BOND PURCHASE AGREEMENT

$5,590,000
Town of Hempstead Industrial Development Agency
Variable Rate Multifamily Housing Revenue Bonds, Series 2006
(Hempstead Village Housing Associates, L.P. Facility)

November 1, 2006

Town of Hempstead Industrial Development Agency
350 Front Street
Hempstead, New York 11550

Hempstead Village Housing Associates, L.P.
570 Taxter Road, Sixth Floor
Elmsford, NY 10523

Ladies and Gentlemen:

Merchant Capital, L.L.C., on its own behalf and not as your fiduciary (the "Underwriter"), and in its capacity as purchaser of the Bonds (as hereinafter defined) enters into the following agreement (the "Bond Purchase Agreement") with the Town of Hempstead Industrial Development Agency (the "Issuer") and Hempstead Village Housing Associates, L.P., a New York limited partnership (the "Company"), which, upon acceptance of this offer, will be binding upon the Issuer, the Company and the Underwriter. This offer is made subject to the Issuer's and the Company's acceptance on or before 5:00 p.m., Eastern Standard time, today; if this offer is not timely accepted, it will thereafter be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer and the Company at any time prior to the acceptance hereof by the Issuer and the Company. If and when accepted by the Issuer and the Company in writing, this Bond Purchase Agreement shall constitute the agreement of the Underwriter to purchase the Bonds on the terms and subject to the conditions herein set forth.

The Bonds shall be issued pursuant to a resolution adopted by the Issuer (the "Bond Resolution") and Title 1 of Article 18-A of the General Municipal Law of the State enacted into law as Chapter 1030 of the Laws of 1969 of the State, as amended, together with Chapter 529 of the Laws of 1971 of the State of New York, as amended (collectively, the "Act"). The Issuer will issue its $5,590,000 Variable Rate Multifamily Housing Revenue Bonds, Series 2006 (Hempstead Village Housing Associates, L.P. Facility) (the "Bonds"). The Bonds will be issued pursuant to a Trust Indenture dated as of November 1, 2006 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture, or the Lease Agreement, dated as of November 1, 2006, between the Issuer and the Company (the "Lease Agreement"). The Indenture, the Company Lease Agreement, from the Company to the Issuer (the "Company Lease"), the Lease Agreement, the Tax Regulatory Agreement, between the Issuer and the Company, dated as of November 1, 2006 (the "Regulatory Agreement"), the Assignment and this Bond Purchase Agreement are hereinafter collectively referred to as the "Issuer Documents." The Lease Agreement, the Company Lease, the Guaranty, the Environmental Compliance and Indemnification Agreement, the Regulatory Agreement, the Reimbursement Agreement, the Pledge Agreement, the Payment Agreement, this Bond Purchase Agreement, and the Remarketing Agreement are hereinafter collectively referred to as the "Company Documents." The Indenture, the Company Lease, the Lease

Agreement, the Regulatory Agreement, the Pledge Agreement, the Assignment, the Credit Facility are hereinafter collectively referred to as the "Trustee Documents."

Section 1. Purchase and Sale of the Bonds. Upon the terms and conditions and upon the basis of the representations and warranties herein set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter on November 1, 2006 (the "Closing Date"), all (but not less than all) of the Bonds, as set forth in Schedule I attached hereto. The Bonds will bear interest at the Weekly Variable Rate determined by Merchant Capital, L.L.C. in its capacity as Remarketing Agent, while such Bonds are in the Weekly Variable Rate Period. The purchase price for the Bonds shall be the principal amount thereof. The Bonds will mature on May 15, 2040. The Company agrees to pay to the Underwriter an amount equal to $66,600 in connection with the purchase of the Bonds (the "Underwriting Fee") in addition to the other expenses stipulated in Section 10 herein (together with the Underwriting Fee, the "Fees"). The Fees are payable on the Closing Date. Payment of the Fees is solely the obligation of the Company.

The proceeds of the Bonds will be used by the Issuer (i) to finance the acquisition, rehabilitation, renovation and equipping of two, three-story plus partially below-grade lobby level, elevator-serviced apartment buildings containing 129 apartment units (18 of the apartments are studio units, 74 are one-bedroom units and 37 are two-bedroom units) comprising a total of approximately 105,000 square feet, located on the Land, all to be used as an affordable housing facility to be known as Woods Edge Apartments (the "Facility") located in the Town of Hempstead, New York, and (ii) pay certain costs incurred in connection with the issuance of the Bonds. Prior to Conversion (as defined in the Indenture), credit enhancement and liquidity support for the Bonds will initially be provided by JPMorgan Chase Bank, N.A. (the "Construction Lender") pursuant to an irrevocable direct pay letter of credit (the "Letter of Credit"). If Conversion does occur, the Letter of Credit will be replaced on the Conversion Date (as defined in the Indenture) by a Direct Pay Irrevocable Transferable Credit Enhancement Instrument, issued by Fannie Mae (the "Credit Facility") pursuant to and subject to the limitations of which Fannie Mae will provide credit enhancement and liquidity support for the Bonds.

It shall be a condition (a) to the obligations of the Issuer to sell and deliver the Bonds to the Underwriter, and (b) to the obligations of the Underwriter with respect to the Bonds, to purchase and accept delivery of and to pay for the Bonds, that the entire aggregate principal amount of the Bonds to be sold and delivered by the Issuer in accordance with this Section 1 shall be sold and delivered simultaneously by the Issuer and be purchased, accepted and paid for simultaneously by the Underwriter as to the Bonds.

The Issuer and the Company will deliver to the Underwriter copies of an Official Statement dated the date hereof with respect to the Bonds (the "Official Statement"). The Official Statement is referred to herein as the "Official Statement." The Issuer and the Company have each approved the use and distribution of the Official Statement.

Section 2. Representations and Warranties of the Issuer. The Issuer represents and warrants as of the date hereof to the Underwriter as follows:

(a) The Issuer is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York and has full legal right, power and authority (i) to enter into this Bond Purchase Agreement, (ii) to adopt the Bond Resolution, (iii) to issue, sell and deliver the Bonds as provided herein and in the Indenture, (iv) to authorize the Company under the Lease Agreement to use the proceeds of the Bonds to acquire, rehabilitate, renovate and equip the Facility and (v) to carry out its obligations contained in this Bond Purchase Agreement and the Issuer Documents.

(b) The information in the Official Statement under the heading "THE ISSUER" and the caption "NO LITIGATION – The Issuer" was, on the date thereof, and is, on the date hereof, true and correct and did not, on the date thereof, and does not, on the date hereof, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(c) Pursuant to the Bond Resolution adopted prior to the acceptance hereof, the Issuer has duly authorized and approved the execution, delivery and use of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in this Bond Purchase Agreement, the Indenture, the Lease Agreement, the Regulatory Agreement and all of the other Issuer Documents, and has duly authorized and approved the issuance, execution and delivery of, and the performance by the Issuer of its obligations under, the Bonds. The Bond Resolution has been duly enacted by the Issuer, has not been amended, modified or repealed and is in full force and effect on the date hereof.

(d) To the best of its knowledge, the Issuer is not in breach of or default under any applicable law or administrative regulation of the State of New York or of the United States, or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject which would impair in any material respect the performance of its obligations under the Issuer Documents or this Bond Purchase Agreement.

(e) To the best of its knowledge, the execution and delivery by the Issuer of the Bonds, the Issuer Documents including this Bond Purchase Agreement, compliance with the provisions of each thereof and the consummation of the transactions contemplated thereby will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject.

(f) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Bonds and the Issuer Documents have been obtained (other than approvals related to the securities laws of any state as to which no view is herein expressed).

(g) To the Issuer's knowledge, there is no threatened action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, nor is there any basis therefor, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (i) the territorial jurisdiction of the Issuer, (ii) the use of the Official Statement, (iii) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (iv) the tax-exempt status of the interest on the Bonds or the accuracy or completeness of the Official Statement, (v) the execution and delivery of this Bond Purchase Agreement or the Bonds, or (vi) the power of the Issuer to carry out the transactions contemplated by this Bond Purchase Agreement, the Bonds, the Official Statement or any of the Issuer Documents.

(h) The Bonds, when issued, authenticated and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued and outstanding limited and special obligations of the Issuer, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and further subject to the exercise of judicial discretion in accordance with general principles of equity, and entitled to the benefits of the Indenture.

(i) The Issuer Documents, when duly executed and delivered by the Issuer and the other parties thereto, will constitute valid, legal and binding limited obligations of the Issuer, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and further subject to the exercise of judicial discretion in accordance with general principles of equity.

(j) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is a bond issuer whose arbitrage certifications may not be relied upon.

(k) Any certificate signed by any official of the Issuer and delivered to the Underwriter shall be deemed to be a representation and warranty by the Issuer to the Underwriter as to the statements made therein as of the date thereof.

(l) To the best of its knowledge, neither the Issuer nor anyone acting with its authorization on its behalf (other than the Underwriter) has, directly or indirectly, offered for sale or solicited any offer to acquire the Bonds or any security, the offering of which would be deemed for purposes of the Securities Act of 1933, as amended, to be part of the offering of the Bonds contemplated hereby.

Section 3. Covenants of the Issuer. The Issuer covenants with the Underwriter as follows:

(a) The Issuer shall not knowingly take or knowingly omit to take, as is appropriate, any action within its power, the taking or omission of which would adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

(b) The Issuer shall furnish such information, execute such instruments and take such other action consistent with law and the provisions of the Issuer Documents as may be reasonably required, and shall otherwise cooperate with the Underwriter in taking all action necessary, but at no expense to the Issuer, to qualify the Bonds for offer and sale and to determine the eligibility for investment in the Bonds under the laws of such jurisdictions as the Underwriter designates and ensuring the continuation of such qualification in effect so long as required for distribution of the Bonds; provided, however, that the foregoing will not require the Issuer to execute a general consent to service of process in any foreign jurisdiction or to register as a broker-dealer or qualify as a foreign corporation in any foreign jurisdiction.

Section 4. Representations, Warranties and Agreements of the Company. The Company represents, warranties and agrees with the Underwriter as follows:

(a) The Company is duly organized and existing as a limited partnership under the laws of the State of New York, has full legal right, power and authority to own its properties and to conduct its business as described in the Official Statement and to enter into and to carry out and consummate the transactions contemplated by the Company Documents and the Official Statement, and is duly qualified to do such business and is in good standing wherever such qualification and/or standing are required, including the State of New York.

(b) By all necessary action, the Company has duly authorized and adopted the Company Documents and approved the execution and delivery of the Company Documents, and the performance by the Company of the obligations in connection with the issuance of the Bonds on its part contained in the Company Documents and the consummation by it of all other transactions contemplated by the Indenture, the Official Statement and the Company Documents in connection with the issuance of the Bonds.

(c) On the Closing Date, the Company Documents will constitute the valid, legal and binding obligations of the Company (assuming due authorization, execution and delivery by the respective other

parties thereto, where necessary), enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(d) As of the date hereof, the Company is not in any material respect in violation of, breach of or default under any applicable law of the State of New York or of any state in which the Company is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Company Documents) or other agreement or instrument to which the Company is a party or by which the Company or any of its property or assets is bound, which violation or breach of or default would have a material adverse affect upon the transactions contemplated by this Bond Purchase Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Company Documents, and compliance with the provisions on the Company's part contained therein, do not and will not conflict with or constitute on the part of the Company a violation or breach of or default under any law of the State of New York or of any state in which the Company is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Company Documents) or other agreement or instrument to which the Company is a party or by which the Company or any of its property or assets is bound which violation, breach or default would have a material adverse affect upon the transactions contemplated by this Bond Purchase Agreement, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Company or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Company Documents.

(e) All consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Company of the Company Documents or the performance by the Company of its obligations thereunder have been obtained or made and are in full force and effect or will be timely obtained.

(f) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation of which the Company has been notified, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Company, threatened against the Company, affecting the existence of the Company or the titles of its officers executing this Bond Purchase Agreement to their respective offices, or contesting or affecting as to the Company the validity or enforceability of the Bonds, any Company Document or the execution and delivery or adoption by the Company of any Company Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Company or its authority with respect to the Company Documents or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Company, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Company's financial condition or operations or the validity of the authorization, execution, delivery or performance by the Company of any Company Document.

(g) The Company will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts upon the reasonable request of the Underwriter to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Company shall not be required to register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(h) Any certificate signed by the Company and delivered to the Underwriter or the Issuer pursuant to the Indenture or the Company Documents shall be deemed a representation and warranty by the Company to the Underwriter and the Issuer as to the statements made therein as of the date thereof.

(i) The Company will not take or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Internal Revenue Code of 1986, as amended.

(j) The Company shall honor all other covenants contained in the Company Documents, which agreements are incorporated herein and made a part of this Bond Purchase Agreement.

(k) All permits, licenses and other authorizations necessary for the ownership, acquisition, rehabilitation, renovation, and equipping of the Facility in the manner contemplated by the Official Statement and the Company Documents have been obtained or will be obtained by the time required, and said ownership, acquisition, rehabilitation, renovation, and equipping are not in conflict with any zoning or similar ordinance applicable to the Facility.

The execution and delivery of this Bond Purchase Agreement by the Company shall constitute a representation to the Underwriter that the representations and warranties contained in this Section 4 are true as of the date hereof.

Section 5. Indemnification.

(a) The Company agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer, the Trustee, the Underwriter (the "Principal Indemnified Parties") and each affiliate, member, officer, director, official, employee and agent of the Issuer, the Trustee, the Underwriter and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (a "Control Person") (collectively referred to herein as the "Indemnified Parties"), against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the "Liabilities") caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Facility, the acquisition, rehabilitation, renovation and equipping of the Facility, the Lease Agreement, the Indenture, this Bond Purchase Agreement or any document related to the Bonds, the Facility, the acquisition, rehabilitation, renovation and equipping of the Facility (the "Transaction Documents") or any transaction or agreement, written or oral, pertaining to the foregoing or (ii) any untrue or misleading statement of a material fact relating to the Company, Plan of Financing or the Facility contained in the portions of the Official Statement captioned "THE COMPANY AND THE FACILITY," "ESTIMATED SOURCES AND USES OF FUNDS" OR "NO LITIGATION – The Company" or caused by any omission or alleged omission from the portions of the Official Statement captioned "THE COMPANY AND THE FACILITY," "ESTIMATED SOURCES AND USES OF

FUNDS" or "NO LITIGATION – The Company" of any material fact relating to the Company, Plan of Financing or the Facility necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) The Company also agrees to pay, defend, protect, indemnify, save and hold harmless the Underwriter and each affiliate, member, officer, director, official, employee and agent of the Underwriter from and against all Liabilities directly or indirectly arising from or relating to any fraud or misrepresentations or omissions contained in the proceedings of the Issuer pertaining to the financial condition of the Company; provided, however that the foregoing indemnity of an Indemnified Party pursuant to Section 5(a) and this Section 5(b) shall not apply to any loss to the extent such damages are caused by the negligence or willful misconduct or default of such Indemnified Party or any affiliate, member, officer, director, official, employee, agent or Control Person of said Indemnified Party or of the Principal Indemnified party with which said party is affiliated.

(c) Any Indemnified Party shall notify the Company of the existence of any Liability to which this indemnification obligation would apply and shall give to the Company an opportunity to defend the same at the Company's expense and with counsel reasonably satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense but not to take any action to settle the same without the approval of the Company which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to engage separate counsel in any such action or proceeding and participate in the investigation and defense of the action or proceeding and the Company shall be obligated to pay the reasonable fees and expenses of such separate counsel if the Indemnified Party reasonably determines that a conflict of interest exists between the interests of the Indemnified Party and the interests of the Company. If the Company shall, after this notice and within a period of time necessary to preserve any and all reasonable defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk, cost and expense of, the Company.

(d) The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be third-party beneficiaries of this Bond Purchase Agreement for purposes of this Section 5. The provisions of this Section 5 will be in addition to all liability that the Company may otherwise have under law or any other Company Document and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

(e) The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Company pursuant to Section 9(d) hereof, the Lease Agreement or any other document, including the Reimbursement Agreement.

(f) Company shall be subrogated to an Indemnified party's rights of recovery to the extent of any liabilities satisfied by Company. Such Indemnified Party shall execute and deliver such instruments and papers as are necessary to assign such rights and assist in the exercise thereof.

Section 6. Disclosure Matters.

(a) The Issuer and the Company acknowledge that the Underwriter is required to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") in connection with the offer and sale of the Bonds and each agrees to cooperate (at the cost and expense of the Company) with the Underwriter so as to enable the Underwriter to comply with the Rule. To this end: the Issuer and the Company have delivered to the Underwriter the Official Statement that the Issuer and

the Company hereby deem final as of their respective dates, except for the omission of no more than the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, other terms of the Bonds depending on such matters and the identity of the Underwriter.

(b) Official Statement.

(i) The Issuer hereby represents that the information in the Official Statement under the captions "THE ISSUER" and "NO LITIGATION – The Issuer" is fair and accurate and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. The Company hereby represents that the information in the Official Statement under the captions "ESTIMATED SOURCES AND USES OF FUNDS," "THE COMPANY AND THE FACILITY" and "NO LITIGATION – The Company" related to the Company and the Facility, is fair and accurate and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(ii) The Issuer will, at the expense of the Company, supply, within the earlier of (A) seven business days from the date hereof or (B) sufficient time to accompany any confirmation requesting payment which the Underwriter might send to its customers with respect to the Bonds, sufficient quantities of the Official Statement to enable the Underwriter (1) to send a single copy of an Official Statement to any potential customer upon request until the earlier of (x) 90 days from the End of the Underwriting Period (as defined below) or (y) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period and (2) to comply with any applicable rules of the Municipal Securities Rulemaking Board. The Underwriter agrees to promptly file the Official Statement with a nationally recognized municipal securities information repository. The "End of the Underwriting Period" means the later of the delivery of the Bonds by the Issuer to the Underwriter or when a Underwriter no longer retains (directly or as a syndicate member) an unsold balance of the Bonds for sale to the public; provided, that the "End of the Underwriting Period" shall be deemed to be the Closing Date, unless the Underwriter otherwise notifies the Issuer in writing prior to such date that there is an unsold balance of the Bonds, in which case the End of the Underwriting Period shall be deemed to be extended for 30 days. The deemed End of the Underwriting Period may be extended for two additional periods of 30 days each upon receipt of an additional written notification from the Underwriter containing the same information as required in the initial written notice.

(iii) During the period commencing on the date hereof and ending on the earlier of (A) 90 days from the End of the Underwriting Period or (B) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period, if any event shall occur as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein under the captions "THE ISSUER" and "NO LITIGATION – The Issuer" in the light of the circumstances existing at such time, not misleading, the Issuer shall forthwith notify the Underwriter of any such event of which it has knowledge, and the Issuer will amend or supplement the Official Statement in a form and manner jointly approved by the Issuer, the Company and the Underwriter so that the statements therein as so amended or supplemented will not be misleading in the light of the circumstances existing at such time;

provided, however, that all expenses incurred in connection with any such supplement or amendment will be paid by the Underwriter.

(iv) During the period commencing on the date hereof and ending on the earlier of (A) 90 days from the End of the Underwriting Period or (B) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period, if any event shall occur as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in the light of the circumstances existing at such time, not misleading, the Company shall forthwith notify the Underwriter of any such event of which it has knowledge, and if in the opinion of the Underwriter such event requires an amendment or supplement to the Official Statement, the Company will assist in amending or supplementing the Official Statement in a form and manner jointly approved by the Issuer, the Company and the Underwriter so that the statements therein as so amended or supplemented will not be misleading in the light of the circumstances existing at such time; provided, however, that all expenses incurred in connection with any such supplement or amendment will be paid by the Underwriter.

Section 7. Closing. At 11:00 a.m., Eastern Standard time, on November 1, 2006, or at such time on such earlier or later date as shall be agreed upon in writing by the Issuer, the Company, and the Underwriter, the Issuer shall direct the Trustee to deliver the Bonds to the Underwriter at the offices of The Depository Trust Company ("DTC"), New York, New York, in definitive form, duly executed and authenticated by the Trustee. Subject to the terms and conditions hereof, the Issuer shall deliver at the offices of Bond Counsel the other documents and instruments to be delivered pursuant to this Bond Purchase Agreement (the "Closing Documents") and the Underwriter shall accept delivery of the Bonds and Closing Documents and pay the purchase price for the Bonds, as set forth in Section 1 above by wire transfer, to the Trustee, in immediately available federal funds, for the account of the Issuer or as the Issuer shall direct. As a condition precedent to such acceptance, the Underwriter shall have received the Fees with respect to the Bonds in the amount set forth in Section 1 above by wire transfer in immediately available federal funds to the order of the Underwriter, in such manner as shall be agreed upon by the Company and the Underwriter. This delivery and payment is herein called the "Closing" and the date on which the Closing occurs is herein called the "Closing Date." The Bonds shall be prepared and delivered as fully registered Bonds without coupons in the denominations set forth in the Official Statement or multiples thereof. The ownership of one fully registered Bond of each series in the aggregate principal amount of the Bonds of such series, each bearing a proper, duly assigned CUSIP number will be issued initially in the name of Cede & Co., as nominee of DTC.

Section 8. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon representations, warranties and agreements of the Issuer and the Company contained herein, in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Company of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance by the Issuer and the Company of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy in all material respects of the representations and warranties of the Issuer and of the Company contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and shall also be subject to the following additional conditions:

(a) At the time of the Closing, the Bond Resolution shall have been duly approved and adopted by the Issuer and shall be in full force and effect and the Issuer Documents shall have been duly authorized, executed and delivered, and shall not have been amended, modified or supplemented, except

as may have been agreed to in writing by the Underwriter and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such actions as, in the opinion of Bond Counsel, and counsel for the Underwriter, shall be necessary and appropriate in connection with the transactions contemplated hereby.

(b) The Underwriter may terminate this Bond Purchase Agreement by notification to the Issuer and the Company if at any time subsequent to the date hereof and at or prior to the Closing:

(i) (A) legislation shall be enacted by the Congress of the United States or adopted by the Senate or House of Representatives of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to the Senate or House of Representatives by any committee of either such body to which such legislation has been referred for consideration or by a conference committee of such bodies, (B) a decision shall be rendered by a court of the United States or by the Tax Court of the United States, (C) a ruling, regulation or official action shall be rendered by or on behalf of the United States, or (D) a ruling, regulation or official action shall be proposed or issued, in any manner, including by pronouncement, press release or any other form of notice, by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or another governmental agency of the United States or by or on behalf of any member of the Senate or House of Representatives of the United States in any such instance with respect to federal taxation of interest received on obligations of the general character of the Bonds and which (1) in the opinion of counsel for the Underwriter would have or proposes action which would have the effect of making such interest includable in gross income for federal income tax purposes or (2) which, in the opinion of the Underwriter would materially adversely affect any intended utilization of Bond proceeds or other intended action described in the Official Statement;

(ii) between the date hereof and the Closing, payment for and delivery of the Bonds is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange or a general banking moratorium shall have been established by Federal or New York authorities or (B) a war involving the United States shall have been declared or another national or international calamity shall have occurred, the effect of any of which, in the reasonable judgment of the Underwriter materially adversely affects the marketability or market value of the Bonds;

(iii) any event shall occur or exist which, in the reasonable judgment of the Underwriter either makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or any statement or information that is not reflected in the Official Statement, but should be reflected therein for the purpose for which the Official Statement is to be used in order to make the statements or information contained therein not misleading in any material respect;

(iv) legislation shall be enacted, or any action shall be taken by the Securities and Exchange Commission, which, in the opinion of counsel for the Underwriter has or may have the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or

(v) An occurrence, in the judgment of Underwriter of a material adverse change in the capital markets which makes the syndication, sale or financing contemplated hereby impractical or which makes it inadvisable to proceed with the syndication, sale or financing contemplated hereby on the terms, manner and basis contemplated hereby.

(c) At or prior to the Closing, the Underwriter shall receive the following documents:

(i) an approving opinion of Bond Counsel addressed to the Issuer and the Underwriter, dated the Closing Date substantially in the form attached to the Official Statement;

(ii) opinions or certificates, as the case may be, dated the Closing Date and addressed to the Underwriter and to such other parties as may be appropriate, of

(A) Bond Counsel, substantially in the form attached hereto as Appendix A;

(B) Company's Counsel, substantially in the form attached hereto as Appendix B;

(C) Counsel to the Trustee, substantially in the form attached hereto as Appendix C;

(D) Counsel to the Construction Lender, substantially in the form attached hereto as Appendix E; and

(E) Counsel to Fannie Mae, substantially in the form of the certificate attached hereto as Appendix D.

(d) The Underwriter and the Company shall have received a certificate, dated the Closing Date and signed on behalf of the Issuer, to the effect that:

(i) Except as disclosed in the Official Statement, the Issuer has not received notice of any pending, nor to the Issuer's actual knowledge is there any threatened, action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, nor to the Issuer's actual knowledge is there any basis therefor, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds, or in any way materially adversely affecting or questioning (a) the territorial jurisdiction of the Issuer, (b) the use of the Official Statement, (c) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (d) the tax-exempt status of the interest on the Bonds, (e) the execution and delivery by the Issuer of this Bond Purchase Contract or the Bonds, or (f) the power of the Issuer to carry out the transactions on its part contemplated by this Bond Purchase Contract, the Bonds, the Official Statement or any of the Issuer Documents;

(ii) to the Issuer's knowledge, the sections of the Official Statement under the heading "THE ISSUER" and the caption "NO LITIGATION – The Issuer," do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements describing the Issuer contained therein, in light of the circumstances under which they were made, not misleading; and

(iii) the Issuer has complied with all the covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date, and the representations and warranties of the Issuer contained herein and in each of the Issuer Documents are true and correct as of the Closing Date.

(e) a certificate of the Issuer and the Company as to arbitrage and other federal tax matters in form and substance acceptable to Bond Counsel and the Underwriter.

(f) a certificate of the Company, dated the Closing Date, that (A) each of the representations and warranties set forth in the Company Documents (including this Bond Purchase Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) to the Company's knowledge, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect, and (C) the Company has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Company Documents at or prior to the Closing Date.

(g) a certificate addressed to the appropriate parties signed by an officer of the Loan Servicer, authorizing the use of information relating to the Loan Servicer in the Official Statement, including all amendments and supplements thereto, by the Underwriter in connection with the public offering and sale of the Bonds; and containing representations regarding the Loan Servicer's corporate existence, its authority to service the Loan.

(h) counterpart originals or certified copies of each of the Issuer Documents, Company Documents and Trustee Documents.

(i) written evidence satisfactory to the Underwriter that Standard & Poor's Ratings Service, a Division of the McGraw-Hill Companies, Inc. has issued ratings of "AA-/A-1+" for the Bonds and such ratings shall be in effect on the Closing Date.

(j) such agreements, certificates and opinions as requested by the Underwriter.

(k) such additional legal opinions, certificates (including any certificates necessary or desirable in order to establish the exclusion of the interest on the Bonds from gross income for federal income tax purposes), instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Issuer's representations herein and in the Official Statement and the due performance or satisfaction by the Issuer at or prior to such date of all agreements then to be performed, and all conditions then to be satisfied by the Issuer.

If the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, neither the Underwriter, nor the Issuer shall be under further obligation hereunder.

Section 9. No Recourse; Special Obligation.

(a) All covenants, stipulations, promises, agreements and obligations (collectively, the "Obligations") of the Issuer contained in this Bond Purchase Agreement and in the other Issuer Documents shall be deemed to be the Obligations of the Issuer and not of any member, officer, servant or employee of the Issuer (collectively, the "Employee of the Issuer") in this individual capacity, and no recourse under or upon any Obligation in the Issuer Documents contained or otherwise based upon or in respect of this Bond Purchase Agreement or the other Issuer Documents, or for any claim based thereon or otherwise in respect hereof or thereof, shall be had against any past, present or future Employee of the Issuer, as such, or of any successor public benefit corporation or political subdivision or any person so executing any of the Issuer Documents on behalf of the Issuer, either directly or through the Issuer or any successor public benefit corporation or political subdivision or any person executing any of the Issuer Documents, it being expressly understood that Issuer Documents issued thereunder are solely corporate

obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by any such Employee of the Issuer or of any successor public benefit corporation or political subdivision or any person so executing the Issuer Documents or under or by reason of the Obligations, contained in the Issuer Documents or implied therefrom; and that any and all such personal liability of, and any and all such rights and claims against, every Employee of the Issuer because of the creation of the indebtedness thereby authorized by the Issuer Documents, or under or by reason of the Obligations contained in any of the Issuer Documents or implied therefrom, are, to the extent permitted by law, expressly waived and released as a condition of, and as a consideration for, the execution of the Issuer Documents.

(b) The Obligations and agreements of the Issuer contained herein shall not constitute or give rise to an obligation of the State of New York, or the Town of Hempstead, New York and neither the State of New York nor the Town of Hempstead, New York shall be liable thereon, and further such Obligations shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the lease or other disposition of the Facility.

(c) Notwithstanding any provision of this Bond Purchase Agreement to the contrary, the Issuer shall not be obligated to take any action pursuant to any provisions hereof unless, (i) the Issuer shall have been requested to do so in writing by the Company, and (ii) if compliance with such request is reasonably expected to result in the incurrence by the Issuer (or any member, officer, agent, servant or employee of the Issuer) of any liability, reasonable fees, expenses or other costs, the Issuer shall have received from the party making such request security or indemnity satisfactory to the Issuer for protection against all such liability and for the reimbursement of all such reasonable fees, expenses and other costs.

(d) The Company agrees that the Issuer, its directors, members, officers, agents (except the Company) and employees shall not be liable for and agrees to defend, indemnify, release and hold the Issuer, its director, members, officers, agents (except the Company) and employees harmless from and against any and all (i) liability for loss or damage to property or injury to or death of any and all persons that may be occasioned by, directly or indirectly, any cause whatsoever pertaining to the Facility or arising by reason of or in connection with the use thereof or under this Bond Purchase Agreement, or (ii) liability arising from or expense incurred in connection with the Issuer's acquiring, leasing and installing of the Facility, including without limitation the generality of the foregoing, all claims arising from the breach by the Company of any of its covenants contained herein and all causes of action and reasonable attorney's fees and any other expenses incurred in defending any claims, suits or actions which may arise as a result of the foregoing, provided that any such losses, damages, liabilities or expenses of the Issuer are not incurred or do not result from the gross negligence or intentional or willful wrongdoing of the Issuer or any of its directors, members, officers, agents (except the Company) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence on the part of the Issuer, or any of its members, directors, officers, agents, or employees and irrespective of the breach of a statutory obligation or the application of any rule of comparative or apportioned liability. The foregoing indemnities are limited only to the extent of any prohibitions imposed by law.

Section 10. Expenses. The Underwriter shall be under no obligation to pay, and the Company hereby agrees to pay, all expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to, (a) the costs of printing and preparation for printing or other reproduction for distribution and use in connection with the offering and placement of the Bonds, such number of copies as the Underwriter shall require of the Indenture, the Bond Resolution and the Official Statement, as well as any delivery costs incurred in connection with the distribution of the foregoing documents; (b) the cost of preparing the definitive Bonds; (c) the fees and disbursements of Bond Counsel in connection with the authorization and issuance of the Bonds; the fees and expenses of Fannie Mae and of Fannie Mae's counsel; the fees and expenses of the Trustee and its counsel; the fees and expenses of the Issuer and its

counsel; and the fees and disbursements of any other experts or consultants retained by the Issuer; (d) the fees of rating agencies in connection with the rating of the Bonds; (e) all advertising expenses in connection with the public offering of the Bonds; (f) the fees and expenses of counsel to the Underwriter; and (g) all other expenses in connection with the offer, sale and placement of the Bonds. The Issuer shall not have any obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds. An estimate of such fees and expenses is set forth in Schedule I hereto.

Section 11. Notices. Any notice or other communication to be given to the Issuer or the Company at the respective addresses set forth on the first page hereof and any such notice or other communication to be given to the Underwriter may be given by mailing the same to Merchant Capital, L.L.C., Lakeview Center, Suite 400, 2660 East Chase Lane, Montgomery, Alabama 36117, Attention: John B. Rucker.

Section 12. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Company and the Underwriter (including any successor or assignees of the Underwriter), and, except as provided in Section 5 hereof, no other party or person shall acquire or have any right hereunder or by virtue hereof.

Section 13. Amendments. This Bond Purchase Agreement may not be amended without the written consent of the Issuer, the Company and the Underwriter.

Section 14. Survival of Representations and Warranties. The representations and warranties of the Issuer and the Company shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Issuer and the Company and regardless of delivery of and payment for the Bonds.

Section 15. Execution in Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 16. No Prior Agreements. This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the Issuer.

Section 17. Effective Date. This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and the Company and shall be valid and enforceable as of the time of such acceptance.

Section 18. Governing Law. This Bond Purchase Agreement shall be governed by the internal laws of the State of New York.

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Issuer, the Company, the Underwriter in accordance with its terms.

Very truly yours,

MERCHANT CAPITAL, L.L.C.

By: _____
Vice President

[Signatures continue on next page]

[Issuer's Signature Page to the Bond Purchase Agreement]

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

By: _____

Frederick E. Parola,
Executive Director and Chief Executive Officer

[Company's Signature Page to the Bond Purchase Agreement]

HEMPSTEAD VILLAGE HOUSING ASSOCIATES, L.P.

By: Wilder Richman Corporation, General Partner

By: _____
Gary E. Friedland, Vice President

SCHEDULE I

ESTIMATED COSTS OF ISSUANCE

Issuer's Fees	$ 29,450
Issuer's Counsel Fees and Expenses	5,590
Bond Counsel Fees and Expenses	125,000
Underwriter's Fees and Expenses	49,220
Underwriter's Counsel Fees and Expenses	38,000
Rating Agency Fees	13,500
Trustee Acceptance and First Annual Fee	9,250
Lender's Fees	61,490
Lender's Counsel Fees	37,500
Construction Lender's Fees	56,544
Construction Lender's Counsel Fees and Expenses	43,500
Fannie Mae Counsel Fees	46,000
Total	$515,044

APPENDIX A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

November 1, 2006

Town of Hempstead Industrial Development Agency
Hempstead, New York

Merchant Capital, L.L.C.
Montgomery, Alabama

JPMorgan Chase Bank, N.A.
Detroit, Michigan

Fannie Mae
Washington, D.C.

Re: $5,590,000 Town of Hempstead Industrial Development Agency Variable Rate Multifamily Housing Revenue Bonds, Series 2006 (Hempstead Village Housing Associates, L.P. Facility)

To the Addressees:

We have acted as bond counsel to the Town of Hempstead Industrial Development Agency (the "Issuer") in connection with the issuance on the date hereof of the Issuer's Variable Rate Multifamily Housing Revenue Bonds, Series 2006 (Hempstead Village Housing Associates, L.P. Facility), in the aggregate principal amount of $5,590,000 (the "Bonds").

As bond counsel, we have reviewed the Official Statement, dated October 27, 2006 (the "Official Statement"), in connection with the sale of the Bonds. In the course of such review, we met in conferences and/or had telephone conversations with certain officers, representatives of and counsel to the Issuer, Hempstead Village Housing Associates, L.P. (the "Company"), Merchant Capital, L.L.C., as Underwriter (the "Underwriter"), JPMorgan Chase Bank, N.A. (the "Credit Provider"), Fannie Mae (the "Fannie Mae") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), during which the contents of such related matters were discussed and revised. We have not independently verified the accuracy, completeness or fairness of the statements contained in the Official Statement, and the limitations inherent in the examination made by us and the knowledge available to us are such that we are unable to assume, and we do not assume, any responsibility for (and nothing herein shall be deemed to be an assumption by us of any responsibility for) the accuracy, completeness or fairness of the statements contained in the Official Statement.

As bond counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including all documents constituting the Transcript of Proceedings, with respect to the issuance of the Bonds) as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have relied, without having made any independent investigation, upon the aforesaid instruments, certificates and documents.

In addition, in rendering the opinions set forth below, we have relied upon the opinions of Ryan, Brennan & Donnelly LLP, counsel to the Issuer; Cuddy & Feder LLP and JDF, LLC, counsels to the Company, Eichner & Norris, PLLC, counsel to the Underwriter; Phillips, Lytle LLC, counsel to the Construction Lender, and O'Melveny & Myers LLP, counsel to Fannie Mae, all of even date herewith. Copies of the aforementioned opinions are contained in the Transcript of Proceedings.

Terms not otherwise used herein shall have the meanings ascribed to such terms in Indenture defined below.

Based upon and subject to the foregoing, we are of the opinion that:

1. The sale of the Bonds and the issuance and delivery of the Bonds on the date hereof, under the circumstances contemplated by the Trust Indenture, dated as of November 1, 2006 (the "Indenture"), by and between the Issuer and the Trustee does not require registration of the Bonds under the Securities Act of 1933, as amended, and the execution and delivery of the Indenture under the circumstances contemplated thereby, does not require qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

2. Although, as stated above, we assume no responsibility for the factual accuracy or completeness of the Official Statement, to the extent the portions of the Official Statement on the cover page and under the captions "THE BONDS", "TAX MATTERS", "APPENDIX A – PROPOSED FORM OF OPINION OF BOND COUNSEL", "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE", "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT" and "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" purport to summarize certain provisions of the Bonds, the Indenture, the Lease Agreement and the Regulatory Agreement and describe the Issuer, they present a fair summary of such provisions.

We express no opinion herein with respect to state securities or "Blue Sky" laws.

This opinion is addressed solely to you and may not be relied upon by any other person without our express written opinion.

Very truly yours,

APPENDIX B

OPINION OF COMPANY'S COUNSEL

November 1, 2006

Town of Hempstead Industrial
Development Agency
Hempstead, New York

Merchant Capital, L.L.C.
Montgomery, Alabama

Wells Fargo Bank, National Association
Jacksonville, Florida

$5,590,000
TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY
Variable Rate Multifamily Housing Revenue Bonds, Series 2006
(Hempstead Village Housing Associates, L.P. Facility)

We have acted as special counsel to Hempstead Village Housing Associates, L.P. (the "Company") in connection with the issuance by the Town of Hempstead Industrial Development Agency (the "Issuer") of its Variable Rate Multifamily Housing Revenue Bonds, Series 2006 (Hempstead Village Associates, L.P. Facility) in the aggregate principal amount of $5,590,000 (the "Bonds"). Wells Fargo Bank, National Association is the Trustee (the "Trustee") under a Trust Indenture by and between the Trustee and the Issuer, dated as of November 1, 2006 (the "Indenture"). The Bonds are being issued for the purpose of providing funds to, among other things, finance the cost of the acquisition, rehabilitation, renovation and equipping of the Facility (as defined in the Indenture) and such other purposes as are more particularly described in the Indenture.

The facility is being leased by the Company to the Issuer pursuant to a Company Lease Agreement, dated as of November 1, 2006 (the "Company Lease"), between the Company and the Issuer. The Facility will be further leased by the Issuer pursuant to a Lease Agreement dated as of November 1, 2006 (the "Lease Agreement"), by and between the Issuer and the Company. The Company has also executed and delivered a certain Multifamily Lease Payment Agreement, dated as of November 1, 2006 (the "Payment Agreement"), for the benefit of the Issuer which will be further assigned to the Trustee and JPMorgan Chase Bank, N.A. (the "Credit Provider"), which will be further assigned pursuant to an Assignment and Intercreditor Agreement, dated as of November 1, 2006 (the "Assignment"), from the Issuer to the Trustee and the Credit Provider. Payment, when due, of the principal of, the premium, if any, and interest on the Bonds has been guaranteed to the Trustee, the Issuer and the Credit Provider by the Company pursuant to a Guaranty, dated as of November 1, 2006 (the "Guaranty"). The Company has also executed and delivered the Official Statement, dated October 27, 2006 (the "Official Statement"), a certain Payment-in-Lieu-of-Tax Agreement, dated as of November 1, 2006 (the "PILOT Agreement"), between the Issuer and the Company, a certain Environmental Compliance and Indemnification Agreement, dated as of November 1, 2006 (the "Environmental Compliance and Indemnification Agreement"), by and among the Company, the Credit Provider, the Trustee and the Issuer; a certain Tax Regulatory Agreement, dated the date hereof (the "Tax Regulatory Agreement"), between the Issuer and the Company; the Tax Certification of the Company, dated November 1, 2006 (the "Tax Certificate"); the Low Income Housing Tax Credit Agreement, dated as of November 1, 2006 (the "Tax Credit Agreement"), by and among the Issuer, the Company, and Fannie Mae; and the Bond Purchase Agreement, dated November 1, 2006 (the "Bond Purchase Agreement"), executed by the Company, the Issuer and Merchant Capital, L.L.C. (the "Underwriter"). In addition, we have reviewed the Multifamily Mortgage, Assignment of Leases and Rents and Security Agreement, dated as of November 1, 2006, from

the Company and the Issuer to the Trustee and the Credit Provider (the "Mortgage"), the Forward Commitment Deposit Fee Multifamily Mortgage, Assignment of Leases and Rents and Security Agreement, dated November 1, 2006 (the "Forward Commitment Mortgage"), from the Issuer and the Company to Wachovia Multifamily Capital, Inc. (the "Loan Servicer"), and certain documents between the Credit Provider and the Company and Fannie Mae and the Company (the "Bank Documents") (together, the "Company Documents").

We have examined original or certified copies of proceedings of the Company, certificates of officers of the Company and public officers and executed counterparts of the Company Documents. We have also examined copies, certified or otherwise identified to our satisfaction, of such corporate documents and records of the Company and of such other documents and matters as we have considered necessary or appropriate under the circumstances to render the following opinion, including without limitation, with respect to the Company, Certificate of good standing/subsistence issued by the State of New York on October 13, 2006.

We are of the opinion, as of the date hereof, as follows:

1. The Company is a limited partnership validly existing and in good standing under the laws of the State of New York and is qualified to do business under the laws of the State of New York.

2. The Company has the requisite power and authority (i) to own and operate its properties and assets, including, without limitation, the Project; (ii) to carry out its business as such business is being conducted and as contemplated in the Company Documents and Official Statement; and (iii) to carry out the terms and conditions applicable to it under the Company Documents. The execution, delivery and performance of the Company Documents by the Company have been authorized by all requisite action on the part of the Company and the Company Documents have been executed and delivered by the Company.

3. The Company Documents have been duly executed and delivered by the Company and constitute the valid, legal and binding obligations of the Company, enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally, and subject to usual principles of equity.

4. Based solely upon the Opinion Certificate, the execution, delivery and performance of the Company Documents, and the consummation of the transactions contemplated thereby and by the Official Statement, will not conflict with or constitute a breach or default under any indenture, mortgage, deed of trust, lease, note, commitment, agreement or other instrument or obligation to which the Company is a party or by which the Company or any of its property is bound, or under any law, rule, regulation, judgment, order or decree to which the Company is subject or by which the Company or any of its property is bound.

5. Based solely upon (a) a litigation search conducted by Benchmark Title Agency, LLC, (b) our actual knowledge, and (c) the Opinion Certificate, we are not aware of any pending action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body and, to the best of our knowledge, there is no such action, suit, proceeding, inquiry or investigation threatened against the Company (nor to the best of our knowledge is there any basis therefor), which (a) affects or seeks to prohibit, restrain or enjoin the execution and delivery of the Indenture or the Letter of Credit, the use of the proceeds of the Bonds to make the Loan, the use of the Official Statement or the execution and delivery of any of the Company Documents, (b) affects

or questions the validity or enforceability of the Bonds or any of the Company Documents, (c) questions the exclusion of interest on the Bonds from gross income for federal income taxation purposes under Section 103 of the Internal Revenue Code of 1986 or the Internal Revenue Code of 1954, as applicable, or the completeness or accuracy of the Official Statement or (iv) questions the power or authority of the Company to acquire, renovate, rehabilitate, equip, own or operate the Project.

6. Based solely upon the Opinion Certificate, to the extent required to be made or obtained prior to the date hereof, the Company has made all filings with and received all approvals, consents and orders of any governmental authority, legislative body, board, agency or commission which are necessary to permit the Company to perform its obligations under the Company Documents, to carry out the transactions contemplated by the Company Documents and the Official Statement and to acquire, renovate, rehabilitate, equip, own and operate the Project.

7. Based solely upon the Opinion Certificate, no consent, approval, authorization or order of, or registration or filing with, any court or governmental or public agency, authority or body is required with respect to the Company for the execution and delivery of the Company Documents.

8. Based on the Opinion Certificate, to the best of our knowledge, the information contained in the Official Statement relating to the Company, the Facility or the plan of financing, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements describing the Company, the Facility or the plan of financing contained therein, in light of the circumstances under which they were made, not misleading.

In making our examination, we have also assumed the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents, the genuineness of all signatures on all documents (other than the signatures of the Company on the Company Documents), and that all individuals executing documents are legally competent to do so. As to any statements of fact, whether or not qualified by our knowledge, except as expressly set forth herein, we have not made any independent investigation and have not independently verified the truth of representations made by the Company. We have made no independent investigation of the records of the Company (except for the organizational documents of each such entity and resolutions provided to us), of the agreements affecting any of them or to which they are a party, or of any court records.

In basing the opinions set forth in this opinion on "our knowledge," the words "our knowledge" signify that, in the course of our representation of the Company, no facts have come to our attention that would give us actual knowledge or actual notice that any such opinions or other matters are not accurate. Except as otherwise stated in this opinion, we have undertaken no investigation or verification of such matters. Further, the words "our knowledge" as used in this opinion are intended to be limited to the actual knowledge of the attorneys within our firm who have been directly involved in representing the Company in any capacity, including but not limited to, in connection with the Loan.

We express no opinion with respect to (i) the title to or the rights or interests of the Company in the Collateral, (ii) the adequacy of the description of the Property or (iii) the creation, attachment, perfection or priority of any liens thereon and/or security interests therein. We understand that, with respect to the title to the Property and the creation and priority of the lien of the Security Instrument, you will be relying upon the title insurance policy issued to you by Benchmark Title Agency, LLC, as agent for Fidelity Title Insurance Company, and dated as of the date of this opinion.

The law covered by this opinion is limited to the federal law of the United States and the law of the State of New York. We express no opinion with respect to the law of any other jurisdiction and, unless otherwise specified, no opinion with respect to the statutes, administrative decisions, rules, regulations or requirements of any county, municipality, subdivision or local authority of any jurisdiction.

This opinion is furnished by us as counsel for the Company solely for the purpose contemplated by the Company Documents. The opinions expressed herein may be relied upon only by you and by permitted transferees of the Company Documents and only in connection with the Company Documents. We shall have no obligation to revise or reissue this opinion with respect to any change in law or any event, fact, circumstance or transaction which occurs after the date hereof. In addition, we express no opinion with respect to any issue arising out of or related to: (i) the identity or status of any transferee of the Company Documents; or (ii) any subsequent transaction

Very truly yours,

APPENDIX C

OPINION OF COUNSEL TO THE TRUSTEE

November 1, 2006

Town of Hempstead Industrial
Development Agency
Hempstead, New York

Merchant Capital, L.L.C.
Montgomery, Alabama

Fannie Mae
Washington, D.C.

Hempstead Village Housing
Associates, L.P.
Elmsford, New York

JPMorgan Chase Bank, N.A.
Detroit, Michigan

Re: $5,590,000 Town of Hempstead Industrial Development Agency Variable Rate Multifamily Housing Revenue Bonds, Series 2006 (Hempstead Village Housing Associates, L.P. Facility)

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Trustee is a duly created and lawfully existing national banking association duly organized and existing under the laws of the United States of America, and is duly qualified to exercise trust powers under all applicable laws.

2. The Trustee has full corporate right, power and authority to accept the trusts contemplated by and to perform all duties and obligations on its part to be performed and to take all actions required or permitted on its part to be taken under and pursuant to the Trustee Documents, whether as trustee or custodian, as applicable and has taken all corporate action necessary to assume the duties and obligations of the Trustee under or custodian, as applicable, the Trustee Documents and the execution and delivery thereof.

3. The Trustee has all necessary trust powers required to carry out the trusts intended under the Indenture, has duly authorized the acceptance of the trusts contemplated by the Indenture and has duly accepted the duties and obligations of the Trustee.

4. The Trustee has duly authorized the execution and delivery of the Trustee Documents, has duly executed and delivered the Trustee Documents and the Trustee Documents are the valid, legal and binding obligations of the Trustee enforceable in accordance with their respective terms.

5. All consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Trustee of the

Trustee Documents or the performance by the Trustee of its duties and obligations as trustee or custodian, as applicable, thereunder have been obtained or made and are in full force and effect.

6. The acceptance of the duties and obligations of the Trustee, whether as trustee or custodian, as applicable, under the Trustee Documents, the performance and the consummation of the transactions on the part of the Trustee contemplated in the Trustee Documents, whether as trustee or custodian, as applicable, and the compliance by the Trustee, whether as trustee or custodian, as applicable, with the terms, conditions and provisions of the Trustee Documents have been duly authorized by all necessary corporate action on the part of the Trustee and do not and will not conflict with the Articles of Association or By-Laws of the Trustee, as in effect on the date of such opinion, and do not and will not conflict with, or constitute on the part of the Trustee a violation of, breach of or default under, any constitutional provision or statute of the State or the United States or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Trustee is a party or by which the Trustee is bound or, to such counsel's knowledge, any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities.

7. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the knowledge of such counsel, threatened, in any way contesting or affecting the creation, organization or existence of the Trustee or the authority of the Trustee to accept or perform the duties and obligations of the Trustee under the Trustee Documents or the Trustee's ability to fulfill its duties and obligations under the Trustee Documents.

This opinion is furnished by me solely for your benefit and may not, without my express written consent, be relied upon by any other person.

Very truly yours,

By: _____

APPENDIX D

FORM OF CERTIFICATE OF COUNSEL TO FANNIE MAE

November 1, 2006

Merchant Capital, L.L.C.
Montgomery, Alabama

$5,590,000
TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY
Variable Rate Multifamily Housing Revenue Bonds, Series 2006
(Hempstead Village Housing Associates, L.P. Facility)

The copy of the Credit Enhancement Instrument provided to Eichner & Norris PLLC pursuant to the attached email is a true and correct copy of the form of Credit Enhancement Instrument which, on the Closing Date, Fannie Mae proposed to deliver on Conversion Date, if it occurs, in connection with the above-captioned bonds.

Very truly yours,

APPENDIX E

FORM OF OPINION OF COUNSEL TO CONSTRUCTION LENDER

November 1, 2006

Wells Fargo Bank, National Association
Jacksonville, Florida

Merchant Capital, L.L.C.
Montgomery, Alabama

$5,590,000
TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY
Variable Rate Multifamily Housing Revenue Bonds, Series 2006
(Hempstead Village Housing Associates, L.P. Facility)

[After appropriate introductory language, the opinion shall state substantially as follows:]

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

(a) The Construction Lender is a national banking association duly organized and validly existing under the laws of the United States of America, and has full power and authority to execute, deliver and perform its obligations under the Letter of Credit.

(b) The Letter of Credit has been duly authorized, executed and delivered by the Construction Lender, and is the legal, valid and binding obligation of the Construction Lender, enforceable against the Construction Lender in accordance with its terms, except as limited by (a) the Bank's bankruptcy, insolvency, reorganization, liquidation, receivership, conservatorship, moratorium, or similar laws (including the Financial Institutions Reform, Recovery and Enforcement Act of 1989) affecting creditors' rights generally, (b) the principles of law and equity relating to fraud as it pertains to the Letter of Credit or presentment thereunder, and (c) general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance, regardless of whether considered in a proceeding in equity or at law. I note that the general principles of equity referred to in the preceding sentence also include, but are not limited to, the equitable power of a court in bankruptcy or similar proceeding to restrain payment under the Letter of Credit..

Very truly yours,