond-Bond Buyer Index established in the most recent week not later than October 1, 1991 (both (i) and (ii) the "Interest Rate") provided, however, that such Interest Rate shall not be less than 7% per annum nor more than 15% per annum.

If a tender should occur, the Corporation, at its expense, will provide to the Pension Funds such disclosure documents regarding the Corporation or such Bonds as may then be required by applicable law so as to more readily enable the Pension Funds to re-sell such Bonds.

If a Pension Fund should hold Bonds for any period of time, it shall be paid a fee during each six month period commencing on May 1 or November 1 computed on the principal balance of Bonds so held (i) until November 1, 1991 at a rate equal to the coupon equivalent of the 13-week United States Treasury bills auctioned during the most recent week prior to such May 1 or November 1, and (ii) from and subsequent to November 1, 1991, until maturity or earlier redemption, at a rate equal to the 30 year United States Treasury Bond yield determined as of October 1, 1991, in both cases (i) and (ii) less the then applicable Interest Rate (the "Tender Fee"), provided however, that such Tender Fee shall not be more than 5% per annum.

The Bonds will be issued under a resolution of the Corporation (the "Bond Resolution"). As noted above, the Mortgages related subsidy contracts and revenues therefrom will be pledged to the payment of the Bonds. Upon delivery of the Bonds, two permanent accounts and one temporary account will be established, being the debt service fund (the "Debt Service Fund"), capital reserve fund ("Capital Reserve Fund")
July 8, 1980

Ms. Heather L. Ruth  
Executive Director  
Municipal Assistance Corporation  
One World Trade Center, Suite 8901  
New York, N.Y. 10048

Dear Ms. Ruth:

We have been advised by the Director of the City Office of Management and Budget and the City Comptroller that the New York City Housing Development Corporation ("HDC") proposes to issue Multi-Unit Mortgage Bonds (PHA-Insured Mortgage Loans), 1980 Series A, in an aggregate principal amount not to exceed $113 million and at a net interest cost not to exceed 9.60%. The bonds would be sold to a syndicate of underwriters for reoffering to the public and are being issued by HDC for the purpose of paying HDC's cost of acquiring from The City of New York mortgages on 8 multi-unit housing projects. The issuance was previously postponed but delivery is currently scheduled to take place in July 1980. Copies of a formal submission requesting Control Board approval of the issuance and sale of the bonds will be available at our offices.

Pursuant to Section 7.1(f) of the Financial Emergency Act, we ask that you kindly advise us of the views of the Municipal Assistance Corporation regarding this proposed borrowing.

Very truly yours,

Comer S. Coppie
June 18, 1979

To:
Finance Committee

From:
Robert P. Vagt

Re:
FYI - Bank Proposal For HDC

The attached "idea paper" was given to me last Friday. I responded to Ted Beason with the points listed on the last page. While I trust the idea will not be pursued, the fact that members of the Clearinghouse hold HDC debt which was caught when Moody's downgraded it may sustain this proposal for a while.
POSSIBLE MEASURES TO IMPROVE
THE CREDIT OF OUTSTANDING HDC BONDS

The New York City Housing Development Corporation (HDC) has approximately $282,405,000 of Bonds and $37,610,000 of Notes outstanding pursuant to its General Housing Program. Currently $22,385,000 principal amount of such HDC Bonds, the Series D and E Bonds issued under the General Housing Bond Resolution, are held by four purchasers pursuant to an August 1975 agreement which provides, among other things, that HDC will make good any loss resulting from the sale of such Bonds by such purchasers prior to August 15, 1979.

In September 1978, Moody's lowered its rating of HDC General Housing Bonds to "Ba" from conditional "Baa 1," citing the opinion that HDC's mortgage portfolio would not generate enough money in coming years to meet debt service payments on the General Housing Bonds (Standard & Poor's continues to rate the Bonds "A"). This lowering of the rating further depresses the market for these Bonds (i.e., most financial institutions and corporations are prohibited from buying non-investment grade securities) and increases the potential liability of HDC if such Bonds are sold in the market by purchasers under the 1975 agreement. The restoration of an investment grade rating on these Bonds would broaden the market for HDC debt, allow HDC to permanently finance the Notes, reduce or eliminate any potential losses on the Series D and E bonds, and, equally important, reflect favorably on the City's credit. This memorandum considers certain measures which should be explored to buttress the credit of HDC General Housing Bonds to achieve an investment grade rating.

HDC Bonds are payable from revenues from housing project mortgages financed from the proceeds of the Bonds. The Bonds are additionally secured by (a) a General Reserve Fund, which may not exceed 2% of bonds outstanding
and may be used for general corporate purposes including payment of debt, (b) a Capital Reserve Fund, which is required to be funded in the amount of maximum annual debt service for all outstanding Bonds, (c) a certification procedure to invoke the City's moral obligation to replenish any deficiency in the Capital Reserve Fund and (d) a statutory intercept of per capita State Aid (presently subject only to the prior claim of City University Construction Fund to secure Dormitory Authority debt service) to replenish any deficiency in the Capital Reserve Fund upon annual certification to the State Comptroller.

The security for all HDC bonds would be strengthened by establishing a new intercept of per capita aid (ranking, like the existing intercept, after any CUCF requirements) in an amount equal to the amount of annual HDC debt service requirements not provided by mortgage revenues. The new intercept would be activated prior to any withdrawal from the General Reserve Fund or from the Capital Reserve Fund (i.e., not, like the present intercept, after invoking the City's moral obligation). Although there is no guarantee or legal obligation on the part of the State to appropriate per capita aid funds, the basic aid formula has continued since 1946. More importantly, the Second Resolution MAC Bonds are secured by per capita aid, a subordinate lien to HDC Bonds, and failure of the State to appropriate such aid is a default under that Resolution. HDC bondholders would benefit from this MAC provision.

Implementation of the new intercept would require State and possibly City legislation as well as an amendment to the Resolution, which it would appear could be effected without bondholder approval. Prior to implementation, however, the following matters should be considered:

1. MAC would undoubtedly wish to consider carefully the impact of the new intercept on its credit. Such impact would have to be assessed, among other things,
in the light of (a) the existence of the present intercept to meet deficiencies in the Capital Reserve Funds and (b) the actual and anticipated amounts of mortgage revenues available to meet HDC debt service requirements. The security for MAC Second Resolution Bonds would be minimally impacted by the new intercept. Sales tax revenues in excess of amounts necessary for MAC First Resolution Bonds would alone provide for all of the debt service on MAC Second Resolution Bonds. The spill-over from sales tax alone would range from approximately $750 million in fiscal year 1980 to approximately $890 million in fiscal year 1983, which would provide coverage of 2.1 times and 3.5 times, respectively, on maximum annual debt service on presently outstanding Second Resolution Bonds.

If MAC were to issue an additional $2.9 billion Second Resolution Bonds over the next three fiscal years, which would bring MAC's debt outstanding to the $8.8 billion cap, the coverage on the maximum annual debt service on all MAC Bonds from sales tax revenue alone would be approximately 1.2 times based on projected 1983 sales tax receipts. This assumes no First or Second Resolution refundings which would increase the coverage level by sales tax receipts in fiscal year 1983. Sales tax revenue may be expected to increase steadily on account of inflation, and therefore, the coverage on maximum annual debt service on all MAC bonds should be more than adequate.
Present maximum annual debt service requirements on HDC Bonds is approximately $20 million and deficiencies in mortgage payments over the past two years have been $1.8 million. (Such deficiencies are being repaid over ten years under an agreement with the various housing companies.) This compares with $417 million of per capita aid appropriated by the State for fiscal 1979 (net of CUCF prior lien).

2. Various counsel would have to pass upon the feasibility of such provisions in the light of existing statutory provisions and outstanding debt. It may, for example, be desirable to confirm that the State, in creating the new intercept, would not violate its covenant with MAC bondholders that it will not limit or alter the rights vested in MAC by the MAC Act to fulfill the terms of its agreements with MAC bondholders. With respect to HDC bondholders, it may be desirable for the State to covenant with HDC bondholders not to repeal the legislatively imposed new intercept on per capita aid.

3. Under MAC's Bond Purchase Agreement with the pension funds and financial institutions providing for the purchase of MAC Bonds as a part of the City's four-year financial plan, it is a condition of each drawdown that the prospects for repayment of principal and interest on MAC Bonds shall not have been materially adversely affected by any new encumbrance or legislative action. In addition, the forms of opinion of bond counsel and the State Attorney General to be delivered on each
drawdown refer only to existing pre-MAC claims on per capita aid. The necessity of a waiver of these conditions by purchasers would have to be considered.

1. Not a "Clarification" of existing liens, it is a new one. Not doable.

2. City has never held the line on Mitchell-Lama housing. This lien would be exercised in the near future. While the amount would not be overwhelming, it would preclude us from alluding to the fact that liens prior to MAC's have never been used. Horrible marketing point!

3. This would be a "Mitchell-Lama Program" of the sort which the state legislature (esp. the Senate) has refused to pass for 2 years. This sort of circumvention is not likely to endear anyone to them...

4. Since the bulk of HDC debt is now of the FHA insured variety, such a device on the remaining debt is probably not so overwhelming. Moody's that they raise the city's rating
MEMORANDUM

TO: The persons whose name appear on the attached list

FROM: G. Allen Bass

RE: New York City Housing Development Corporation
    Multifamily Housing Limited Obligations Bonds

You must excuse one who returns to a financing not fully aware of what transpired during his absence. Since distributing the revised resolution this morning, two points have been brought to my attention: one, there was an agreement not to distribute any revised pages unless the changes were marked, and two, you had received pages revised 6/24/77 and marked to show changes.

Accordingly, I have had the pages revised on 6/30/77, 7/5/77 and 7/7/77 marked to show changes, and they are enclosed with this memorandum. The change marked on the page now numbered X-6 is part of the 6/30/77 revision, the only revision on 7/7/77 of this page and of pages X-7 through X-14 was to renumber the pages to accommodate the additions to Section 1002.
DISTRIBUTION LIST

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

Greater New York Savings Bank
410 Madison Avenue
New York, New York (Att. John Fischetti)

Charles H. Ahearn, Esq.
Greater New York Savings Bank
410 Madison Avenue
New York, New York

West Side Federal Savings and Loan Association
1790 Broadway
New York, New York

Attention: Michael Zarrilli

Astoria Federal Savings and Loan Association
37-16 30th Avenue
Long Island City, New York

Attention: George L. Engelke

Manhattan Savings Bank
385 Madison Avenue
New York, New York

Attention: William Dickson

Omer J. Williams, Esq.
Thacher, Proffitt & Wood
40 Wall Street
New York, New York 10005

Dollar Savings Bank of New York
2530 Grand Concourse
Bronx, New York

Attention: Frederick Parent

Metropolitan Savings Bank
189 Montague Street
Brooklyn, New York 11201

Attention: John J. Flynn

Harold Kuplesky, Esq.
Roger Simons, Esq.
Emily Maltby, Esq.
New York City Housing Development Corporation
52 Broadway, 10th Floor
New York, New York 10004

Mr. Stanley Cheslock
First Pennco Securities, Inc.
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New York, New York 10005

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Willkie, Farr & Gallagher
120 Broadway
New York, New York 10005

Ray Sanseverino, Esq.
Corbin & Gordon
280 Park Avenue
New York, New York

Marilyn Freeman, Esq.
Municipal Assistance Corporation
2 World Trade Center
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New York, New York

Mr. John Bender
Emergency Financial Control Board
270 Broadway (21st Floor)
New York, New York

Mr. Bernard Kabak
Special Deputy Controller of the State of New York
270 Broadway, 22nd Floor
New York, New York

George DeJenaro, Esq.
Shea Gould Climenko & Casey
330 Madison Avenue
New York, New York

Karen Eisenstadt (Ms.)
Bureau of the Budget Municipal Building
New York, New York Room 1102
Corporation means the New York City Housing Development Corporation, the corporate governmental agency, constituting a public benefit corporation, created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Corporation.

Corporation Requirement means, as of the fifteenth day of any month, an amount equal to the amount of monies paid in the prior month as principal of and interest on a particular Related Mortgage, plus late charge, if any, less (i) the amount paid or to be paid on such fifteenth day as principal of and interest on Bonds of the Series of Bonds issued for such Related Mortgage and (ii) the Servicing Fee with respect to such Related Mortgage.

Costs of Issuance means only the costs of issuing a Series of Bonds which may be included in computing the adjusted yield on the Bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954 of the United States of America in effect on the Issue Date of such Series of Bonds and Regulations of Department of the Treasury thereunder and Rulings of the Commissioner of Internal Revenue to the Corporation thereunder or a Counsel's Opinion thereunder.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys selected by the Corporation and satisfactory to the Trustee and when used with regard to the validity of Bonds means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to state, municipal and public agency financing.

Default Payment means monies received or recovered by virtue of the assignment or the foreclosure of the mortgaged premises which are the subject of a Related Mortgage or other proceedings taken in the event of default by the Mortgagor (other than the modification
of such Related Mortgage permitted under the Resolution), including monies realized from the Federal Insurer with regard to the Related Mortgage and excluding monies representing: (i) any amounts paid as principal or interest on the Bonds of a Series of Bonds which were paid from a source other than as payments on the Related Mortgage; (ii) any amounts paid as principal of or interest on such Bonds from a portion of such mortgage payments which the Corporation was not required pursuant to the Resolution to apply to the payment of principal of or interest on such Bonds; (iii) any amounts which constituted interest paid on the Related Mortgaged applied to the payment of principal on such Bonds; or (iv) any amount by which the remaining unpaid principal of the Related Mortgage exceeds ninety-nine per centum (99%) of the principal amount of the Outstanding Bonds of such Series of Bonds. Notwithstanding any other provision of the Resolution, monies representing any of the amounts referred to in (i) through (iv) of the prior sentence shall be paid to the Corporation.

Depositary means any bank or trust company or national banking association selected by the Corporation and approved by the Trustee (which approval shall not be unreasonably withheld) as a depository of monies or securities held under the Resolution.

Escrow Fund means the Fund so designated, and established and created by Section 502.

Escrow Fund Requirement means, as of the first day of any particular month of computation, an amount of money equal to (i) the sum of the annual mortgage insurance premium, taxes and assessments, fire and other hazard insurance, and similar charges next due on a Related Project pursuant to a Related Mortgage divided by the number of months to elapse before one month prior to the date that each such payment shall become delinquent, less (ii) the amount
of monies then on deposit in the Related Project Escrow Account established for such Related Project.

Federal Insurance Claim Payment Fund means the special fund referred to in 24 Code of Federal Regulations Section 207.32a(k), as the same may be amended from time to time.

Federal Insurer means the Federal Housing Administration or another instrumentality of the United States of America to which the powers of said Administration may be transferred with respect to the insurance of a Mortgage.

Investment Securities means and includes any of the following securities if and to the extent the same are at the time legal investments for monies of the Corporation:

(i) Direct obligations of or obligations guaranteed by the United States of America;

(ii) Any bond, debenture, note, participation or other obligation issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration and Export-Import Bank;

(iii) Any bond, debenture, note, participation or other obligation issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by an agency or instrumentality of the United States of America and backed by the full faith and credit of the United States of America;

(iv) Any other obligation of the United States of America
or any other agency or instrumentality thereof which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State; and

(v) Public Housing Bonds issued by Public Housing Authorities and fully secured pursuant to the United States Housing Act of 1937, as amended, as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured pursuant to the United States Housing Act of 1937, as amended, or the Housing Act of 1949, as amended, as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

**Issue Date** means the date of original delivery of any Series of Bonds.

**Loan Documents** mean each and everyone of the following collectively: (i) the Related Mortgage, (ii) the policy of title insurance insuring the title to the mortgage premises of the Related Project or Related Mortgage, (iii) the policy of fire and other hazard insurance insuring the Corporation against loss by reason of damage or destruction of the Related Project, (iv) the Subsidy Contract, if any, relating to the Related Project, and (v) the insurance by the Federal Insurer of the Related Mortgage.

**Mitchell-Lama Law** means the Limited-Profit Housing Companies Law, Article II of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of the State of New York), as amended from time to time.
Mortgage means the instrument creating a first mortgage lien on the real property of a Project and all fixtures and personal property of the Mortgagor now or hereafter attached thereto or used therein, and the term "Mortgage" includes the note secured by such instrument.

Mortgagor means a company, corporation, partnership, person or other entity mortgaging a Project.

Outstanding - when used with reference to Bonds of any Series, means, as of any date, a Bond or Bonds of any such Series theretofore or thereupon being authenticated and delivered under the Resolution except:

(i) any Bonds cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled, at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which cash, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or Redemption Date, shall be held in trust under the Resolution for such purpose (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in Article V or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III and Section 906; and

(iv) Bonds deemed to have been paid as provided in Section 1201.
Pledged Receipts means all monies representing (i) the scheduled payments (monthly or otherwise) of principal and interest called for by a particular Related Mortgage or payments made on behalf of a Project securing such Related Mortgage or for the purpose of making payments on the Bonds of a particular Series the proceeds of sale of which were used to acquire such Related Mortgage, paid from any source whatsoever including, without limiting the generality thereof, timely and delinquent payments of principle and interest, including late charges, if any, and payments received under a Subsidy Contract but excluding Recoveries of Principal and (ii) amounts deposited in the Reserve for Replacement Account for such Related Mortgage.

Prepayment means monies received or recovered from any prepayment of principal (including prepayments required by the Federal Insurer) on a Related Mortgage, including any prepayment penalty, fee, premium, or other additional charge as is provided in such Related Mortgage.

Principal Installments means, for any month, as of any date of calculation, the amounts of principal of the Outstanding Bonds of a Series of Bonds, computed in accordance with Section 302, becoming due and payable in such month.

Principal Office means the principal, head, corporate trust or principal trust office of the Trustee situated in the City in which the Trustee is described as being located.
Project means a project as defined in, and financed by the City pursuant to, the Mitchell-Lama Law.

Project Costs means "project costs" as defined by the Mitchell-Lama Law.

Property Improvements means the improvement to a Project required by the Federal Insurer as a condition precedent to endorsing for insurance the Related Mortgage in order to comply with the minimum property standards enforced by the Federal Insurer.

Recoveries of Principal means all monies (other than Pledged Receipts accrued to the date of the Recovery of Principal, any amounts received as reimbursement for reasonable and necessary expenses incurred in obtaining such monies or for taxes, insurance premiums, or other expenses incurred in maintaining the Related Project) received or recovered on account of any Related Mortgage as Casualty Insurance Proceeds, Condemnation Awards, Default Payments, Prepayments or Sale Payments.

Redemption Date means the date selected in accordance with the Resolution on which Bonds or portions thereof may be called for redemption.

Redemption Fund means the Fund so designated, and established and created by Section 502.

Redemption Price means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the Resolution.
Reserve for Replacements Fund means the Fund so designated, and established and created by Section 502.

Resolution means this Multifamily Housing Limited Obligation Bonds General Bond Resolution as the same may be amended or supplemented from time to time by Supplemental Resolutions.

Revenue Fund means the Fund so designated, and established and created by Section 502.

Sale Payment means monies received or recovered from the sale, assignment, endorsement or other disposition of a Mortgage except Prepayments or Default Payments.

Series means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bond thereafter authenticated and delivered in lieu of or in substitution for any of such Bonds.

Series Redemption Account means one of the accounts established in the Redemption Fund pursuant to Section 509(A).

Series Resolution means a resolution of the Corporation authorizing the issuance of a Series of Bonds in accordance with the provisions of the Resolution.

Series Revenue Account means one of the accounts created in the Escrow Fund pursuant to Section 505(A).

Servicing Fee means, as of the fifteenth day of any month, an amount of monies equal to the amount accrued and unpaid and to accrue on such date pursuant to the agreement between the City and the Corporation for the performance of the duties of the Corporation hereunder with respect to a particular Related Mortgage.

State means the State of New York.

Subsidy Contract means any agreement or agreements with the United States of America to make payments of a portion of the interest on a Related Mortgage or with respect to the occupancy of a Related Project.
ARTICLE III

General Terms and Provisions of Bonds, and Redemption Price

Section 301. Date of Bonds. Each Bond shall be dated as of its Issue Date; provided, however, that if, as shown by the records of the Trustee, interest on the Bond shall be in default, the Bonds issued in lieu of Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bonds surrendered.

Section 302. Installments of Principal and Interest. (A) The Outstanding portion of each Bond of a Series of Bonds, shall bear interest at the rate of six and one-half per centum (6 1/2%) per annum (on a 30 day month, 360 day year) from its Issue Date, payable on the fifteenth day of the first calendar month immediately following the first full calendar month after the month appearing in the Issue Date and on the fifteenth day of each calendar month thereafter until the Corporation's obligation with respect to the payment of the principal sum of such Bond shall have been discharged. If the Related Mortgage for which a Series of Bonds was issued is modified under Section 715(A)(2) and the monthly payments of interest on such Related Mortgage as modified are not sufficient to pay the monthly payments of interest on such Bonds as the same become due and payable, the Trustee shall recalculate such monthly payments so that each payment of interest shall be calculated at an annual rate of 6 1/2% on the Outstanding principal amount of the Bonds.
(B) The principal amount of each Series of Bonds upon the issuance thereof shall not exceed the unpaid principal amount of the Related Mortgage. The principal amount of the Bonds of each Series of Bonds shall be payable in consecutive monthly installments due and payable on the fifteenth day of each calendar month, commencing on the fifteenth day of the calendar month specified in the Series Resolution authorizing the issuance thereof.

(C) Upon a recalculation of Principal Installments as set forth in subsection (D) of this Section, principal on Bonds of the affected Series of Bonds shall be payable in accordance with the date specified in the notice hereinafter mentioned until and unless such schedule is again recalculated in accordance with said subsection.

(D) Principal Installments of Bonds of a particular Series of Bonds shall be recalculated if (i) the Outstanding principal amount of Bonds of such Series equals or exceeds the unpaid principal amount of the Related Mortgage for which such Series was issued and (ii) the Related Mortgage is modified in accordance with Section 715 or Section 1002(2)(b). If such events shall occur the Trustee shall recalculate the monthly Principal Installments of the Bonds of such Series of Bonds so that the same equal the amount of principal to be paid in each corresponding month on the Related Mortgage. In no event shall such recalculation or recalculations cause any Bond to remain Outstanding for a period in excess of forty-one (41) years after the Issue Date of such Series of Bonds.

(E) The Trustee shall promptly give notice to each holder of Bonds of the affected Series of Bonds of a recalculation of either Principal Installments of or interest on such Bonds, and the date that Principal Installments or interest or both as recalculated shall be payable. The schedule of Principal Installments and interest as recalculated shall be included in such notice. Such notice shall be given in the manner provided in Section 903.
ARTICLE IV
Redemption of Bonds

Section 401. **Privilege of Redemption and Redemption Price.** (A) The Bonds of any Series shall be redeemable upon notice given as provided in this Article on the fifteenth day of any month as a whole or in part.

(B) The Redemption Price of the Bonds of any Series shall not exceed one hundred per centum (100%) of the unpaid principal amount of the Bonds to be redeemed plus, as a redemption premium, an amount equal to the prepayment penalty, if any, due upon the application of an equal amount to the prepayment of the Related Mortgage or, if such Bonds are redeemed pursuant to Section 402 hereof, a redemption premium of five per centum of such principal amount. No redemption premium shall be payable upon redemption of Bonds from Condemnation Awards or Casualty Insurance Proceeds or arising from a prepayment of a Related Mortgage required by the Federal Insurer.

Section 402. **Redemption at the Demand of the City.** The City may, at any time after July 1, 1997, upon furnishing sufficient monies for the redemption of any Series of Bonds as a whole or in part require the Corporation to redeem such Series of Bonds prior to maturity at the Redemption Price thereof plus interest accrued to the Redemption Date.
Section 403. Notice of Redemption. When the Trustee shall receive notice from the Corporation of redemption of Bonds, the Trustee shall give written notice, in the name of the Corporation, of the Series of Bonds to be redeemed, the Redemption Date, and in the case of a Series of Bonds to be redeemed only in part, the respective portions of the principal amount of such Bonds to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall also mail a copy of such notice, postage prepaid, not less than thirty (30) days prior to the Redemption Date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books.

Section 404. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 403, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the Principal Office of the Trustee together with, in the case of Bonds to be redeemed in whole, a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, shall be paid.
its right, title and interest in the Loan Documents, including the Related Mortgage, the policy of title insurance insuring the title to the mortgaged premises of the Related Project or Related Mortgage, the policy of fire and other hazard insurance insuring the Corporation against loss by reason of damage or destruction of the Related Project, the Subsidy Contract (to the extent permitted by the Federal Insurer or other instrumentality of the United States of America that is a party to such Contract), if any, relating to the Related Project, and the insurance by the Federal Insurer of the Related Mortgage. Notwithstanding such pledge and assignment the Corporation shall have the right to exercise all rights and take such actions with regard to the Loan Documents as are conferred in Section 12 hereof. The Trustee shall make available the documents hereby pledged and assigned at all times and in such fashion and, at the direction of the Corporation, shall take all such actions as shall be reasonable to permit the exercise by the Corporation of its rights and duties hereunder.

(D) The pledge and assignment of subsection (C) of this Section of documents with respect to a particular Related Mortgage and Project is for the sole benefit of the Holders of Bonds of a Series of Bonds issued with respect to such Related Mortgage and Project, and the Trustee acting on their behalf alone, and the Holders of Bonds of any other Series of Bonds shall have no rights with respect to such documents.

Section 502. Establishment of Funds and Accounts. The Corporation hereby creates and establishes the following special trust Funds:
respect to the payment of interest on and principal of such Bonds notwithstanding that such application shall not equal the amount of the Outstanding portions of such Bonds and the interest due thereon. After the principal of and interest on a particular Series of Bonds have been paid in accordance with the terms of the Resolution, the Trustee shall pay the balance, if any, remaining to the Corporation, free and clear of the lien and pledge of the Resolution, for any lawful purpose of the Corporation consistent with Section 709.

Section 505. Revenue Fund. (A) The Trustee shall establish a separate account within the Revenue Fund designated "Project Revenue Account" (inserting therein the designation of the Related Project appearing in the title of the Series of Bonds) for the Outstanding Bonds of each Series.

(B) The Trustee shall on the fifteenth day of each month withdraw from amounts credited to each Series Revenue Account and pay to the Holders of Bonds of the Series for which the respective Series Revenue Account was created:

FIRST: the amounts required to be paid as interest on such Bonds on such date, and, on any Redemption Date or date of purchase, the amounts required for the payment of accrued interest on such Bonds redeemed or purchased unless the payment of such accrued interest shall be otherwise provided for; and

SECOND: the amounts required to be paid as Principal Installments on such Bonds on such date.
(C) On the fifteenth day of each month after making the payments, if any, as set forth in subsection (B) of this Section, the Trustee shall transfer amounts credited to each Series Revenue Account and apply the same to the following purposes, but as to each such purpose only within the limitations herein below indicated with respect thereto and only after maximum application for each such purpose previously mentioned in the following enumeration:

FIRST: to the credit of the Corporation, free and clear of any lien or pledge of the Resolution, the amount of the Servicing Fee with respect to the Related Mortgage to be used for any lawful purpose of the Corporation consistent with Section 709.

SECOND: to the credit of the Corporation, free and clear of any lien or pledge of the Resolution, the amount of the Corporation Requirement with respect to such Series of Bonds to be used for any lawful purpose of the Corporation consistent with Section 709.

THIRD: to the credit of the Related Mortgage Reserve for Replacements Account established with respect to such Series of Bonds, so much of the balance remaining, if any, as is necessary to increase the amount credited to such Account to the amount required by the Federal Insurer to be credited thereto, and the remainder of such balance shall be credited to the Corporation, free and clear of any lien or pledge of the Resolution, for any lawful purpose of the Corporation consistent with Section 709 hereof.

(D) No amount shall be transferred from or paid out of any Series Revenue Account except as expressly provided in the Resolution.

Section 506. Escrow Fund. (A) The Trustee shall establish a separate account within the Escrow Fund designated "
Project Escrow Account" (inserting therein the designation of the Related Project appearing in the title of the Series of Bonds) with respect to the Outstanding Bonds of each Series.

(B) The Trustee shall apply monies credited to a Related Project Escrow Account to the payment of the annual mortgage insurance premiums, taxes, assessments, fire and other hazard insurance premiums, and similar charges as the same become due and payable. Such payments from a Related Project Escrow Account shall be only made with respect to the Related Project designated in the title of such Account.

(C) In the event that in any month amounts credited to a Related Project Escrow Account are insufficient to make in such month the payments required to be made by subsection (B) of this Section, the Trustee shall first apply such amounts to the annual mortgage insurance premium and then hazard insurance and then to such other payments in such amounts as the Corporation shall direct.

(D) Amounts representing interest earned and gains realized by the investment of amounts credited to a Related Project Escrow Account shall be retained therein and applied in the same manner as other amounts in such Account may be applied.

(E) The amounts credited to accounts in the Escrow Fund are not pledged to the payment of principal or Redemption Price of and interest on Bonds of any Series, but are to be held by the Trustee in trust and applied solely to the purposes expressly provided in this Section or to such purposes as are permitted by the Federal insurer.
were used to purchase such Investment Securities. Such Investment Securities shall be valued at the market value of such Securities if the same were to be sold on the day that the respective repurchase agreement matures and shall at all times have a value (exclusive of accrued interest) not less than the amount of monies used to purchase such Investment Securities. Such Investment Securities shall be held under repurchase agreements that permit the Trustee to immediately sell such Investment Securities if the other party to such agreement shall fail to promptly repurchase the Investment Securities on the day required by the repurchase agreement. In such event the Trustee shall sell such Investment Securities at the best price obtainable whenever it shall be necessary in order to provide monies to meet any payment from such Account.

(D) In computing the amount held in any Fund or Account held by the Trustee under the Resolution obligations (other than Investment Securities that are the subject of repurchase agreements) shall be valued at the lesser of par or the purchase price paid by the Corporation.

(E) Except as provided in Section 508 (E) hereof, amounts representing interest earned and gains realized by the investments of amounts credited to any Fund or Account held by the Trustee under the Resolution shall be deposited into or credited to such Fund and Account and shall be used for the purposes permitted for monies in such Fund or Account.
centum (80%) of the insurable value of the Related Project and (ii) the unpaid principal balance of the Related Mortgage. Such policy shall be endorsed with the standard mortgagee clause with loss payable to, the Trustee and the Federal Insurer as their interests may appear.

(B) The endorsement of the Related Mortgage for insurance by the Federal Insurer shall be under regulations of the Federal Insurer which, provide for payment in cash (either at the option of the mortgagee or without reference to such option but not at the option of the Federal Insurer) of the benefits of such insurance.

(C) Neither the Trustee nor the Corporation shall exercise any option to receive benefits of such insurance in any form other than cash.

Section 713. **Insurance of Related Mortgages.** (A) The Corporation shall at all times do and perform all acts and things permitted by law and necessary in order to assure that the insurance by the Federal Insurer of any Related Mortgage or a Subsidy Contract, if any, shall remain in full force and effect.

(B) The Corporation shall not exercise any option to receive benefits of such insurance in any form other than cash.

Section 714. **Administration of Duties with Respect to the Related Mortgages.** (A) The Corporation shall appoint, retain and employ competent supervisory personnel for the purpose of carrying out its duties with respect to the Related Mortgages and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by the Corporation shall be qualified for their respective positions.
(B) The Corporation shall perform its duties with respect to the Related Mortgages in accordance with acceptable mortgage practices of prudent lending institutions and in a manner consistent with the requirements of Section 713. For so long as any Bonds of a Series of Bonds are Outstanding the Corporation shall irrevocably direct all parties to pay all monies that will constitute Pledge Receipts or Recoveries of Principal related to such Series of Bonds by check payable to the order of the Trustee. In the event of a default by a Mortgagor, the Corporation shall give notice of such event of default to the Trustee and shall exercise due diligence in collecting amounts due under the Related Mortgage.

Section 715. Modification and Sale of Mortgages. (A) Except as otherwise provided in Article X, the Corporation shall not consent to the modification of any payments to be made under any Related Mortgage or Subsidy Contract or the security for a Related Mortgage except with the approval of the Federal Insurer and any other instrumentality of the United States of America which would be relieved of any existing obligation to the Corporation absent such approval and as follows:

(1) The payment provisions of a particular Related Mortgage or subsidy Contract may be modified so long as such provisions would not cause the Related Mortgage to be fully amortized over a period longer than that remaining from the date of such modification to a date forty-one (41) years from the date of such Bonds provide for the payment of an amount sufficient to pay:

(a) interest on Outstanding portions of Bonds of the Series of Bonds issued for such Related Mortgage as such
ARTICLE X

Defaults and Remedies

Section 1001. **Trustee to Exercise Powers of Statutory Trustee.** The Trustee shall be and hereby is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 660 of the Act and the right of Bondholders to appoint a trustee pursuant to Section 660 of the Act is hereby abrogated in accordance with the provisions of paragraph (i) of subdivision 3 of Section 655 of the Act.

Section 1002. **Events of Default.** Each of the following events with respect to a particular Series of Bonds is hereby declared an "Event of Default" with respect to such Series of Bonds and no other Series of Bonds, that is to say; if

(1) the interest on Bonds of such Series shall become due on any date and shall not be paid on such date;

(2) a Principal Installment or Redemption Price of Bonds of such Series of Bonds shall become due on any date, whether at maturity of such Principal Installment or upon call for redemption, and shall not be paid on such date, unless

(a) the Related Mortgage for which such Series of Bonds were issued shall then be in default, and

(b) on a date twelve (12) months after such date (or such earlier date as may be set forth in the plan hereinafter mentioned or if no such plan is approved, the
date on or before which action must be taken to preserve the full benefits of the insurance of the Federal Insurer on the Related Mortgage) the Corporation shall (i) enter into or have entered into a plan with the Mortgagor and approved by the Federal Insurer, that provides for the payment of principal of the Related Mortgage at such times and in such amounts so that the Outstanding principal amount of such Bonds shall be paid in full on or before the date of forty-one (41) years from the Issue Date of such Bonds, and (ii) pay the first Principal Installment on such Bonds as re-calculated, if the Outstanding principal amount of such Bonds equals or exceeds the unpaid principal amount of the Related Mortgage, to coincide with the payment of principal on the Related Mortgage in accordance with the aforesaid plan; and

(c) the Corporation shall not have previously entered into a plan described in paragraph (b) above, with respect to the particular Related Mortgage, or if such a plan has been previously entered into with respect to such Related Mortgage, no Principal Installments due on such Bonds prior to the Principal Installment referred to above shall be accrued and unpaid, and the amount of the last Principal Installment paid shall have been at
least equal to the Principal Installment scheduled to have been paid under the schedule of Principal Installment in effect prior to the adoption of such plan, and the date for payment of Principal Installments on such Bonds shall not have been deferred pursuant to this subsection (2).

(3) the Corporation shall fail or refuse to comply with the provisions of the Act or the Resolution or shall fail to do and perform all acts and things permitted by law and necessary in order to assure that the insurance by the Federal Insurer of the Related Mortgage or Subsidy Contract, if any, shall remain in full force and effect, and shall continue to so fail for a period of ninety (90) days (or such shorter period as is necessary to preserve the benefits of the insurance on the Related Mortgage) after written notice thereof to the Corporation by the Trustee or to the Corporation and the Trustee by the Holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds of such Series of Bonds.

Section 1003. Remedies. (A) The Trustee may proceed, and upon the written request of not less than fifty-one per centum (51%) in principal amount of Outstanding Bonds of the
particular Series of Bonds shall proceed in its own name as Trustee:

(1) Upon the happening of an Event of Default specified in paragraphs (1) or (2) of Section 1002 and the Related Mortgage at such time is then in default to (i) in accordance with the Act after 30 days from the happening of such Event of Default declare the Bonds of such Series of Bonds due and payable and take such action with respect to the Related Mortgage as is necessary to receive the benefits of the insurance thereof from the Federal Insurer or (ii) enter into a plan approved by the Federal Insurer and by the Holders of not less than fifty-one per centum (51%) of Outstanding Bonds of such Series of Bonds, that shall provide for the payment of all principal due on such Related Mortgage no later than forty-five (45) days before the date forty-one (41) years after the date of such Bonds or (iii) such other action as shall be agreed to by the Corporation and the Holders of fifty-one per centum (51%) in principal amount of the Outstanding Bonds of such Series of Bonds; and

(2) upon the happening of an Event of Default specified in paragraphs (1) or (2) of Section 1002 and the Related Mortgage is then not in default or specified in paragraph 3 of
Section 1002 to enforce the rights of the Holders of such Series of Bonds:

(a) by suit, action or proceeding in accordance with applicable provisions of law, enforce or defend all rights of the Holders of Bonds of such Series of Bonds, including the right to require the Corporation to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action, suit or proceeding in accordance with applicable provisions of law, require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds of such Series of Bonds;

(d) by action, suit or proceeding in accordance with applicable provisions of law, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds of such Series of Bonds; and

(e) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than fifty-one per centum (51%) in principal amount of the Outstanding Bonds of such Series of Bonds, to annul such declaration and its consequences.
(B) Nothing in the Resolution shall be interpreted to require the Corporation to take any action concerning a Related Mortgage unless and until an Event of Default specified in paragraphs (1), (2) or (3) of Section 1002 hereof shall have occurred and be continuing with respect to Bonds of the Series of Bonds issued for such Related Mortgage.

(C) In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for a Principal Installment, Redemption Price, interest or otherwise, under any provision of the Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

Section 1004. **Priority of Payments After Default.** (A) In the event that the funds held by the Trustee shall be insufficient for the payment of interest and Principal Installment or Redemption Price then due on the Bonds of a particular Series, such funds
(other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act, and this Article X, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of such Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, shall be applied as follows:

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds of such Series of Bonds which shall have become due, in accordance with their terms and the pro-
visions of the Series Resolution authorizing the issuance thereof, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds of such Series of Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds of such Series of Bonds shall have become, or have been declared, due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of such Series of 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 of such Series of Bonds over any other Bond of such Series of Bonds, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds of such Series of Bonds.
(B) The provisions of this Section are in all respects subject to the provisions of Sections 503, 504, 506, 507 and 703. The application of monies by the Trustee after the occurrence of an Event of Default shall not result in the Holders of Bonds of a Series of Bonds with respect to which such Event occurred receiving any amount in excess of the Outstanding portions of such Bonds and the interest due thereon.

(C) Whenever monies are to be applied by the Trustee pursuant to the provisions of this Section, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future; or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Corporation, to any Bondholder or to any person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall
be the fifteenth day of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any unpaid Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 1005. Termination of Proceeding. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Corporation, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 1006. Bondholders' Direction of Proceedings. Anything in the Resolution to the contrary notwithstanding, the Holders of fifty-one per centum (51%) in principal amount of the Outstanding Bonds of a particular Series of Bonds shall then have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder with respect to such Series of Bonds and no other, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution.
Section 1007. Limitation on Rights of Bondholders. (A)

No Holder of any Bond of a particular Series of Bonds shall have any right to institute any suit, action or other proceeding hereunder, or for the protection or enforcement of any right under the Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than fifty-one per centum (51%) in principal amount of the Outstanding Bonds of such Series of Bonds shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expenses and liabilities to be incurred therein, or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Resolution or for any other remedy hereunder or under law. It is understood and intended that no one or more Holders of the Bonds of a particular Series of Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or
prejudice the security of the Resolution, or to enforce any right herebyunder or under law with respect to the Bonds of such Series or the Resolution, except in the manner herein provided, and that all proceedings shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of the Outstanding Bonds of such Series of Bonds and coupons.

(B) Anything to the contrary notwithstanding contained in this Section 1007, or any other provision of this Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Resolution or any Series Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted (i) by any Holder, or group of Bondholders, holding at least fifty-one per centum (51%) in principal amount of Outstanding Bonds of a particular Series of Bonds, or (ii) by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.
Section 1008. Possession of Bonds by Trustee Not Required. All rights of action under the Resolution or under any of the Bonds of a particular Series of Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of such Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of such Bonds, subject to the provisions of this Resolution.

Section 1009. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holder of Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 1010. No Waiver of Default. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein; and every power and remedy given by the Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 1011. Notice of Event of Default. The Trustee shall give to the Holders of Bonds of a particular Series of Bonds notice of each Event of Default hereunder with respect to such Bonds known to the Trustee within ninety (90) days after knowledge
of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Redemption Price, if any, or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of such Bondholders. Each such notice of event of default shall be given by the Trustee by mailing first class mail prepaid written notice thereof to all Holders of such Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee.
Corporation in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon on this Resolution against any member, officer or employee of the Corporation or any natural person executing the Bonds.

Section 1207. Rights and Obligations of the Corporation.

(A) Unless an Event of Default specified in Article X occurs with respect to a specific Series of Bonds, or the Resolution provides otherwise, the Corporation shall have the right and the obligation to do the following:

1. take all such action as may be required by the Federal Insurer with respect to the Related Mortgage, including giving all notices required to be given by the Federal Insurer;

2. with the approval of the Federal Insurer make such expenditures and take such action as may be available under the Related Mortgage and appropriate for the protection and preservation of the Project and the income therefrom; and

3. take such action as may be necessary or desirable, as determined by the Corporation, to protect the Mortgage indebtedness secured by the Related Mortgage, including but not limited to directing the Trustee to enter into an agreement with a Mortgagor to cure a default under, or to modify the terms of, a Related Mortgage and to assign (or refrain from assigning) a Related Mortgage to the Federal Insurer.
(B) If the Corporation makes an expenditure as provided in paragraph 1 of Subsection A, the total of such expenditure, together with interest thereon, shall be added to the debt secured by the Related Mortgage. In such event, the additional indebtedness may be amortized over the remaining life of the Related Mortgage at the applicable interest rate thereon or otherwise, as the Corporation shall determine (with the approval of the Federal Insurer, if required); provided, however, the monthly Principal Installments of the Series of Bonds issued for the Related Mortgage shall not be recalculated.

(C) If the Trustee enters into a plan under Subdivision (ii) of Section 1003(A)(1), or if, as a result of an action taken under Subdivision (iii) of such Section, a default on a Related Mortgage is cured or provision is made for curing such default, the Corporation shall be restored to its rights under this Section with respect to such Related Mortgage.

Section 1208. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Corporation or the Trustee to be performed shall be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of the Resolution.
Section 1209. **Headings.** Any heading preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of the Resolution, nor shall they affect its meaning, construction or effect.

Section 1210. **Conflict.** All resolutions or parts of resolutions or other proceedings of the Corporation in conflict herewith be and the same are repealed insofar as such conflict exists.

Section 1211. **Form of Bonds.** Subject to the provisions of the Resolution or any applicable Series Resolution, each Bond shall be in substantially the following form, with such insertions or variations as to Series Designation, any redemption or amortization provisions and such other insertions or omissions, endorsements and variations as may be required or permitted by the Resolution: