FEDERAL HOME LOAN BANK OF NEW YORK
AFFORDABLE HOUSING PROGRAM

PROMISSORY NOTE
FOR RENTAL PROJECTS USING LOW INCOME HOUSING TAX CREDITS

_____ _____, _____
(DATE) (CITY) (STATE)

FOR VALUE RECEIVED, _____ (the "Sponsor"), with offices at _____ promises to pay _____ DOLLARS ($_____) to _____, a banking organization, organized and existing under the laws of the State or Commonwealth of _____, with principal offices at _____ _____ (the "Lender"), the amounts specified in this Note and promises to abide by the terms contained below. The "Owner" is _____, a _____ limited partnership with principal offices at _____.

1. MORTGAGE

As security for the payment of amounts due under this Note and the performance of all promises contained in this Note, and in consideration of Lender providing Sponsor said funds to benefit the real estate, the Owner is giving the Lender a Mortgage, of even date herewith. The Mortgage encumbers a certain parcel of real estate that is owned by the Owner, the legal description of such real estate being contained in the Mortgage, which has an address _____, and which is known as _____ ("the Project").

2. SPONSOR'S OBLIGATIONS

A. This Note implements requirements applicable to assistance furnished to the Lender under the Affordable Housing Program ("AHP") of the Federal Home Loan Bank of New York (the "Bank") in connection with the Project.

B. This Note, the Mortgage, and the Related Documents to which the Sponsor and Owner are parties have been or will be duly executed and delivered and are, or upon execution will be, valid and legally binding obligation of the Sponsor and Owner, enforceable against the Sponsor and Owner, in accordance with their terms.

C. The consummation of the transactions contemplated hereby and the execution, delivery and performance of this Note, the Mortgage, and the Related Documents by the Sponsor and Owner will not violate or constitute or result in a material breach of or a default under any agreement, mortgage, deed of trust, lease, loan or Mortgage, or any other instrument to which the Sponsor and Owner are parties or by which they may be bound or affected.

D. Pursuant to the federal regulations that govern the operation of the AHP ("AHP Regulations"), and the Recapture Agreement for Rental Projects Using Low Income Housing Tax Credits (the "Recapture Agreement") executed by the Lender, Sponsor and Owner on even date herewith, the Project is to be owned and operated in accordance with the approved levels of performance originally committed to in the Lender's application to the AHP ("AHP Application") for a period of fifteen (15) years from the date of the issuance of the Project's Certificate of Occupancy ("Retention Period"). All other definitions of terms shall be in accordance with the definitions provided in the federal regulations that govern the operation of the AHP ("AHP Regulations").

E. The Sponsor hereby acknowledges receipt of _____ Dollars ($_____), herein called the "AHP Subsidy." Any repayments of principal and payments of interest received by the Lender or Sponsor must be paid forthwith to the Bank, as specified in 12 C.F.R. § 1291.13(d)(3) of the AHP Regulations and the Recapture Agreement. This Note shall be deemed satisfied and the Sponsor and Owner shall be entitled to a release of the Mortgage which secures the Note upon the expiration of fifteen (15) years of operation of the Project as set forth in Paragraph 2 (D), above, and 12 C.F.R. § 1291.5 of the AHP Regulations and the Recapture Agreement.

F. By executing this Note, the Sponsor hereby agrees that the Lender and the Bank or its designee shall be given thirty (30) days written notice of a sale, refinancing, foreclosure or transfer in lieu of foreclosure of the Project occurring prior to the end of the Retention Period. In the case of a sale or refinancing of the Project (for interest rate reduction purposes only) prior to the end of the Retention Period, an amount equal to one hundred percent of the AHP Subsidy shall be repaid to the Bank, unless:

(i) the Project continues to be subject to a deed restriction or other legally enforceable mechanism that incorporates the income-eligibility and affordability restrictions committed to in the AHP Application for the duration of the Retention Period; or

(ii) ownership of the Project is transferred to another Bank-approved sponsor and maintained as affordable housing as set forth in Paragraph 2 (D), above.

G. In the case of a refinancing of the Project prior to the end of the Retention Period, whereby the Sponsor elects to "take out" equity, the Sponsor agrees to repay the Lender an amount equal to one hundred percent of the AHP Subsidy.

H. If due to circumstances that are not a result of an action or omission of either the Lender or the Sponsor, the Project goes into foreclosure prior to the end of the Retention Period, the Lender shall be required to recover and repay to the Bank only that amount of the Subsidy that the Lender can recover through reasonable collection efforts by exercising its legal rights against the Project. If the Project goes into foreclosure due to an action or omission of the Lender or the Sponsor, then the Repayment and Recovery Provisions of Paragraph 4, below, shall apply.

I. If the Project is not used as in conformity with the terms of the Lender's application to the AHP, the Recapture Agreement or the requirements of the AHP Regulations (hereinafter referred to as an "Event of Noncompliance"), then the Lender shall recover from the Sponsor or foreclose the Mortgage and repay to the Bank that portion of the AHP Direct Subsidy, plus interest as may be required by the Bank, which is not properly used as a result of the Sponsor's actions or omissions, unless such noncompliance is cured by the Sponsor within a reasonable period of time, as determined by the Bank.

J. The Sponsor hereby agrees to provide the Lender with written notice of any sale or refinancing of the Project which occurs prior to the end of the Retention Period, in accordance with the provisions set forth in Paragraph 2 (F), above.

3. AMENDMENT AND WAIVERS

No modification, amendment, or waiver of any provision of this Note or consent to any departure there from shall be effective unless an agreement in writing is executed by the parties to this Note. Any forbearance, failure, or delay by a party, in exercising any right, power, or remedy hereunder or under law or regulation shall not be deemed to be a waiver thereof, and any single or partial exercise by a party of any right, power, or remedy shall not preclude the exercise of any right or remedy hereunder. Every right, power, and remedy of a party shall continue in full force and effect until specifically waived by the party, in writing.

4. JURISDICTION AND DEFAULT INTEREST AND FEES

A. If an Event of Noncompliance has been declared by either the Lender or the Bank, a default rate of interest, not to exceed the legal rate of interest, may be charged thereafter on the AHP Subsidy, as required by the Lender, until the required amount of AHP Subsidy is either repaid by the Sponsor or until the Project is restored to conformity with the AHP Regulations. In the event that any applicable law limiting the amount of interest or other charges permitted to be collected from Sponsor is interpreted so that any charge provided for in this Instrument or in the Note, whether considered separately or together with other charges levied in connection with this Instrument and the Note, violates such law, and Sponsor is entitled to the benefit of such law, such charge is hereby reduced to the extent necessary to eliminate such violation. The Lender shall be entitled to recover reasonable attorneys' fees and expenses from the Sponsor in the event that it becomes necessary to refer the collection of the AHP Subsidy to an attorney.

B. In any action or proceeding brought by the Bank, the Lender, or the Sponsor in order to enforce any right or remedy under this Note, the parties hereby consent to, and agree that they will submit to, the jurisdiction of the United States District Court for the Southern District of New York or, if such action or proceeding may not be brought in federal court, the jurisdiction of the New York State courts located in the City and County of New York, Borough of Manhattan to the exclusion of all other courts, unless it is determined that such action or proceeding must be held in the jurisdiction where the Project is located.

5. APPLICABLE LAW AND SEVERABILITY

This Note shall be governed by the laws of the United States and, to the extent federal law incorporates or defers to state law, the laws of the State of New York (excluding, however, the conflict of laws rules of such State). In the event that any portion of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Note that can be given effect without the conflicting provision, and to this end the provisions of this Note are declared to be severable.

6. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Lender, the Sponsor, and the Bank.

7. NOTICES

All notices and other communications shall be mailed, sent by a nationally recognized overnight carrier, sent by facsimile transmission (with confirmation copy), or served personally on a party at the address indicated below, or at such other address as shall be designated by a party by future written notice to the other parties. Notice sent by facsimile transmission shall be effective on the date transmitted; notice sent by personal service shall be effective on the date of delivery; notice sent by U.S. mail shall be effective three (3) business days after such communication is deposited in the mail with first class postage prepaid, addressed as aforesaid, and notice sent by overnight carrier shall be effective the day following delivery to said carrier.

Sponsor: _____ Owner: _____

Address: _____ Address: _____

Lender: _____

Address: _____

Federal Home Loan Bank of New York
Community Investment Department
101 Park Avenue
New York, NY 10178-0599

8. ENTIRE AGREEMENT

A. Except as otherwise expressly provided in this Paragraph 8, this Note embodies the entire agreement and understanding between the parties relating to the subject matter hereof and supersedes all prior AHP direct subsidy agreements between the Lender and the Bank that relate to the Project. Nothing in this Agreement, the Recapture Agreement or the AHP Regulations shall affect the legality of actions taken prior to January 1, 1998, that conformed to the prior applicable affordable housing program regulation and direct subsidy agreement between the Lender and the Bank.

B. To the extent prior to January 1, 1998, the Lender and the Sponsor have entered into any agreements pertaining to the Project to which the Bank is not a party, the terms of such prior agreements remain in full force and effect, provided *however*, in the event of any conflict between such prior agreements and this Note, unless otherwise expressly provided in this Note, the terms of this Note shall prevail.

[Signature page follows]

FEDERAL HOME LOAN BANK OF NEW YORK
101 Park Avenue, New York, NY 10178-0599
Attn: Community Investment Operations Department

PROJECT NAME: _____

PROJECT ADDRESS: _____

LENDER: _____

IN WITNESS WHEREOF, the undersigned authorized representative of the Sponsor executes this Note on the day and year first above written:

WITNESS:

_____ _____
(Sponsor name)

_____
(Signed)

_____
(Printed name of authorized representative)

_____
(Title)

STATE/COMMONWEALTH OF _____: ss.
COUNTY OF _____:

BE IT REMEMBERED that on this _____ day of _____ in the year _____, before me personally appeared _____ who, being by me duly sworn deposes and makes proof to my satisfaction that he/she is the _____ of the Sponsor, the corporation named within the Note; that this is the Note for the described Project; that the execution, as well as the making of this instrument, have been duly authorized by virtue of authority from its Board of Directors (or Trustees) and are the voluntary acts and deeds of the Sponsor; that deponent well knows the corporate seal of the Sponsor; and that the seal affixed to the Note is the proper corporate seal and was thereto affixed.

Sworn to and subscribed before me, the undersigned, the date aforesaid.

_____
Notary Public

Seal