
AHF – COLUMBIA CREST, LLC

and

CITIZENS BANK, N.A.

REIMBURSEMENT AGREEMENT

Dated as of April 1, 2007

In Connection With

City of Cohoes Industrial Development Agency
\$5,560,000 Variable Rate Civic Facility Revenue Bond
(Columbia Crest Senior Housing Project – Letter of Credit Secured)
Series 2003

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REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of April 1, 2007, between AHF – COLUMBIA CREST, LLC, a limited liability company organized and existing under the laws of the State of New York (the “Company”), and CITIZENS BANK, N.A. a national banking association, its successors and/or assigns (the “Bank”).

RECITALS:

A. On or about September 1, 2003, the Company requested that the City of Cohoes Industrial Development Agency (the “Issuer”) assist it with the permanent financing of a 99,450 square foot senior independent rental apartment project containing 90 units and related common areas, (the “Facility”) on real property containing in the aggregate of approximately 6.5 acres of land located at 427 Columbia Street, in the City of Cohoes, Albany County, New York, as more fully described in Exhibit A (the “Land”) attached hereto, and to acquire and install in the Facility certain furniture, machinery and equipment (the “Equipment”; the Land, the Facility and the Equipment are collectively referred to as the “Project Facility”); and

B. On or about September 1, 2003, American Housing Foundation, Inc. (the “Fee Owner”) (as owner of the Land) and the Company entered into a certain lease (the “Project Lease Agreement”), whereby the Land is leased by the Fee Owner to the Company, and

C. On or about September 1, 2003, the Company further requested the Issuer to issue its City of Cohoes Industrial Development Agency Variable Rate Civic Facility Revenue Bonds (Columbia Crest Senior Housing Project – Letter of Credit Secured) Series 2003 (the “Series 2003 Bonds”) pursuant to Article 18-A of the General Municipal Law of New York State in an aggregate principal amount not to exceed \$5,560,000.00 (and also referred to herein as the “Bonds”); and

D. On or about September 1, 2003, in order to enhance the marketability of the Bonds, the Company applied to KeyBank, N.A., for the issuance of a letter of credit (the “Original Letter of Credit”) in favor of the Trustee in an amount not to exceed \$5,623,979.00 to facilitate the payment of the Bonds; and

E. Now, pursuant to the provisions of Section 13.2 of the Trust Indenture, and in order to enhance the marketability of the Bonds, the Company has applied to Citizens Bank, N.A., for the issuance of a substitute letter of credit (the “Substitute Letter of Credit” or the “Letter of Credit”) in favor of the Trustee in an amount not to exceed \$5,548,116.00 to replace the Original Letter of Credit and to facilitate the payment of the Bonds; and

F. It is the purpose of this Agreement to set forth (i) the Bank’s commitment to issue the Substitute Letter of Credit, and (ii) the Company’s agreement to reimburse the Bank for any and all payments made by the Bank pursuant to the Letter of Credit, and the Company’s further agreement to pay all fees and expenses incurred in connection with the Letter of Credit as set forth in this Agreement; and

G. The Company, together with the Issuer, will secure the obligations hereunder, with, inter alia, a first mortgage on the Project Facility, and the Company will execute and deliver the Credit Documents as herein defined;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereto agree as follows:

ARTICLE 1

INCORPORATION OF RECITALS AND EXHIBITS

1.1 Incorporation of Recitals. The foregoing preambles and all other recitals set forth herein are made a part hereof by this reference.

1.2 Incorporation of Exhibits. Exhibits A through E, inclusive, attached hereto are incorporated herein and expressly made a part hereof by this reference.

1.3 Application for Letter of Credit. This Agreement amends and replaces any contrary terms or provisions set forth in the Company's application for the Letter of Credit referenced in Recital "C" above.

ARTICLE 2

DEFINITIONS

2.1 Defined Terms. The following terms as used in this Agreement shall have the following meanings, unless the context requires otherwise.

Accountant: An independent certified accountant or a firm of independent certified public accountants selected by the Company and acceptable to the Bank.

Account Pledge Agreement: As such term is defined in Section 4.1(g)(viii).

Act: Article 18-A of the General Municipal Law of the State, as amended from time to time.

Affiliate: With respect to a specified person or entity, any individual, partnership, corporation, limited liability company, trust, unincorporated organization, association or other entity which, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such person or entity, including, without limitation, any general or limited partnership in which such person or entity is a partner.

Agreement: This Reimbursement Agreement as the same may, from time to time, be amended, supplemented or otherwise modified.

Alternate Credit Facility: A "Substitute Letter of Credit," as such term is defined in the Indenture.

Anniversary Date: The date each year which is the annual anniversary of the date of the issuance of the Letter of Credit.

Assignment of Management Contract: The Conditional Assignment of Management Agreement dated as of April 1, 2007 from the Company to the Bank.

Authorized Representative: The officer(s) of the Company duly authorized by the Company to execute and deliver to the Bank any report, certificate or statement to be delivered by the Company to the Bank under this Agreement or any of the other Credit Documents.

Bank Fees: The Letter of Credit Fee, the Cancellation Fee, the Transfer Fee, the Draw Fee, the Issuance Fee, and the other fees described in Sections 3.5 and 5.1 hereof and all reasonable fees and expenses of counsel for the Bank.

Bank Obligation: An amount equal to the outstanding liability of the Bank from time to time under the Letter of Credit.

Bankruptcy Code: Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto or any other present or future bankruptcy or insolvency statute.

Bond Counsel: Hiscock & Barclay, LLP, or any other nationally recognized Bond Counsel reasonably acceptable to the Bank.

Bond Documents: As such term is defined in the Indenture (other than the Credit Documents).

Bond Pledge Agreement: As such term is defined in the Indenture.

Bonds: As such term is defined in Recital B.

Business Day: Any day of the year, other than (i) a Saturday or Sunday, (ii) a day on which commercial banks located in the city or cities in which are located the principal corporate trust offices of (a) the Trustee, (b) the principal office of the Remarketing Agent, or (c) the office of the Bank at which demands for payment under the Letter of Credit are to be presented; is authorized by law to close, or (iii) a day on which the New York Stock Exchange is closed.

Change Order: Any request for changes in the Plans and Specifications (other than minor field changes involving no extra cost).

Closing Date: The date on which all conditions hereunder have been fulfilled to the Bank's satisfaction, in its sole discretion, and the Letter of Credit is issued by the Bank for the account of the Company.

COBRA: The Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

Code: The United States Internal Revenue Code of 1986, as amended from time to time.

Control: As such term is used with respect to any person or entity, including the correlative meanings of the terms "controlled by" and "under common control with," shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise.

Conversion: As such term is defined in the Indenture.

Conversion Date: As such term is defined in the Indenture.

Credit Documents: The collective reference to this Agreement, the documents and instruments listed in Section 4.1(g), and all the other documents and instruments entered into from time to time, evidencing or securing the obligations of the Company hereunder and/or thereunder or any obligation of payment thereof or performance of the Company's obligations in connection with the transaction contemplated hereunder, each as amended or supplemented from time to time.

Date of Issuance: The date on which the Letter of Credit is issued.

Debt Service: As of any date, the sum of all payments due and payable during the 365-day period immediately succeeding such date for (1) all scheduled principal and sinking fund installments with respect to all Indebtedness, (2) interest on all Indebtedness, and (3) all credit facility fees, remarketing expenses and other expenses related thereto.

Debt Service Coverage: The sum of Change in Unrestricted Net Assets plus Interest Expense plus Depreciation Expense plus Amortization Expense plus the fees and expenses referenced in Section 3.5 herein, (including all letter of credit fees, expenses and remarketing expenses) divided by the sum of Interest Expense plus Scheduled Principal Payments of Long Term Debt, plus Capitalized Lease Payments, plus Unfunded CAPEX (Capital Expenditures).

Default or default: Any event, circumstance or condition which, if it were to continue uncured, would, with notice or lapse of time or both, constitute an Event of Default hereunder.

Default Rate: A rate per annum equal to four percentage points (400 basis points) in excess of the Prime Rate in effect from time to time, with each change in the Prime Rate automatically effective as of the date of change in the Prime Rate, but shall not at any time exceed the highest rate permitted by law.

Draft: Any draft, instrument, receipt, acceptance or drawing certificate or cable, telexed, teletransmitted or other written demand for payment purportedly drawn under the Letter of Credit.

Drawing: A drawing under the Letter of Credit accompanied by a completed sight draft conforming to the requirements of the Letter of Credit.

Drawing Date: The date on which the Bank honors a drawing under the Letter of Credit.

Environmental Indemnity: The Environmental Compliance and Indemnification Agreement dated as of April 1, 2007 from the Company to the Bank indemnifying the Bank with regard to all matters related to Hazardous Material and other environmental matters, as amended or supplemented from time to time.

Environmental Proceeding: Any action, suit, claim or proceeding, pending or threatened, which could cause the incurrence of expenses or costs of any name or description or which seek money damages, injunctive relief, remedial action or remedy that arise out of, relate to or result from (i) environmental conditions at, on or in the vicinity of the Project Facility, (ii) a violation or alleged violation of any applicable Environmental Law or non-compliance or alleged non-compliance with any Environmental Permit, (iii) the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Land or the Facility or any property adjacent to or within the immediate vicinity of the Land or the Facility, or (iv) human exposure to any Hazardous Substance, noises, vibrations or nuisances of whatever kind to the extent the same arise from the condition of the Facility or the acquisition, renovation, equipping, ownership, use, operation, sale, transfer or conveyance thereof.

Environmental Report: An environmental report certified and addressed to the Bank.

Equipment: As such term is defined in Recital A.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder from time to time.

Event of Default: As such term is defined in Section 9.1.

Expiration Date: As such term is defined in the Letter of Credit.

Facility: As such term is defined in Recital A, and consisting of a 99,450 square foot senior independent rental apartment project containing 90 units and related common areas, constructed in accordance with all Governmental Approvals.

Fiscal Year: The Fiscal Year of the Company, which ends December 31st.

Fixed Interest Rate: As such term is defined in the Indenture.

Fixed Rate Conversion Date. Means the date upon which the Fixed Rate first becomes effective for the Bonds.

GAAP: Generally accepted accounting principles as then in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board, consistently applied.

Governmental Approvals: Collectively, all consents, licenses and permits and all other authorizations or approvals required from any Governmental Authority for the construction and operation of the Project Facility.

Governmental Authority: Any federal, state, county or municipal government, or political subdivision thereof, any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, or any court, administrative tribunal or public utility.

Guarantor: American Housing Foundation, Inc., executing the Limited Guaranty Agreement referenced in Section 4.1(g)(vi) herein.

Hazardous Material: Means and includes gasoline, petroleum, asbestos containing materials, explosives, radioactive materials, polychlorinated biphenyls or any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any Law of any Governmental Authority having jurisdiction over the Project Facility or any portion thereof or its use, including (i) any "hazardous substance" defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. § 9601(4), as amended, or any so called "superfund" or "superlien" Law, including the judicial interpretation thereof; (ii) any "pollutant or contaminant" as defined in 42 U.S.C.A. § 9601(33); (iii) any material now defined as "hazardous waste" pursuant to 40 C.F.R. Part 260; (iv) any petroleum, including crude oil or any fraction thereof; (v) natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel; (vi) any "hazardous chemical" as defined pursuant to 29 C.F.R. Part 1910; and (vii) any other toxic substance or contaminant that is subject to any other Law or other past or present requirement of any Governmental Authority related to the protection of the environment or public health or safety ("Environmental Law"). Any reference above to a Law includes the same as it may be amended from time to time, including the judicial interpretation thereof.

Including or including: Including, but not limited to.

Indebtedness: With respect to any Person, all items (other than capital items such as surplus and fund balances) which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet and the following liabilities whether or not required to appear on that balance sheet, including, without limitation, (a) indebtedness for borrowed money; (b) all obligations which are secured by any lien on Property of such Person whether or not the obligations have been assumed by that Person; (c) all obligations to purchase any materials, supplies or other Property, or to obtain the services of any other Person, if the relevant contract or other related document is not subject to termination or cancellation by such Person and imposes an unconditional obligation upon such Person to pay for such materials, supplies, services or other Property, whether or not such materials, supplies or other Property is ever made or tendered or such services are ever performed or tendered; (d) indebtedness arising under agreements requiring reimbursement for drawings under letters of credit; (e) obligations with respect to any conditional sale agreement, lease agreements or title retention agreement required to be capitalized under GAAP; (f) obligations under guarantees whether contingent or otherwise; and (g) unfunded vested benefits under plans covered by Title IV of ERISA.

Indemnified Party: As such term is defined in Section 8.13.

Indenture: That Trust Indenture dated as of September 1, 2003, between the Issuer and the Trustee with respect to the Bonds.

Insurance Proceeds: As such term is defined in Section 10.1.

Interest Commitment: As such term is defined in the Letter of Credit.

Interest Coverage Requirement: The amount equal to thirty-five (35) days' accrued interest at the Maximum Rate on the outstanding principal amount of the Bonds to enable the Trustee to pay (i) the interest on the Bonds when due, or (ii) an amount equal to the interest portion, if any, of the purchase price of any Bonds tendered for purchase by the holder thereof pursuant to the Indenture to the extent remarketing proceeds are not available for such purpose.

Interest Drawing: As such term is defined in the Letter of Credit.

Interest Rate Agreement: As such term is defined in Section 4.1(g)(xi)(a).

Interest Rate Protection Product: As such term is defined in Section 4.1(g)(xi)(a).

Issuer: As such term is defined in Recital A.

Land: As such term is defined in Recital A and more fully described in Schedule A attached hereto.

Late Charge: as such term is defined in Section 6.3.

Laws: Collectively, all federal, state and local laws, statutes (including, but not limited to, the Act) and regulations, including judicial opinions or precedential authority in the applicable jurisdiction.

Letter of Credit: The Letter of Credit to be issued by the Bank on the Closing Date, such Letter of Credit to be substantially in the form of Exhibit B attached hereto.

Letter of Credit Commitment: The Bank's outstanding commitment to issue the Letter of Credit with respect to the Bonds, as such term is defined in the Letter of Credit.

Letter of Credit Fee: As such term is defined in Section 3.5.

License or Rental Fee. Any fees, rents or occupancy due to the Company or its affiliate pursuant to agreements entered from time to time by the Company with residents of the Project Facility.

Loan: Payment of a Draft by the Bank.

Lock Box Account: As such term is defined in Section 8.33.

Management Contract: The Contract dated as of January 1, 2006, between the Company and the Manager, as amended or supplemented from time to time in accordance with Section 8.12 hereof, relating to management services to the Project Facility.

Manager: Any manager or successor appointed by the Company with the consent of the Bank.

Material Adverse Change or material adverse change: If, in the Bank's reasonable discretion, the business, operations or financial condition of a person, entity or property has changed in a manner which would materially impair the value of the Bank's security for the obligations of the Company under the Credit Documents, prevent timely payment of the obligations of the Company under the Credit Documents or otherwise prevent the applicable person or entity from timely performing any of its material obligations under the Credit Documents.

Maximum Rate: A rate per annum of twelve percent (12%).

Mortgage: The Mortgage, Security Agreement and Financing Statement executed by the Company, American Housing Foundation, Inc., and the Issuer to, and for the benefit of, the Bank securing this Agreement and all obligations of the Company under the Credit Documents, granting a first priority lien in the Land and Project Facility, subject only to the Permitted Encumbrances, as amended or supplemented from time to time.

Operating Account: A deposit account opened and maintained by the Company with the Bank, to be utilized in the manner set forth in Section 5.6 hereof

Permitted Encumbrances: Those matters listed on Exhibit C attached hereto to which title to the Project Facility may be subject at the Closing Date and, thereafter, such other title exceptions as the Bank may reasonably approve in writing and those matters as described in Section 8.19 hereof.

Person: An individual, a partnership, a corporation (including a business trust), a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

Plans and Specifications: The detailed complete plans and specifications for construction of the Project Facility.

Pledged Collateral: The collateral in which the Company has given the Bank a lien or security interest pursuant to the Mortgage, the Security Agreement, the Deposit Account Pledge Agreement, the Bond Pledge Agreement and any other Credit Document.

Prime Rate: That interest rate established from time to time by the Bank as the Bank's "prime rate," whether or not such rate is publicly announced; the Prime Rate may not be the lowest interest rate charged by the Bank for commercial or other extensions of credit and changes automatically.

Principal Commitment: As such term is defined in the Letter of Credit.

Principal Drawing: As such term is defined in the Letter of Credit.

Project Facility: As such term is defined in Recital A, constituting collective reference to (i) the Land and the Facility, together with all other structures and improvements located or to be located thereon; (ii) all rights, privileges, easements and hereditaments relating or appertaining thereto; and (iii) all Equipment financed with proceeds of the Bonds and all substitutions and replacements of such Equipment.

Property. Shall mean any interest in anything tangible or intangible, including real property and personal property.

Reimbursement Obligations: The obligations of the Company under this Agreement and all other debts, liabilities, costs, expenses and obligations of the Company to the Bank.

Remarketing Agent: RBC Capital Markets, Inc.

Remarketing Drawing: As such term is defined in the Letter of Credit.

Reportable Event: Any reportable event as that term is defined in ERISA.

Required Permits: Each building permit, environmental permit, utility permit, land use permit, wetland permit and any other permits, approvals or licenses issued by any Governmental Authority which are required in connection the Construction or operation of the Project Facility.

Security Agreement: As such term is referenced in Section 4.1(g)(iv).

State: The State of New York.

Subordinated Debt: The Indebtedness of a Person (including, but not limited to, a subordinated mortgage held by the New York State Housing Trust Fund Corporation ("Housing Trust Fund"), dated as of October 2, 2003 and recorded in the Albany County Clerk's Office on December 3, 2003 in Book 4571 of Mortgages at Page 442, and a certain Regulatory Agreement among the Housing Trust Fund, the Company, and others, dated as of October 2, 2003 and recorded in the Albany County Clerk's Office on December 3, 2003 in Book 4571 of Deeds at Page 618), which is subordinated, in a manner satisfactory to the Bank, to all Indebtedness owing to the Bank.

Subsidiary or Subsidiaries: Means (i) any for-profit corporation more than fifty percent (50%) of the capital stock of which is owned or controlled, directly or indirectly, by the Company or any Subsidiary and whose accounts are required to be consolidated with those of the Company in accordance with generally accepted accounting principles consistently applied; and (ii) any not-for-profit corporation which is controlled, directly or indirectly, by the Company.

Title Insurer: Chicago Title Insurance Company, or such other title insurance company licensed in the State as may be approved in writing by the Bank.

Title Policy: An ALTA Mortgagee's Loan Title Insurance Policy with extended coverage issued by the Title Insurer insuring the lien of the Mortgage as a valid first, prior and paramount lien upon the respective fee and leasehold interest(s) of American Housing Foundation, Inc., the Issuer and the Company, in the Land and the Project Facility and all appurtenant easements, and

subject to no other exceptions other than the Permitted Encumbrances and otherwise satisfactory to the Bank.

Transfer: Other than rental agreements for units to residents in the Company's ordinary course of business, any sale, transfer, lease, conveyance, alienation, pledge, assignment, mortgage, encumbrance, hypothecation or other disposition of (a) all or any (other than as provided in Section 8.18 or Section 8.19 hereof) portion of the Project Facility or any portion of any other security for the obligations of the Company hereunder; (b) all or any (other than as provided in Section 8.18 or Section 8.19 hereof) portion of the Company's right, title and interest (legal or equitable) in and to the Project Facility or any portion of any other security for the obligations of the Company hereunder; or (c) any interest in the Company or any interest in any entity which holds an interest in, or directly or indirectly controls, the Company.

Trustee: As such term is defined in Recital C.

Unavoidable Delay: Any delay in the construction of the Project Facility, caused by natural disaster, fire, war, embargoes, civil disturbances, earthquake, floods, explosion, extraordinary adverse weather conditions, inability to procure or a general shortage of labor, equipment, facilities, energy, materials or supplies in the open market, failure of transportation, strikes or lockouts for which the Company has notified the Bank in writing.

Variable Interest Rate: As such term is defined in the Indenture.

2.2 Accounting Terms. Unless otherwise specified in this Agreement, all accounting terms used in this Agreement shall be interpreted, and all accounting determinations under this Agreement or in any certificate, report or other documents made or delivered pursuant to this Agreement shall be made, and all financial statements required to be delivered under this Agreement shall be prepared, in accordance with GAAP as in effect from time to time, on a basis consistent with the most recent financial statements of the Company delivered to the Bank.

2.3 Other Definitional Provisions.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate, report or other document made or delivered pursuant to this Agreement unless the context shall otherwise require.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

ARTICLE 3

ISSUANCE OF LETTER OF CREDIT; TERMS

3.1 Issuance of Letter of Credit. Subject to the terms and conditions hereof, the Bank agrees to execute and deliver the Letter of Credit on the Closing Date. The obligations of

the Bank under the Letter of Credit shall be absolute and irrevocable and shall be performed strictly in accordance with the terms of the Letter of Credit and this Agreement.

3.2 Collateral for Reimbursement Obligations. The Reimbursement Obligations hereunder shall be secured by the first priority lien created under the Indenture (on a parity with the holders of the Bonds). The Bank requires a valid first mortgage lien on the Project Facility. The Bank also requires a general and absolute assignment of rents and leases concerning the rents and leases, pertaining to the Project Facility. The Bank also requires a first security interest, assignment and lien on the following assets of the Project Facility: all of the Company's gross revenues related to the Project Facility of any nature whatsoever, all project-related funds, including the debt service reserve fund, a liquidity fund account, and any other accounts established pursuant to the Indenture, all of the Company's accounts, receivables, contract rights (including but not limited to resident contracts and management contracts), inventory, furniture, fixtures, equipment, chattels, personal property, building materials, general intangibles, and all business assets of the Project Facility; wherever located, now owned or hereafter acquired, by the Company, and all proceeds. The Bank also requires an assignment of, and first security interest in and to all governmental permits of the Project Facility, and all reserves, deferred payments, deposits, refunds, cost savings, and payments of any kind relating to the Project Facility. The Bank will have the right to exercise any rights of the Company under the aforesaid contracts and agreements and shall have any rights and remedies that are afforded a secured creditor under New York law. The aforesaid security interests will be evidenced by the Credit Documents. The Company shall execute and deliver or cause to be executed and delivered such documents, and take such actions as are necessary to cause such liens to be granted to the Bank.

3.3 Reimbursement Obligation, Loans. Subject to the terms and conditions contained in this Agreement, the payment of a Draft shall constitute a loan and indebtedness of the Company to the Bank. Each Loan, other than a Remarketing Drawing, under the Letter of Credit shall be due and payable, on demand, on the same day as the Drawing. Loans shall bear interest at the rates provided in Section 3.6(b) hereof. Remarketing Drawings shall be due and payable at the times provided in Section 3.6(b) hereof.

3.4 Cross Collateral Security; Additional Indebtedness.

(a) Each Loan shall be secured by the Credit Documents and the pledge of all funds held by the Trustee to the extent of the security granted to the Bank in the Indenture. All obligations of the Company to the Bank, including the Interest Rate Protection Products, will be cross-collateralized with any and all Pledged Collateral securing any and all of the aforesaid obligations of the Company to the Bank, including the Interest Rate Protection Products.

(b) The Company shall not grant a pledge and/or assignment of its revenues or of its unrestricted investments to secure any Indebtedness and shall not incur any additional Indebtedness (other than Indebtedness to the Bank) without the prior written consent of the Bank except as permitted under Section 8.20 hereof.

3.5 Fees and Expenses.

(a) The Company hereby agrees to pay to the Bank a fee (the "Letter of Credit Fee") on a quarterly basis, in advance, one percentage point (100 basis points) per annum (the "Rate") for the Letter of Credit Commitment.

The Letter of Credit Fee shall be payable in quarterly installments in advance on each January 1, April 1, July 1 or October 1 until the Expiration Date of the Letter of Credit; *provided, however*, that upon the Date of Issuance of the Letter of Credit, the Company shall pay an installment of the Letter of Credit Fee for the period from the Date of Issuance to and including June 30, 2007. The quarterly fee shall be computed based upon the outstanding face amount of the Letter of Credit on the last calendar day of the preceding quarter. All fees shall be paid in advance without prorating (except on the Closing Date) and shall be fully earned and non-refundable upon payment thereof to the Bank.

(b) If, prior to the third Anniversary Date, the Letter of Credit issued by the Bank are terminated or replaced by an Alternate Credit Facility, the Company shall pay to the Bank all Reimbursement Obligations and all other obligations owed hereunder and under the Credit Documents, together with a fee (the "Cancellation Fee") equal to one-half of one percent (fifty {50}) basis points, based on the last 12 months average amount of the Letter of Credit, due upon cancellation then in effect. In the event the Letter of Credit are replaced by substitute Letter of Credit issued by a Person other than the Bank, the Company shall no later than the effective date of the replacement of the Letter of Credit either terminate the Interest Rate Agreement or cause the Bank's rights as counterparty thereunder to be assigned to another provider or counterparty.

(c) Upon each transfer of the Letter of Credit in accordance with their terms and as a condition thereto, a transfer fee (the "Transfer Fee") in the amount of one-quarter of one percent (25 basis points) of the then Letter of Credit Commitment and such additional amounts as shall be necessary to cover the reasonable costs and expenses to the Bank incurred in connection with such transfer.

(d) Upon issuance of the Letter of Credit in accordance with the terms hereof, an issuance fee (the "Issuance Fee") equal to \$500.00, shall be due and payable to the Bank.

(e) Other customary fees and expenses, including costs incurred in connection with an amendment to this Agreement and express delivery charges.

(f) Any fees payable by the Company to the Bank that are not paid when due shall bear interest, from the date such fees were due until the date of payment in full, at the Default Rate, payable on demand and on the date of payment in full of such amount.

(g) The Company hereby acknowledges that the Bank Fees shall be for the applicable services rendered, are supported by good, valuable and adequate consideration and shall not be refundable for any reason other than the failure or refusal of the Bank to issue the Letter of Credit without fault on the part of the Company.

(h) The Company's obligations to make payments to the Bank under this Article 3 shall be deemed satisfied to the extent of payments made by the Trustee to the Bank from funds on deposit with and held by the Trustee pursuant to the Indenture.

3.6 Reimbursement; Interest. In addition to the foregoing, the Company hereby agrees to pay to the Bank:

(a) On each date that any amount is drawn under the Letter of Credit pursuant to a Principal Drawing or an Interest Drawing, the Company shall pay (with monies other than sums drawn under the Letter of Credit) (w) a sum equal to the amount so drawn under the Letter of Credit plus (x) interest accrued, if any, on the amount so drawn under the Letter of Credit, plus (y) any and all charges and expenses which the Bank may pay or incur relative to such drawing under the Letter of Credit, plus (z) a fee in the amount of \$250.00 for that Drawing (the "Draw Fee") under the Letter of Credit.

(b) In the event that a Drawing (other than a Remarketing Drawing) is not paid on the same day as the Drawing is honored by the Bank, said Drawing shall bear interest, payable on demand, at a fluctuating per annum interest rate equal, at all times, to the Prime Rate plus one percent (1%). Upon a Remarketing Drawing under a Letter of Credit, *provided* there is then no uncured Event of Default, the Company shall have until the Expiration Date to reimburse the Bank for the amount of the Remarketing Drawing, subject to the right of the Bank to require redemption or acceleration of the Bonds following the occurrence of any Event of Default.

Any amounts received by the Bank from the remarketing of Bonds purchased out of a Remarketing Drawing and registered to the Bank or, at the direction of the Bank, to the Company shall be applied against the Company's obligation to reimburse the Bank for the amount of the Remarketing Drawing. The amount of any unreimbursed Remarketing Drawing shall bear interest from the date of the Remarketing Drawing at a rate per annum equal to the Prime Rate plus two percent (2%). Such interest shall be payable on each Interest Payment Date for so long as such Remarketing Drawing or any portion thereof is unreimbursed. The payments of interest hereunder shall be credited against the interest accrued on the Bonds pledged to the Bank under the Bond Pledge Agreement.

(c) Any amounts payable by the Company under any Interest Rate Agreement in connection with termination thereof.

3.7 Interest.

(a) The Company hereby agrees to pay interest on the amount of any Drawing under the Letter of Credit and on any other amounts due hereunder not paid when due for each day (or portion thereof) during the period from the date payment therefor is due to the Bank on such Drawing to (and including) the date the same shall be paid in full, in immediately available funds, at a rate per annum for each day during such period equal to the Default Rate. All such interest shall be payable on demand and when such debt is paid in full.

(b) No interest payment or interest rate charged hereunder shall exceed the maximum rate authorized from time to time by applicable law. Solely to the extent necessary to prevent interest under this Agreement from exceeding the maximum legal rate, any amount that would be treated as excessive under a final judicial determination of applicable law shall be deemed to have been a mistake, and be refunded to Company.

(c) Any change in interest rates hereunder resulting from a change in the Prime Rate shall be effective as of the opening of business on the day on which the change in the Prime Rate becomes effective without notice to the Company or action of any kind on the part of the Bank.

3.8 Place and Manner of Payment.

(a) The Company authorizes the Bank to debit the Company's operating account with the Bank presently identified as Account No. 4003242415 (the "Operating Account") to make the payments and amounts due to the Bank hereunder. The Company covenants and agrees that on the date any payment or other amount is due hereunder, the Company will have unrestricted funds in the Operating Account in an amount no less than the amount then due.

(b) All payments by the Company to the Bank under this Agreement shall be made to the Bank in immediately available funds prior to 3:00 p.m. Payment received after such time shall be credited as though received on the following Business Day. When any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest.

(c) It is understood that each amount which may become due and payable to the Bank hereunder may, in the Bank's discretion and if not otherwise paid, be charged by the Bank to any available funds then held by the Bank for the account of the Company.

(d) All computations of interest and fees which are payable hereunder shall be calculated on the basis of a 360-day year for the actual number of days in each year that Reimbursement Obligations payable hereunder are outstanding.

3.9 Evidence of Debt. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Company resulting from each Drawing under the Letter of Credit made from time to time hereunder and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Company therein recorded.

3.10 Reserve Requirements; Change In Circumstances.

(a) If after the date of this Agreement any change in condition (other than net income derived from the transactions hereunder exceeding the Bank's expectations) or applicable law, regulation or interpretation thereof (including any request, guideline or policy not having the force of law and including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) by any authority charged with the administration or interpretation thereof shall occur which shall:

(i) subject the Bank (which shall for the purpose of this Section include any assignee or lending office of the Bank) to any tax with respect to the Letter of Credit (other than any tax on the overall net income of the Bank); or

(ii) change the basis of taxation of (A) payments to the Bank to reimburse drawings hereunder, (B) the Letter of Credit Commitment, (C) other fees and amounts payable hereunder, or (D) any combination of the foregoing (other than any tax on the overall net income of the Bank); or

(iii) impose, modify or deem applicable any reserve or deposit requirements against any assets held by, deposits with or for the account of, or loans or commitments by, an office of the Bank; or

(iv) impose upon the Bank any other condition with respect to the Letter of Credit Commitment, the Letter of Credit or this Agreement; and

(v) the result of any of the foregoing shall be to increase the actual cost to the Bank of making any payment or maintaining the Letter of Credit, or to reduce the amount of any payment (whether of principal, interest or otherwise) receivable by the Bank or to require the Bank to make payment, in respect of the Letter of Credit,

in each case by or in any amount which the Bank shall reasonably deem material, then the Company shall pay to the Bank, in accordance with Section 3.6 above, such an amount or amounts as will compensate the Bank for such additional cost, reduction or payment.

(b) If after the date of this Agreement the Bank shall have determined that the applicability of any law, rule, regulation or guideline adopted or arising out of the July 1988 report of the Basel Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards," or the adoption after the date of this Agreement or of any other law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any domestic or foreign governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank or any participant (or any lending office of the Bank or participant), as the case may be, or by the Bank's or any such participant's holding company, as the case may be, with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the Bank's or any such participant's capital or on the capital of the Bank's or any such participant's holding company, as the case may be, as a consequence of the Bank's or any such participant's obligations with respect to this Agreement, the Letter of Credit, or the other Credit Documents, to a level below that which the Bank or any such participant or the Bank's or any such participant's holding company, as the case may be (taking into consideration the Bank's or any such participant's policies or the Bank's or any such participant's holding company's policies, as the case may be, with respect to capital adequacy), by an amount deemed by the Bank to be material; then from time to time, the Company shall pay to the Bank such additional amount or amounts as will reimburse the Bank or any such participant or the Bank's or any such participant's holding company, as the case may be, for such reduction. Any amount or amounts payable by the Company to the Bank in accordance with the provisions of this paragraph shall be paid by the Company to the Bank within thirty (30) days of receipt by the Company from the Bank of a statement, with invoices and bills for actual charges, setting forth the amount or amounts due and the basis for the determination from time to time of

such amount or amounts, which statement, invoices and bills shall be conclusive and binding upon the Company absent manifest error. All sums which shall or may become due and payable by the Company in accordance with the provisions of this paragraph shall be and shall under all circumstances be deemed to constitute additional interest on, and shall be evidenced by, this Agreement, shall be secured by the Bond Documents and the Credit Documents, and shall constitute part of this Agreement.

3.11 Unconditional Obligations. The Reimbursement Obligations shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of the Credit Documents, the Bond Documents, or any other agreement or instrument relating thereto;

(b) any amendment or waiver of or any consent to departure from the terms of the Letter of Credit, the Credit Documents, the Bond Documents, or any other agreement or instrument relating thereto;

(c) the existence of any claim, setoff, defense or right which the Company may have at any time against any beneficiary or any transferee of the Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), the Bank or any other person or entity, whether in connection with this Agreement, the transactions contemplated by the Credit Documents or the Bond Documents or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank under the Letter of Credit against presentation of a request which on its face appears to be in accordance with the terms of the Letter of Credit; or

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

3.12 Letter of Credit Extension. At any time, the Company may request an extension of the Letter of Credit. Any extension of the term of the Letter of Credit shall be in the Bank's sole discretion.

3.13 Transfer of Letter of Credit; Reduction or Termination of Letter of Credit and Related Matters.

(a) The Letter of Credit may be transferred in accordance with the provisions set forth therein.

(b) If the Company shall be entitled to a credit against the principal amount of the Bonds prior to maturity (the "Credit") pursuant to an optional redemption of a portion of the Bonds or to the purchase of Bonds in the open market and cancellation of such Bonds in accordance with the provisions of the Indenture, and such amounts have been paid by or on behalf of the Company other than by the Bank, the Company shall have the right at any time thereafter to reduce permanently, without penalty or premium, the Letter of Credit Commitment in the manner set forth below. The Letter of Credit Commitment will be reduced by an amount equal to the sum of the following corresponding reductions in the Principal Commitment and the Interest Commitment: (a) the Principal Commitment will be reduced by an amount equal to the amount of such Credit; and (b) the Interest Commitment will be reduced by an amount equal to thirty-five (35) days' interest on the amount of such Credit at the Maximum Rate (using a 365-day divisor). The aforementioned reduction will occur not less than three (3) Business Days' after written notice to the Bank, accompanied by the original Letter of Credit and the written certificate of the Trustee and Company stating that Company is entitled to such Credit and designating the amount of such Credit and the date upon which such credit shall become effective (which shall be a Business Day).

(c) If the Letter of Credit Commitment shall be reduced pursuant to Section 3.13(b) hereof and the Bank shall have received from the Trustee the outstanding Letter of Credit, then, in substitution for the then outstanding Letter of Credit, substitute irrevocable Letter of Credit, shall be issued, dated such date, for an amount equal to the amount to which the Letter of Credit Commitment shall have been so reduced, but otherwise having terms identical to the then outstanding Letter of Credit. The obligation of the Bank to honor Interest Drawings under the respective Letter of Credit up to the amount of the Interest Commitment (as same may have been reduced pursuant to Section 3.13(b)) will be automatically reinstated to the Interest Coverage Requirement on the date of each Interest Drawing.

(d) The Bank shall reinstate amounts drawn under the Letter of Credit pursuant to a Remarketing Drawing upon receipt by the Bank of money (other than draws under the Letter of Credit) then held by the Trustee and designed to reimburse the Bank for all or a portion of the amounts drawn pertaining to said Remarketing Drawing with respect to the Principal Commitment for Bonds tendered for purchase to and remarketed by the Remarketing Agent.

(e) The Letter of Credit shall terminate automatically on the earliest of (i) the payment by the Bank to the Trustee of the final drawing available to be made under the Letter of Credit; (ii) receipt by the Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an Authorized Representative of Company stating that no Bonds remain outstanding; (iii) receipt by the Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an Authorized Representative of Company stating that "An Alternate Credit Facility in substitution for the Letter of Credit has been accepted by the Trustee and is in effect"; or (iv) the stated Expiration Date.

ARTICLE 4

CONDITIONS PRECEDENT TO ISSUANCE OF LETTER OF CREDIT AND DRAWINGS

The Company agrees that the Bank's obligation to issue the Letter of Credit is conditioned upon performance and satisfaction of the following conditions precedent on or prior to the Date of Issuance in form and substance satisfactory to Bank in its sole discretion.

4.1 Conditions Precedent.

(a) The Issuer, the Trustee and the Company shall have duly authorized and executed and delivered to the Bank, the Bond Documents, transcript of proceedings, authorizing resolutions and incumbency certificates.

(b) The Bond proceeds shall have been duly deposited and invested in a manner satisfactory to the Bank, or disbursed in accordance with the Indenture.

(c) The Company is required to maintain with the Bank a reserve fund equal to six (6) months of debt service on the Bonds as collateral security for the Bank under this Agreement, [although the Bank may, in its sole and absolute discretion, credit the Company with any debt service reserve amount actually held by the Trustee, in full or partial compliance with this covenant.]

(d) The Company will be required to maintain in an account at the Bank, a liquidity and capital maintenance reserve fund in an amount satisfactory to the Bank, and increasing annually in an amount of at least \$13,500.00 per year, commencing at the Closing Date in Calendar Year 2007. The Bank may, in its sole and absolute discretion, credit the Company with any capital reserves actually maintained pursuant to the Housing Trust Fund documents, in full or partial compliance with this covenant.

(e) Any reserve funds for the Bonds shall be maintained in an account at the Bank.

(f) The Company is required to maintain with the Bank at least one operating account.

(g) The Company shall have executed and delivered, or caused to be executed and delivered to the Bank, the following documents in form and substance acceptable to the Bank (collectively, the "Credit Documents"):

- (i) The Mortgage.
- (ii) The Assignment of Leases and Rents.
- (iii) The Environmental Indemnity Agreement.

- (iv) The Continuing General Security Agreement.
- (v) UCC financing statements or other documents as the Bank's counsel determines are advisable or necessary to perfect or notify third parties of the security interests intended to be created by the Credit Documents and the Bond Documents.
- (vi) The Limited Guaranty Agreement executed by American Housing Foundation, Inc.
- (vii) The Assignment of Management Contract, and the executed Management Contract.
- (viii) The Deposit Account Security Agreement.
- (ix) (Reserved).
- (x) the Bond Pledge Agreement.
- (xi) Interest Rate Protection Agreement.

(a) The Company shall have instituted an interest rate hedging program through the purchase of an interest rate swap, cap or such other interest rate protection product ("Interest Rate Protection Product") from the Bank with respect to the Bonds. The Company shall have entered into the Bank's customary form of agreement (the "Interest Rate Agreement") relating to such Interest Rate Protection Product. Any Indebtedness incurred pursuant to an Interest Rate Agreement entered into by the Company and the Bank shall constitute indebtedness secured by the Credit Documents to the same extent and effect as if the terms and provisions of such Interest Rate Agreement were set forth herein.

(b) The Company hereby collaterally assigns to the Bank any and all Interest Rate Protection Products purchased or to be purchased by the Company in connection with the Bonds, as additional security for the Bonds, and agrees to provide the Bank with any additional documentation requested by the Bank in order to confirm or perfect such security interest during the term of the Bonds.

(xii) Such other documents as the Bank in its sole discretion shall require.

(h) The Bank shall have received (or shall have obtained at the Company's expense) on or before the Date of Issuance the following in form and substance satisfactory to the Bank:

(i) the articles of organization, operating agreement and all other charter documents of the Company, certified by the Authorized Representative of the Company, and the certificate of incorporation, by-laws, and all other charter documents of American Housing Foundation, Inc.;

(ii) a certificate, dated the Date of Issuance, an (a) Authorized Representative of the Company, and (b) an authorized representation of American Housing Foundation, Inc., certifying the name and true signatures of the manager of the Company authorized to sign this Agreement and the other documents to be delivered by the Company hereunder;

(iii) resolutions of each of (a) the Company, and (b) American Housing Foundation, Inc.; authorizing the execution, delivery and performance of this Agreement and the other Credit Documents to which it is a party;

(iv) a certificate from the New York State Secretary of State as to the subsistence of the Company and American Housing Foundation, Inc.;

(v) the current Internal Revenue Service Determination Letter of American Housing Foundation, Inc.;

(vi) the legal opinion of the Bond Counsel (A) to the effect that interest income on the Series 2003 Bonds shall be excludable from gross income for federal, state and local tax purposes; and (B) as to the due authorization, execution and delivery of the Bonds and the Credit Documents to which the Issuer is a party and that they are legal, valid, binding and enforceable, which opinion shall be reasonably satisfactory to the Bank and Bank's counsel in their sole discretion;

(vii) the legal opinion of the Trustee's counsel with respect to the Credit Documents to which the Trustee is a party, all in form and content reasonably satisfactory to the Bank and Bank's counsel in their sole discretion;

(viii) the Title Policy;

(ix) an up-to-date "as-built" land survey, compliant with ALTA 2005 standards, for an urban survey, certified to the Issuer, the Title Insurer, the Bank and Bank's counsel, which survey shall show, in addition to the metes and bounds of the perimeter, all monuments and angles referred to in the description, dimensions and locations of any improvements, easements, rights of way, adjoining sites, encroachments, and the lines, the distance to and the names of the nearest intersecting streets, and such other details as the Bank may request;

(x) evidence satisfactory to the Bank that the Land is not in a flood hazard area or, in the event that such premises or any portion thereof are so located, a certificate of insurance evidencing flood hazard insurance in the amount required by law and otherwise in form and amount acceptable to the Bank;

(xi) Evidence [including a Phase I environmental assessment compliant with the Environmental Protection Agency standards for "all appropriate inquiry" effective November 1, 2007 (40 CFR 312)], indicating that the Project Facility is free from risk, in the Bank's sole judgment, from all hazardous substances, toxic substances or hazardous wastes as defined by any Federal, state, or local law, statute, ordinance or regulation and is free of all other contamination which, even if not so

regulated, is known to pose a hazard to the health of any person on or about the Land and that the Land is not in a "Wetlands" or "Flood Plain" area, and contains no underground storage tanks. The Bank reserves the right, at the Company's expense, to retain an independent consultant to review any such evidence submitted by the Company or to conduct its own investigation of the Land and the Project Facility.

(xii) payment by the Company of all reasonable fees and expenses incurred by the Bank in connection with this Agreement and the transactions contemplated herein, including, without limitation, the fees related to the Bank's obtaining of a flood zone certification and an environmental report, all with respect to the premises subject to the Mortgage, and the Bank's reasonable attorneys' fees and disbursements;

(xiii) approval and execution by the Trustee and Remarketing Agent of the Credit Documents to which either or both are a party;

(xiv) UCC, bankruptcy and judgment searches against the Company and reasonably acceptable to the Bank;

(xv) The opinion of the Company's legal counsel that with respect to the Company and the Project Facility: (a) the Company is a validly organized and existing limited liability company under the laws of the State of New York and qualified to do business in the State of New York, (b) that it has the legal capacity to own, develop and operate the Project Facility and to perform its obligations under the Credit Documents, and that the Credit Documents have been duly authorized by the Company, (c) the transactions contemplated by this Agreement do not violate any provision of any law, restriction or other document affecting the Company or the Project Facility, (d) the Credit Documents have been duly executed and delivered, constitute legal, valid and binding obligations of the Company and are enforceable in accordance with their terms, (e) there is no threatened or pending litigation that might affect the Credit Documents, the Project Facility or the Company, and (f) such other matters concerning the Letter of Credit, the Credit Documents, the Project Facility or the Company, as the Bank or its counsel may require.

(xvi) The legal opinion of the Guarantor's counsel with regard to the authorization of any Credit Documents executed by the Guarantor, the validity and enforceability of any Credit Documents executed by the Guarantor, the opinion of the Guarantor's legal counsel that with respect to the Guarantor and the Project Facility: (a) the Guarantor is a validly organized and existing not-for-profit corporation under the laws of the State of New York and qualified to do business in the State of New York, (b) that it has the legal capacity to own, develop and operate the Project Facility and to perform its obligations and that the applicable Credit Documents have been duly authorized by the Guarantor, (c) the Credit Documents executed by the Guarantor do not violate any provision of any law, restriction or other document affecting the Guarantor or the Project Facility, (d) the Credit Documents executed by the Guarantor have been duly executed and delivered, constitute legal, valid and binding obligations of the Guarantor and are enforceable in accordance with their terms, (e) there is no pending or, to the best of the

Guarantor's knowledge threatened, litigation that might affect each respective Credit Documents, the Project Facility or the Guarantor, and (f) such other matters concerning any Credit Documents, the Project Facility, or the Guarantor, as the Bank or its counsel may require, and such other matters as may be requested by the Bank and the Bank's counsel;

(xvii) policies or binders evidencing that insurance coverages are in effect with respect to the Project Facility and Company, in accordance with the Insurance Requirements attached hereto as Exhibit D for which the premiums have been fully prepaid with endorsements satisfactory to the Bank;

(xviii) a current permanent certificate of occupancy for the Project Facility;

(xix) receipt and satisfactory review of UCC-1 financing statements sufficient to evidence a first security interest and lien in the Equipment financed with proceeds of the Bonds and all substitutions and replacements of such Equipment;

(xx) the establishment by the Company of substantially all of its deposit accounts with the Bank;

(xxi) evidence reasonably satisfactory to the Bank that no litigation or proceedings are pending or threatened which would or might cause a Material Adverse Change with respect to the Company or Project Facility;

(xxii) appraisal(s), in all respects satisfactory to the Bank, in its sole discretion, showing a value for the Project Facility indicating a loan-to-value ratio not greater than 85 percent. The appraisal must also support the total cost of the Project and the proposed monthly rates in the local market; and

(xxiii) other agreements, documents or information as the Bank and Bank's counsel may reasonably request.

(i) The following statements shall be true and correct in all material respects on the Date of Issuance and the Bank shall have received a certificate of Company, signed by an Authorized Representative and dated the Date of Issuance stating that:

(i) the representations and warranties herein and the other Credit Documents are correct in all material respects on and as of the Date of Issuance as though made on and as of such date;

(ii) no Event of Default has occurred and is continuing, or would result from the issuance of the Letter of Credit, and no event has occurred and is continuing which would constitute an Event of Default but for the requirement that notice be given or that time elapse or both;

(iii) no material adverse change has occurred in the business, prospects, results of operations or condition, financial or otherwise, since the date of the last

financial statements submitted by the Company to the Bank, except as otherwise described to the Bank in writing, and deemed acceptable to the Bank in its sole discretion, prior to the Date of Issuance;

(iv) the issuance of the Letter of Credit or the making of any Loan shall not render the Company insolvent; and

(v) the most recent financial statements submitted by the Company accurately and fairly reflect and present its financial condition and performance.

(j) There shall be no uncured Event of Default by the Company hereunder nor any event, circumstance or condition which with notice or passage of time or both would be an Event of Default.

(k) On or before the Date of Issuance:

(i) the Credit Documents shall have been duly authorized, executed and delivered by the parties to such documents and such documents shall be in full force and effect;

(ii) all conditions precedent to the issuance of the Bonds shall have been satisfied;

(iii) the Issuer shall have duly executed and issued the Bonds, and the Trustee shall have duly authenticated and delivered the Bonds; and

(iv) The Company shall have designated an account maintained by the Company at the Bank to which all payments due the Bank from the Company shall be directly charged.

4.2 Compliance Requirement at the Time of Each Loan. At the time of each Loan after giving effect thereto, no Event of Default shall have occurred and be continuing or would result from the making of such Loan and the representations and warranties contained in Article 7 hereof shall be true and correct in all material respects as if made on and as of such date. The election by Company to have the Bank make each Loan shall be deemed to be the confirmation of the Company on such date that such condition has been satisfied on such date.

ARTICLE 5

FEES AND EXPENSES

5.1 Fees and Administration Expenses. The Company unconditionally agrees to pay all expenses of the Letter of Credit and any and all other fees owing to the Bank pursuant to the Credit Documents, and also including, without limiting the generality of the foregoing, all Bank Fees, all recording, filing and registration fees and charges, mortgage or documentary taxes, all insurance premiums, title insurance premiums and other charges of the Title Insurer, printing and photocopying expenses, survey fees and charges, cost of certified copies of

instruments, cost of premiums on surety company bonds and the Title Policy, charges of the Title Insurer or other escrowed for administering disbursements, all fees and disbursements of consultants, all appraisal fees, insurance, reasonable travel related expenses and all costs and expenses incurred by the Bank in connection with the determination of whether or not the Company has performed the obligations undertaken by the Company hereunder or has satisfied any conditions precedent to the obligations of the Bank hereunder and, if any default or Event of Default occurs hereunder or under any of the Credit Documents or any portion thereof is not paid in full when and as due, all costs and expenses of Bank (including, without limitation, court costs and reasonable attorneys' fees and disbursements) incurred in attempting to enforce payment of the obligations of the Company hereunder and expenses of the Bank incurred (including court costs and reasonable attorneys' fees and disbursements) in attempting to realize, while a default or Event of Default exists, on any security or incurred in connection with the sale or disposition (or preparation for sale or disposition) of any security for the obligations of the Company under this Agreement. The Company agrees to pay all brokerage, finder or similar fees or commissions payable by the Company in connection with the transactions contemplated hereby and shall indemnify and hold the Bank harmless against all claims, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) arising in relation to any claim by broker, finder or similar person.

5.2 Bank's Attorneys' Fees and Disbursements. The Company agrees to pay the Bank's reasonable attorneys' fees and disbursements incurred in connection with (i) the preparation of this Agreement and the other Credit Documents, (ii) the process and procedure of the approval of the disbursement requests and administration of the funds and the Project, (iii) review and analysis of the Bond Documents and attendance at closing.

5.3 Time of Payment of Fees and Expenses. The Company shall pay all expenses and fees, including, but not limited to, the Bank Fees, incurred by the Bank as of the Closing Date (unless sooner required herein) or such other date that the same may be done. The Bank may require the payment of outstanding fees and expenses as a condition to its approval of any request of disbursement of the Bond proceeds.

5.4 Expenses and Advances Secured by Credit Documents. Any and all advances or payments made by the Bank under this Article from time to time, and any amounts expended by the Bank pursuant to this Agreement, shall, as and when advanced or incurred, constitute additional indebtedness secured by the Credit Documents.

5.5 Right of Bank to Make Advances to Cure the Company's Defaults. In the event that the Company fails to perform any of the Company's covenants, agreements or obligations contained in this Agreement or any of the other Credit Documents (after the expiration of applicable grace periods, except in the event of an emergency or other exigent circumstances), the Bank may (but shall not be required to) perform any of such covenants, agreements and obligations, and any amounts expended by the Bank in so doing shall constitute additional indebtedness secured by the Credit Documents.

5.6 Operating Account. The Company shall, prior to the Closing Date, open and maintain for the term of this Agreement, an Operating Account or designate an existing operating account as its primary Operating Account for purposes of this Agreement. The Bank is

authorized to pay principal, interest and Bank Fees when and as same shall become due by debiting funds on deposit in the Operating Account.

The Company is required to maintain with the Bank a reserve fund equal to six (6) months of debt service on the Bonds as collateral security for the Bank under the Credit Facility, [although the Bank may, in its sole and absolute discretion, credit the Company with any debt service reserve amount actually held by the Trustee, in full or partial compliance with this covenant.]

The Company will be required to maintain in an account at the Bank, a liquidity and capital maintenance reserve fund in an amount satisfactory to the Bank, and increasing annually in an amount of at least \$13,500.00 per year, commencing at the Closing Date in Calendar Year 2007. The Bank may, in its sole and absolute discretion, credit the Company with any capital reserves actually maintained pursuant to the Housing Trust Fund documents, in full or partial compliance with this covenant.

Any reserve funds for the Bonds shall be maintained in an account at the Bank.

ARTICLE 6

NET PAYMENTS

6.1 Net Payments. All payments under this Agreement shall be made without setoff or counterclaim and in such amounts as may be necessary in order that all such payments (after deduction or withholding for or on account of any present or future taxes, levies, imposts, duties or other charges of whatsoever nature imposed by any government, any political subdivision or any taxing authority, other than any tax on or measured by the overall net income of the Bank pursuant to the income tax laws of the United States or the jurisdiction where the Bank's principal office is located (collectively, the "Taxes") shall not be less than the amounts otherwise specified to be paid under this Agreement. A certificate as to any additional amounts payable to the Bank under this Section 6.1 submitted to the Company by the Bank shall show in reasonable detail the amount payable and the calculations used to determine in good faith such amount and shall be presumptively correct absent manifest error. Any amounts payable by the Company under this Section 6.1 with respect to past payments shall be due within thirty (30) days following receipt by the Company of such certificate from the Bank; any such amounts payable with respect to future payments shall be due concurrently with such future payments. With respect to each deduction or withholding for or on account of any Taxes, the Company shall promptly furnish to the Bank such certificates, receipts and other documents as may be required (in the reasonable judgment of the Bank) to establish any tax credit to which the Bank may be entitled. Without in any way affecting any of its rights under this Section 6.1, the Bank agrees that, upon its becoming aware that any of the present or future payments due it under this Agreement would be subject to deduction for Taxes, it will notify the Company in writing and the Bank further agrees that it will use reasonable efforts not disadvantageous to it (in its sole determination) in order to avoid or minimize, as the case may be, the payment by the Company of any additional amounts for Taxes pursuant to this Section 6.1.

6.2 Default Rate. Any payment not made when due hereunder shall, to the extent permitted by law, bear interest from the date due until paid in full at the Default Rate.

6.3 Late Charge. For any payment of principal and/or interest not paid within ten (10) Business Days after such payment is due, the Company shall pay a late charge ("Late Charge") of an amount equal to the greater of five percent (5%) of the amount of such late payment or \$50.00.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND AMERICAN HOUSING FOUNDATION, INC.

In order to induce the Bank to enter into this Agreement and to make the Loans herein provided for, the Company and American Housing Foundation, Inc., hereby each represent and warrant to the Bank that:

7.1 Company Existence. Each is duly organized and in good standing under the laws of the State of New York and has all requisite company power and authority to own its property and to carry on its business as now being conducted. Each Company is duly qualified to do business and is in good standing in every jurisdiction where the failure to so qualify would have a material adverse effect on the business of the Company. The Company's sole member, American Housing Foundation, Inc., is an organization, and has received a determination letter from the Internal Revenue Service issued to it (the "Determination Letter") to the effect that it is exempt from Federal income tax under Section 501(a) of the Code and an organization described in Section 501(c)(3) of the Code, which Determination Letter has not been adversely modified, limited or revoked. American Housing Foundation, Inc. is in compliance with all terms and conditions of that Determination Letter. The facts and circumstances which form the basis of the Determination Letter as represented to the Internal Revenue Service continue substantially to exist, and neither the Company nor American Housing Foundation, Inc., is aware of any facts or circumstances that could cause a revocation of the Determination Letter. Neither the Company nor American Housing Foundation, Inc., has taken, nor will take, any action that would jeopardize American Housing Foundation, Inc.'s status as a tax-exempt organization under Sections 501(a) and 501(c)(3) of the Code as long as this Agreement remains in effect.

7.2 Power; Authorization; Enforceable Obligations. The execution, delivery and performance of the Agreement and the Credit Documents to which it is a party by the Company and the transactions contemplated thereby (i) are within the company powers of the Company, have been duly authorized by all necessary corporate action and do not and will not contravene any provision of the law applicable to it; (ii) do not require any approval or consent of, or filing with, any Governmental Authority bearing on the execution, delivery, performance, validity or enforceability of such instruments and borrowings which is required by law or the regulation of any such authority, and are not in contravention of the terms of the Company's articles of organization, operating agreement, or any amendments thereof; (iii) will not conflict with or result in any breach of or the creation of any lien under any Indenture, agreement, lease, instrument or undertaking to which the Company is a party or by which it may be bound; (iv) are

and will be valid and legally binding obligations of the Company and are and will be enforceable in accordance with the respective terms thereof; and (v) will not render the Company insolvent.

The execution, delivery and performance of the Agreement and the Credit Documents to which it is a party by American Housing Foundation, Inc., and the transactions contemplated thereby (i) are within the company powers of American Housing Foundation, Inc., have been duly authorized by all necessary corporate action and do not and will not contravene any provision of the law applicable to it; (ii) do not require any approval or consent of, or filing with, any Governmental Authority bearing on the execution, delivery, performance, validity or enforceability of such instruments and borrowings which is required by law or the regulation of any such authority, and are not in contravention of the terms of American Housing Foundation, Inc.'s certificate of incorporation, by-laws, or any amendments thereof; (iii) will not conflict with or result in any breach of or the creation of any lien under any Indenture, agreement, lease, instrument or undertaking to which American Housing Foundation, Inc., is a party or by which it may be bound; (iv) are and will be valid and legally binding obligations of American Housing Foundation, Inc. and are and will be enforceable in accordance with the respective terms thereof; and (v) will not render American Housing Foundation, Inc. to be insolvent.

7.3 Governmental Consent. The Company has obtained all permits, approvals and findings required by any Governmental Authority for the Project Facility as contemplated in this Agreement and the Credit Documents. The Company has taken as of the Commencement Date, and will continue to take, all steps necessary to be taken in order to comply with the Act and applicable State licensing requirements.

7.4 Litigation. There is no litigation, counterclaim, investigation or administrative proceeding or proceeding in law or in equity or before any court, arbitrator, governmental instrumentality or other agency now pending or to the knowledge of the Company, threatened against the Company or the Project Facility, which would, if adversely determined, cause a material adverse change with respect to the Company or the Project Facility. The Company will immediately notify the Bank upon the commencement of any litigation against the Company seeking damages in excess of \$10,000. There are no pending Environmental Proceedings, and the Company has no knowledge of any threatened Environmental Proceedings or any facts or circumstances which may give rise to any future Environmental Proceedings.

7.5 No Default. There is no Default or Event of Default under this Agreement, the Bond Documents or the other Credit Documents. The Company is not (i) in material default under any indenture, contract, agreement or guaranty to which it is a party or by which it is bound; (ii) in violation of its Articles of Organization as amended to date; (iii) in default with respect to any order, writ, injunction or decree of any court; or (iv) in default under any order or license of any federal or state governmental department, which default or violation in any of the aforesaid cases materially and adversely affects its business or property. There exists no condition, event or act which constitutes, or after notice or lapse of time or both would constitute, an Event of Default.

7.6 Ownership of Property; Liens. The Company has good and marketable title to its leasehold interest in the Project Facility, subject only to the Permitted Encumbrances and the Company is the beneficial owner of its leasehold interest in the Project Facility, subject only to

the Permitted Encumbrances. The Company has good title to the Collateral, free and clear of all liens, pledges, mortgages, security interests, charges, claims and other encumbrances, except Permitted Encumbrances. The Mortgage creates a valid and prior lien or security interest in favor of the Bank in the Project Facility and the Collateral, subject to no other liens or encumbrances arising by, through or under the Company or any other person, except for Permitted Encumbrances.

All of the Company's personal property, fixtures, attachments and equipment delivered upon, attached to or used in connection with the operation of the Project Facility and acquired with Bond Proceeds shall be located at the Project Facility and shall be kept free and clear of all Liens (as defined in the Indenture).

7.7 Taxes. The Company has filed or caused to be filed all tax returns, 990 filings, and other reports which are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments received by it to the extent that such taxes have become due. There are no unpaid taxes in any amount claimed to be due by any taxing authority of any jurisdiction material to the Company, and all required filings have been made.

7.8 Utilities. The Project Facility has adequate water, gas and electrical supply, storm and sanitary sewerage facilities, other required public utilities, fire and police protection and means of access between the Project Facility and public highways.

7.9 No Condemnation Proceedings. (i) No condemnation of any portion of the Project Facility, (ii) no condemnation or relocation of any roadways abutting the Project Facility, and (iii) no proceeding to deny access to the Project Facility from any point of access to the Land has commenced or, to the best of the Company's knowledge, is contemplated by any Governmental Authority.

7.10 ERISA. The Company is not a party in interest to any plan defined or regulated under ERISA, and the assets of the Company are not "plan assets" of any employee benefit plan covered by ERISA or Section 4975 of the Code. No Reportable Event or Prohibited Transaction (as defined in Section 4975 of the Code) has occurred and is continuing with respect to any Plan and the Company has not incurred any "accumulated funding deficiency" as such term is defined in Section 302 of ERISA, in each case that would have a material adverse effect on the Company.

7.11 Financial Condition. The Company has furnished financial statements to the Bank that are, to the best of the Company's knowledge, true, complete and correct and fairly present the financial condition of the Company as of their respective dates and the results of its operations for the respective periods then ended and, with the exception of quarterly reports, were prepared in accordance with GAAP consistently applied.

7.12 Full Disclosure. There is no fact, other than the facts set forth in the most recent financial statements of the Company provided to the Bank, that the Company has not specifically disclosed to the Bank that materially or adversely affects or, to the knowledge of the Company, that will materially or adversely affect the properties, business, activities or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligations under this

Agreement or any Credit Document. All material liabilities of the Company, contingent or otherwise, which are required to be shown in accordance with GAAP, are shown on such financial statements or have been disclosed to the Bank in writing. The Company shall provide the Bank with copies of all material notices pertaining to the Project Facility received by the Company from any Governmental Authority or insurance company within seven (7) days after such notice is received.

7.13 Investment Company Act. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meanings of the Investment Partnership Act of 1940, as amended.

7.14 Public Utility Holding Company Act Not Applicable. The Company is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or an "affiliate" of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

7.15 No Financing of Corporate Takeovers. None of the proceeds of the Bonds will be used to acquire any security in any transaction that is subject to Section 13 or 14 of the Securities Exchange Act of 1934.

7.16 Use of Proceeds. The obligations of the Company hereunder are not being made for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation T, U or X issued by the Board of Governors of the Federal Reserve System, and the Company agrees to execute all instruments necessary to comply with all the requirements of Regulation U of the Federal Reserve System.

7.17 Offering of Bonds. Neither the Company nor any agent acting on the Company's behalf has taken or will take any action which would subject the issuance of the Letter of Credit or the Bonds or sale of the Bonds to the qualification or registration provisions of the Securities Act of 1933, as amended, or which would cause the offer or sale of the Bonds not to be made in compliance with the provisions of any securities or Blue Sky law of any applicable jurisdiction.

7.18 Subsidiaries. The Company does not have any Subsidiaries or Affiliates, does not control, directly or indirectly, or have any direct or indirect interest or investment in any person or entity and does not own, directly or indirectly, any shares of stock, partnership interests or any other securities of any other person or entity, except for readily marketable securities held or retained by the Company in the ordinary course of business. The Company has not made any loans to any other person or entity. The Company has not guaranteed any obligations of any other person or entity.

7.19 No Change in Name or Entity. The Company has not within the six (6) year period immediately preceding the date of this Agreement changed its name, been the surviving entity of a merger or consolidation or acquired all or substantially all the assets of any other person or entity. The Company does not conduct business under any name other than its corporate name.

7.20 Indebtedness. Subsequent to the date of the financial statements referred to in Section 7.11 hereof, the Company has not incurred any liabilities or obligations, direct or

contingent, not in the ordinary course of business, and there has not been any increase in the aggregate amount of Indebtedness of the Company (except in connection with the issuance of the Bonds), or any change in the business, properties or condition, financial or otherwise, of the Company, except for changes arising in the ordinary course of business or in connection with the issuance and sale of the Bonds or as may be otherwise disclosed in writing to the Bank prior to the date hereof.

7.21 Reserved.

7.22 Legal Requirements. The use of the Project Facility does not violate (i) any Laws (including subdivision, zoning, building, environmental protection and wetland protection Laws), or (ii) any building permits, restrictions of record or agreements affecting the Project Facility or any part thereof (i) and (ii) collectively, "Legal Requirements"). All Governmental Approvals have been obtained when required by applicable Legal Requirements, and all Laws relating to the Construction and operation of the Project Facility have been complied with.

7.23 Hazardous Materials. (i) Except materials used in compliance with Environmental Laws in the course of maintenance and operation of the Project Facility, the Project Facility is free of all Hazardous Material; (ii) neither the Company nor, to the best knowledge of the Company, any other person or entity has ever caused or permitted any Hazardous Material to be placed, held, located or disposed of on, under or at the Project Facility, or any part thereof, and the Project Facility have never been used (whether by the Company or, to the best knowledge of the Company, by any other person or entity) for any activities involving, directly or indirectly, the use, generation, treatment, storage, transportation or disposal of any Hazardous Material except in material compliance with Environmental Laws; (iii) neither the Project Facility nor the Company are subject to any existing, pending or, to the best of the Company's knowledge, threatened investigation or inquiry by any Governmental Authority, and the Project Facility are not subject to any remedial obligations under any applicable Environmental Laws with respect to any alleged violation of Environmental Laws; and (iv) there are no underground tanks, vessels or similar facilities for the storage, containment or accumulation of Hazardous Material of any sort on or affecting the Project Facility.

7.24 Insurance. The Company carries insurance with reputable insurers in respect of its property and liability insurance, in such amounts and against such risks as is customarily maintained by other entities of similar size engaged in similar business. Copies of all policies of insurance (or other evidence thereof satisfactory to the Bank) have been made available to the Bank for inspection.

7.25 Foreign Person. The Company is not a "foreign person" within the meaning of Section 1445 or 7701 of the Code.

7.26 No Misrepresentations or Omissions. Neither this Agreement nor any other document, certificate or statement furnished to the Bank or the Issuer by or on behalf of the Company contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading.

7.27 Survival of Representations and Warranties. The Company agrees that all of the representations and warranties set forth herein and elsewhere in this Agreement are true as of the date hereof, will be true at the Date of Issuance and, except for matters which have been disclosed by the Company and approved by the Bank in writing, at all times thereafter.

ARTICLE 8

COMPANY'S COVENANTS AND AGREEMENTS

The Company further covenants and agrees that, except as otherwise consented to by the Bank in writing, from the date of this Reimbursement Agreement and until the obligations of the Company to the Bank hereunder are satisfied in full, it will comply with the following provisions:

8.1 Tax Exempt Status of the Series 2003 Bonds. The Company shall (a) not take any action not consistent with the maintenance of tax exemption of interest on the Series 2003 Bonds under the Code, and (b) file or cause to be filed with each appropriate governmental agency any and all statements or other instruments, if any, required under Section 103 of the Code, including the regulations thereunder, to be filed with such agency in order that the interest on the Series 2003 Bonds continues to be generally excludible from the gross income of the registered owners thereof for federal income tax purposes.

8.2 Reporting Requirements. The Company covenants that the financial statements, including balance sheets referred to in this Section, and any other written statement furnished by the Company to the Bank will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. The Company covenants and agrees that, from the date of this Reimbursement Agreement and until the obligations of the Company to the Bank hereunder are satisfied in full, it will furnish to the Bank the following:

(a) As soon as available and, in any event, within one hundred fifty (150) days after the end of each Fiscal Year, audited financial statements of the Company as of the end of such year, including a balance sheet, income statement and statements of cash flows and changes in financial position and/or changes in fund balances, as applicable, of the Company for such year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on, and prepared in accordance with GAAP, consistently applied, by the Accountant, whose report shall state that such financial statements present fairly the Company's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year, (A) a certificate executed by the Executive Director of the manager of the Company certifying compliance with the requirements of Section 8.24 and stating whether any noncompliance occurred during the period in question, and containing the calculations used to document compliance therewith; (B) a certificate executed by the Executive Director of the manager of the Company certifying that all payments of principal and interest on the Bonds have been made; and (C) a statement by the Executive Director of the manager of the Company that s/he has no knowledge of any Default or Event of Default or if in the opinion of the chief

financial officer of the Company any such Default or Event of Default shall exist, a statement as to the nature and status thereof. Each such certificate shall be accompanied by an attached and referenced schedule setting forth in reasonable detail the computations necessary to ascertain compliance.

(b) As soon as available and, in any event, within sixty (60) days after the end of each fiscal quarter, cash-based operating statements of the Company and the Project Facility as of the end of such three months, prepared in accordance with GAAP, consistently applied, and (ii) as soon as available and, in any event, within forty-five (45) days after the end of each fiscal quarter, unaudited financial statements as of the end of such three (3) months, prepared in accordance with GAAP, consistently applied;

(c) The Bank must receive a certified rent roll for the Project Facility, and marketing updates at the end of each calendar quarter, prior to achieving a 1.05:1.00 Debt Service Coverage Ratio, or when requested by the Bank, to be in all respects satisfactory to the Bank, in its sole discretion;

(d) Simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a certificate of an Authorized Representative of the Company who is the principal financial or accounting officer presenting the calculation of Debt Service Coverage Ratio, and stating whether there exists on the date of such certificate any Event of Default or event which with notice or lapse of time or both would constitute an Event of Default and, if any Event of Default or such event then exists, setting forth the details thereof and the action that the Company is taking or proposes to take with respect thereto.

(e) Simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a certificate of an Authorized Representative of American Housing Foundation, Inc., as sole member of the Company, stating that such sole member of the Company is in compliance with Section 8.36 hereof, the balance of such cash, deposits and cash-equivalent investments as of the end of the respective fiscal period, whether there exists on the date of such certificate any Event of Default or event which with notice or lapse of time or both would constitute an Event of Default and, if any Event of Default or such event then exists, setting forth the details thereof and the action that the Company is taking or proposes to take with respect thereto;

(f) Promptly upon receipt thereof, copies of all management letters and definitive written reports submitted to the Company by independent accountants in connection with any annual or interim audit of the books of the Company.

(g) Within fifteen (15) days after submittal, copies of any and all financial reporting submitted by or on behalf of the Company to the New York State Attorney General, and/or any other regulatory agencies;

(h) Upon the Bank's request, a report of the occupancy of the Project Facility, in form and substance satisfactory to the Bank;

(i) Promptly, notice of any development, financial or otherwise, which may be reasonably expected to affect adversely the business, Project Facility, affairs or prospects of the Company; and

(j) Promptly after request, such other information (financial or otherwise) as the Bank reasonably may request from time to time.

8.3 Payment of Obligations. The Company shall (a) pay, as they become due, all of its valid and lawful obligations in accordance with all normal business practices and in accordance with all normal terms, and (b) pay when due all taxes, assessments and governmental charges or levies properly imposed upon it or upon its income and profits, or upon any of its property, as well as all lawful claims for labor, material and supplies.

8.4 Maintenance of Insurance. The Company shall maintain insurance as set forth in Exhibit D attached hereto.

8.5 Notices. The Company shall promptly give notice to the Bank (a) of the occurrence of any Event of Default hereunder, (b) of any event of default under any material instrument or other agreement of the Company, (c) of any litigation, proceeding, investigation or dispute which may exist at any time affecting the Company which might have a material adverse effect upon the business, operations, assets or condition, financial or otherwise, of the Company, and (d) of any material alterations in the nature of its business and any material change in management of the Company.

8.6 Conduct of Business. The Company shall maintain, protect and preserve all of its assets used or usable in the conduct of its business and keep the same in good repair and working order. The Company shall protect and preserve all of its licenses, franchises, trade names, trademark and permits.

8.7 Access to Books and Records. The Company shall keep books of records and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of the Bank to visit and inspect any of its properties, including the Project Facility, and examine and make abstracts from any of the books and records of the Company, provided that prior to the occurrence and continuing of an Event of Default such visits, inspections and examinations will be during reasonable business hours on reasonable notice, accompanied by a representative of the Company. The Executive Director of the Company's sole member and manager shall, at the reasonable request of the Bank, discuss the Company's financial matters with the Bank or a designee of the Bank and provide the Bank with copies of any documents reasonably requested by the Bank or its designee. The Company shall provide the Bank with copies of any documents furnished by the Company to the Issuer or any credit rating service or, at the request of the Bank, any lender to the Company, which documents may adversely affect the interests of the Bank with respect to the transactions contemplated by this Agreement.

8.8 ERISA. The Company shall maintain compliance with all provisions and regulations of ERISA, as amended, and published interpretations thereunder.

8.9 Payment of Taxes, etc. The Company shall pay all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, when due, which, if unpaid, might become a lien or charge upon any of its properties.

8.10 Organizational Documents. The Company shall not, without the prior written consent of the Bank (which consent, in the case of (a) hereinafter, will not be unreasonably withheld, conditioned or delayed), permit or suffer: (a) a material amendment or modification of its organizational documents, (b) the admission of any new member, partner or shareholder, or (c) any dissolution or termination of its existence.

8.11 Furnishing Reports. Upon the Bank's request, the Company shall provide the Bank with copies of all inspections, reports, test results and other information received by the Company which in any material way relate to the Project Facility or any part thereof.

8.12 Management Contracts. The Company shall not enter into, modify, amend, terminate or cancel the Management Contract or any other management contracts for the Project Facility or agreements with agents or brokers without the prior written approval of the Bank, which approval will not be unreasonably withheld, conditioned or delayed. In the event of the termination or non-renewal of the Management Contract, the Company will undertake the obligations of the Manager or appoint another manager reasonably acceptable to the Bank on terms and conditions reasonably acceptable to the Bank.

8.13 Indemnification. The Company shall indemnify the Bank and its respective officers, directors, employees and consultants (each, an "Indemnified Party") and defend and hold each Indemnified Party harmless from and against all claims, injury, damage, loss and liability, cost and expense (including reasonable attorneys' fees, costs and expenses) of any and every kind to any persons or property by reason of (a) the operation or maintenance of the Project Facility; (b) any breach of representation or warranty, default or Event of Default under this Agreement or any Credit Document; or (c) any other matter arising in connection with the Letter of Credit, the Bonds, the Credit Documents, the Company or the Project Facility. No Indemnified Party shall be entitled to be indemnified against its own gross negligence or willful misconduct.

8.14 Authorized Representative. The Company hereby notifies the Bank on the Date of Issuance that it appoints Mr. Garry Kearns, Executive Director of the Company's sole member/manager as its Authorized Representative for purposes of dealing with the Bank on behalf of the Company in respect of any and all matters in connection with this Agreement, the Credit Documents and the obligations of the Company hereunder. The Authorized Representative shall have the power, in his/her discretion, to give and receive all notices, moneys, approvals and other documents and instruments, and to take an other action on behalf of the Company. All actions by the Authorized Representative shall be final and binding on the Company. The Bank may rely on the authority given to the Authorized Representative until actual receipt by the Bank of a duly authorized resolution substituting a different person as the Authorized Representative. No more than one person shall serve as Authorized Representative at any given time for purposes of this Section.

8.15 Compliance with Laws. The Company shall comply with all applicable requirements (including applicable Laws) of any Governmental Authority having jurisdiction over the Company or the Project Facility. The Company shall operate the Project Facility in accordance with the applicable provisions of the laws and regulations of the State and any requirements of any Governmental Authority having jurisdiction over the Project Facility or any activities conducted therein. The Company shall maintain all necessary approvals from any Governmental Authority required to lawfully conduct the operation of its business.

8.16 Mergers; Consolidation. The Company will not merge or consolidate with any Person, dissolve, wind up its affairs or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person.

8.17 Litigation; Adverse Changes. The Company will promptly notify the Bank in writing of (a) any event which, if existing at the date hereof, would require qualification of the representations and warranties set forth herein in any material respect; (b) any material adverse change in the condition or business, financial or otherwise, of the Company; and (c) the commencement of any proceeding against the Company or its property seeking damages in excess of \$10,000.

8.18 Sale, Purchase of Assets. The Company will not, directly or indirectly, (a) purchase, lease, or otherwise acquire any tangible assets except supplies and similar tangible assets in the ordinary course of business and not constituting capital expenditures under GAAP or as otherwise permitted in Section 8.25 of this Agreement; or (b) sell, lease, transfer or otherwise dispose of any tangible assets, except for (i) tangible assets sold for full and adequate consideration which an executive officer of the Company identified to the Bank has determined to be worn out, obsolete or no longer needed or useful in its business, and (ii) tangible assets sold in the ordinary course of business, *provided that* the Company receives full and adequate consideration in exchange for such assets sold. Notwithstanding anything to the contrary stated above, in any instance when the Company determines in good faith that any tangible asset shall have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary or should otherwise be replaced, the Company may remove such items, *provided that* the Company, in connection therewith, (x) may remove, without substitution or payment, and without the Bank's prior written consent, tangible assets not in excess of \$25,000 annually in the aggregate; or (y) may substitute and install other tangible assets having equal or greater value (but not necessarily the same function) in the operation of the Company's business.

8.19 Other Mortgages, Security Interests and Liens. The Company will not, directly or indirectly, create, incur, assume or permit to exist any mortgage, security interest, lien, charge, encumbrance on, transfer or pledge or deposit of, or conditional sale or other title retention agreement with respect to, any property or asset (including, but not limited to, the Pledged Collateral) of the Company now owned or hereafter acquired other than the "Permitted Encumbrances" (defined as follows):

(a) Liens for taxes, assessments, or governmental charges or levies the payment of which is not at the time required by law;

(b) Purchase money security interest in equipment, furniture or vehicles not exceeding \$10,000.00 in the aggregate in any fiscal year;

(c) Any Liens in favor of the Bank or any affiliate of the Bank; or

(d) Any Liens consented to by the Bank in writing.

8.20 Borrowed Money. The Company will not, directly or indirectly, create, incur or assume Indebtedness, or otherwise become, be or remain liable with respect to, any Indebtedness, *provided that* the foregoing restrictions shall not apply to:

(a) the Indebtedness evidenced hereunder and any other Indebtedness now or hereafter payable by the Company to the Bank or any affiliate of the Bank;

(b) Indebtedness of the Company evidenced by the Bonds; or

(c) Indebtedness permitted pursuant to the Debt Coverage provision of Section 8.24 herein.

8.21 Assumptions; Guaranties. Neither the Company nor American Housing Foundation, Inc. will without the Bank's prior written consent, assume, guarantee, endorse or otherwise become directly or contingently liable for (including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to or otherwise invest in any debtor or otherwise to assure the creditor against loss) any financial obligation or Indebtedness (each, and "Obligation"), unless such Obligation (a) is limited in recourse to asset(s) of the Company or American Housing Foundation, Inc., as the case may be, not pledged to the Bank, (b) is not in connection with the Project Facility, and (c) excepts from such non-recourse provisions only such exceptions as are set forth in the Limited Guaranty.

8.22 Payment Schedule of Bonds. The Company shall pay interest on the Bonds and shall cause the original principal amount of the Bonds to be repaid not later than the scheduled payments described in Exhibit E attached hereto and made a part hereof.

8.23 Subordinated Debt. The Company will not make any payment of debt which has been subordinated to the Bank, except in such manner and amounts as may be expressly authorized in any subordination agreement presently or hereafter held by the Bank.

8.24 Debt Service Coverage Ratio. At the end of each fiscal year commencing December 31, 2007, the Company will maintain a Debt Service Coverage Ratio of 1.05:1 or greater.

8.25 Capital Expenditure Funding. The Company shall obtain the Bank's approval before funding any expenditures, constituting capital expenditures as determined under GAAP.

8.26 Reserves. Other than funds and accounts required to be maintained with the Trustee pursuant to the Indenture, the Company shall maintain all its reserve accounts, including

debt service, operating and replacement occupancy reserves relating to the Company's residential program, with the Bank.

8.27 Relationship Banking. The Company is required to maintain with the Bank a reserve fund equal to six (6) months of debt service on the Bonds, as collateral security for the Bank, although the Bank may, in its sole and absolute discretion, credit the Company with any debt service reserve amount actually held by the Trustee, in full or partial compliance with this covenant.

The Company will be required to maintain in an account at the Bank, a liquidity and capital maintenance reserve fund in an amount satisfactory to the Bank, and increasing annually in an amount of at least 13,500.00 per year, commencing at the Closing Date in Calendar Year 2007. The Bank may, in its sole and absolute discretion, credit the Company with any capital reserves actually maintained pursuant to the Housing Trust Fund documents, in full or partial compliance with this covenant.

The Operating Account will be maintained at the Bank during the term of this Agreement.

8.28 Other Covenants. The Company shall at all times perform and observe in all respects, for the benefit of the Bank as independent obligations, each of the covenants, terms and conditions contained in the Bond Documents, to the extent they apply to the Company, as if each were set forth in this Agreement in full.

8.29 Maintenance of Security. The Bank, at the Company's expense, may take all necessary action to maintain and preserve the lien and security interest created by the Credit Documents in accordance with the terms thereof so long as any amount is owing under this Agreement or the Letter of Credit.

8.30 Environmental Provisions. The Company shall cause the Project Facility and the Land to be kept free of Hazardous Material except as may be permitted by applicable Laws. The Company shall comply with and insure compliance by all tenants and subtenants with all applicable Laws, whenever and by whomever triggered, and with administrative or consent orders issued by Governmental Authorities, and shall obtain and comply with, and insure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The Company shall (a) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Material on, from, or affecting any of the Project Facility (i) in accordance with all applicable Laws, and (ii) in accordance with the orders and directives of all Governmental Authorities; (b) defend, indemnify and hold harmless the Bank, its employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of or in any way related to (i) the presence, disposal, release or threatened release of any Hazardous Material which is on, from or affecting the soil, water, vegetation, buildings, personal property, persons, animals or otherwise of, under, on or arising with respect to the Project Facility, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Material of, under, on or arising with respect to the Project Facility, (iii) any lawsuit brought or threatened,

settlement reached or government order relating to such Hazardous Material, and/or (iv) any violation of applicable Laws or any policies or requirements of the Bank of which the Company has received written notice, which are based upon or in any way related to such Hazardous Material, including, without limitation, reasonable attorneys' and consultants' fees, investigation and laboratory fees, court costs and litigation expenses; and (c) promptly furnish to the Bank all notices of any kind which it may receive from, or is required to provide to, any Governmental Authority with respect to Hazardous Material affecting any of the Project Facility.

8.31 Appraisal. If the Bank is required by any Governmental Authority to obtain an appraisal of the Project Facility, the Company shall pay the cost of such appraisal.

8.32 Priority of Payment of Obligations. The Company shall apply its revenues to payment of the following obligations in the priorities set forth below (such that no payments may be made until the higher priority category is first satisfied and current):

- (a) principal and interest payments on the Reimbursement Obligations payable to the Bank;
- (b) basic operating expenses of the Project Facility; and
- (c) replacement reserves conforming to pro forma budgets.

8.33 Collection of Rental Fees. All Rental Fees and other payments of room charges from residents of the Project Facility for deposit in the Operating Account, the Bank reserves the right to require the Company to enter into a lock box arrangement with the Bank pursuant to which all Residential Rental Fees and other payments of room charges payable with respect to the Project Facility and payable directly to the Company shall be paid directly to the Bank for deposit in the Borrower's account established for such purpose with the Bank ("Lock Box Account"). Amounts on deposit in the Lock Box Account shall be applied by the Bank to the Reimbursement Obligations. After the Reimbursement Obligations have been paid or provided for, any remaining amounts in the Lock Box Account shall be transferred to the Operating Account for payment or application by the Company or the Bank to the following items in the following priority: *first*, payment of basic operating expenses of the Company as set forth in an annual operating Budget for the Company furnished to the Bank; and *second*, deposited in any replacement reserve accounts required to be maintained by the Company with respect to the Project Facility.

8.34 Conversion to Fixed Rate. Initially, all Bonds shall bear interest at the Variable Interest Rate as set forth in the Indenture. The Company will not permit the Conversion of any Bonds to the Fixed Rate unless the Company has obtained and there is in effect a written firm commitment in customary form to purchase all of the Bonds to be so converted not less than seven (7) days prior to the proposed Conversion Date from the Remarketing Agent or other underwriter or underwriters reasonably satisfactory to the Bank providing for the purchase of all of the Bonds by 12:00 noon (New York time) on such Conversion Date. The Company shall not convert from the Variable Interest Rate less than all of the Bonds then Outstanding.

8.35 Further Assurances. The Company will cooperate with the Bank and execute, acknowledge (if appropriate) and deliver such further instruments and documents, and take such

other action as the Bank shall reasonably request to carry out to its satisfaction the transactions contemplated by this Agreement and the Credit Documents.

8.36 Maintenance of Corporate Existence; Maintenance of 501(c)(3) Status; Operation of Project. The Company's sole member, American Housing Foundation, Inc., shall maintain its existence as a not-for-profit corporation organized and validly existing in good standing under the laws of the State. Neither the Company, nor American Housing Foundation, Inc., shall take any actions that would jeopardize its exemption from federal income taxation under Section 501(a) of the Code or its qualification under Section 501(c)(3) of the Code.

8.37 Sign and Publicity Upon the Bank's request, the Company shall promptly erect a sign, approved in advance by the Bank, in a conspicuous location on the Land indicating that the financing for the Project Facility is provided by the Bank. The Bank reserves the right to conduct further publicity of its role in financing the Project Facility.

ARTICLE 9

DEFAULT AND REMEDIES

9.1 Event of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" as said term is used herein:

(a) Failure of the Company (i) (A) to make any principal payment when due, (B) to pay any interest within five (5) days after the date when due, or (C) to observe or perform any of the other covenants or conditions by the Company to be performed under the terms of this Agreement, the Interest Rate Agreement, and the Bond Documents, or any Credit Document concerning the payment of money, for a period of ten (10) days after written notice from the Bank that the same is due and payable; or (ii) for a period of thirty (30) days after written notice from the Bank, to observe or perform any non-monetary covenant or condition contained in this Agreement, the Interest Rate Agreement, any Bond Document, or any Credit Document; *provided that* if any such failure concerning a non-monetary covenant or condition is susceptible to cure and cannot reasonably be cured within said thirty (30) day period, then the Company shall have an additional thirty (30) day period to cure such failure and no Event of Default shall be deemed to exist hereunder so long as the Company commences such cure within the initial thirty (30) day period and diligently and in good faith pursues such cure to completion within such resulting sixty (60) day period from the date of the Bank's notice; *provided further* that if a different notice or grace period is specified under any other subsection of this Article with respect to a particular breach, or if another subsection of this Article applies to a particular breach and does not expressly provide for a notice or grace period, the specific provision shall control.

(b) If any representation or warranty or statement made or deemed made by the Company in this Agreement or which is contained in any certificate, document, financial or other statement furnished at any time under or in connection with this Agreement shall prove to have been false or misleading in any material respect when made.

(c) Any breach or default following applicable notice and cure periods of any payment with respect to any indebtedness or guaranty of the Company, when due, or the performance of any other obligation of the Company incurred in connection with any indebtedness or guaranty.

(d) the Company shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of its assets; (ii) admit in writing its inability to pay its debts as they mature; (iii) make a general assignment for the benefit of creditors; (iv) be adjudicated bankrupt or insolvent; or (v) file a voluntary petition in bankruptcy, or a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation by law or statute, or an answer admitting the material allegations of a petition filed against the Company in any proceeding under any such law or the filing of an involuntary bankruptcy against the Company, or if corporate action shall be taken by the Company for the purpose of effecting any of the foregoing.

(e) An order, judgment or decree shall be entered, without the application, approval or consent of the Company, by any court of competent jurisdiction, approving a petition seeking reorganization of the Company, or of all or a substantial part of any of its respective properties or assets or appointing a receiver, trustee or liquidator of the Company and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) days.

(f) the Company shall become an "investment company" within the meaning of the Investment Company Act of 1940, as the same may be amended from time to time/

(g) A Reportable Event shall occur under ERISA.

(h) An Event of Default occurs with respect to any of the Credit Documents, or any of the Bond Documents.

(i) The Company shall cease to conduct business or shall be dissolved.

(j) If a Material Adverse Change occurs with respect to the Company or the Project Facility.

(k) The liens created by any of the Credit Documents shall for any reason cease to be valid, perfected security interests or mortgage liens of the required priority in favor of the Bank (except with respect to UCC filings that have lapsed because the Bank has failed to timely file a continuation statement).

9.2 Remedies. Upon the occurrence of any Event of Default, the Bank may pursue any one or more of the following remedies concurrently or successively, it being the intent hereof that none of such remedies shall be to the exclusion of any other:

(a) Declare the obligations of the Company hereunder to be forthwith due and payable and the same shall thereupon become immediately due and payable without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived;

(b) Demand the immediate deposit of cash collateral in an amount equal to the full amount then available or which may subsequently become available under the Letter of Credit, and the same shall thereupon become due and payable;

(c) Withhold further approval of requests for disbursement of the Bond proceeds;

(d) Use and apply any moneys or letter of credit deposited by the Company with the Bank, regardless of the purposes for which the same was deposited, to cure any such default or to apply on account of any indebtedness under this Agreement which is due and owing to the Bank;

(e) Notify the Trustee that an Event of Default has occurred and instruct the Trustee to accelerate the Bonds; and/or

(f) Exercise or pursue any other remedy or cause of action permitted under this Agreement, the Interest Rate Agreement, or any Credit Documents, or conferred upon the Bank by operation of Law.

ARTICLE 10

CASUALTIES AND CONDEMNATION

10.1 Bank's Election to Apply Proceeds to Indebtedness.

(a) Subject to the provisions of Section 10.1(b) below, the Bank may elect following casualty or condemnation of the Project Facility that the Bonds be redeemed and that all proceeds of insurance or condemnation (individually and collectively referred to as "Insurance Proceeds") after deduction of all expenses of collection and settlement, including attorneys' and adjusters' fees and charges be applied to redeem the Bonds. The Bank is hereby authorized by the Company to direct the Trustee to effect such a redemption of the Bonds. Any Insurance Proceeds remaining after redemption of all of the Bonds shall be applied by the Bank to any unpaid Reimbursement Obligations and any surplus remaining paid to the Company.

(b) Notwithstanding anything in Section 10.1(a) to the contrary, in the event of any casualty to the Project Facility or any condemnation of part of the Project Facility, the Bank agrees to make available the Insurance Proceeds to restore the Project Facility if (i) no Event of Default exists, (ii) all Insurance Proceeds are deposited with the Bank, (iii) in the Bank's reasonable judgment, the amount of Insurance Proceeds available for restoration of the Project Facility is sufficient to pay the full and complete costs of such restoration, (iv) no material leases in effect at the time of such casualty or condemnation are or will be terminated as a result of such casualty or condemnation, (v) if the cost of restoration exceeds ten percent (10%) of the original aggregate amount of Bond proceeds, in the Bank's sole completion of restoration, the amount available to be drawn under the Letter of Credit will not exceed eighty percent (80%) of the fair market value of the Project Facility, (vi) in the Bank's sole judgment, the Project Facility can be restored to an architecturally and economically viable project in compliance with

applicable Laws, and (vii) in the Bank's sole judgment, such restoration is likely to be completed not later than three (3) months prior to the Expiration Date.

10.2 Company's Obligation to Rebuild and Use Bond Proceeds Therefor.

In the event the Bank does not elect the early redemption of the Bonds, as provided in Section 10.1(a) above, the Company shall:

(a) Proceed with diligence to make settlement with insurers or the appropriate governmental authorities and cause the Insurance Proceeds to be deposited with the Bank;

(b) In the event of any delay in excess of ninety (90) days from the date of casualty or condemnation in making settlement with insurers or the appropriate governmental authorities or effecting collection of the Insurance Proceeds, deposit with the Bank the full amount required to complete construction as aforesaid; and

(c) Promptly proceed with the assumption of reconstruction of the Project Facility, including the repair of all damage resulting from such casualty, condemnation or other cause and restoration to the extent reasonably practicable to its former condition.

Any request by the Company for a disbursement by the Bank of Insurance Proceeds and funds deposited by the Company shall be treated by the Bank as if such request were a request for approval of disbursement of the Bond proceeds hereunder, and the Bank's approval of such disbursement thereof shall be conditioned upon the Company's compliance with and satisfaction of the same conditions precedent as would be applicable under this Agreement for a request for approval of disbursement of the Bond proceeds.

ARTICLE 11

ASSIGNMENTS BY BANK AND COMPANY

11.1 Assignments and Participations. The Bank may from time to time sell the Letter of Credit Commitment and the Credit Documents (or any interest therein) and may grant participations in the Letter of Credit Commitment. The Company agrees to cooperate with the Bank's efforts to do any of the foregoing and to execute all documents reasonably required by the Bank in connection therewith which do not materially adversely affect the Company's rights under the Credit Documents and do not impose any additional material monetary obligations on the Company.

11.2 Prohibition of Assignments and Transfers by Company. The Company shall not assign or attempt to assign its rights under this Agreement and any purported assignment shall be void. Without the prior written consent of the Bank, in the Bank's sole discretion, the Company shall not suffer or permit (a) the Project Facility to be managed by any Person other than the Company or the Manager in place as of the Closing Date, or (b) any Transfer.

11.3 Prohibition of Transfers in Violation of ERISA. In addition to the prohibitions set forth in Section 11.2 above, Company shall not assign, sell, pledge, encumber, transfer, hypothecate or otherwise dispose of its interest or rights in this Agreement or in the Project Facility, or attempt to do any of the foregoing or suffer any of the foregoing, nor shall any party owning a direct or indirect interest in the Company assign, sell, pledge, mortgage, encumber, transfer, hypothecate or otherwise dispose of any of its rights or interest (direct or indirect) in the Company, attempt to do any of the foregoing or suffer any of the foregoing, if such action would cause the obligations of the Company hereunder, or the exercise of any of the Bank's rights in connection therewith, to constitute a prohibited transaction under ERISA or the Internal Revenue Code or otherwise result in the Bank being deemed in violation of any applicable provision of ERISA. The Company agrees to indemnify and hold the Bank free and harmless from and against all losses, costs (including reasonable attorneys' fees and expenses), taxes, damages (including consequential damages) and expenses the Bank may suffer by reason of the investigation, defense and settlement of claims and in obtaining any prohibited transaction exemption under ERISA necessary or desirable in the Bank's sole judgment or by reason of a breach of the foregoing prohibitions. The foregoing indemnification shall be a recourse obligation of the Company and shall survive repayment of the obligations of the Company hereunder, notwithstanding any limitations on recourse contained herein or in any of the Credit Documents.

11.4 Successors and Assigns. Subject to the foregoing restrictions on transfer and assignment contained in this Article, this Agreement shall inure to the benefit of and shall be binding on the parties hereto and their respective successors and permitted assigns.

ARTICLE 12

GENERAL PROVISIONS

12.1 Captions. The captions and headings of various Articles, Sections and subsections of this Agreement and Exhibits pertaining hereto are for convenience only and are not to be considered as defining or limiting in any way the scope or intent of the provisions hereof.

12.2 Modification; Waiver. No modification, waiver, amendment or discharge of this Agreement or any other Credit Document shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment or discharge is sought.

12.3 Governing Law. Irrespective of the place of execution and/or delivery, this Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of New York.

12.4 Acquiescence Not to Constitute Waiver of the Bank's Requirements. Each and every covenant and condition for the benefit of the Bank contained in this Agreement may be waived by the Bank, *provided, however*, that to the extent that the Bank may have acquiesced in any noncompliance with any conditions precedent to the approval of a request for

disbursement of Bond proceeds, such acquiescence shall not be deemed to constitute a waiver by the Bank of such requirements with respect to any future disbursements of Bond proceeds.

12.5 Disclaimer by the Bank. This Agreement is made for the sole benefit of the Company and the Bank, and no other person or persons shall have any benefits, rights or remedies under or by reason of this Agreement, or by reason of any actions taken by the Bank pursuant to this Agreement. The Bank shall not be liable for any debts or claims accruing in favor of any such parties against the Company or others or against the Project. The Bank, by issuing the Letter of Credit or taking any action pursuant to any of the Credit Documents, shall not be deemed a partner or a joint venturer with the Company or fiduciary of the Company. No payment of funds directly to a contractor or subcontractor or provider of services be deemed to create any third-party beneficiary status or recognition of same by the Bank.

12.6 Partial Invalidity Severability. If any of the provisions of this Agreement, or the application thereof to any person, party or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such provision or provisions to persons, parties or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.7 Definitions Include Amendments. Definitions contained in this Agreement which identify documents, including, but not limited to, the Credit Documents, shall be deemed to include all amendments and supplements to such documents from the date hereof; and all future amendments and supplements thereto entered into from time to time to satisfy the requirements of this Agreement or otherwise with the consent of Bank. Reference to this Agreement contained in any of the foregoing documents shall be deemed to include all amendments and supplements to this Agreement.

12.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

12.9 Entire Agreement. This Agreement, taken together with all of the other Credit Documents and all certificates and other documents delivered by the Company to the Bank, embody the entire agreement and supersede all prior agreements, written or oral, relating to the subject matter hereof.

12.10 Waiver of Damages. In no event shall the Bank be liable to the Company for punitive, exemplary or consequential damages, including, without limitation, lost profits, whatever the nature of a breach by the Bank of its obligations under this Agreement or any of the Credit Documents, and the Company waives all claims for punitive, exemplary or consequential damages.

12.11 Claims Against the Bank. The Bank shall not be in default under this Agreement, or under any other Credit Documents, unless a written notice specifically setting forth the claim of the Company shall have been given to the Bank within three (3) months after

the Company first had knowledge of the occurrence of the event which the Company alleges gave rise to such claim and the Bank does not remedy or cure the default, if any there be, promptly thereafter; the Company waives any claim, set off or defense against the Bank arising by reason of any alleged default by the Bank as to which the Company does not give such notice timely as aforesaid. The Company acknowledges that such waiver is or may be essential to the Bank's ability to enforce its remedies without delay and that such waiver therefore constitutes a substantial part of the bargain between the Bank and the Company with regard to this Agreement.

12.12 Jurisdiction. TO THE GREATEST EXTENT PERMITTED BY LAW, THE COMPANY HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY THE BANK. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), THE COMPANY IRREVOCABLY (A) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE COUNTY OF ALBANY AND STATE OF NEW YORK, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE THE BANK FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION.

12.13 Set Offs. After the occurrence and during the continuance of an Event of Default, the Company hereby irrevocably authorizes and directs the Bank from time to time to charge the Company's accounts and deposits with the Bank (or its Affiliates), and to pay over to the Bank an amount equal to any amounts from time to time due and payable to the Bank hereunder or under any other Credit Document. The Company hereby grants to the Bank a security interest in and to all such accounts and deposits maintained by the Company with the Bank (or its Affiliates).

12.14 Time Is of the Essence. The Company agrees that time is of the essence under this Agreement.

12.15 Notices. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing and shall be deemed to have been properly given (a) if hand delivered, when delivered; (b) if mailed by United States Certified Mail (postage prepaid, return receipt requested), three (3) Business Days after mailing; (c) if by Federal Express or other reliable overnight courier service, on the next Business Day after delivered to such courier service; or (d) if by telecopier, on the day of transmission so long as copy is sent on the same day by overnight courier as set forth below:

(a) If to the Company:

AHF – Columbia Crest, LLC
317 Brick Church Road
Troy, New York 12180
Attention: Mr. Garry J. Kearns

with a copy (which shall not constitute notice to the Company) to:

Cannon Heyman & Weiss, LLP
54 State Street
Albany, New York 12207
Attention: Steven Heyman, Esq.

(b) If to the Bank:

Citizens Bank, N.A.
833 Broadway
Albany, New York 12207
Attention: Robert J Nichols, Group Manager

and

Citizens Bank, N.A.
International Department
20 Cabot Road
Medford, Massachusetts 02155

with a copy (which shall not constitute notice to the Bank) to:

Lombardi, Walsh, Wakeman,
Harrison, Amodeo & Davenport, P.C.
III Winners Circle
Albany, New York 12205
Attention: Robert G. Wakeman, Esq.

or at such other address as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice.

12.16 Usury. It is the intention of the parties to conform strictly to the usury laws, whether State or federal, that are applicable to this Agreement and the Credit Documents. All agreements between Company and the Bank, whether now existing or hereafter arising and whether oral or written, are hereby expressly limited so that in no contingency or event whatsoever, whether by acceleration of maturity hereof or otherwise, shall the amount paid or agreed to be paid to the Bank, or collected by Bank or such holder, for the use, forbearance or detention of the money to be loaned hereunder or otherwise, or for the payment or performance

of any covenant or obligation contained herein, or in any of the Credit Documents, exceed the maximum amount permissible under applicable federal or State usury laws. If under any circumstances whatsoever fulfillment of any provision hereof or of the Credit Documents, at the time performance of such provision shall be due, shall involve exceeding the limit of validity proscribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity; and if under any circumstances the Bank or other holder hereof shall ever receive an amount deemed interest by applicable law, which would exceed the highest lawful rate, such amount that would be excessive interest under applicable usury laws shall be applied to the reduction of the principal amount owing hereunder or to other indebtedness secured by the Credit Documents and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal and such other indebtedness, the excess shall be deemed to have been a payment made by mistake and shall be refunded to the Company or to any other person making such payment on Company's behalf. All sums paid or agreed to be paid to the holder hereof for the use, forbearance or detention of the indebtedness of Company evidenced hereby, outstanding from time to time, shall to the extent permitted by applicable law, and to the extent necessary to preclude exceeding the limit of validity prescribed by law, be amortized, pro-rated, allocated and spread from the date of disbursement of the proceeds pursuant to the Credit Documents until payment in full of the obligation evidenced hereby, and thereby, so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof and thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between Company, any endorser or guarantor and the Bank.

ARTICLE 13

WAIVER OF JURY TRIAL

THE COMPANY AND THE BANK EACH WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS OR RELATING THERETO OR ARISING FROM THE LENDING RELATIONSHIP WHICH IS THE SUBJECT OF THIS AGREEMENT AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Albany, New York by their proper and duly authorized officers as of the day and year first above written.

AHF - COLUMBIA CREST, LLC

By: American Housing Foundation, Inc.,
Sole Member and Manager

By: GARRY J. KEARNS
Name: Garry J. Kearns
Title: Executive Director

CITIZENS BANK, N.A.

By: Scott J. Houghtaling
Name: Scott J. Houghtaling
Title: Vice President

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the 13th day of April, in the year 2007, before me, the undersigned, a Notary Public in and for said State, personally appeared **Garry J. Kearns**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.



NOTARY PUBLIC

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

ROBERT G. WAKEMAN
Notary Public, State of New York
No. 4707138
Qualified in Albany County
Commission Expires Feb. 28, 2010

On the 13th day of April, in the year 2007, before me, the undersigned, a Notary Public in and for said State, personally appeared **Scott J. Houghtaling**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.



NOTARY PUBLIC

ROBERT G. WAKEMAN
Notary Public, State of New York
No. 4707138
Qualified in Albany County
Commission Expires Feb. 28, 2010

Schedule "A"

All those pieces or parcels of land situate, lying and being located in the City of Cohoes, County of Albany and State of New York, being more particularly bounded and described as follows:

Parcel No. 1

Beginning at a point in the northerly line of Columbia Street distant 753.27' easterly measured along the northerly line of Columbia Street and its westerly extension from its intersection with the southerly extension and prolongation of the easterly line of Baker Avenue; running thence northerly North 09° -00' -00" West, 510.64' to a point; thence continuing northerly along the same course and along the easterly line of lands now or formerly of William G. Gipp as described in Liber 2082 of deeds, page 3, North 09° -00' -00" West, 291.78' to a point; thence easterly and southerly along the lands now or formerly of Cohoes Memorial Hospital as described in Liber 1644 of deeds, page 193, the following four courses and distances:

South 61° -18' -58" East, 167.55' to a point; thence

South 56° -58' -58" East, 241.50' to a point; thence

South 44° -00' -58" East, 231.81' to a point; thence

South 04° -16' -02" West, 361.34' to a point in the northerly line of Columbia Street; thence westerly along the northerly line of Columbia Street South 81° -30' -21" West, 362.13' to the point or place of beginning and containing 5.88 Acres, more or less.

All those pieces or parcels of land situate, lying and being located in the City of Cohoes, County of Albany and State of New York, being more particularly bounded and described as follows:

Parcel No. 2

Beginning at a point in the northerly line of Columbia Street distant 753.27' easterly measured along the northerly line of Columbia Street and its westerly extension from its intersection with the southerly extension and prolongation of the easterly line of Baker Avenue; running thence northerly North 09° -00' -00" West, 510.64' to a point; thence westerly along the southerly line of lands now or formerly of William G. Gipp as described in Liber 2082 of deeds, page 3, South 81° -00' -00" West, 50.00' to a point; thence southerly along the easterly line of lands now or formerly of William G. Gipp as described in Judgment Index No. 11240-86, South 09° -00' -00" East, 510.20' to a point in the northerly line of Columbia Street; thence easterly along the northerly line of Columbia Street, North 81° -30' -21" East, 50.00' to the point or place of beginning and containing 0.58 acres, more or less.

Said two parcels when taken together being bounded and described as follows:

All that piece or parcel of land situate, lying and being located in the City of Cohoes, County of Albany and State of New York, being more particularly bounded and described as follows:

Beginning at a point in the northerly line of Columbia Street at its intersection with the easterly line of lands of William G. Gipp, said point of beginning being distant 703.27' easterly measured along the northerly line of Columbia Street and its westerly extension from its intersection with the southerly extension and prolongation of the easterly line of Baker Avenue; running thence along the easterly line of lands of William G. Gipp as follows: northerly North 09° -00' -00" West, 510.20' to a point; thence westerly along the southerly line of lands now or formerly of William G. Gipp as described in Liber 2082 of deeds, page 3, North 81° -00' -00" East, 50.00' to a point; thence northerly along the easterly line of lands now or formerly of William G. Gipp as described in Liber 2082 of deeds, page 3, North 09° -00' -00" West, 291.78' to a point; thence easterly and southerly along the lands now or formerly of Cohoes Memorial Hospital as described in Liber 1644 of deeds, page 193, the following four courses and distances:

South 61° -18' -58" East, 167.55' to a point; thence

South 56° -58' -58" East, 241.50' to a point; thence

South 44° -00' -58" East, 231.81' to a point; thence

South 04° -16' -02" West, 361.34' to a point in the northerly line of Columbia Street; thence westerly along the northerly line of Columbia Street South 81° -30' -21" West, 412.13' to the point or place of beginning and containing 6.46 Acres, more or less.

EXHIBIT B

LETTER OF CREDIT — SERIES 2003 BOND

CITIZENS BANK, N.A.

IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. S904409

Date: April 18, 2007

Beneficiary:

The Bank of New York, as Trustee
101 Barclay Street, 7W
New York, New York 10286

Applicant:

AHF – Columbia Crest, LLC
317 Brick Church Road
Troy, New York 12180
Attention: Executive Director

Amount: USD \$5,548,116.00
Expiration Date: April 17, 2012

Dear Sirs:

You, as Trustee under the Indenture of Trust, dated as of September 1, 2003 (the “Indenture”), between you and the City of Cohoes Industrial Development Agency (the “Issuer”), pursuant to which \$5,560,000.00 in aggregate principal amount of City of Cohoes Industrial Development Agency Variable Rate Civic Facility Revenue Bond (Columbia Crest Senior Housing Project – Letter of Credit Secured) Series 2003 (the “Series 2003 Bonds”) issued by the Issuer, are hereby irrevocably authorized to draw on Citizens Bank, N.A. pursuant to this Irrevocable Direct Pay Letter of Credit, for the account of “AHF – Columbia Crest, LLC” (the “Company”), available by one or more of your drafts at sight, upon the terms and conditions hereinafter set forth, an amount (subject to reinstatement as hereinafter set forth) not exceeding Five Million Five Hundred Forty Eight Thousand One Hundred Sixteen and 00/100 Dollars (\$5,548,116.00) (the “Letter of Credit Commitment”) of which (a) an amount not exceeding Five Million Four Hundred Eighty Five Thousand and 00/100 Dollars (\$5,485,000.00) (the “Principal Commitment”) may be drawn to pay (i) the principal amount of the Series 2003 Bonds as and when the same become due at maturity or by acceleration or by redemption, or (ii) the purchase price or a portion of the purchase price equal to the principal amount of any Series 2003 Bonds

tendered for purchase by the Holders thereof, to the extent remarketing proceeds are not available for such purpose to pay the portion of the purchase price of any Series 2003 Bonds tendered for purchase by the Holders thereof; and (b) an amount not exceeding Sixty Three Thousand One Hundred Sixteen and 00/100 Dollars (\$63,116.00) (the "Interest Commitment") may be drawn with respect to the payment of (i) up to thirty-five (35) days' interest at a rate per annum of twelve percent (12%) (using a 365 divisor) (the "Maximum Rate") to pay interest on the Series 2003 Bonds when due, or (ii) a portion of the purchase price of up to thirty-five (35) days' interest at a rate per annum equal to the Maximum Rate for interest accrued, if any, on Series 2003 Bonds tendered for purchase by the Holders thereof to the extent remarketing proceeds are not available for such purpose, in each instance effective immediately and expiring at the close of business April 17, 2012 (the "Expiration Date").

Funds under this Letter of Credit are available to you against your executed sight draft(s) drawn on us, stating on their face: "Drawn under Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409" and accompanied by: (A) if the drawing is being made with respect to the payment of principal on the Series 2003 Bonds, whether due at maturity, upon mandatory or optional redemption or upon acceleration (a "Principal Drawing"), a certificate signed by you in the form of Schedule 1 attached hereto appropriately completed; (B) if the drawing is being made with respect to a payment of interest on the Series 2003 Bonds when due (an "Interest Drawing"), a certificate signed by you in the form of Schedule 2 hereto appropriately completed; and (C) if a drawing is being made to pay the principal amount of and accrued interest on any Series 2003 Bonds tendered for purchase by the Holders thereof, to the extent remarketing proceeds are not available for such purpose (a "Remarketing Drawing"), a certificate signed by you in the form of Schedule 3 hereto appropriately completed. Presentation of such draft(s) and certificate(s) shall be made at International Department, 20 Cabot Road, Medford, Massachusetts 02155 or at any other office of ours which may be designated by us by written notice delivered to you. We hereby agree that all drafts drawn under and in compliance with the terms of this Letter of Credit and presented at or prior to 11:00 a.m. (New York time) on a Business Day will be duly honored by us within four (4) hours on the same Business Day; provided, however, if a drawing is presented to pay the purchase price of the Series 2003 Bonds which have not been remarketed by the Remarketing Agent and if conforming drawing documentation is presented at or prior to 10:30 a.m. (New York time) on a Business Day, payments shall be made to you by 2:00 p.m. (New York time) on such Business Day. If requested by you, payment under this Letter of Credit may be made by deposit of immediately available funds into a designated account that you maintain with us. All funds paid by us under this Letter of Credit shall be paid with funds of the Bank. As used herein, "Business Day" shall mean any day of the year, other than (i) a Saturday or Sunday, (ii) a day on which commercial banks located in the city or cities in which are located the principal corporate trust offices of the Trustee, the principal office of the Remarketing Agent, or the office of the Bank at which demands for payment under the Letter of Credit are to be presented; is authorized by law to close, or (iii) a day on which the New York Stock Exchange is closed.

Subject to the next succeeding paragraph, drawings hereunder shall not exceed the Letter of Credit Commitment, as the Letter of Credit Commitment may be reduced or reinstated pursuant hereto, and, except as hereinafter provided, each drawing honored by us shall *pro tanto* reduce the amount available under this Letter of Credit.

We will reinstate amounts drawn hereunder pursuant to a Remarketing Drawing hereunder, as to the Principal Commitment and the Interest Commitment, to the extent that money is received by us (other than from drawings under this Letter of Credit) from the Trustee described in the Indenture, which proceeds were held by the Trustee for the sole purpose of reimbursing us for all or a portion of the amounts drawn pertaining to said Remarketing Drawing, or upon the Trustee's certification that the Trustee is holding for our benefit Series 2003 Bonds together with an amount of money, the aggregate amount of which is equal to or greater than the principal portion of the Remarketing Drawing.

In connection with any Interest Drawing, the Letter of Credit will be automatically decreased by the amount of such Interest Drawing and will be automatically reinstated by the amount of such Interest Drawing by the close of business on the day of such Interest Drawing. Upon presentation by you of any Principal Drawing, the amount of this Letter of Credit and the amounts available to be drawn by you by any subsequent Principal Drawing shall be automatically decreased by an amount equal to the amount of such Principal Drawing.

If the Company shall be entitled to a credit against the principal amount of the Series 2003 Bonds prior to maturity (the "Credit") pursuant to an optional redemption of a portion of the Series 2003 Bonds, or to the purchase of Series 2003 Bonds in the open market and cancellation thereof in accordance with the provisions of the Indenture, and such amounts have been paid by or on behalf of the Company other than by us, the Company shall have the right at any time thereafter to reduce permanently, without penalty or premium, the Letter of Credit Commitment in the manner set forth below. The Letter of Credit Commitment will be reduced by an amount equal to the sum of the following corresponding reductions in the Principal Commitment and the Interest Commitment: (i) the Principal Commitment will be reduced by an amount equal to the amount of such Credit, and (ii) the Interest Commitment will be reduced to an amount equal to thirty-five (35) days' interest at the applicable Maximum Rate (using a 365-day divisor) on the Series 2003 Bonds remaining outstanding. The reduction in the Letter of Credit Commitment pursuant to such Credit will occur not less than three (3) Business Days after written notice to us, accompanied by this Letter of Credit and your written certificate in the form of Schedule 4 attached hereto, stating that the Company is entitled to such reduction and designating the amount of such Credit and the date of the Business Day upon which such reduction shall become effective. Upon such presentation we will either reissue this Letter of Credit in the maximum amount available hereunder or otherwise amend this Letter of Credit to reflect such maximum amount then available.

Only you, as Trustee, may make a drawing under this Letter of Credit. Upon the payment to you or your account of the amount specified in a sight draft drawn hereunder, we shall be fully discharged on our obligation under this Letter of Credit with respect to such sight draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such sight draft to you or to any other person who may have made to you or who makes to you a demand for payment of principal of or interest on any of the Series 2003 Bonds.

Except as otherwise provided herein, this Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits (1993 Revision), Publication No. 500 of the International Chamber of Commerce (the "UCP"); provided, however, that Article 41, paragraphs d, e, f, g, h, i and j of Article 48 and the second sentence of Article 17 shall not apply to this Letter of Credit. Furthermore, as provided in the first sentence of Article 17 of the UCP, we assume no liability or responsibility for consequences arising out of the interruption of our business by Acts of God, riots, civil commotions, insurrections, wars or any other causes beyond our control, or strikes or lockouts. As to matters not covered by the UCP and to the extent not inconsistent with the UCP or made inapplicable by this Letter of Credit, this Letter of Credit shall be governed by the laws of the State of New York, including the Uniform Commercial Code as in effect in the State of New York.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to International Department, 20 Cabot Road, Medford, Massachusetts 02155, specifically referring thereon to Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Trustee under the Indenture, and such transferred Letter of Credit may be successively transferred to any Successor Trustee or Co-Trustee thereunder, but may not be assigned, transferred or conveyed under any other circumstance. Transfer of the amount available under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a transfer fee of one-quarter of one percent (25 basis points) of the Letter of Credit Commitment and the transfer form in the form attached hereto as Schedule 5 and, unless this Letter of Credit is so presented to us, we shall have no obligation hereunder to any transferee. Upon such transfer, we will either reissue this Letter of Credit in the maximum amount then available hereunder or otherwise endorse the transfer on this Letter of Credit and forward it to the transferee along with our customary advice of transfer.

Upon the earliest of (i) the honoring by us of the final drawing available to be made hereunder; (ii) our receipt of this outstanding Letter of Credit and a written certificate signed by your officer and an authorized representative of the Company, in the form of Schedule 6 hereto appropriately completed, stating that: (a) no Series 2003 Bonds are Outstanding within the meaning of the Indenture; and (b) such officer and representative are duly authorized to sign

such certificate on behalf of you and the Company; (iii) our receipt of this Letter of Credit and a written certificate signed by your officer and an authorized representative of the Company, in the form of Schedule 7 hereto appropriately completed, stating that: (a) an Alternate Credit Facility has been accepted by you and is in effect; and (b) such officer and representative are duly authorized to sign such certificate on behalf of you and the Company; (iv) the Business Day following the Conversion Date; or (v) the Expiration Date, this Letter of Credit shall automatically terminate and be delivered to us for cancellation.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Series 2003 Bonds or the Reimbursement Agreement), except only the certificate(s) and the sight draft(s) referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificate(s) and such sight draft(s).

Authorized Signature

Authorized Signature

SCHEDULE 1

CERTIFICATE FOR THE PAYMENT OF PRINCIPAL
ON THE
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE CIVIC FACILITY REVENUE BOND
(COLUMBIA CREST SENIOR HOUSING PROJECT - LETTER OF
CREDIT SECURED) SERIES 2003
(THE "SERIES 2003 BONDS")

The undersigned, a duly authorized signer of _____, as Trustee (the "Trustee"), hereby certifies to Citizens Bank, N.A. (the "Bank"), with reference to Irrevocable Direct Pay Letter of Credit No. S904409 (the term "Letter of Credit" and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Series 2003 Bonds.
2. The Trustee is making a drawing under the Letter of Credit with respect to the payment of principal of the Series 2003 Bonds.
3. The amount of principal of the Series 2003 Bonds which will be due and payable on _____ is \$ _____.
4. The amount of the sight draft accompanying this Certificate (\$ _____), together with the aggregate of all prior payments made pursuant to Principal Drawings under this Letter of Credit for the payment of the Series 2003 Bonds, does not exceed \$ _____.
5. The amount of the sight draft accompanying this Certificate was computed in accordance with the terms and conditions of the Letter of Credit, the Series 2003 Bonds and the Indenture.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

as Trustee

By: _____
Name: _____
Title: _____

SCHEDULE 2

CERTIFICATE FOR THE PAYMENT OF INTEREST
ON THE
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE CIVIC FACILITY REVENUE BOND
(COLUMBIA CREST SENIOR HOUSING PROJECT – LETTER OF
CREDIT SECURED) SERIES 2003
(THE “SERIES 2003 BONDS”)

The undersigned, a duly authorized signer of _____, as Trustee (the “Trustee”), hereby certifies to Citizens Bank, N.A. (the “Bank”), with reference to Irrevocable Direct Pay Letter of Credit No. S904409 (the term “Letter of Credit” and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Series 2003 Bonds.
2. The Trustee is making a drawing under the Letter of Credit with respect to a payment of interest accrued on the Series 2003 Bonds on or prior to their stated maturity date.
3. The amount of interest on the Series 2003 Bonds which will be due and payable on _____ is \$ _____.
4. The amount of the sight draft accompanying this Certificate _____ does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of the payment of interest accrued on the Series 2003 Bonds on or prior to their stated maturity date.
5. The amount of the sight draft accompanying this Certificate was computed in accordance with the terms and conditions of the Letter of Credit, the Series 2003 Bonds and the Indenture.
6. The amount of the Interest Commitment available after the draw, if reinstated pursuant to the Letter of Credit, is \$ _____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

as Trustee

By: _____
Name: _____
Title: _____

SCHEDULE 3

**CERTIFICATE FOR THE PAYMENT OF
PURCHASE PRICE IN REMARKETING
OF THE
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE CIVIC FACILITY REVENUE BOND
(COLUMBIA CREST SENIOR HOUSING PROJECT – LETTER OF
CREDIT SECURED) SERIES 2003
(THE “SERIES 2003 BONDS”)**

The undersigned, a duly authorized signer of _____ as Trustee (the “Trustee”), hereby certifies to Citizens Bank, N.A. (the “Bank”), with reference to Citizens Bank, N.A., Irrevocable Direct Pay Letter of Credit No. S904409 (the term “Letter of Credit” and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Series 2003 Bonds. The total amount of Series 2003 Bonds Outstanding (as defined in the Indenture) is \$ _____.
2. The Trustee is making a drawing under the Letter of Credit to pay, pursuant to the terms of the Indenture, the purchase price equal to (a) the principal amount of those Series 2003 Bonds which the Remarketing Agent has been unable to remarket and (b) the interest accrued on such Series 2003 Bonds but not paid.
3. The Trustee: (a) is delivering or causing to be delivered to the Bank, or its designated agent, a principal amount of the Series 2003 Bonds, registered in the name of the Company as pledgor and the Bank as pledgee, equal to the amount of the draft accompanying this Certificate; (b) acknowledges the pledge by the Company to the Bank of the Series 2003 Bonds delivered pursuant to subparagraph (a); and (c) agrees that all payments of principal, and interest made on such Series 2003 Bonds shall be made to the Bank, so long as the Bank is the pledgee of such Series 2003 Bonds.
4. The principal amount of the Series 2003 Bonds delivered to the Remarketing Agent which the Remarketing Agent has been unable to remarket is \$ _____. The amount of interest upon such Series 2003 Bonds which has accrued but is unpaid is \$ _____. The amount of the draft accompanying this Certificate does not exceed such amount due as the purchase price of the Series 2003 Bonds corresponding to such principal amount of, and interest accrued on, such Series 2003 Bonds.

Upon receipt by the Trustee of the amount demanded hereby: (a) the Trustee will deliver it to Bond holders only for the purpose of payment of the purchase price of the Series 2003 Bonds referenced in the second paragraph hereof, (b) no portion of it shall be applied by the

Trustee for any other purpose, and (c) no portion of it shall be commingled with other funds held by the Trustee. This drawing is made in accordance with the provisions of the Indenture and the Letter of Credit.

The amount of the draw accompanying this Certificate was computed in accordance with the terms and conditions of the Series 2003 Bonds and the Indenture.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

as Trustee

By: _____
Name: _____
Title: _____

SCHEDULE 4

CERTIFICATE AS TO REDUCTION
OF LETTER OF CREDIT COMMITMENT
ON THE
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE CIVIC FACILITY REVENUE BOND
(COLUMBIA CREST SENIOR HOUSING PROJECT – LETTER OF
CREDIT SECURED) SERIES 2003
(THE “SERIES 2003 BONDS”)

Citizens Bank, N.A.
International Department
20 Cabot Road
Medford, Massachusetts 02155

Re: Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409

Gentlemen:

The undersigned, a duly authorized signer of _____, as Trustee (the “Trustee”), and a duly authorized representative of AHF – Columbia Crest, LLC. (the “Company”), hereby certifies to Citizens Bank, N.A., with reference to Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409 (the term “Letter of Credit” and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by Citizens Bank, N.A. in favor of the Trustee, that:

- A. The Trustee is the Trustee under the Indenture for the holders of the Series 2003 Bonds.
- B. The Company is entitled to a reduction in the Letter of Credit Commitment. The Letter of Credit Commitment shall be reduced, effective as of _____ as follows:
 1. The Principal Commitment shall be reduced to \$ _____.
 2. The Interest Commitment shall be reduced to \$ _____.
- C. The undersigned officer and representative are duly authorized to sign this certificate on behalf of the Trustee and on behalf of the Company, respectively.

IN WITNESS WHEREOF, the Trustee and the Company have executed and delivered this Certificate as of the _____ day of _____, _____.

TRUSTEE:

_____.

COMPANY:

AHF - COLUMBIA CREST, LLC

By: American Housing Foundation, Inc.,
Sole Member and Manager

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

SCHEDULE 5

CERTIFICATE OF TRANSFER
ON THE
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE CIVIC FACILITY REVENUE BOND
(COLUMBIA CREST SENIOR HOUSING PROJECT – LETTER OF
CREDIT SECURED) SERIES 2003
(THE “SERIES 2003 BONDS”)

Citizens Bank, N.A.
International Department
20 Cabot Road
Medford, Massachusetts 02155

Date: _____, 20__

Re: Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409

Gentlemen:

For value received, the undersigned beneficiary hereby in transfers to the following (the “Transferee”):

(Name of Transferee)
(Address)

all rights of the undersigned beneficiary to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the Transferee, and the Transferee shall have the sole rights as beneficiary thereof including sole rights relating to any amendments of the Letter of Credit, whether increases in the amount to be drawn thereunder, extensions of the Expiration Date thereof or other amendments, and whether such amendments now exist or are made after the date hereof. All amendments of the Letter of Credit are to be advised direct to the Transferee without necessity of any consent of or notice to the undersigned beneficiary.

The undersigned hereby certifies that the Transferee has become successor Trustee under the Indenture of Trust, dated as of September 1, 2003, between the undersigned and the City of Cohoes Industrial Development Agency (the “Issuer”), relating to the Issuer’s \$5,560,000.00 Variable Rate Civic Facility Revenue Bond (Columbia Crest Senior Housing Project – Letter of Credit Secured) Series 2003 and has accepted such appointment in writing.

We enclose our check in the amount of \$ _____ representing your transfer fee.

The original of such Letter of Credit is returned herewith, and in accordance therewith we ask you to endorse the within transfer on the reverse thereof and forward it directly to the Transferee with your customary notice of transfer, or issue a replacement Letter of Credit to the Transferee as provided therein.

Very truly yours,

as Trustee

SIGNATURE AUTHENTICATED

(Bank)

(Authorized Signature)

By: _____
Name: _____
Title: _____

SCHEDULE 6

CERTIFICATE THAT NO BONDS ARE OUTSTANDING
ON THE
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE CIVIC FACILITY REVENUE BOND
(COLUMBIA CREST SENIOR HOUSING PROJECT – LETTER OF
CREDIT SECURED) SERIES 2003
(THE “SERIES 2003 BONDS”)

Citizens Bank, N.A.
International Department
20 Cabot Road
Medford, Massachusetts 02155

Re: Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409

Gentlemen:

The undersigned, a duly authorized signer of _____, as Trustee (the “Trustee”), and _____ a duly authorized representative of AHF – Columbia Crest, LLC (the “Company”), hereby certify to Citizens Bank, N.A., with reference to Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409 (the term “Letter of Credit” and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by Citizens Bank, N.A. in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Series 2003 Bonds.
2. No Series 2003 Bonds are Outstanding within the meaning of the Indenture.
3. The undersigned officer and representative are duly authorized to sign this certificate on behalf of the Trustee and on behalf of the Company, respectively.

IN WITNESS WHEREOF, the Trustee and the Company have executed and delivered
this Certificate as of the _____ day of _____, _____.

TRUSTEE:

COMPANY:

AHF – COLUMBIA CREST, LLC

By: American Housing Foundation, Inc.,
Sole Member and Manager

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

SCHEDULE 7

**CERTIFICATE OF ACCEPTANCE OF ALTERNATE CREDIT FACILITY
ON THE
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE CIVIC FACILITY REVENUE BOND
(COLUMBIA CREST SENIOR HOUSING PROJECT – LETTER OF
CREDIT SECURED) SERIES 2003
(THE “SERIES 2003 BONDS”)**

Citizens Bank, N.A.
International Department
20 Cabot Road
Medford, Massachusetts 02155

Re: Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409

Gentlemen:

The undersigned, a duly authorized signer of _____, as Trustee (the “Trustee”), and _____, a duly authorized representative of AHF – Columbia Crest, LLC (the “Company”), hereby certify to Citizens Bank, N.A., with reference to Citizens Bank, N.A. Irrevocable Direct Pay Letter of Credit No. S904409 (the term “Letter of Credit” and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by Citizens Bank, N.A. in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Series 2003 Bonds.
2. An Alternate Credit Facility in substitution for the Letter of Credit has been accepted by the Trustee and is in effect.
3. The undersigned officer and representative are duly authorized to sign this certificate on behalf of the Trustee and on behalf of the Company, respectively.

IN WITNESS WHEREOF, the Trustee and the Company have executed and delivered this certificate as of the _____ day of _____, _____.

TRUSTEE:

as Trustee

By: _____
Name: _____
Title: _____

COMPANY:

AHF – COLUMBIA CREST, LLC

By: American Housing Foundation, Inc.,
Sole Member and Manager

By: _____
Name: _____
Title: _____

EXHIBIT C

PERMITTED ENCUMBRANCES

1. Permitted Encumbrances as such term is defined in the Indenture; and
2. The exceptions set forth in Schedule B to the Title Policy.
3. Mortgage held by the New York State Housing Trust Fund Corporation, dated as of October 2, 2003 and recorded in the Albany County Clerk's Office on December 3, 2003 in Book 4571 of Mortgages at Page 442, and a certain Regulatory Agreement among the Housing Trust Fund, United States Trust Company of New York and the Company dated as October 2, 2003 and recorded in the Albany County Clerk's Office on December 3, 2003 in Book 4571 of Deeds at Page 618.

EXHIBIT D

INSURANCE REQUIREMENTS

The Company shall obtain and keep or cause to be kept in full force and effect the following insurance coverage as appropriate, satisfactory to the Bank. All insurance policies shall be issued by carriers with a Best's Insurance Reports policy holder's rating of A and a financial size category of Class X and shall include a standard mortgage clause (without contribution) in favor of and acceptable to the Bank. The policies shall provide for the following, and any other coverage that Bank may from time to time deem necessary:

(a) Coverage Against All Peril and/or Builders Risk in the amount equal to 100% of the replacement cost of all improvements located or to be located on the Land and the Parking Land, as determined as reasonably requested by the Bank but no more frequently than once every three years by a reputable independent appraiser selected by the Company and reasonably satisfactory to the Bank. If the policy is written on a CO-INSURANCE basis, the policy shall contain an AGREED AMOUNT ENDORSEMENT as evidence that the coverage is in an amount sufficient to insure the full replacement cost of the improvements. "Citizens Bank, N.A. and its successors and assigns" shall be named as the "Bank" and "Loss Payee."

(b) Public liability coverage in a minimum amount of not less than \$2,000,000 per occurrence and \$5,000,000 in the aggregate. "Citizens Bank, N.A. and its successors and assigns" shall be named as an "Additional Insured."

(c) Rent loss or business interruption coverage in a minimum amount not less than the appraised rentals for a minimum of six months.

(d) Flood hazard coverage in a minimum amount available, if the premises are located in a special flood hazard area ("Flood Hazard Area") as designated by the Federal Emergency Management Agency on its Flood Hazard Boundary Map and Flood Insurance Rate Maps, and the Department of Housing and Urban Development, Federal Insurance Administration, Special Flood Hazard Area Maps.

(e) Workers Compensation and Disability insurance as required by law.

(f) Such other types and amounts of insurance with respect to the Project Facility and the operation thereof which are commonly maintained in the case of other property and buildings similar to the Project Facility in nature, use, location, height, and type of construction, as may from time to time be required by the Bank.

Each policy shall provide that it may not be canceled, reduced or terminated without at least thirty (30) days' prior written notice to Bank.

All policies required by the Bank to be maintained or caused to be maintained by the Company hereunder will contain the standard New York Bank clause naming Bank as Bank, lenders loss payable, and additional insured as its interest may appear. Company shall furnish or cause to be furnished proof of such insurance to the Bank at the closing and on each Anniversary Date.

EXHIBIT E

SCHEDULED PRINCIPAL PAYMENTS

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