

NEW ISSUE — Book-Entry Only

RATING: S&P A+ (Outlook: Stable)
See “RATING” herein.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Issuer and the Institution described herein, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Series 2019 Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision thereof including The City of New York. See “TAX MATTERS” herein regarding certain other tax considerations.



\$34,420,000
BUILD NYC RESOURCE CORPORATION
Revenue Bonds
(The Children’s Aid Society Project), Series 2019

Dated: Date of Delivery

**Due: As shown on the
inside front cover**

The Series 2019 Bonds are issuable by Build NYC Resource Corporation (the “*Issuer*”) only in fully registered form in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof, and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“*DTC*”). Purchases of the Series 2019 Bonds will be made in book-entry only form. See “*BOOK-ENTRY ONLY SYSTEM*” herein. Interest on the Series 2019 Bonds will be payable by The Bank of New York Mellon, as trustee for the Series 2019 Bonds (the “*Trustee*”), on each January 1 and July 1, commencing January 1, 2020. The Series 2019 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity, as described herein.

The Series 2019 Bonds are being issued for the benefit of The Children’s Aid Society, a not-for-profit corporation organized and existing under the laws of the State of New York and exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “*Institution*”), pursuant to an Indenture of Trust dated as of August 1, 2019 (the “*Indenture*”) between the Issuer and the Trustee in order to provide a portion of the funds required to (i) finance the costs of the Project (as described herein) and (ii) pay certain costs of issuing the Series 2019 Bonds, as more fully described herein. The proceeds from the sale of the Series 2019 Bonds are being loaned to the Institution pursuant to a Loan Agreement, dated as of August 1, 2019 (the “*Loan Agreement*”), between the Issuer and the Institution. The Institution will be obligated under the Loan Agreement and a Promissory Note to make payments sufficient to pay the principal or Redemption Price of, and interest on, the Series 2019 Bonds, as and when the same become due. Pursuant to the Indenture, the Issuer will assign to the Trustee substantially all of its right, title and interest in and to the Loan Agreement (except for the Issuer’s Reserved Rights) and the Promissory Note, including all rights to receive the payments of principal or Redemption Price of, and interest on, the Series 2019 Bonds to be made by the Institution pursuant to the Loan Agreement and the Promissory Note.

THE SERIES 2019 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE AS TO PRINCIPAL, REDEMPTION PRICE AND INTEREST SOLELY FROM THE PAYMENTS MADE BY THE INSTITUTION UNDER THE LOAN AGREEMENT AND THE PROMISSORY NOTE, AND FROM THE TRUST ESTATE (AS HEREINAFTER DEFINED). NEITHER THE STATE OF NEW YORK (THE “STATE”) NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK (THE “CITY”), SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR THE INTEREST ON, THE SERIES 2019 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2019 BONDS. THE SERIES 2019 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2019 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR THE INTEREST ON, THE SERIES 2019 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

The Series 2019 Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel to the Issuer, and certain other conditions. The Institution has engaged George K. Baum & Company, Pittsburgh, Pennsylvania as financial advisor in connection with the issuance of the Series 2019 Bonds. Certain legal matters will be passed upon for the Issuer by its General Counsel, and for the Institution by its special counsel, Ballard Spahr LLP, New York, New York [and by General Counsel to the Institution]. Certain legal matters will be passed upon for the Underwriter by its counsel, Cozen O’Connor, New York, New York. It is expected that delivery of the Series 2019 Bonds will take place through the facilities of DTC on or about August 1, 2019.

J.P. Morgan

The date of this Official Statement is July 24, 2019.

\$34,420,000
BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(THE CHILDREN'S AID SOCIETY PROJECT), SERIES 2019

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS†

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
2022	\$ 265,000	5.000%	1.160%	110.980	12008EPT7
2023	275,000	5.000	1.220	114.412	12008EPU4
2024	295,000	5.000	1.270	117.722	12008EPV2
2025	305,000	5.000	1.370	120.561	12008EPW0
2026	325,000	5.000	1.480	123.059	12008EPX8
2027	340,000	5.000	1.580	125.354	12008EPY6
2028	355,000	5.000	1.690	127.289	12008EPZ3
2029	380,000	5.000	1.780	129.152	12008EQA7
2030	395,000	5.000	1.880	128.105 ^(c)	12008EQB5
2031	415,000	5.000	1.960	127.275 ^(c)	12008EQC3
2032	440,000	5.000	2.050	126.348 ^(c)	12008EQD1
2033	460,000	5.000	2.100	125.837 ^(c)	12008EQE9
2034	485,000	5.000	2.150	125.328 ^(c)	12008EQF6
2035	630,000	5.000	2.200	124.822 ^(c)	12008EQG4
2036	1,030,000	4.000	2.510	113.006 ^(c)	12008EQH2
2037	1,070,000	4.000	2.550	112.632 ^(c)	12008EQJ8
2038	1,115,000	4.000	2.590	112.259 ^(c)	12008EQK5
2039	1,155,000	3.000	3.000	100.000	12008EQL3

\$6,480,000 – 4.00% Term Bond, Due July 1, 2044, Yield 2.740%, Price 110.874^(c), CUSIP No. 12008EQM1†

\$18,205,000 – 4.00% Term Bond, Due July 1, 2049, Yield 2.810%, Price 110.235^(c), CUSIP No. 12008EQN9†

^(c) Yield/Price to July 1, 2029 par call date.

† Copyright, American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw-Hill Financial, Inc. The CUSIP numbers listed above are included solely for the convenience of the holders of the Series 2019 Bonds. Neither the Issuer nor the Underwriter is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2019 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2019 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2019 Bonds.

REGARDING THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the Issuer, the Institution and other sources which are believed to be reliable. As to information from the Institution, it is to be construed as a representation by the Institution and not by the Issuer. The information contained in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the information or opinions stated herein or in the affairs of the Issuer or the Institution since the date hereof.

The Issuer has provided the information set forth under the headings "THE ISSUER" and "ABSENCE OF LITIGATION—The Issuer" and makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth anywhere else in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information and this Official Statement is not to be construed as the promise or guarantee of the Underwriter.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER AND ITS AFFILIATES MAY ALSO COMMUNICATE INDEPENDENT INVESTMENT RECOMMENDATIONS, MARKET COLOR OR TRADING IDEAS AND/OR PUBLISH OR EXPRESS INDEPENDENT RESEARCH VIEWS IN RESPECT OF THE SERIES 2019 BONDS AND MAY AT ANY TIME HOLD, OR RECOMMEND TO CLIENTS THAT THEY SHOULD ACQUIRE, LONG AND/OR SHORT POSITIONS IN SUCH BONDS.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including the appendices, must be considered in its entirety.

The contents of this Official Statement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2019 Bonds, including the merits and risks involved. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any Series 2019 Bonds.

THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR

QUALIFICATION OF THE SERIES 2019 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2019 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019 Bonds in any jurisdiction in which such offer, solicitation or sale is not qualified under applicable law or to any person to whom it is unlawful to make such offer, solicitation or sale.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in Appendix A — “INFORMATION CONCERNING THE CHILDREN’S AID SOCIETY.” Such forward-looking statements speak only as of the date of this Official Statement.

Forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Institution. THE INSTITUTION DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE INSTITUTION’S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

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OFFICIAL STATEMENT

RELATING TO

\$34,420,000

BUILD NYC RESOURCE CORPORATION

REVENUE BONDS

(THE CHILDREN'S AID SOCIETY PROJECT), SERIES 2019

See APPENDIX C for definitions of certain of the words and terms used in this Official Statement.

INTRODUCTION

This Official Statement (including the front cover page, the inside front cover page and the Appendices) is being distributed in connection with the offering and sale of \$34,420,000 in aggregate principal amount of Revenue Bonds (The Children's Aid Society Project), Series 2019 (the "*Series 2019 Bonds*") of Build NYC Resource Corporation (the "*Issuer*"). The Issuer is a not-for-profit local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York at the direction of the Mayor of The City of New York.

The Series 2019 Bonds are authorized to be issued under and pursuant to a resolution of the Issuer adopted on June 11, 2019 authorizing the issuance and sale of the Series 2019 Bonds and an Indenture of Trust dated as of August 1, 2019 (the "*Indenture*") between the Issuer and The Bank of New York Mellon, as trustee (the "*Trustee*"). The Trustee will also serve as Paying Agent and Bond Registrar for the Series 2019 Bonds.

The proceeds from the sale of the Series 2019 Bonds are being loaned to The Children's Aid Society, a not-for-profit corporation organized and existing under the laws of the State of New York and exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Institution*"), pursuant to a Loan Agreement dated as of August 1, 2019 (the "*Loan Agreement*") between the Issuer and the Institution, for the purposes described below. The Institution will be obligated under the Loan Agreement and the Promissory Note from the Institution to the Issuer, which will be endorsed by the Issuer to the Trustee (the "*Promissory Note*"), to make payments sufficient to pay the principal or Redemption Price of, and interest on, the Series 2019 Bonds, as and when the same become due. The obligations of the Institution to make payments pursuant to the Loan Agreement and the Promissory Note will be unconditional obligations of the Institution, but not secured by a mortgage or any other lien or security interest on any property of the Institution. See "SECURITY FOR THE SERIES 2019 BONDS" and APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT."

Pursuant to the Indenture, the Issuer will assign to the Trustee substantially all of its right, title and interest in and to the Promissory Note and in and to the Loan Agreement (except for the Issuer's Reserved Rights), including all rights to receive the payments of principal or redemption price of, and interest on, the Series 2019 Bonds to be made by the Institution pursuant to the Loan Agreement and the Promissory Note.

The Series 2019 Bonds are special limited revenue obligations of the Issuer payable solely from the payments made by the Institution under the Loan Agreement and the Promissory Note and from the Trust Estate as described in the Indenture. See “SECURITY FOR THE SERIES 2019 BONDS” herein.

The proceeds from the sale of the Series 2019 Bonds will be used by the Institution to (i) finance a portion of the costs of the acquisition, renovation, furnishing and equipping of certain facilities, as more fully described below under the heading “THE PROJECT” and (ii) pay certain costs of issuing the Series 2019 Bonds (collectively, the “*Project*”).

The forepart of this Official Statement contains brief descriptions of the Issuer, the Institution, the Series 2019 Bonds, the Indenture, the Loan Agreement, the Promissory Note and the Continuing Disclosure Agreement to be executed by the Institution on the date of issuance of the Series 2019 Bonds (the “*Continuing Disclosure Agreement*”). Additional information about the Institution is set forth in APPENDIX A. The audited financial statements of the Institution as of and for the fiscal years ended June 30, 2018 and 2017 are included in APPENDIX B. Certain of the defined terms used herein are set forth in APPENDIX C. A summary of certain provisions of the Loan Agreement is included as APPENDIX D, and a summary of certain provisions of the Indenture is included as APPENDIX E. The form of the Continuing Disclosure Agreement is included in APPENDIX F. The proposed form of opinion of Bond Counsel to the Issuer is included in APPENDIX G.

All references herein to the Indenture, the Loan Agreement, the Promissory Note, the Tax Regulatory Agreement from the Issuer and the Institution to the Trustee (the “*Tax Regulatory Agreement*”) and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents, and the description of the Series 2019 Bonds herein is qualified in its entirety by reference to the terms thereof and the information with respect thereto included in the Indenture and the Loan Agreement. All such descriptions are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors’ rights generally. Copies of the Indenture and the Loan Agreement may be obtained prior to the date of issuance of the Series 2019 Bonds from J.P. Morgan Securities LLC (the “*Underwriter*”) and, on and after the date of issuance of the Series 2019 Bonds, from the Trustee at its offices at 240 Greenwich Street, Floor 7E, New York, New York 10286.

This introduction is subject in all respects to the additional information contained in this Official Statement, including APPENDICES A through G.

THE ISSUER

The Issuer is a not-for-profit local development corporation created pursuant to the Not-For-Profit Corporation Law, as amended, of the State of New York (the “*State*”) at the direction of the Mayor of The City of New York (the “*City*”). The Issuer is not an agency of State or City government. The Issuer is authorized by the Not-For-Profit Corporation Law of the State and the Issuer’s Certificate of Incorporation (i) to promote community and economic development and the creation of jobs in the non-profit and profit sectors for citizens of the City by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses and other entities to access low interest tax-exempt and taxable financing for their eligible projects; (ii)

to issue and sell one or more series or classes of bonds, notes and other obligations through private placement, negotiated underwriting or competitive underwriting to finance such activities above, on a secured or unsecured basis; and (iii) to undertake other eligible projects that are appropriate functions for a non-profit local development corporation for the purpose of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, carrying on scientific research for the purpose of aiding the City by attracting new industry to the City or by encouraging the development of or retention of an industry in the City, and lessening the burdens of government and acting in the public interest. The Issuer's Certificate of Incorporation further provides that the activities referred to in clause (i) above will achieve the lawful public purposes of lessening the burdens of government, the carrying out of such objective and the exercise of the powers conferred on the Issuer being the performance of an essential governmental function, and the performance of such activities will assist the City in reducing unemployment and promoting additional job growth and economic development.

The Issuer has offered and plans to offer other obligations from time to time to finance eligible projects for other eligible entities. Such obligations have been and will be issued pursuant to and secured by instruments separate and apart from the Indenture.

The Series 2019 Bonds are special limited revenue obligations of the Issuer payable solely out of certain funds pledged therefor. Nothing in the Series 2019 Bonds or the Indenture shall be considered as pledging or committing any other funds or assets of the Issuer to the payment of the Series 2019 Bonds or the satisfaction of any other obligation of the Issuer under the Series 2019 Bonds or the Indenture. Neither the Issuer nor its members, directors, officers, agents, servants or employees, nor any person executing the Series 2019 Bonds, shall be liable personally with respect to the Series 2019 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. Accordingly, no financial information regarding the Issuer or its members, directors, officers, employees or agents has been included herein.

Neither the State nor any political subdivision of the State including, without limitation, the City, is or shall be obligated to pay the principal or redemption price of or interest on the Series 2019 Bonds, and neither the faith and credit nor the taxing power of the State or the City is pledged to such payment. The Issuer has no taxing power.

The Issuer has not prepared or assisted in the preparation of this Official Statement, except for statements under the sections captioned "THE ISSUER" and "ABSENCE OF LITIGATION — The Issuer" and, except as aforesaid, the Issuer is not responsible for any statements made in this Official Statement. Except for the execution and delivery of documents required to effect the issuance of the Series 2019 Bonds, the Issuer has not otherwise assisted in the public offer, sale or distribution of the Series 2019 Bonds. Accordingly, except as aforesaid, the Issuer disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Series 2019 Bonds. The Institution has agreed to indemnify the Issuer against certain liabilities relating to the Official Statement.

THE INSTITUTION

Incorporated in 1855, the Institution is a not-for-profit corporation organized and existing under the laws of the State of New York and exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which serves New York's impoverished children and their families at more than 40 locations. The Institution's mission helps children in poverty to succeed and thrive by providing comprehensive supports to children and their families in targeted high-needs New York City neighborhoods.

The Institution has provided the information in APPENDICES A and B attached hereto for use herein. While the information is believed to be reliable, none of the Issuer, the Underwriter or any of their respective counsel (including Bond Counsel), members, directors, officers or employees makes any representation as to the accuracy or sufficiency of such information.

THE PROJECT

The Project shall consist of the acquisition, renovation, furnishing and equipping of an approximately 42,000 square foot, four-story condominium unit, located on an approximately 12,615 square foot parcel of land located at 117 West 124th Street, New York, New York 10027, to serve as the Institution's headquarters facility. The Project will be financed with a portion of the proceeds of the Series 2019 Bonds and other sources available to the Institution. See APPENDIX A — PROJECT TO BE FUNDED WITH SERIES 2019 BOND PROCEEDS.”

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2019 Bonds, together with certain other funds, are expected to be applied as follows:

SOURCES OF FUNDS:	
Par Amount of Series 2019 Bonds	\$34,420,000.00
Original Issue Premium	<u>4,264,455.65</u>
TOTAL SOURCES	<u>\$38,684,455.65</u>
USES OF FUNDS:	
Deposit to Project Fund	\$37,950,000.00
Costs of Issuance ⁽¹⁾	<u>734,455.65</u>
TOTAL USES	<u>\$38,684,455.65</u>

⁽¹⁾ Includes underwriter's discount, legal fees, accounting fees, costs of printing and other fees and expenses.

THE SERIES 2019 BONDS

The information under this heading is subject in its entirety to the information set forth below under the heading "BOOK-ENTRY ONLY SYSTEM" while the Series 2019 Bonds are held in DTC's book-entry only system.

GENERAL

The Series 2019 Bonds shall be dated their date of delivery and will bear interest from such date, payable initially on January 1, 2020 and semiannually thereafter on each July 1 and January 1 (each an "*Interest Payment Date*") computed on the basis of a 360-day year of twelve 30-day months. The Series 2019 Bonds shall mature (subject to prior redemption) in the principal amounts and on the dates set forth on the inside front cover page of this Official Statement. The Series 2019 Bonds shall be issuable only in fully registered, book-entry only form in a denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof (the "*Authorized Denomination*"). See "BOOK-ENTRY ONLY SYSTEM" herein.

Each Series 2019 Bond shall be transferable only upon compliance with the restrictions on transfer set forth on such Series 2019 Bond and only upon the books of the Issuer, which shall be kept for that purpose at the designated corporate trust office of the Trustee, by the registered owner thereof in person or by his duly authorized attorney-in-fact, upon surrender of such Series 2019 Bond together with a written instrument of transfer in the form appearing on such Series 2019 Bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon. Upon the transfer of any Series 2019 Bond, the Trustee shall prepare and issue in the name of the transferee one or more new Series 2019 Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2019 Bond.

Any Series 2019 Bond, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer in the form appearing on such Series 2019 Bond, duly executed by the registered owner or his duly authorized attorney-in-fact, with a guaranty of the signature thereon, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Series 2019 Bonds of the same maturity and interest rate of any other Authorized Denominations. However, the Trustee will not be required to (1) transfer or exchange any Series 2019 Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) calendar days next preceding any day for the selection of Series 2019 Bonds to be redeemed, or (ii) transfer or exchange any Series 2019 Bonds selected, called or being called for redemption in whole or in part.

The Issuer, the Series 2019 Bond Registrar, the Trustee and any Paying Agent may deem and treat the Person in whose name any Series 2019 Bond shall be registered as the absolute owner of such Series 2019 Bond, whether such Series 2019 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of, and interest on such Series 2019 Bond and for all other purposes, and all payments made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Series 2019 Bond to the extent of the sum or sums so paid, and neither the Issuer, the Institution, the Series 2019 Bond Registrar, the Trustee nor any Paying Agent shall be affected by any notice to the contrary.

PAYMENT OF PRINCIPAL AND INTEREST

The principal, Purchase Price or Redemption Price of, and Sinking Fund Installments for, all Series 2019 Bonds shall be payable by check or draft or wire transfer of immediately available funds at maturity or upon earlier redemption to the Persons in whose names such Series 2019 Bonds are registered on the bond registration books maintained by the Trustee as Series 2019 Bond Registrar at the maturity or redemption date thereof, provided, however, that the payment in full of any Series 2019 Bond either at final maturity or upon redemption in whole shall only be payable upon presentation and surrender of such Series 2019 Bond at the designated corporate trust office of the Trustee or of any Paying Agent.

The interest payable on each Series 2019 Bond on any Interest Payment Date shall be paid by the Trustee to the registered owner of such Series 2019 Bond as shown on the bond registration books of the Trustee as Bond Registrar at the close of business on the Record Date for such interest, (1) by check or draft mailed to such registered owner at his address as it appears on the bond registration books or at such other address as is furnished to the Trustee in writing by such owner, or (2) if such Series 2019 Bonds are held by a Securities Depository or, at the written request addressed to the Trustee by any registered owner of Series 2019 Bonds in the aggregate principal amount of at least \$1,000,000 that all such payments be made by wire transfer, by electronic transfer in immediately available funds to the bank for credit to the ABA routing number and account number filed with the Trustee no later than five (5) Business Days before an Interest Payment Date, but no later than a Record Date for any interest payment.

Interest on any Series 2019 Bond that is due and payable but not paid on the date due (“*Defaulted Interest*”) shall cease to be payable to the owner of such Series 2019 Bond on the Record Date and shall be payable to the owner in whose name such Series 2019 Bond is registered at the close of business on a special record date (the “*Special Record Date*”) for the payment of such Defaulted Interest, which Special Record Date shall be fixed as provided in the Indenture.

REDEMPTION PROVISIONS

Optional Redemption

The Series 2019 Bonds shall be subject to redemption, on or after July 1, 2029, in whole or in part at any time (but if in part in integral multiples of \$5,000) at the option of the Issuer (which option shall be exercised only upon the giving of notice by the Institution of its intention to prepay loan payments due under the Loan Agreement), at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Series 2019 Bonds to be redeemed plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The Series 2019 Bonds maturing on July 1, 2044 are subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on the dates and in the principal amounts set forth below, provided that the amounts of such Sinking Fund Installments shall be reduced by the credits provided for in the Indenture:

July 1, 2044 Term Bond

Year July 1	Principal Amount
2040	\$1,190,000
2041	1,245,000
2042	1,295,000
2043	1,345,000
2044*	1,405,000

* Maturity

The Series 2019 Bonds maturing on July 1, 2049 are subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on the dates and in the principal amounts set forth below, provided that the amounts of such Sinking Fund Installments shall be reduced by the credits provided for in the Indenture:

July 1, 2049 Term Bond

Year July 1	Principal Amount
2045	\$1,460,000
2046	3,940,000
2047	4,100,000
2048	4,265,000
2049*	4,440,000

* Maturity

Extraordinary Optional Redemption

The Series 2019 Bonds are subject to redemption prior to maturity, at the option of the Issuer exercised at the direction of the Institution (which option shall be exercised only upon the giving of notice by the Institution of its intention to prepay loan payments due under the Loan Agreement), as a whole on any date, upon notice or waiver of notice as provided in the Indenture, at the Redemption Price equal to one hundred percent (100%) of the unpaid principal amount thereof to be redeemed, plus accrued interest to the date of redemption, if one or more of the following events shall have occurred;

(i) The Facility shall have been damaged or destroyed to such extent that, as evidenced by a certificate of an Independent Engineer filed with the Issuer and the Trustee, (A) the Facility cannot be reasonably restored within a period of one year from the date of such damage or destruction to the condition thereof immediately preceding such damage or destruction, (B) the Institution is thereby prevented or likely to be prevented from carrying on its normal operation at such Facility for a period of one year from the date of such damage or destruction, or (C) the restoration cost of such Facility would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction; or

(ii) Title to, or the temporary use of, all or substantially all of the Facility shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in the Institution being thereby prevented or likely to be prevented from carrying on its normal operation at the Facility for a period of one year from the date of such taking or condemnation, as evidenced by a certificate of an Independent Engineer filed with the Issuer and the Trustee; or

(iii) As a result of changes in the Constitution of the United States of America or of the State or of legislative or executive action of the State or any political subdivision thereof or of the United States of America or by final decree or judgment of any court after the contest thereof by the Institution, the Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon the Institution by reason of the operation of the Facility.

If the Series 2019 Bonds are to be redeemed in whole as a result of the occurrence of any of the events described above, the Institution shall deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Institution stating that, as a result of the occurrence of the event giving rise to such redemption, the Institution has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

Mandatory Redemption Upon Determination of Taxability

Upon the occurrence of a Determination of Taxability, the Series 2019 Bonds shall be redeemed prior to maturity on any date within one hundred twenty (120) days following such Determination of Taxability, at the Redemption Price equal to one hundred percent (100%) of the unpaid principal amount thereof to be redeemed, together with accrued interest to the date of redemption. The Series 2019 Bonds shall be redeemed in whole unless redemption of a portion of the Series 2019 Bonds Outstanding would have the result that interest payable on the Series 2019 Bonds remaining Outstanding after such redemption would not be includable in the gross income of any holder of a Series 2019 Bond. In such event, the Series 2019 Bonds shall be redeemed in such amount as is deemed necessary in the opinion of Nationally Recognized Bond Counsel to accomplish that result. See APPENDIX C - "Certain Definitions" and APPENDIX E - "Summary of Certain Provisions of the Indenture of Trust."

Mandatory Redemption Upon Occurrence of Certain Other Events

The Series 2019 Bonds are also subject to mandatory redemption prior to maturity, at the option of the Issuer, as a whole only, in the event (i) the Issuer determines that (w) the Institution is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, not for the Approved Project Operations, (x) the Institution, any Principal of the Institution or any Person that directly or indirectly Controls, is Controlled by or is under common Control with the Institution has committed a material violation of a material Legal Requirement, (y) any Conduct Representation is false, misleading or incorrect in any material respect at any date, as if made on such date, or (z) a Required Disclosure Statement delivered to the Issuer under any Project Document is not acceptable to the Issuer acting in its sole discretion, or (ii) the Institution fails to obtain or maintain the liability insurance with respect to the Facility required under the

Loan Agreement, and, in the case of clause (i) or (ii) above, the Institution fails to cure any such default or failure within the applicable time periods set forth in the Loan Agreement following the receipt by the Institution of written notice of such default or failure from the Issuer and a demand by the Issuer on the Institution to cure the same. Any such redemption will be made upon notice or waiver of notice to the Series 2019 Bondholders as provided in the Indenture, at the Redemption Price equal to one hundred percent (100%) of the unpaid principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

Purchase in Lieu of Optional Redemption

In lieu of calling Series 2019 Bonds for optional redemption, the Series 2019 Bonds shall be subject to mandatory tender for purchase at the direction of the Issuer, upon the direction of the Institution, in whole or in part (and, if in part, in such manner as determined by the Institution) on any date on or after July 1, 2029, at a Purchase Price equal to the applicable Redemption Price for any optional redemption of such Series 2019 Bonds as provided under the subheading "Optional Redemption" above, plus accrued interest to the purchase date. Purchases of tendered Series 2019 Bonds may be made without regard to any provision of the Indenture relating to the selection of Series 2019 Bonds in a partial optional redemption. The Series 2019 Bonds purchased pursuant to any mandatory tender(s) are not required to be cancelled, and if not so cancelled (subject to the Loan Agreement) shall, prior to any resale by or on behalf of the Institution, not be deemed Outstanding in connection with any subsequent partial optional redemption solely for purposes of those provisions of the Indenture relating to the selection of Series 2019 Bonds in a partial redemption.

Purchases in lieu of an optional redemption shall be permitted, with the consent of the Issuer, upon the delivery to the Issuer and the Trustee of (i) an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee substantially to the effect that (A) such purchases in lieu of optional redemption comply with the provisions of the Indenture and (B) neither such purchases in lieu of an optional redemption nor any transaction directly related thereto will adversely affect the exclusion from gross income of interest on the Series 2019 Bonds for purposes of federal income taxation, and (ii) such other opinions, certificates or documentation as the Issuer may require.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2019 BONDS, ALL PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, PURCHASE PRICE, AND INTEREST ON THE SERIES 2019 BONDS WILL BE MADE DIRECTLY TO DTC. DISBURSEMENT OF SUCH PAYMENTS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) WILL BE THE RESPONSIBILITY OF DTC, AND DISBURSEMENT OF SUCH PAYMENTS TO BENEFICIAL OWNERS (AS HEREINAFTER DEFINED) WILL BE THE RESPONSIBILITY OF THE DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS (AS HEREINAFTER DEFINED). SEE "BOOK-ENTRY ONLY SYSTEM" herein.

General Redemption Provisions

In the event of redemption of less than all the Outstanding Series 2019 Bonds stated to mature on different dates, the principal amount of such Series 2019 Bonds to be redeemed shall be applied in such order of maturity as shall be directed in writing by the Institution or, in the absence of such direction, in inverse order of maturity of the Outstanding Series 2019 Bonds to be redeemed and by lot within a maturity. In the event of redemption of less than all of the Outstanding Series 2019 Bonds of the same maturity, the particular Series 2019 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner which the Trustee in its discretion shall deem fair, except that, to the extent practicable, the Trustee shall select Series 2019 Bonds for redemption such that no Series 2019 Bonds shall be of a denomination of less than the Authorized Denomination for such Series 2019 Bonds.

When redemption of any Series 2019 Bond is requested or required pursuant to the Indenture, the Trustee shall give notice of such redemption in the name of the Issuer, specifying the name of the Series 2019 Bonds, CUSIP number, Series 2019 Bond numbers, the date of original issue of such Series 2019 Bonds, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2019 Bonds or portions thereof to be redeemed, the redemption date, the Redemption Price, and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the Series 2019 Bonds or portions thereof to be payable and, if less than all of the Series 2019 Bonds of any maturity are to be redeemed, the numbers of such Series 2019 Bonds or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2019 Bond or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice may set forth any additional information relating to such redemption. The Trustee, in the name and on behalf of the Issuer, shall mail a copy of such notice by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption, to the registered owners of any Series 2019 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of such Series 2019 Bonds with respect to which proper mailing was effected.

With respect to any optional redemption of the Series 2019 Bonds, the notice of redemption shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2019 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem the Series 2019 Bonds. In the event that such notice of optional redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. If a notice of optional redemption shall be unconditional, or if the conditions of a conditional notice of optional redemption shall have been satisfied, then upon presentation and surrender of the Series 2019 Bonds so called for redemption at the place or places of payment, such Series 2019 Bonds shall be redeemed.

Notice having been given in the manner provided in the Indenture and described above, the Series 2019 Bonds or portions thereof so called for redemption shall become due and payable on the redemption dates so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys for the redemption of all the Series 2019 Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, (i) interest on the Series 2019 Bonds or portions thereof so called for redemption shall cease to accrue and become payable, (ii) the Series 2019 Bonds or portions thereof so called for redemption shall cease to be entitled to any lien, benefit or security under the Indenture, and (iii) the Holders of the Series 2019 Bonds or portions thereof so called for redemption shall have no rights in respect thereof, except to receive payment of the Redemption Price together with interest accrued to the redemption date. If said moneys shall not be so available on the redemption date, such Series 2019 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond certificate will be issued for each maturity of the Series 2019 Bonds, each in an aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, defaults and proposed amendments to bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and Redemption Price on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information set forth above under this heading concerning DTC and DTC's book-entry system has been obtained from DTC.

NO REPRESENTATION IS MADE BY THE ISSUER, THE TRUSTEE, THE INSTITUTION OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF THE INFORMATION SET FORTH ABOVE UNDER THIS HEADING NOR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Institution's obligations under the Loan Agreement and the Promissory Note, to the extent of the payments so made.

Prior to any discontinuation of the book-entry only system described above, the Trustee and the Issuer may treat DTC or its nominee, Cede & Co., as, and deem DTC or its nominee, Cede & Co., to be, the absolute owner of the Series 2019 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, Purchase Price and Redemption Price of, and interest on the Series 2019 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2019 Bonds, (iii) registering transfers with respect to the Series 2019 Bonds, and (iv) the selection of Series 2019 Bonds for redemption.

NONE OF THE ISSUER, THE TRUSTEE, THE INSTITUTION OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO (I) THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT WITH RESPECT TO ANY BENEFICIAL OWNERSHIP INTEREST IN ANY SERIES 2019 BOND, (II) THE DELIVERY TO ANY DTC PARTICIPANT OR

INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, AS SHOWN IN THE BOND REGISTER, OF ANY NOTICE WITH RESPECT TO ANY SERIES 2019 BOND, INCLUDING, WITHOUT LIMITATION, ANY NOTICE OF REDEMPTION OR ANY EVENT WHICH WOULD OR COULD GIVE RISE TO AN OPTION WITH RESPECT TO ANY SERIES 2019 BOND, (III) THE PAYMENT OF ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, AS SHOWN IN THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PURCHASE PRICE OR REDEMPTION PRICE OF, OR INTEREST ON, ANY SERIES 2019 BOND OR (IV) ANY CONSENT GIVEN BY DTC AS REGISTERED OWNER.

SECURITY FOR THE SERIES 2019 BONDS

GENERAL

Concurrently with the issuance of the Series 2019 Bonds, the Issuer will enter into the Loan Agreement with the Institution pursuant to which the Issuer will loan the proceeds from the sale of the Series 2019 Bonds to the Institution. The Institution will be unconditionally obligated under the Loan Agreement, the Promissory Note and any additional Promissory Note issued in connection with the issuance of any Additional Bonds to make payments to the Trustee sufficient to pay the principal or Redemption Price of, and interest on, the Series 2019 Bonds and any Additional Bonds, as the same become due. See "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" in APPENDIX D herein. Pursuant to the Indenture, the Issuer will assign to the Trustee all of its right, title and interest in and to the Loan Agreement (except for the Issuer's Reserved Rights) and the Promissory Note, including all amounts payable thereunder with respect to the principal or Redemption Price of, and interest on, the Series 2019 Bonds.

Neither the Series 2019 Bonds nor the obligations of the Institution under the Loan Agreement and the Promissory Note are secured by a mortgage of or any other interest in the Facility or any other property of the Institution.

ADDITIONAL BONDS

Subject to compliance by the Institution with the provisions of the Indenture described in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST—Additional Bonds," the Issuer may, upon the request of the Institution, issue Additional Bonds under the Indenture for the purpose of (i) completing the Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facility, the purpose of which shall be for the Approved Project Operations, or (iv) refunding Outstanding Series 2019 Bonds. Additional Bonds will be secured on a parity basis with the Series 2019 Bonds under the Indenture.

LIMITED OBLIGATIONS

THE SERIES 2019 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE AS TO PRINCIPAL, PURCHASE PRICE, REDEMPTION PRICE AND INTEREST, SOLELY FROM THE PAYMENTS MADE BY THE INSTITUTION UNDER THE LOAN AGREEMENT AND THE PROMISSORY NOTE AND FROM THE TRUST ESTATE AS DESCRIBED IN THE INDENTURE. NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK, SHALL BE

OBLIGATED TO PAY THE PRINCIPAL, PURCHASE PRICE, REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2019 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2019 BONDS. THE SERIES 2019 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2019 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, PURCHASE PRICE, OR INTEREST ON, THE SERIES 2019 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

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ANNUAL SERIES 2019 BOND DEBT SERVICE REQUIREMENTS

The following table sets forth, for each Fiscal Year ending June 30, the amounts required to be made available in such Fiscal Year for the payment of the principal of and interest on the Series 2019 Bonds.

Series 2019 Bonds			
Fiscal Year	Principal Payments	Interest Payments	Total Debt Service
2020	-	\$ 591,208	\$ 591,208
2021	-	1,418,900	1,418,900
2022	-	1,418,900	1,418,900
2023	\$ 265,000	1,412,275	1,677,275
2024	275,000	1,398,775	1,673,775
2025	295,000	1,384,525	1,679,525
2026	305,000	1,369,525	1,674,525
2027	325,000	1,353,775	1,678,775
2028	340,000	1,337,150	1,677,150
2029	355,000	1,319,775	1,674,775
2030	380,000	1,301,400	1,681,400
2031	395,000	1,282,025	1,677,025
2032	415,000	1,261,775	1,676,775
2033	440,000	1,240,400	1,680,400
2034	460,000	1,217,900	1,677,900
2035	485,000	1,194,275	1,679,275
2036	630,000	1,166,400	1,796,400
2037	1,030,000	1,130,050	2,160,050
2038	1,070,000	1,088,050	2,158,050
2039	1,115,000	1,044,350	2,159,350
2040	1,155,000	1,004,725	2,159,725
2041	1,190,000	963,600	2,153,600
2042	1,245,000	914,900	2,159,900
2043	1,295,000	864,100	2,159,100
2044	1,345,000	811,300	2,156,300
2045	1,405,000	756,300	2,161,300
2046	1,460,000	699,000	2,159,000
2047	3,940,000	591,000	4,531,000
2048	4,100,000	430,200	4,530,200
2049	4,265,000	262,900	4,527,900
2050	4,440,000	88,800	4,528,800
Total	\$34,420,000	\$32,318,258	\$66,738,258

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Institution with respect to the Series 2019 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement, and such discussion should not be considered to be a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2019 Bonds should carefully analyze the information contained in this Official Statement, including the Appendices hereto, and in the documents summarized herein, copies of which are available as described herein.

GENERAL

The Series 2019 Bonds are payable solely from the payments to be made by the Institution pursuant to the Loan Agreement and the Promissory Note. Such payments will be made from the revenues derived by the Institution from its operations and from nonoperating revenues received by the Institution. See "THE PROJECT" herein. No representation or assurance is made that revenues will be realized by the Institution in the amounts necessary to make payments due under the Loan Agreement and the Promissory Note. The amount of the Institution's future revenues and expenses are subject to, among other things: (i) the continuation of support from private contributions and public sources; (ii) endowment and investment performance; (iii) the capabilities of management of the Institution; and (iv) future economic and other conditions, all of which are unpredictable and which may affect the Institution's revenues and thereby payment of the principal or Redemption Price of, and interest on the Series 2019 Bonds.

MATTERS RELATING TO SECURITY

Neither the Series 2019 Bonds nor the obligations of the Institution under the Loan Agreement and the Promissory Note are secured by a mortgage of or any other interest in the Facility or any other property of the Institution.

MATTERS RELATING TO ENFORCEABILITY OF REMEDIES

The remedies available under the Indenture, the Loan Agreement and the Promissory Note upon the occurrence of an Event of Default are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the Federal Bankruptcy Code), the remedies provided in the Indenture, the Loan Agreement and the Promissory Note may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by judicial principles of equity.

AMENDMENTS TO INDENTURE AND LOAN AGREEMENT

Certain amendments to the Indenture and the Loan Agreement Agreement may be made without notice to or the consent of the owners of the Series 2019 Bonds, and other amendments may be made with the consent of the owners of not less than a majority in aggregate principal

amount of all Series 2019 Bonds Outstanding under the Indenture. Such amendments will be binding on all Series 2019 Bondholders, whether or not they have consented to the amendment. See APPENDIX E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST - Supplemental Indentures Without Bondholders' Consent," "- Supplemental Indentures With Bondholders' Consent," "- Amendments of Related Security Documents Not Requiring Consent of Bondholders," and "- Amendments of Related Security Documents Requiring Consent of Bondholders."

TAX-EXEMPT STATUS OF THE INSTITUTION

The Internal Revenue Service (the "IRS") has determined that the Institution is a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). In order to maintain its tax-exempt status, the Institution must comply with a number of requirements affecting its operations. The possible modification or repeal of certain existing federal income tax laws, a change of IRS policies or positions, a change in the Institution's operations, purposes or other factors could result in the loss of its tax-exempt status. The Institution has covenanted in the Loan Agreement and the Tax Regulatory Agreement that it will maintain its existence as a tax-exempt organization described in Section 501(c)(3) of the Code.

TAX-EXEMPT STATUS OF THE SERIES 2019 BONDS

Because the excludability of interest on the Series 2019 Bonds from gross income for federal income tax purposes is dependent in part upon events occurring after the date of issuance of the Series 2019 Bonds, the opinion of Bond Counsel described under "*TAX MATTERS*" assumes the compliance by the Institution with certain provisions of the Code and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of interest on the Series 2019 Bonds from gross income for federal income tax purposes in the event of noncompliance with such provisions.

The failure of the Institution to maintain its existence as an organization described in Section 501(c)(3) of the Code or to comply with certain provisions of the Code and the regulations thereunder may cause interest on the Series 2019 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes as of the date of issue. The Series 2019 Bonds are subject to redemption upon a Determination of Taxability. See "*THE SERIES 2019 BONDS - REDEMPTION PROVISIONS*." Bondholders are not indemnified for any costs or losses (e.g., tax deficiencies, interest and penalties, loss of market value) that may be incurred as a result of a loss in federal tax exemption.

From time to time the United State Congress has considered and can be expected in the future to consider tax reform and other legislative proposals, including some that carry retroactive effective dates, which, if enacted, could alter or amend the federal tax exempt status, or adversely affect the market value, of the Series 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. In the event any such legislation which amends the federal tax exempt status or adversely affects the market value of the Series 2019

Bonds becomes law, the Indenture does not provide for the increase in interest rate on the Series 2019 Bonds. The Series 2019 Bonds are subject to redemption upon a Determination of Taxability. See “THE SERIES 2019 BONDS - REDEMPTION PROVISIONS.” Also, Bondholders are not indemnified for any costs or losses (e.g., tax deficiencies, interest and penalties, loss of market value) that may be incurred as a result of a change in law.

INVESTMENT PERFORMANCE

The Institution invests its endowment in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the value of the Institution’s endowment and other amounts reported in the audited financial statements annexed hereto, which in turn could adversely impact the Institution’s ability to make payments under the Loan Agreement.

FUNDRAISING

The Institution has raised funds to finance its operations and capital development programs from a variety of benefactors. Although it plans to continue those efforts in the future, there can be no assurance that those efforts will be successful. Such efforts may be adversely affected by a number of factors, including general economic conditions and tax law changes affecting the deductibility of charitable contributions.

RISK OF IRS AUDIT

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is includable in gross income for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Series 2019 Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as the party under audit and the Bondholders may have no right to participate in the proceedings. The commencement of an audit could adversely affect the market price for, and marketability of, the Series 2019 Bonds until the audit is concluded, regardless of the ultimate outcome.

SERIES 2019 BOND RATING

There is no assurance that the rating assigned to the Series 2019 Bonds on the date of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2019 Bonds. See “RATING” herein.

REDEMPTION AND ACCELERATION

The Series 2019 Bonds are subject to optional redemption, extraordinary redemption and mandatory redemption in advance of their stated maturities as described under the caption “THE SERIES 2019 BONDS — Redemption Provisions.” In addition, upon the occurrence of certain events of default under the Indenture or the Loan Agreement, the Series 2019 Bonds may become subject to acceleration. If Series 2019 Bonds are either redeemed or accelerated prior to their

stated maturity, the owners of such Series 2019 Bonds will not receive the rate of interest indicated subsequent to payment after redemption or acceleration.

SECONDARY MARKET AND PRICES

No assurance can be given that there will be a secondary market for the Series 2019 Bonds. Even if a secondary market exists, there can be no assurance as to the price for which the Series 2019 Bonds may be sold. Such price may be lower than the price paid by the current owners of the Series 2019 Bonds, depending on existing market conditions and other factors.

CHANGES TO MEDICAID

In April 2014, New York State finalized terms and conditions with the federal government that allowed the State to reinvest \$8 billion in federal savings generated by Medicaid Redesign Team (“MRI”) reforms. The agreement requires transformation of the New York State Medicaid program from a fee-for-service to a value-performance-based reimbursement system. The Delivery System Reform Incentive Payment Program (“DSRIP”) serves as the umbrella description for the process of Medicaid reform. Under the DSRIP agreement, goals include community-based collaboration among health and human service providers to enhance clinical performance, quality and service outcomes; as well as the universal enrollment of all New York State Medicaid beneficiaries into Medicaid managed care. This expansion of Medicaid managed care in New York State will include children in foster care and other vulnerable and high-need child populations and may represent both a challenge and an opportunity for the Institution, to potentially expand its scale and scope of health-related services beyond its current population. There is no assurance that changes in the delivery of services that are funded by Medicaid in the future will result in sufficient revenues to cover the Institution’s expenses for such programs.

CONSTRUCTION-RELATED RISKS

The Institution’s obligation to acquire the Project is contingent upon, among other things, receipt by the developer of a condominium declaration establishing the existence of the condominium unit to serve as the Institution’s headquarters and certificate of occupancy of that unit. Failure by the developer to receive either the condominium declaration or certificate of occupancy in a timely fashion might result in an Event of Default under the Loan Agreement and possibly acceleration of the Series 2019 Bonds.

ABSENCE OF LITIGATION

THE ISSUER

There is no action, suit, proceeding or investigation at law or in equity by or before any court, public board or body pending against the Issuer of which the Issuer has notice, or, to the Issuer’s knowledge, overtly threatened against the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement, the Indenture or the Loan Agreement.

THE INSTITUTION

There is no action, suit, proceeding or investigation at law or in equity by or before any court, public board or body pending, or to the best knowledge of the Institution overtly threatened, against the Institution restraining or enjoining the execution, sale or delivery of the Series 2019 Bonds or in any way contesting or affecting the validity of the Series 2019 Bonds, the Loan Agreement, the Promissory Note or the Indenture, any proceedings of the Institution taken concerning the execution, sale or delivery thereof, or the application of any moneys or security provided for the payment of the Series 2019 Bonds.

LEGAL MATTERS

Legal matters in connection with the authorization, issuance and sale of the Series 2019 Bonds are subject to the approving opinion of Nixon Peabody LLP, New York, New York, Bond Counsel to the Issuer, which opinion will be substantially in the form attached hereto as APPENDIX G. Certain legal matters will be passed upon for the Issuer by its General Counsel, and for the Institution by its special counsel, Ballard Spahr LLP, New York, New York and by General Counsel to the Institution. Certain legal matters will be passed upon for the Underwriter by its counsel, Cozen O'Connor, New York, New York.

TAX MATTERS

FEDERAL INCOME TAXES

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2019 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2019 Bonds. Pursuant to the Indenture, the Loan Agreement and the Tax Regulatory Agreement for the Series 2019 Bonds, the Issuer and the Institution have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2019 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Issuer and the Institution have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Regulatory Agreement. Bond Counsel will also rely on the opinions of counsel to the Institution as to all matters concerning the status of the Institution as an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code. Bond Counsel will not independently verify the accuracy of those representations and certifications or that opinion.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the Issuer and the Institution described above, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

STATE TAXES

Bond Counsel is also of the opinion that interest on the Series 2019 Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision thereof, including The City of New York, assuming compliance with the tax covenants and the accuracy of the representations and certifications described under the heading "Federal Income Taxes." Bond Counsel expresses no opinion as to other New York State or local tax consequences arising with respect to the Series 2019 Bonds nor as to the taxability of the Series 2019 Bonds or the income therefrom under the laws of any jurisdiction other than the State of New York.

ORIGINAL ISSUE DISCOUNT

The excess of the principal amount of a maturity of the Series 2019 Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Series 2019 Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Bond" and collectively the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2019 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

ORIGINAL ISSUE PREMIUM

Series 2019 Bonds sold at prices in excess of their principal amounts are "Premium Bonds". An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2019 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

ANCILLARY TAX MATTERS

Ownership of the Series 2019 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2019 Bonds. Prospective purchasers are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2019 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2019 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix G to this Official Statement. Prospective purchasers, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2019 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

CHANGES IN LAW AND POST ISSUANCE EVENTS

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2019 Bonds and for federal or state income tax purposes, and thus on the value or marketability of the Series 2019 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2019 Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2019 Bonds may occur. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2019 Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2019 Bonds may affect the tax status of interest on the Series 2019 Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2019 Bonds, or the interest thereon, if any action is taken with respect to the Series 2019 Bonds or the proceeds thereof upon the advice or approval of other counsel.

The form of the approving opinion of Bond Counsel is attached to this Official Statement as APPENDIX G— "PROPOSED FORM OF BOND COUNSEL OPINION."

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, has assigned the Series 2019 Bonds a long-term rating of "A+" (Outlook: stable). Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating must be obtained from the rating agency furnishing the rating. Such rating is not a recommendation to buy, hold or sell the Series 2019 Bonds.

There is no assurance that the rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency furnishing the rating, circumstances so warrant. A downward revision or withdrawal of such rating may have an adverse effect on the market price for, and marketability of, the Series 2019 Bonds.

UNDERWRITING

Pursuant to the terms of a Bond Purchase Agreement (the "*Bond Purchase Agreement*") between the Issuer and J.P. Morgan Securities LLC (the "*Underwriter*"), and as accepted and agreed to by the Institution, the Underwriter has agreed to purchase the Series 2019 Bonds at a purchase price of \$38,576,216.96, which is equal to the par amount of the Series 2019 Bonds less an underwriting discount of \$108,238.69, plus a bond premium of \$4,264,455.65. The Institution has also agreed to reimburse the Underwriter for its reasonable expenses. The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions precedent and that the Underwriter will be obligated to purchase all of the Series 2019 Bonds if any of the Series 2019 Bonds are purchased. The Institution has agreed to indemnify the Underwriter and the Issuer against certain liabilities or to contribute to any payments required to be made by the Underwriter relating to such liabilities, including liabilities under the federal securities laws.

The Series 2019 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2019 Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering price. After the initial public offering, the public offering price of the Series 2019 Bonds may be changed from time to time by the Underwriter.

The Series 2019 Bonds are a new issue of securities with no established trading market. The Institution has been advised by the Underwriter that the Underwriter reserves the right to make a market in the Series 2019 Bonds, but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series 2019 Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading

activities may involve or relate to assets, securities and/or instruments of the Issuer and the Institution (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer and the Institution. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriter has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the Series 2019 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Series 2019 Bonds that such firm sells.

INDEPENDENT AUDITORS

The consolidated financial statements of the Institution as of and for the fiscal years ended June 30, 2018 and 2017, included in APPENDIX B to this Official Statement, have been audited by Grant Thornton LLP, independent auditors, as stated in their report appearing in APPENDIX B.

FINANCIAL ADVISOR TO THE INSTITUTION

George K. Baum & Company (the “Financial Advisor”), Pittsburgh, Pennsylvania has been engaged by the Institution to assist it in the development and implementation of the financial plan leading to the issuance of the Series 2019 Bonds. The Financial Advisor has not been engaged by the Institution to compile, create or interpret any information in this Official Statement relating to the Institution including (without limitation) any of the Institution’s financial and operating data, whether historical or projected. Any information contained in this Official Statement concerning the Institution, or the Issuer, any of their respective affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not and should not be construed as a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm, and has not been engaged by the Institution or the Issuer to review or audit any information in this Official Statement in accordance with accounting standards.

The Financial Advisor does not assume any responsibility for the covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2019 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

CERTAIN RELATIONSHIPS

Cozen O’Connor, counsel to the Underwriter, also represents the Institution, from time to time, in certain matters unrelated to this transaction or the Project. Both Nixon Peabody LLP,

Bond Counsel, and Ballard Spahr LLP, special counsel to the Institution, also represent the Underwriter in certain unrelated transactions.

CONTINUING DISCLOSURE

In connection with the offering of the Series 2019 Bonds, the Institution has undertaken the responsibilities set forth in the Continuing Disclosure Agreement, and the Issuer has no responsibility or liability to the holders of the Series 2019 Bonds or any other person with respect to such disclosure.

In order to enable the Underwriter to comply with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the “Rule”), the Institution will enter into the Continuing Disclosure Agreement for the benefit of the Bondowners (as defined in such agreement) from time to time of the Series 2019 Bonds to annually provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”), and to provide notice to the MSRB of certain events, pursuant to the requirements of the Rule. The Issuer has no liability to the owners of the Series 2019 Bonds or any other person with respect to the Rule. See APPENDIX F - “Form of Continuing Disclosure Agreement.”

The Institution entered into a continuing disclosure agreement in connection with the issuance of the Build NYC Resource Corporation Revenue Bonds (The Children’s Aid Society Project), Series 2015. For fiscal years 2016 and 2018, the Institution posted its annual financial statements 26 days late and 9 days late, respectively. The Institution has updated its continuing disclosure policies and procedures to help ensure future compliance.

MISCELLANEOUS

The foregoing summaries or descriptions of provisions in the Indenture, the Loan Agreement, the Promissory Note, the Tax Regulatory Agreement, the Continuing Disclosure Agreement and the other agreements and documents referred to herein, and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions or purport to summarize all of the pertinent provisions thereof. Reference is made to the complete Indenture and Loan Agreement, copies of which may be obtained prior to the date of issuance of the Series 2019 Bonds from the Underwriter and thereafter from the Trustee.

The information contained in this Official Statement is the responsibility of the Institution, except for the information contained under the heading “BOOK-ENTRY ONLY SYSTEM,” which has been provided by DTC to the extent described therein, and the information under the headings “THE ISSUER” and “ABSENCE OF LITIGATION -The Issuer,” which has been provided by the Issuer. The Issuer makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth in this Official Statement, other than the information set forth under the headings “THE ISSUER” and “ABSENCE OF LITIGATION - The Issuer.” This Official Statement is not intended to be construed as a contract or agreement between the Issuer and the purchasers or holders of the Series 2019 Bonds.

The distribution of this Official Statement has been duly authorized by the Issuer and the Institution.

BUILD NYC RESOURCE CORPORATION

By: Michael J. Ford
Executive Director

THE CHILDREN'S AID SOCIETY

By: _____
President and Chief Executive Officer

The distribution of this Official Statement has been duly authorized by the Issuer and the Institution.

BUILD NYC RESOURCE CORPORATION

By: _____
Krishna Omolade, Executive Director

THE CHILDREN'S AID SOCIETY

By:  _____
Phoebe Boyer, President and CEO

APPENDIX A

INFORMATION CONCERNING THE CHILDREN'S AID SOCIETY

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APPENDIX A

THE CHILDREN'S AID SOCIETY

Mission and Approach

With a mission to help children living in poverty to succeed and thrive, The Children's Aid Society ("Children's Aid") provides comprehensive support to children, youth, and their families in some of the most under-resourced neighborhoods in New York City. Children's Aid is a New York not-for-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. Children's Aid is a professional powerhouse of solutions, knowing what it takes to ensure children grow up strong and healthy, and ready to succeed in school and life: excellent education and health care, social-emotional support, and strong, stable families. Children's Aid teachers, social workers, coaches and health care providers connect young people and their families with the tools they need to learn, grow and become leaders of their own lives.

Founded in 1853 and rooted in a rich 165-year history of innovation, Children's Aid has long been anchored in the belief that poverty cannot be overcome with one service or program at a single point in time. Being a multi-service agency allows Children's Aid to take a holistic approach that achieves a greater impact than one program is capable of doing on its own. Children's Aid home visits prepare expectant parents to welcome their newborns. Children's Aid provides high-quality preschool to ensure children start kindergarten ready to learn. Its community schools focus on the whole child while also engaging family members to ensure students can succeed in the classroom and at home. If family struggles become critical, its experienced social workers endeavor to bring stability. And because navigating the transition to adulthood is crucial and demanding, Children's Aid helps teenagers find a path to college or career and, ultimately, independence.

Target Population and Program Areas

Children's Aid focuses its services on four New York City neighborhoods: Harlem, Washington Heights, the South Bronx and northern Staten Island. With more than 2,000 staff members, Children's Aid offers more than 100 programs at over 40 sites to nearly 50,000 children, youth and families. Services are provided at early childhood and community centers, community schools, health clinics and homes located in its four target communities, as well as a large summer and respite camp in Westchester County, New York. Its multi-service, cradle-through-career offerings are broken out into the following areas of focus:

Early Childhood. The Early Childhood division prepares young children for school success through physical, social, emotional, and cognitive development. Core services include Early Head Start (ages 0-3) and Head Start and Early Learn day care (ages 3-5).

Youth Programs. The Youth Programs division works with children, adolescents, and young adults ages 5-24 in community schools and centers during the school day, after-school, and summer camp. K-12 programs promote academic, physical, social and emotional well-being as key factors for high school graduation and college success. College access and success programs offer education, behavioral health, healthcare and family life and sexuality education. Children's Aid partners with schools, colleges and employers to promote a college/career culture by providing students with one on one college/career counseling, workshops on applications, work experience and college trips.

Child Welfare & Family Services. The Child Welfare & Family Services ("CFWS") division promotes child and family stability through legal and housing advocacy; home-based services for children at risk of foster care placement; foster care placement and support for parents seeking to reunify with their children;

comprehensive services to families impacted by domestic violence; and support for young adults, many of whom have been involved with the criminal justice system and are at risk of disconnection from society.

Health & Wellness. The Health & Wellness division provides services in school-based health and community clinics that aim to reduce health disparities among children and families living in poverty. This includes comprehensive medical, mental health and dental services delivered by pediatricians, nurse practitioners, social workers, psychiatrists, dentists, health educators, medical assistants, and other support staff. Specialized programs also aim to reduce childhood obesity and educate children and families about the benefits of healthy living through diet, nutrition, exercise and comprehensive sexual health education.

Notable Accomplishments

Children's Aid is one of the nation's preeminent child-focused organizations. Children's Aid takes a unique approach to service delivery by operating as an integrated, multi-service organization that focuses on results and breaks down the traditional boundaries between the education and social services sectors. Through this approach, Children's Aid achieved the following milestone accomplishments in fiscal years 2018 and 2019:

- In November 2017, Children's Aid was recognized as a **Robin Hood Hero** by the Robin Hood Foundation in honor of its work to fight poverty in New York City.
- In December 2017, Children's Aid received the **New York Community Trust Nonprofit Excellence Award** in recognition of its exceptional management practices.
- Children's Aid demonstrated its ability to replicate an evidence-informed model in January 2018 by winning a competitive \$1.4 million grant from New Yorkers for Children to implement **Youth Village's LifeSet (YVLifeSet)**, a program designed to serve youth who are currently in and/or aging out of foster care and/or juvenile justice systems to help them make the transition to independence.
- In summer 2018, Children's Aid secured **major capital investments in two of its community centers**, each of which will help build long-term sustainability for the programs Children's Aid delivers in these spaces. Children's Aid received a \$1 million grant from the Garden of Dreams Foundation to support renovations to the Frederick Douglass Community Center, primarily serving residents of the neighboring Frederick Douglass Houses (New York City Housing Authority) complex in upper Manhattan, and embarked on a partnership with Nike to invest in Children's Aid's youth sports and recreation programming, beginning with capital improvements to the indoor and outdoor recreation facilities at the Dunlevy Milbank Center in Central Harlem.

Governance

The Bylaws of Children's Aid requires its Board of Trustees (the "Board") to have at least 15 but no more than 33 voting trustees. The Board is currently comprised of 27 members. No trustee may serve more than four (4) consecutive three-year terms, unless extraordinary circumstances arise as determined by the Board. The Annual Meeting of the Board and the Annual Meeting of the Members of Children's Aid are typically held in mid-September, with Board meetings held at least quarterly and other meetings scheduled as necessary. At each Annual Meeting of the Members of Children's Aid, the corporation's Members vote to renew the terms of trustees whose terms have expired but have not reached their term limits and/or to elect new trustees.

Board committees consist of the following: Executive, Audit & Risk Management, Governance & Nominating, Pension & Personnel, Finance, Investment, Strategy & Excellence, Development, Real Estate, and Head Start. There is also an Executive Compensation Working Group that reviews the President and CEO's performance and compensation annually.

Board Officers

Amy Engel Scharf, Chair

Ms. Scharf is a consultant to the Ethics Committee and Public Affairs Department at Memorial Sloan Kettering Cancer Center and has held leadership positions on the boards of several organizations, including Johns Hopkins University, the Clark Museum, League of Women Voters, and Casa de los Niños.

Richard Edelman, Vice Chair

Mr. Edelman is the President and CEO of Edelman, a global communications firm. He has extensive experience in marketing and reputation management, having led assignments with major corporations, nongovernmental organizations, and family businesses in over 25 industries across the world.

Eren Rosenfeld, Secretary

Ms. Rosenfeld is the Chief Human Capital Officer at Russell Reynolds, a leading global search and leadership advisory firm. She leads the firm's global talent strategy, new talent development, and human resources functions.

Russell Diamond, Treasurer

Mr. Diamond is a founding partner at Alcova Capital, a firm that provides short-term financing solutions to real estate owners and has more than 25 years of experience in asset management and hedge funds.

Linda Kao, Assistant Treasurer

Ms. Kao is the head of Rockdale Capital, a private wealth management firm for the Founders of a Fortune 500 retail company. The firm focuses on banking, accounting, reporting, risk management, and investment due diligence.

Board of Trustees

The table below lists the current members of the Board.

Sheila Baird <i>Partner, Kimelman & Baird LLC</i>	Alan E. Katz <i>Co-managing Partner, Greenfield Stein & Senior LLP</i>	Jill Olson <i>Community Volunteer</i>
Carllene Brooks-Oden <i>Community Volunteer</i>	Greg Kerr <i>MD, Cardiothoracic Anesthesia and Critical Care Medicine</i>	Pennylane Ortiz <i>Community Volunteer</i>
Elly Christophersen <i>Community Volunteer</i>	Christopher Lawrence <i>Deputy Chairman of Investment Banking, Lazard</i>	Tom Reynolds <i>Partner, Moore Frères & Company</i>
Jan Correa <i>Founder, Waterwheel Consulting</i>	Beth Leventhal <i>Community Volunteer</i>	Eren Rosenfeld <i>Chief Human Capital Officer, Russell Reynolds Associates</i>
Russell Diamond <i>Founding Partner, Alcova Capital Management</i>	Ari Libarikian <i>Senior Partner, McKinsey & Co.</i>	Lauren Roth <i>Community Volunteer</i>
Richard Edelman <i>President and CEO, Edelman</i>	Janine Luke <i>Community Volunteer</i>	Amy Scharf <i>Consultant, Memorial Sloan Kettering Cancer Center</i>
Russell Horwitz <i>Partner and Secretary of the Management Committee, Goldman Sachs</i>	Rick McNabb <i>CEO, Optimity Advisors, LLC</i>	Brad Silver <i>New York Metro Regional Tax Leader, PricewaterhouseCoopers</i>
Ellen Jewett <i>Managing Partner, Canoe Point Capital, LLC</i>	Vanessa Melendez <i>Founding Partner, Accent Partners</i>	Andrea Wahlquist <i>Partner, Wachtell, Lipton, Rosen & Katz</i>
Linda Kao <i>Executive Director, Rockdale Capital</i>	Jay Nydick <i>Managing Partner, Prospect Ridge</i>	Peter Wallace <i>Senior Managing Director, The Blackstone Group Inc.</i>

Trustees Emeriti

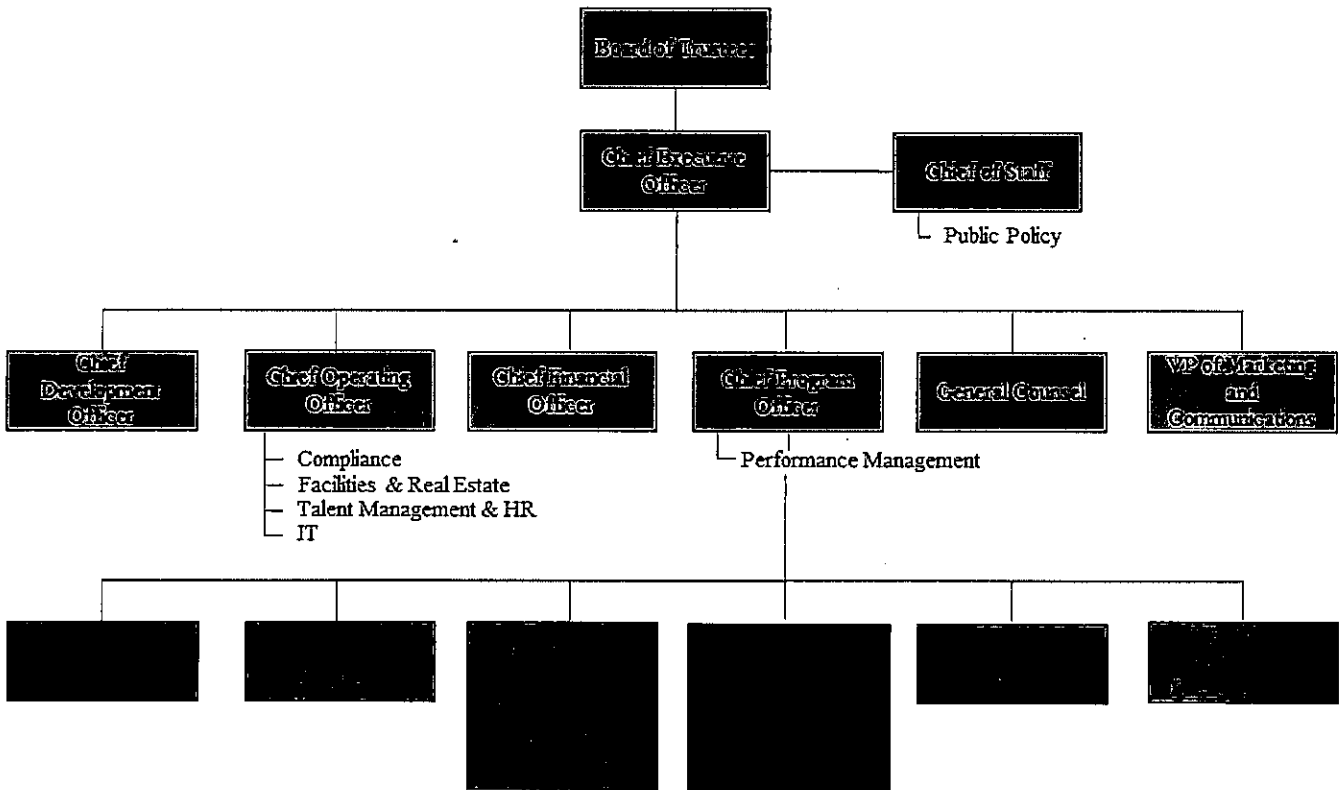
The Trustees Emeriti shown below are former trustees who have reached their term limits and are no longer voting members.

Iris Abrons
 Susan M. Coupey, M.D.
 Bart J. Eagle
 Mark M. Edmiston
 Desmond G. FitzGerald

Marshall M. Green
 Lolita K. Jackson
 Lane H. Katz
 Ronald H. Kaufmann
 Martha Bicknell Kellner

Edgar R. Koerner
 Felix Orbe
 Rosalie K. Stahl
 Mrs. Milton Stern
 Kevin J. Watson

Organizational Chart



Leadership Team

The following individuals comprise the Children's Aid leadership team.

Phoebe Boyer, President and Chief Executive Officer

In the fall of 2014, the Board selected Phoebe Boyer as President and Chief Executive Officer of Children's Aid. Prior to joining Children's Aid, Ms. Boyer was employed by the Robertson Foundation, a \$1 billion family foundation created by Julian Robertson, founder of Tiger Management LLC, and his family. She spent more than a decade at the Robertson Foundation, most recently as its executive director, where she oversaw operations and grant-making of more than \$100 million annually. During her tenure, she developed and executed the Robertson Foundation's national K-12 education reform strategy.

From 1999-2012, Ms. Boyer served as the executive director of the Tiger Foundation, founded by Julian Robertson as well, with a mission to break the cycle of poverty in New York City. During her tenure at the Tiger Foundation, the organization provided more than \$112 million in funding to New York City nonprofits in the areas of education, youth development, job training, and social services. Ms. Boyer also raised more than \$200 million to support the Tiger Foundation's work.

Before her work with foundations, Ms. Boyer was employed by a New York non-profit human service provider, the New York City Department of Corrections and Department of Transportation's Bureau of Bridges.

Ms. Boyer holds an undergraduate degree from Wesleyan University, on whose board she serves, and earned her Master of Business Administration from Columbia Business School, where she won the Joanne Martin Academic Award for Public and Nonprofit Management.

Georgia Boothe, Vice President for Child Welfare and Family Services

Ms. Boothe joined Children's Aid in 2015 as Vice President of the Child Welfare and Family Services Division. She leads an experienced team of social workers and other front-line staff in serving children and families. The Division for which Ms. Boothe is responsible seeks to provide safe, loving homes to hundreds of children in need of support through foster care services and finding permanent homes through adoption. She also leads Children's Aid's work with young people who have become involved in the juvenile justice system; and preventive services to strengthen families involved in the child welfare system. On an interim basis, Ms. Boothe also oversees the Health and Wellness Division.

Ms. Boothe joined Children's Aid from Pathways to Housing NY, where she was the executive director of an organization that served approximately 800 homeless people in New York, suffering from mental illness. Previously, Ms. Boothe spent 16 years at Covenant House, rising to become the associate executive director. While there, she helped realign or expand a number of programs to maximize their impact on the 5,000 youths served.

Ms. Boothe holds a master's degree in social work from Columbia University. She earned her undergraduate degree from Skidmore College, with a concentration in social work and American studies.

Drema Brown, Vice President for Education and Head of Schools, Children's Aid College Prep Charter School

Ms. Brown oversees Children's Aid College Prep Charter School, an affiliate of Children's Aid, and leads internal capacity building efforts to strengthen and integrate best practice into programs and services at Children's Aid community schools and centers. Before joining Children's Aid, Ms. Brown worked at New

Leaders, where she led the design, development, and delivery of a leadership curriculum for its New York City and national principal training programs. Ms. Brown holds an Ed.M. from Harvard University, a B.A. from Yale University, and is currently pursuing a Ph.D. in Urban Education at the CUNY Graduate Center.

Moria Cappio, Vice President for Early Childhood Programs

Ms. Cappio joined Children's Aid in 2006 as the Head Start Program Director in the East Harlem Center. She subsequently led an American Recovery and Reinvestment Act-funded Early Head Start expansion across Washington Heights and East Harlem. In 2012, Ms. Cappio oversaw significant growth when, during Children's Aid EarlyLearn competition, the division expanded more than 100% across many of New York City's neediest neighborhoods. Prior to joining Children's Aid, Ms. Cappio was a New York City public elementary school teacher at P.S. 7 in East Harlem. She holds both elementary and special education teaching certifications, as well as a B.A. from Boston College and an Ed.M. from Harvard University.

Sandra Escamilla-Davies, Vice President for Youth Programs

Ms. Escamilla-Davies has dedicated the last 25 years of her career to working with organizations that enable New York City children, youth, and families to thrive. She joined Children's Aid as the Vice President of the Adolescence Division in 2016. She shapes the agency's overall vision, approach, and strategies as it relates to youth services. Prior to joining Children's Aid, she served as an independent consultant advising nonprofits about leadership and staff development. That followed nearly 15 years with the Fund of the City of New York's Youth Development Institute, the last five of which she spent as the Executive Director, where she led a host of initiatives designed to help youth-serving organizations maximize their impact, in New York City and across the nation. Ms. Escamilla-Davies earned an M.S.W. from Columbia University and a B.A. in sociology from Hunter College, where she also was an instructor.

Abelardo Fernández, Vice President of Collective Impact and Director of the National Center for Community Schools ("NCCS")

Mr. Fernandez is a 15-year veteran at Children's Aid, where he oversees the place-based collective impact initiatives and directs its National Center for Community Schools ("NCCS"). A trained facilitator and a national expert on the community school strategy, he leverages more than 20 years of experience in education, youth development, and the social impact sector. He was most recently a senior advisor to South Bronx Rising Together, a cradle-to-career collective impact initiative of which he was a founding co-director. In partnership with the Bronx Borough President's office, he leads Bronx Impact, an initiative that is part of a statewide effort to plan and implement strategies to mitigate poverty. Before leading the Children's Aid collective impact portfolio, he was the deputy director of NCCS and, in that capacity, provided on- and off-site coaching, training, and consultation to community school initiatives in New York City, across the country, and beyond, while also managing NCCS's operations. Prior to joining Children's Aid, he was the Director of Youth Services at a settlement house in East Harlem for several years. He started his career as a middle school mathematics teacher and co-director of the Summer Bridge program in the Bronx. Mr. Fernandez is a graduate of Brown University and completed the Senior Leaders Program for Nonprofit Professionals at Columbia Business School.

Caroline Gallagher, Chief Development Officer

Caroline Gallagher leads the Children's Aid fundraising team in growing private and public revenues. She came to Children's Aid in 2017 from Spence-Chapin Services to Families and Children, where she drove fundraising strategy and scaled major gift cultivation, support, and stewardship. Prior to her role at Spence-Chapin, Ms. Gallagher provided strategic development consultation to a variety of nonprofit organizations as head of her own independent consulting firm and as senior managing director of Changing Our World, Inc. Ms. Gallagher earned an M.A. in education at Fordham University and a B.A. from Providence College.

Sarah Gillman, Chief Financial Officer

Sarah Gillman oversees all Children's Aid financial matters, including the annual operating budget, payroll, purchasing, and treasury and investment functions. Ms. Gillman's career has included financial positions at the National Resources Defense Council, Save the Children, the Wildlife Conservation Society, MBIA & Associates Consulting Services, and served as a management consultant at KPMG Peat Marwick LLP. Ms. Gillman has been an adjunct professor at Columbia University, where she earned her M.B.A. and an M.A. from Teachers College. She holds a B.A. from Yale University.

Ms. Gillman will be leaving Children's Aid on August 2, 2019 to assume another professional opportunity. Children's Aid expects to employ an interim CFO and begin a formal search for a new CFO with plans to fill that position by November 30, 2019. The current senior leaders of the Fiscal Division include Cecile Koehler, MBA (Budget Director), Joy Granado, MBA, CPA, (Controller), and Chim Bobe, MBA, FCCA (Controller, Grants and Contracts). The Fiscal leadership team brings a combined experience of over 70 years in nonprofit accounting and fiscal management.

Courtenaye Jackson, General Counsel

Courtenaye Jackson serves as chief legal advisor to ensure that Children's Aid can best support the children and families it serves across New York City. She joined Children's Aid in 2016, coming from the New York City Department of Education, where she served as general counsel. Working as a chief legal advisor and strategist to the chancellor and senior leadership team, she focused on legal and compliance matters, employment law, special education, and equal opportunity programming and policy. Ms. Jackson has also served as a senior advisor to the chancellor and chief deputy to the general counsel for the Department of Education. Ms. Jackson received her J.D. from Hofstra University School of Law and received her B.S. from Cornell University.

Anthony Ramos, Vice President of Marketing and Communications

Anthony Ramos manages the public profile of Children's Aid across all media and led the organization's efforts in its first rebranding process in more than four decades. Since joining Children's Aid in 2011, Mr. Ramos has helped to communicate Children's Aid's strategic objectives to key stakeholders and enhance its web presence through multimedia. Mr. Ramos came to Children's Aid from the Gay, Lesbian and Straight Education Network ("GLSEN"), where he served as director of communications. Prior to his work with GLSEN, Mr. Ramos managed communications for the Lesbian and Gay Community Services Center and the National Hemophilia Foundation. Mr. Ramos holds a Bachelor of Arts from the State University of New York at Stony Brook.

Don Shacknai, Chief Operating Officer

Don Shacknai, who joined Children's Aid in 2018, focuses on ensuring that Children's Aid has operational and technical controls, administrative and reporting procedures, and people systems in place to optimize operational excellence. He came to Children's Aid from New York City Housing Preservation and Development, where he was the first deputy commissioner. While there, he oversaw teams across seven bureaus including technology, human resources, facilities, and budget. Prior to that, Mr. Shacknai worked in executive level positions at the New York City Fire Department, including as first deputy fire commissioner, and the Administration for Children's Services. He was also an attorney with the law firm Simpson Thacher & Bartlett. Prior to law school, Mr. Shacknai worked for nonprofit organizations as a child abuse prevention caseworker and advocate. He earned a J.D. from Cornell Law School and earned his bachelor's degree in English literature from Bucknell University.

Ali Tan, Chief of Staff

Ali Tan joined Children’s Aid in 2018 and serves as a key advisor to the President and Chief Executive Officer. She drives the organization’s cradle-through-college agenda, leads strategy with the Board, and focuses on improving overall organizational effectiveness and accountability. She also oversees Children’s Aid’s policy and advocacy work at the local, state, and national levels. Ms. Tan brings a wealth of experience to Children’s Aid from the private, nonprofit, philanthropy and government sectors, most recently as the Director of Strategic Advancement, Education Programs and Initiatives at the New York Public Library. Ms. Tan earned a master’s in public administration degree, with a focus on nonprofit management and education policy, from Columbia University’s School of International and Public Affairs. She received her bachelor’s degree from the University of Pennsylvania.

Public Funding Support for The Children’s Aid Society Operations

With more than 150 government contracts and grants totaling \$86 million in fiscal year 2018, public funding is the core of the Children’s Aid budget, providing a solid base that is augmented and enhanced by a wide range of non-government sources. Public funding at Children’s Aid is diversified, including local, state and federal sources, and multiple specific funding agencies at each level of government.

Of the roughly 63% of revenues which come from public funding, about two-thirds originates from local agencies (in New York City). Public funding is stable, generally based on long-term agreements (contracts vary from one- to nine-year terms and have been consistently robust from the inception of Children’s Aid, as government recognizes the role that Children’s Aid plays in delivering human services). Public funding also gives Children’s Aid a platform for advocacy on key issues - and the scale and scope of programs to attract private funding.

Five Largest Publicly Funded Contracts (Fiscal Year 2018)
(in thousands)

New York City Administration for Children’s Services	Specialized Foster Care / Special Medical Care	\$8,045
New York City Administration for Children’s Services	Specialized Foster Care Treatment	\$5,677
New York City Administration for Children’s Services	General Preventive	\$4,107
New York City Administration for Children’s Services	Homemakers	\$3,628
New York City Administration for Children’s Services	Foster Care	\$3,392

Note: These contracts together comprised 18% of Children’s Aid total fiscal year 2018 revenue.

Development

Children’s Aid actively seeks financial and in-kind support from numerous corporations and foundations. Children’s Aid receives grants, matching donations, and volunteer assistance grants from more than 200 corporations and foundations each year. In addition, more than 100 companies and organizations make significant donations of toys, books, clothing, tickets, gift certificates, vaccines, consulting services, space, and other in-kind donations.

Since its inception, more than 40 organizations have given \$2 million each and approximately 80 have given more than \$1 million. Children’s Aid has received more than \$55 million from The New York Times Neediest Cases Fund and the Robin Hood Foundation has given more than \$48 million.

Of the roughly \$21 million in private donations in fiscal year 2018, nearly 40% came from foundations, approximately 52% from individuals (including trustees, major donors, annual giving, bequests and trusts). The balance of 8% was from corporations.

Financial Matters

The following summary and discussion of financial matters should be read in conjunction with the 2018 and 2017 consolidated financial statements of The Children's Aid Society, related notes, and independent auditors' report. The consolidated financial statements for the years ended June 30, 2018 and 2017 have been audited by Grant Thornton LLP.

The consolidated financial statements of The Children's Aid Society have been prepared by consolidating the financial statements of The Children's Aid Society, 910 East 172nd Street, LLC, 1218 Southern Blvd LLC, 1232 Southern Blvd LLC, and the Milbank Housing Development Fund Corporation, each of which is a controlled affiliate of The Children's Aid Society (see "Children's Aid Affiliates" herein). All material intercompany transactions and balances have been disregarded for purposes of financial reporting consolidation. None of the foregoing affiliates is obligated to make any payments with respect to debt service on the Series 2019 Bonds.

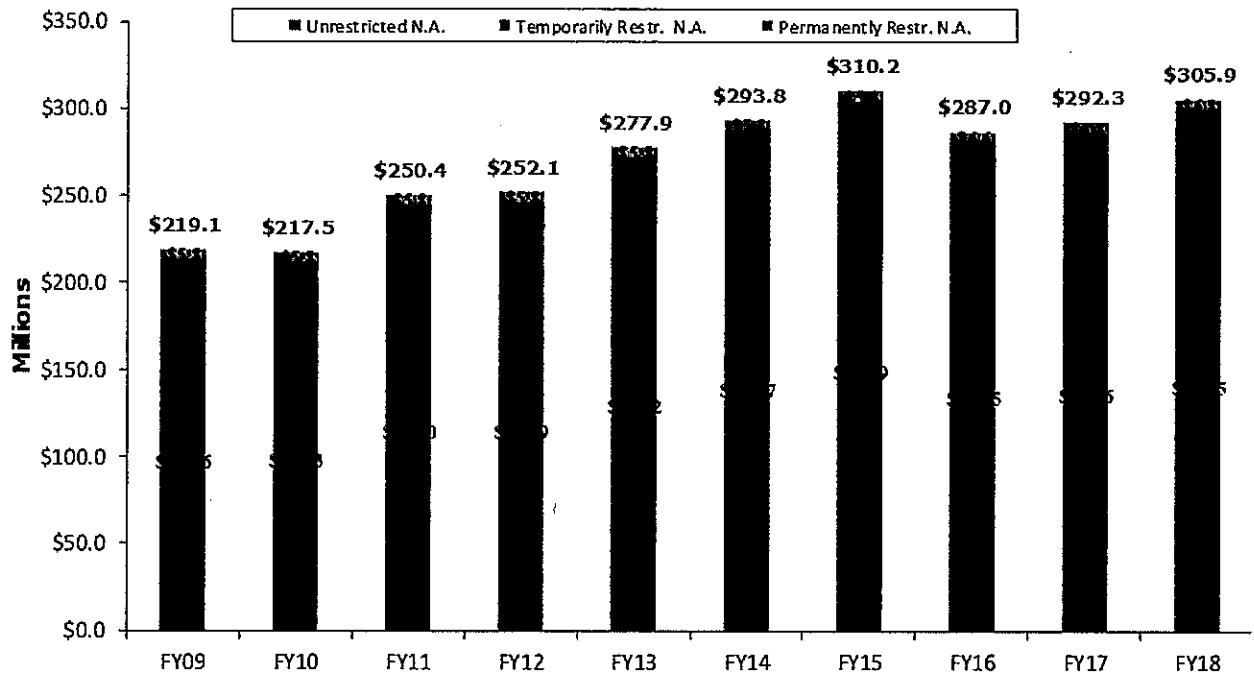
The Children's Aid Society Consolidated Statements of Financial Position For Years Ended June 30, 2014-2018 (in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
ASSETS					
Cash and cash equivalents	\$ 9,450	\$ 3,311	\$ 13,362	\$ 12,740	\$ 13,421
Accounts and grants receivable, net	17,813	20,076	21,394	18,104	26,140
Contributions receivable, net	2,871	2,688	1,623	1,537	1,460
Accrued interest receivable	294	286	206	-	-
Facilities acquisition escrow	-	-	-	-	4,525
Debt service reserve	126	126	22,332	10,157	219
Deferred financing costs	665	635	-	-	-
Prepaid expenses and other assets	1,199	2,273	1,620	1,662	2,036
Investments	284,547	308,011	291,394	313,158	305,634
Split-interest agreements	-	-	3,135	3,152	4,007
Property and equipment, net	26,083	31,107	45,679	59,759	67,004
TOTAL ASSETS	\$ 343,048	\$ 368,513	\$ 400,745	\$ 420,269	\$ 424,446
LIABILITIES					
Accounts payable	\$ 4,609	\$ 4,365	\$ 2,395	\$ 3,978	\$ 2,084
Accrued expenses	6,164	6,059	9,475	12,120	12,497
Accrued pension and post-retirement liability	30,650	39,539	52,506	61,209	52,519
Deferred income	381	843	2,423	2,115	2,948
Split-interest liabilities	-	-	138	1,861	2,803
Loan payable	7,000	7,000	6,395	6,426	6,456
Bonds payable	-	-	39,935	39,841	39,122
Other liabilities	486	486	486	446	129
TOTAL LIABILITIES	\$ 49,290	\$ 58,292	\$ 113,753	\$ 127,996	\$ 118,558
NET ASSETS					
Unrestricted	\$ 277,740	\$ 297,871	\$ 268,513	\$ 271,646	\$ 281,510
Temporarily Restricted	10,207	6,539	11,918	13,816	17,567
Permanently Restricted	5,811	5,811	6,561	6,811	6,811
TOTAL NET ASSETS	\$ 293,758	\$ 310,221	\$ 286,992	\$ 292,273	\$ 305,888
TOTAL LIABILITIES AND NET ASSETS	\$ 343,048	\$ 368,513	\$ 400,745	\$ 420,269	\$ 424,446

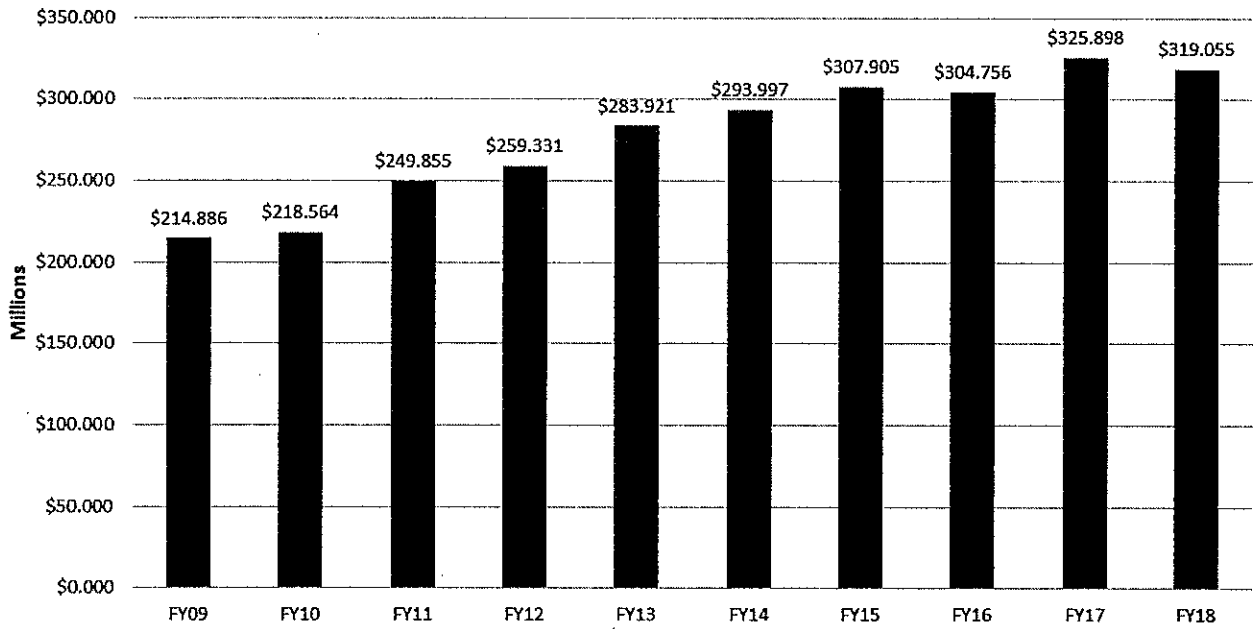
The Children's Aid Society
Consolidated Statements of Activities
For Years Ended June 30, 2014-2018
(in thousands)

	2014	2015	2016	2017	2018
UNRESTRICTED OPERATING REVENUE AND SUPPORT					
Government support	\$ 75,033	\$ 79,938	\$ 80,315	\$ 80,415	\$ 86,567
Program services fees and dues	5,594	6,374	5,648	4,025	5,475
Contributions	6,249	4,212	3,539	8,455	9,204
Bequests	1,238	190	1,535	1,532	2,659
Estates and trusts	117	231	742	512	260
Rental income	-	-	779	663	1,168
Investment return used for operations	11,035	15,840	17,407	16,288	19,190
Gain on sale of property and equipment	-	-	19,771	-	-
Other revenue	-	-	120	291	388
In-kind contributions	-	-	-	1,993	2,482
Net assets released from board designated special purpose funds	-	-	5,233	4,157	(1,102)
Net assets released from the real estate net asset fund	-	-	-	-	2,296
Net assets released from restrictions for operations	18,113	17,456	7,245	6,041	7,776
TOTAL UNRESTRICTED OPERATING REVENUE AND SUPPORT	117,379	124,241	142,334	124,372	136,363
UNRESTRICTED OPERATING EXPENSES					
Program Services:					
Early Childhood	13,224	15,160	16,223	17,955	17,514
School Age	18,901	19,115	21,117	20,332	24,922
Adolescent and Carrera Pregnancy Prevention Program	15,568	14,261	12,891	10,416	8,380
Health and Wellness	13,986	14,218	15,682	16,069	16,764
Child Welfare and Family Services	43,996	42,745	40,254	39,147	42,081
National Center for Community Schools	1,229	1,262	1,384	1,424	1,359
Total Program Services	106,904	106,761	107,551	105,343	111,020
Supporting Services					
Management and general	14,003	16,250	18,859	21,565	21,960
Fundraising	3,073	3,123	3,200	3,163	3,308
Total Supporting Services	17,076	19,373	22,059	24,728	25,268
TOTAL UNRESTRICTED OPERATING EXPENSES	123,980	126,134	129,610	130,071	136,288
CHANGE IN UNRESTRICTED OPERATIONS	(6,601)	(1,893)	12,724	(5,699)	75
UNRESTRICTED NON-OPERATING ACTIVITIES					
Non-operating revenues - affiliates	658	643	-	-	-
Non-operating expenses - affiliates	(988)	(1,063)	-	-	-
Gain on sale of property and equipment	-	39,176	-	-	-
Contribution from the acquisitions	-	-	-	-	-
Change in board designated special purpose fund	-	-	(5,233)	(4,157)	1,102
Net asset released from real estate net asset fund	-	-	-	-	(2,296)
Investment return in excess of (less than) amount used for operations	26,421	(8,800)	(26,028)	20,605	527
Adjustment to obligation under split-interest agreements	-	-	-	(1,722)	(942)
Pension related changes other than net periodic pension costs	39	(7,932)	(10,821)	(5,894)	11,398
TOTAL UNRESTRICTED NON-OPERATING ACTIVITIES	26,130	22,024	(42,082)	8,832	9,789
CHANGES IN UNRESTRICTED NET ASSETS	19,529	20,131	(29,358)	3,133	9,864
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	(3,642)	(3,668)	5,379	1,898	3,751
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	-	-	750	250	-
NET ASSETS, BEGINNING	277,871	293,758	310,221	286,992	292,273
NET ASSETS, ENDING	\$ 293,758	\$ 310,221	\$ 286,992	\$ 292,273	\$ 305,888

Net Assets: 10-year History at Fiscal Year End



Cash & Investments: 10-year History at Fiscal Year End



Note: Less than 3% of long-term investments are permanently restricted.

Finance and Investments

The Finance Committee of the Board is comprised of 11 members, with Russell Diamond, Founding Partner at Alcova Capital, currently serving as its Chair. The Investment Committee of the Board is comprised of eight members, with Linda Kao, of Rockdale Capital, serving as its Chair. Children's Aid currently employs the services of Perella Weinberg Partners, which serves as Outsourced Chief Investment Officer. According to the Children's Aid Investment Policy, the investment portfolio is managed with the following objectives:

1. Manage the funds in accordance with high standards of fiduciary duty and in compliance with applicable laws and regulations.
2. Provide a stable source of perpetual financial support to CAS, while supporting annual spending, operational, and pension needs without undue risk.
3. Preserve and grow the real purchasing power of the principle.
4. Meet or exceed target expected returns over 10-year period.

Based on the Children's Aid investment and spending policies, distributions from the endowment and reserves are recommended by the Finance Committee for the coming fiscal year. The recommendations are then reviewed by the entire Board as part of the annual budget approval process.

The recommendation for distribution to support operating expenses is based on the quarterly average market value of invested assets for the preceding five calendar years, excluding, if applicable, the proceeds of any real estate sales or other significant one-time additions to the endowment and reserves when those funds are intended for use for a designated project. Additionally, members of the Finance Committee consider a range of factors including, but not limited to, the long-run historical rates of return for equity, alternative and fixed income assets, as well as current market conditions, inflation or deflation, and the needs of the organization.

Distributions from the endowment and reserves support general operations, pension and post-retirement benefit expenses, real estate, and information technology and facilities infrastructure needs. Any additional distributions beyond those specified above must be recommended by the Finance Committee and approved by the Board. The amounts to be distributed from the endowment and reserve funds are determined in accordance with the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and other applicable legal and regulatory compliance standards.

Long-Term Investments (unrestricted and permanently restricted)

On April 30, 2019, Children's Aid's long-term investments were \$281 million, with less than 3% (approximately \$6.8 million) being permanently restricted. A reserve for real estate initiatives was valued at \$12 million on the same date. Pension assets were \$68 million.

The following table summarizes the market value of Children's Aid's long-term investments over the past five fiscal years ending June 30, in thousands:

Market Value of Long-Term Investments (unrestricted and permanently restricted)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fiscal Year End Market Value	\$278,093	\$263,067	\$290,754	\$313,158	\$305,634

The Children's Aid endowment investment policy sets forth the allocation target ranges for its invested assets. The asset allocation policy targets expressed along with June 30, 2018 audited financial statement balances and allocation percentages are shown below for the long-term investments:

Asset Allocation Policy Targets for Long-Term Investments
(As of June 30, 2018, in thousands)

<u>Category</u>	<u>Target Policy %</u> <u>(dollar/percent)</u>	<u>Balance</u> <u>(as of June 30, 2018)</u>	<u>Current Allocation %</u> <u>(as of June 30, 2018)</u>
Cash	\$0 / 0%	\$6,380	2%
Equities	\$152,817 / 50%	\$165,731	54%
Fixed Income	\$30,563 / 10%	\$39,128	13%
Alternatives	\$76,408 / 25%	\$76,882	25%
Private Capital	\$45,845 / 15%	\$17,513	6%
Total	\$305,634 / 100%	\$305,634	100%

The following table represents returns on Children's Aid's long-term investments, by calendar year, for the past five years. For fiscal year 2016 and 2017, Children's Aid benchmarked returns against a customized Primary Benchmark (70% MSCI All Country World Index and 30% Barclays Global Aggregate Bond Index), and in most years, met that benchmark.

The Performance Analyses for the calendar years ended December 31, 2013 through December 31, 2015 were prepared by Clearbrook Investment Consulting, LLC and the Performance Analyses for the years ended December 31, 2016 through 2018 were prepared by Perella Weinberg Partners Capital Management LP.

Returns on Long-Term Investments

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
December Market Value (Actual)	\$304,883	\$284,321	\$299,179	\$323,593	\$257,978
Year-Over-Year Return	2.80%	-1.60%			
Total Funds Composite Allocation Index	5.30%	0.80%			
Primary Benchmark			7.14%	17.33%	-6.84%
Secondary Benchmark			5.85%	7.39%	-6.84%
Total Portfolio			5.61%	15.35%	-8.06%

Pension Funds

Until December 18, 2018, Children's Aid had a noncontributory defined benefit pension plan (the "Plan"). The benefits were based upon years of service and an employee's compensation. The pension benefit formula was revised on July 1, 2011, resulting in a reduction in the benefits earned. Based on further amendment, no employee hired on or after January 1, 2012, could participate in the defined benefit plan.

On December 31, 2018 the noncontributory defined benefit pension plan was fully frozen, with additional future accruals ceasing for plan participants and all employees participating in the defined contribution plan after January 1, 2019.

Funded Status of Pension and Post-Retirement Benefit Plans

The funded status of the plans as of June 30, 2018 and 2017 is as follows (*in thousands*):

	2018		2017	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 109,771	\$ 12,023	\$ 99,343	\$ 14,633
Interest cost	4,225	465	3,867	578
Service cost	2,823	431	2,547	670
Actuarial loss (gain)	(4,114)	(1,346)	10,492	(770)
Benefits paid	(3,055)	(211)	(6,478)	(241)
Benefit obligation at end of year	<u>109,650</u>	<u>11,362</u>	<u>109,771</u>	<u>14,870</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	63,432	-	61,470	-
Actual return on plan assets	2,979	-	5,440	-
Employer contributions	5,137	-	3,000	-
Benefits paid	(3,055)	-	(6,478)	-
Fair value of plan assets at end of year	<u>68,493</u>	<u>-</u>	<u>63,432</u>	<u>-</u>
Unfunded status	<u>\$ (41,157)</u>	<u>\$ (11,362)</u>	<u>\$ (46,339)</u>	<u>\$ (14,870)</u>

The following table represents a summary of the market value of Children's Aid's pension over the past five fiscal years ending June 30, in thousands:

	<u>Pension Market Value</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fiscal Year End Market Value	\$61,200	\$60,841	\$61,470	\$63,432	\$68,490
Year-Over-Year Return	4.4%	1.40%	-1.50%	11.11%	6.63%

Children's Aid Affiliates

On December 14, 2009, Children's Aid formed 910 East 172nd Street, LLC ("910 LLC"), a limited liability company, pursuant to and in accordance with the Limited Liability Company Law of the State of New York. As the sole member, Children's Aid manages the affairs of 910 LLC.

On August 8, 2012, Children's Aid acquired Milbank Housing Development Fund Corporation ("Milbank") by becoming the sole member of Milbank. The corporation has ceased activity and is in the process of being dissolved by its Board of Trustees.

On March 11, 2014, Children's Aid formed 1218 Southern Blvd, LLC ("1218 LLC") and 1232 Southern Blvd, LLC ("1232 LLC"), each of which is a limited liability company, pursuant to and in accordance with the Limited Liability Company Law of the State of New York. As the sole member, Children's Aid manages the affairs of these LLCs.

None of 910 LLC, Milbank, 1218 LLC or 1232 LLC is obligated to make any payments with respect to debt service on the Series 2019 Bonds.

Outstanding Debt

Loan Payable

In 2011, 910 LLC obtained a Qualified Low Income Community Investment loan from Primary Care Development Corporation Empire State Health Opportunities Fund I, LLC ("PCDC"). The loan is secured by the building and improvements. Children's Aid is the guarantor for the loan. The loan was procured in connection with the property acquired and owned by the 910 LLC at 910 East 172nd Street, Bronx, New York. A portion of the property is leased to Children's Aid ("Children's Aid space") and the remaining space is leased to a City agency ("Tenant space"). The \$7 million loan was funded in two tranches: one tranche in the principal amount of up to \$5,303,000 in connection with the acquisition, renovation and improvement of Children's Aid's space and the other in the principal amount of \$1,696,000 in connection with the acquisition, renovation and improvement of the Tenant space. The \$1,696,000 portion is expected to be forgiven in the fall of 2019. Each tranche was funded in two disbursements. The first disbursement of \$2,775,000 was received during 2011 and the final disbursement of \$4,225,000 was received in September 2012.

As of July 1, 2019, the loan payable to PCDC amounted to \$7,000,000, with a maturity date of March 25, 2036 and interest rate of 5.26%. Interest expense was approximately \$368,000 for the year ended June 30, 2019.

Bonds Payable

On July 1, 2015, the 1232 LLC issued 30-year tax-exempt bonds through the Build NYC Resource Corporation in the amount of \$37,205,000 to finance the planning and construction of the building located at 1232 Southern Blvd., Bronx, New York to house the Children's Aid College Prep Charter School and related Children's Aid programs. Children's Aid is the guarantor of the bonds, which remain outstanding in the amount of \$35,255,000 (as of July 1, 2019).

Litigation

Children's Aid, like other non-profit institutions, is engaged in a variety of suits and proceedings arising in the ordinary course of business. In the opinion of Children's Aid, there is no litigation of any nature pending or threatened wherein an unfavorable decision would have a material adverse impact on the financial condition of Children's Aid or its ability to pay debt service on the Series 2019 Bonds.

Project To Be Funded With Series 2019 Bond Proceeds

Proceeds of the Series 2019 Bonds will be used primarily to finance the purchase of a new headquarters, which provides closer proximity to more Children's Aid sites. The new headquarters will be located within a building currently being constructed at 117 West 124th Street (Central Harlem), New York City. The building is being developed by FDB Acquisition LLC and is near completion. The real estate closing for the new headquarters is expected during the fourth calendar-year quarter of 2019. Subsequently, Children's Aid will fit out the space for its new headquarters operation with occupancy of the space expected to begin during the second calendar-year quarter of 2020, when lease payments for the current headquarter spaces will terminate. Children's Aid headquarters has been in leased locations, at 711 3rd Avenue (Midtown) and 4 West 125th Street (Harlem) New York City since its former headquarters at 105 East 22nd Street (Gramercy Park) was sold in 2015. The new headquarters will bring more than 200 staff into one location and will enable greater efficiencies, together with an enhanced integration of programs and operations, due to the proximity of 11 Children's Aid sites.

Management Discussion

Vision and Strategy. Since it was incorporated in 1853, Children’s Aid has aimed to help ensure that every child has the opportunity to learn, grow, and lead. Today, Children’s Aid is unique in its approach, characterized by holistic services, cross-systems expertise, its ability to connect policy and practice, and its local and national influence. In fiscal year 2020, organizational priorities include: solidify and develop clear models with positive outcomes; promote and verify consistently high standards of operational excellence; ensure fiscal sustainability; and support and bolster staff.

Interim Fiscal Update: For the fiscal year ending June 30, 2019, Children’s Aid expects operating revenues and expenses to be slightly above those reported in fiscal year 2018. Withdrawals from the endowment and general reserves are set at limits approved by the Board before the beginning of the fiscal year and in accordance with the existing Investment and Spending Policy. As discussed in the section entitled “Finance & Investments”, the endowment is managed to produce sufficient income to support Children’s Aid programs and preserve the corpus.

Current Sale of Assets: Children’s Aid has placed its Lord Memorial Building on the market. The 34,000 square foot office building is located at 150 East 45th Street in Manhattan and has an estimated market value of \$26 million. The agency currently runs a health clinic, foster care and adoption services, and certain administrative functions from this site. Once the building is sold, these operations will be relocated to leased sites in Brooklyn and Harlem. Separately, Children’s Aid is currently engaged in discussions with the Everhar Development Corporation regarding the sale of Children’s Aid’s land, air rights and property known as the East Harlem Center (“EHC”) at 130 East 101st Street in Manhattan, and the purchase of a condominium on that site to house a new community center. Children’s Aid has engaged with the local community, elected officials, and a prospective co-occupant in order to optimize the future redevelopment of the EHC.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CHILDREN'S AID SOCIETY AS OF
AND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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Consolidated Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

THE CHILDREN'S AID SOCIETY

June 30, 2018 and 2017

THE CHILDREN'S AID SOCIETY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The Children's Aid Society:

We have audited the accompanying consolidated financial statements of The Children's Aid Society (the "Agency" or "Children's Aid"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Children's Aid Society as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits was conducted for the purpose of forming an opinion on the consolidated financial statements of The Children's Aid Society as of and for the years ended June 30, 2018 and 2017, as a whole. The accompanying supplementary information on pages 36 through 38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Dant Thornton LLP

New York, New York
February 1, 2019

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Financial Position
As of June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Notes 2 and 11)	\$ 13,421	\$ 12,740
Accounts and grants receivable, net (Notes 2 and 3)	26,140	18,104
Contributions receivable, net (Notes 2 and 4)	1,460	1,537
Debt service reserve (Notes 16 and 17)	219	10,157
Facilities acquisition escrow	4,525	-
Prepaid expenses and other assets	2,036	1,662
Investments (Notes 2, 5, and 13)	305,634	313,158
Split-interest agreement investments (Note 14)	4,007	3,152
Property and equipment, net (Notes 2 and 6)	67,004	59,759
Total assets	<u>\$ 424,446</u>	<u>\$ 420,269</u>
LIABILITIES		
Accounts payable	\$ 2,084	\$ 3,978
Accrued expenses	12,497	12,120
Deferred revenue	2,948	2,115
Split-interest obligations (Note 14)	2,803	1,861
Loan payable, net (Note 16)	6,456	6,426
Bonds payable, net (Note 17)	39,122	39,841
Accrued pension and post-retirement liability, net (Note 9)	52,519	61,209
Other liabilities	129	446
Total liabilities	<u>118,558</u>	<u>127,996</u>
NET ASSETS (Note 2)		
Unrestricted (Note 7)	281,510	271,646
Temporarily restricted (Notes 7 and 8)	17,567	13,816
Permanently restricted (Note 7)	6,811	6,811
Total net assets	<u>305,888</u>	<u>292,273</u>
Total liabilities and net assets	<u>\$ 424,446</u>	<u>\$ 420,269</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Activities
For the years ended June 30, 2018 and 2017
(in thousands)

	Year Ended June 30, 2018			Year Ended June 30, 2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
OPERATING REVENUE AND SUPPORT								
Government support (Note 2)	\$ 86,567	\$ -	\$ -	\$ 86,567	\$ 80,415	\$ -	\$ -	\$ 80,415
Program services fees and dues	5,475	-	-	5,475	4,025	-	-	4,025
Contributions (Note 2)	9,204	10,938	-	20,162	8,455	7,939	250	16,644
Bequests (Note 2)	2,659	-	-	2,659	1,532	-	-	1,532
Estates and trusts	260	-	-	260	512	-	-	512
Rental income	1,168	-	-	1,168	663	-	-	663
Investment return used for operations and special initiatives (Note 5)	19,190	-	-	19,190	16,288	-	-	16,288
Other revenue	388	569	-	957	291	-	-	291
In-kind contributions	2,482	-	-	2,482	1,993	-	-	1,993
Net assets released (transferred) from board designated special purpose funds	(1,102)	-	-	(1,102)	4,157	-	-	4,157
Net assets released from the real estate net asset fund	2,296	-	-	2,296	-	-	-	-
Net assets released from restrictions for operations (Notes 2 and 8)	7,776	(7,776)	-	-	6,041	(6,041)	-	-
Total operating revenue and support	136,363	3,751	-	140,114	124,372	1,898	250	126,520
OPERATING EXPENSES (Note 2)								
Program Services								
Early Childhood	17,514	-	-	17,514	17,955	-	-	17,955
School Age	24,922	-	-	24,922	20,332	-	-	20,332
Adolescent and Carrera Pregnancy Prevention Program	8,380	-	-	8,380	10,416	-	-	10,416
Health and Wellness	16,764	-	-	16,764	16,069	-	-	16,069
Child Welfare and Family Services	42,081	-	-	42,081	39,147	-	-	39,147
National Center for Community Schools	1,359	-	-	1,359	1,424	-	-	1,424
Total program services	111,020	-	-	111,020	105,343	-	-	105,343
Supporting Services								
Management and general	21,960	-	-	21,960	21,565	-	-	21,565
Fundraising	3,308	-	-	3,308	3,163	-	-	3,163
Total supporting services	25,268	-	-	25,268	24,728	-	-	24,728
Total operating expenses	136,288	-	-	136,288	130,071	-	-	130,071
Change in net assets from operations	75	3,751	-	3,826	(5,699)	1,898	250	(3,551)
NON-OPERATING ACTIVITIES (Note 2)								
Net asset released (transferred) from board designated special purpose fund	1,102	-	-	1,102	(4,157)	-	-	(4,157)
Net asset released from real estate net asset fund	(2,296)	-	-	(2,296)	-	-	-	-
Investment return in excess of amount used for operations (Note 5)	527	-	-	527	20,605	-	-	20,605
Adjustment to obligation under split-interest agreements	(942)	-	-	(942)	(1,722)	-	-	(1,722)
Pension related changes other than net periodic pension costs (Note 9)	11,398	-	-	11,398	(5,894)	-	-	(5,894)
Change in net assets from nonoperating activities	9,789	-	-	9,789	8,832	-	-	8,832
Change in total net assets	9,864	3,751	-	13,615	3,133	1,898	250	5,281
Net assets - beginning of year	271,646	13,816	6,811	292,273	268,513	11,918	6,561	286,992
Net assets - end of year	\$ 281,510	\$ 17,567	\$ 6,811	\$ 305,888	\$ 271,646	\$ 13,816	\$ 6,811	\$ 292,273

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Functional Expenses
For the years ended June 30, 2018 and 2017
(in thousands)

	Program Services Expenses													
	Early Childhood		School Age		Adolescent and Carrera Pregnancy Prevention Program		Health and Wellness		Child Welfare and Family Services		National Center for Community Schools		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Salaries	\$ 10,484	\$ 10,665	\$ 13,470	\$ 12,900	\$ 4,996	\$ 6,187	\$ 8,697	\$ 8,252	\$ 17,486	\$ 16,572	\$ 707	\$ 768	\$ 55,840	\$ 55,344
Employee health and retirement benefits	3,604	3,257	2,128	1,789	1,193	1,320	2,423	1,980	4,823	4,020	211	203	14,382	12,569
Payroll taxes	883	983	1,133	1,188	421	570	732	761	1,472	1,528	60	71	4,701	5,101
Total salaries and related expenses	14,971	14,905	16,731	15,877	6,610	8,077	11,852	10,993	23,781	22,120	978	1,042	74,923	73,014
Professional fees	87	79	449	256	504	440	927	1,136	1,546	1,404	88	143	3,601	3,458
Supplies	481	423	626	657	145	156	970	1,179	356	185	15	12	2,593	2,612
Telephone and communication	41	44	161	103	59	58	128	107	412	348	13	11	814	671
Postage and shipping	3	3	9	9	3	3	10	11	39	41	2	1	66	68
Occupancy	784	735	1,145	649	109	150	423	510	2,447	2,280	73	70	4,981	4,394
Outside printing and promotion	7	6	4	16	6	14	37	30	50	17	43	8	147	91
Local travel and related expenses	8	9	275	62	68	113	203	200	610	561	36	37	1,200	982
Training, conferences, conventions and partnership grants	145	167	301	468	88	553	39	35	95	71	12	13	680	1,307
Special events	-	-	11	-	-	-	-	-	-	-	-	-	11	-
Specific assistance for individuals	52	33	644	777	440	433	111	98	882	574	-	-	2,129	1,915
Foster Boarding Home	4	-	-	-	-	-	237	-	10,324	10,046	-	-	10,565	10,046
Repairs	16	5	25	34	4	2	130	102	1	3	7	5	183	151
Insurance	170	168	219	205	81	99	258	221	291	263	11	12	1,030	968
Memberships dues	2	-	164	7	2	1	95	26	21	3	-	-	284	37
Food	329	452	418	436	98	79	86	70	98	109	67	58	1,096	1,204
Information technology	60	55	115	132	83	74	215	201	240	175	14	10	727	647
Depreciation and amortization	38	75	840	266	6	9	283	351	538	625	-	2	1,705	1,328
Interest	-	-	1,346	-	-	-	161	149	237	219	-	-	1,744	368
Miscellaneous	6	2	5	15	2	5	13	24	64	43	-	-	90	89
In-kind donation	310	794	1,434	363	72	150	586	626	49	60	-	-	2,451	1,993
Total expenses	\$ 17,514	\$ 17,955	\$ 24,922	\$ 20,332	\$ 8,380	\$ 10,416	\$ 16,764	\$ 16,069	\$ 42,081	\$ 39,147	\$ 1,359	\$ 1,424	\$ 111,020	\$ 105,343

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Functional Expenses (continued)
For the years ended June 30, 2018 and 2017
(in thousands)

	Management and General		Supporting Services Expenses Fundraising		Total		Total Program and Supporting Services Expenses	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries	\$ 10,151	\$ 9,591	\$ 1,682	\$ 1,612	\$ 11,833	\$ 11,203	\$ 67,673	\$ 66,547
Employee health and retirement benefits	3,148	2,528	501	422	3,649	2,950	18,031	15,519
Payroll taxes	832	855	141	149	973	1,004	5,674	6,105
Total salaries and related expenses	14,131	12,974	2,324	2,183	16,455	15,157	91,378	88,171
Professional fees	1,968	2,868	163	249	2,131	3,117	5,732	6,575
Supplies	127	117	22	19	149	136	2,742	2,748
Telephone and communication	133	116	10	14	143	130	957	801
Postage and shipping	15	26	17	35	32	61	98	129
Occupancy	2,640	2,795	61	61	2,701	2,856	7,682	7,250
Outside printing and promotion	200	93	90	82	290	175	437	266
Local travel and related expenses	123	73	7	8	130	81	1,330	1,063
Training, conferences, conventions and partnership grants	125	208	6	13	131	221	811	1,528
Special events	8	9	411	344	419	353	430	353
Specific assistance to or for individuals	39	43	-	-	39	43	2,168	1,958
Foster Boarding Home	1	1	-	-	1	1	10,566	10,047
Repairs	34	42	-	-	34	42	217	193
Insurance	162	151	28	24	190	175	1,220	1,143
Membership dues	39	41	-	-	39	41	323	78
Food	66	48	21	19	87	67	1,183	1,271
Information technology	781	915	106	107	887	1,022	1,614	1,669
Depreciation and amortization	1,321	934	2	5	1,323	939	3,028	2,267
Interest expense	-	-	-	-	-	-	1,744	368
Miscellaneous	19	111	40	-	59	111	149	200
In-kind donation	28	-	-	-	28	-	2,479	1,993
Total expenses	\$ 21,960	\$ 21,565	\$ 3,308	\$ 3,163	\$ 25,268	\$ 24,728	\$ 136,288	\$ 130,071

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Cash Flows
For the years ended June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 13,615	\$ 5,281
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	3,028	2,214
Amortization of deferred financing costs	53	53
Pension related changes other than net periodic pension costs	(11,398)	5,894
Adjustment to obligation under split-interest agreements	942	1,722
Amortization of bond premium	(117)	(116)
Realized and unrealized gain on investments	<u>(19,717)</u>	<u>(37,099)</u>
Subtotal	(13,594)	(22,051)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	(8,036)	3,290
Contributions receivable	77	86
Facilities acquisition escrow	(4,525)	-
Accrued interest receivable	-	206
Prepaid expenses and other assets	(374)	(42)
(Decrease) increase in:		
Accounts payable	(1,894)	1,583
Accrued expenses	377	2,645
Accrued pension and post-retirement liability	2,708	2,809
Deferred revenue	833	(308)
Split-interest obligations	-	1
Other liabilities	<u>(317)</u>	<u>(40)</u>
Net cash used in operating activities	<u>(24,745)</u>	<u>(11,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,273)	(16,294)
Purchases of investments	(229,874)	(543,881)
Proceeds from sale/maturity of investments	<u>256,260</u>	<u>559,199</u>
Net cash provided by (used in) investing activities	<u>16,113</u>	<u>(976)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bond payable	(625)	-
Debt service reserve	<u>9,938</u>	<u>12,175</u>
Net cash provided by financing activities	<u>9,313</u>	<u>12,175</u>
Net increase (decrease) in cash and cash equivalents	681	(622)
Cash and cash equivalents, beginning of year	<u>12,740</u>	<u>13,362</u>
Cash and cash equivalents, end of year	<u>\$ 13,421</u>	<u>\$ 12,740</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,124</u>	<u>\$ 368</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY

Notes to Consolidated Statements

June 30, 2018 and 2017

(in thousands)

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Children's Aid Society ("Children's Aid"), founded in 1853, is a New York not-for-profit organization, as defined by Section 501(c)(3) of the Internal Revenue Code. Through award-winning and time-proven strategies, the Children's Aid helps children in poverty to succeed and thrive. We do this by providing comprehensive supports to children and their families in targeted high-needs New York City neighborhoods.

On December 14, 2009, Children's Aid formed 910 East 172nd Street, LLC ("910 LLC"), a limited liability company, pursuant to and in accordance with the Limited Liability Company Law of the State of New York. As the sole member, Children's Aid manages the affairs of 910 LLC.

On August 8, 2012, Children's Aid acquired Milbank Housing Development Fund Corporation ("Milbank") by becoming the sole member of Milbank. The corporation has ceased activity and is in the process of being dissolved by its Board of Trustees.

On March 11, 2014, Children's Aid formed 1218 Southern Blvd, LLC ("1218 LLC") and 1232 Southern Blvd, LLC ("1232 LLC"), limited liability companies, pursuant to and in accordance with the Limited Liability Company Law of the State of New York. As the sole member, Children's Aid manages the affairs of these LLCs.

The consolidated financial statements of Children's Aid have been prepared by consolidating the financial statements of the Children's Aid, 910 East 172nd Street, LLC, 1218 LLC, 1232 LLC and the Milbank Housing Development Fund Corporation (collectively the "Agency" or "Children's Aid"). All material intercompany transactions and balances have been eliminated in consolidation.

The programs that form the pillars of Children's Aid's approach are:

Early Childhood

The Early Childhood division prepares young children for school success through physical, social, emotional, and cognitive development. Core services include Early Head Start (ages 0-3) and Head Start and Early Learn day care (ages 3-5).

School Age

The School Age division focuses on ages 5-13 (kindergarten through 8th grade), and promotes physical, social, and emotional well-being as key factors for high school graduation and college success. School Age programs operate in Children's Aid locations and in full-service community school partnerships, and engage children, families, schools and communities through an integrated focus on academics, services, supports, and opportunities. Core services include Out-of-School Time Programs in Children's Aid community centers and schools, summer camps, athletic programming, and the National Center for Community Schools, which provides technical assistance to develop the community school model nationally and internationally.

THE CHILDREN'S AID SOCIETY

Notes to Consolidated Statements

June 30, 2018 and 2017

(in thousands)

Adolescence

The Adolescence division works with adolescents and young adults to enhance young people's physical, social, and emotional competencies, improve their academic performance, and prepare them for successful careers and financial independence. Core services include the Carrera-Adolescent Pregnancy Prevention Program, which meets the top tier evidence of effectiveness standards by The Coalition for Evidence-Based Policy, the EXCEL college support program providing assistance to help young people enter and complete college, the Hope Leadership Academy, which provides wrap-around supports and develops leadership through a peer education model, and teen employment services such as AmeriCorps internships, Summer Youth Employment Program, and the New York Times Employment Program.

Health and Wellness

The Health and Wellness division provides high-quality services that reduce health disparities among children and families living in poverty. This includes comprehensive medical, mental health and dental services delivered by pediatricians, nurse practitioners, social workers, psychiatrists, dentists, health educators, medical assistants, and other support staff. Specialized programs also aim to reduce childhood obesity, and educate children and families about the benefits of healthy living through diet, nutrition and exercise.

Child Welfare and Family Services

The Child Welfare and Family Services ("CWFS") division promotes child and family stability through legal and housing advocacy, home-based services for children at risk of foster care placement; and supports for young adults at risk of disconnection from society, many of whom have been involved with the criminal justice system. CWFS also finds high-quality, loving homes for children placed in foster care and supports parents seeking to reunify with their children. Additional programs include: the Family Wellness Program, which offers comprehensive services to families impacted by domestic violence; the Next Generation Center where teens and young adults, particularly those aging out of foster care, are supported in their transition to adulthood; the Office of Client Advocacy, which stabilizes low-income families through legal advocacy and material assistance; and College Savers, which establishes savings accounts and provides incentives towards saving for college.

National Center for Community Schools

National Center for Community Schools builds the capacity of schools, districts, community partners and government agencies to organize their human and financial resources around student success.

2. FINANCIAL STATEMENT PRESENTATION

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations. All inter-company transactions are eliminated in the preparation of the accompanying consolidated financial statements.

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Net Asset Classification

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets (permanently restricted, temporarily restricted and unrestricted) be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and/or net assets which the Board of Trustees (the "Board") has designated for specified purposes in carrying on the operations the Agency. Unrestricted net assets include amounts designated by the Board for specific purposes and net assets for operations. In addition, Children's Aid maintains a balance of unrestricted reserves which it spends against in a fashion similar to endowment reserves. On May 9, 2017, the Board passed a resolution to establish a real estate reserve fund from the proceeds of sale of various real estate from prior periods.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for expenditure by the Board. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for expenditure, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. This represents net assets subject to donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity, however, the earnings on which can be used for general or special purpose.

Cash and Cash Equivalents

Children's Aid classifies deposits in banks, money market accounts, and debt instruments with original maturities of three months or less from the date of purchase as cash equivalents, excluding cash and cash equivalents available for long-term investment, which are included within investments on the accompanying statements of financial position.

Contributions/Pledges Receivable

Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are recognized when they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are presented at their discounted present value applying a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. Included in contributions revenue is \$2,097 and \$2,080 of special events revenue as of June 30, 2018 and June 30, 2017, respectively.

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Allowance for Uncollectible Receivables

An allowance is recorded based on prior years' collection experience and management's analysis and evaluation of specific accounts, grants and contributions to be received. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. As of June 30, 2018 and 2017, the Agency determined that an allowance of approximately \$545 and \$982 for each respective year for accounts and grants receivable was necessary. The difference between the contribution amounts pledged and collected has historically been insignificant. Accordingly, no provision has been made for uncollectible contributions receivable. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors and historical collection experience.

Government Support

Government grants and contracts are reported as revenue when expenses are incurred in accordance with the terms of the agreement. The Agency records certain governmental support based-upon per diem rates paid by agencies of the City of New York and State of New York governments. These rates are subject to audit by the respective agencies.

Investments

Investments are stated at fair value. Investment gains and losses are included in changes in unrestricted net assets for the gains and losses that are unrestricted, and in changes in temporarily restricted net assets for the gains and losses that are restricted for the support of certain Children's Aid programs as specified by donors. Alternative investments in limited partnerships and private equity and similar investments are stated at fair value as estimated by the respective general partner or manager as of the reporting date in an unquoted market. Alternative investments are stated at a Net Asset Value ("NAV") per ownership interest which approximates fair value. Because of the inherent uncertainty of valuations of alternative investments, values for these investments may differ significantly from values that would have been used had a ready market for such investments existed.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 13.

Property and Equipment

The Agency capitalizes expenditures for buildings and building improvements, furniture and equipment having a cost of \$5 or more and with useful lives greater than five years. Depreciation is recognized using the straightline method over the estimated useful lives of the respective assets. Amortization of leasehold improvements is charged over the lesser of the life of the improvements or the term of the lease to which the betterments pertain. Depreciation is not recorded on land and construction-in-progress.

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The range of estimated useful lives follows:

Buildings and improvements	15 - 40 years
Furniture and equipment	5 - 10 years
Leasehold improvements	Life of lease
Computers	5 - 10 years

Impairment of Long-Lived Assets to be Disposed of

Accounting Standards Codification ("ASC") 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, provides a single accounting model for long-lived assets to be disposed of. ASC 360-10 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360-10, *long-lived assets*, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated statement of financial position. There were no impairment charges for the years ended June 30, 2018 and 2017.

Facilities acquisition escrow

On February 13, 2019, Children's Aid entered into a contract to purchase four floors of a building under construction at 114 West 124th Street to use as a new headquarters. The property acquisition price is \$45,252 and the initial down payment of \$4,525 is reflected in the 2018 consolidated statement of financial position.

Revenue Recognition

Children's Aid reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted net assets. Unconditional promises to give with payments due in future years are presumed to be time restricted by the donor until received and are reported as part of temporarily restricted net assets.

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Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset category. Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be satisfied at the time of acquisition of such long-lived assets and placed in service. Bequests are recognized when the Agency receives notification that the probate court has declared the will valid and the amounts to be received are estimatable.

Children's Aid also receives grants from foundations in exchange for the performance of various services. Children's Aid recognizes grants as temporarily restricted revenue when they are committed and releases such amounts into unrestricted net assets as related grant expenses are incurred to a maximum of the grant award.

Donated Services

The fair value of donated services are reported in the consolidated financial statements if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not otherwise provided by donation.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on time and effort reporting of the personnel involved in such functions.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Measure of Operations

The Agency includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions, except for endowment and capital gifts that have been permanently restricted by donors. Investment income, including realized and unrealized gains and losses, earned in excess of (or less than) the Agency's aggregate spending amount (see Note 5), and pension-related changes other than periodic pension costs are recognized as non-operating activities.

Reclassifications

Certain amounts in the June 30, 2017 consolidated financial statements, as previously presented, have been reclassified to conform to the June 30, 2018 presentation. Such changes had no impact on the change in net assets for the year ended June 30, 2017.

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New Accounting Pronouncements

Children's Aid's significant accounting policies are disclosed in Note 2. There were no accounting policy changes during fiscal 2018, except the adoption of ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The ASU requires that deferred bond issuance costs be presented net of related debt on the statement of financial position. The ASU is effective for fiscal years beginning after December 15, 2015. Management adopted this ASU, effective for the year ended June 30, 2017 and has applied the guidance retroactively to all periods presented. Bond issuance costs continue to be amortized over the lives of the respective bonds to which they pertain.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Children's Aid is in the process of evaluating the impact this standard will have on the financial statements.

Income Taxes

The Agency follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Agency is exempt from federal income tax under Internal Revenue Code ("Code") section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Agency has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Agency has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements for the years ended June 30, 2018 and 2017.

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3. ACCOUNTS AND GRANTS RECEIVABLE, NET

Accounts and grants receivable, net, consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Due from the City of New York	\$ 17,197	\$ 9,867
Due from the State of New York	4,935	5,375
Due from Federal government	990	1,608
Due from other sources	<u>3,563</u>	<u>2,236</u>
	26,685	19,086
Less: Allowance for uncollectible amounts	<u>(545)</u>	<u>(982)</u>
	<u>\$ 26,140</u>	<u>\$ 18,104</u>

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Bequests receivable	\$ 82	\$ 140
Pledges receivable, net	<u>1,378</u>	<u>1,397</u>
Total	<u>\$ 1,460</u>	<u>\$ 1,537</u>

Bequests receivable are expected to be collected in less than one year. Pledges are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 1,129	\$ 1,148
One to three years	250	250
Discount to present value	<u>(1)</u>	<u>(1)</u>
Total	<u>\$ 1,378</u>	<u>\$ 1,397</u>

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Children's Aid has also been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. Children's Aid share of such bequests is recorded when Children's Aid has an irrevocable right to the bequest and the proceeds are measurable.

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5. INVESTMENTS

Investments consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and money market funds	\$ 6,380	\$ 10,679
Equities	165,731	119,191
Fixed income - mutual funds	39,128	29,048
Alternative investments:		
Private capital	17,513	99,116
Hedge funds	57,644	26,586
Limited partnership interests	7,636	28,538
Emerging markets	<u>11,602</u>	<u>-</u>
Total	<u>\$ 305,634</u>	<u>\$ 313,158</u>

Private capital investments consist of global equity, long-short fixed income and absolute return funds. Hedge funds have varying investment strategies, including domestic equities, emerging markets, and relative and absolute value opportunities. Limited partnership interests include a global long-only equity fund and a multi-strategy, event driven global fund. Emerging markets consists of an absolute return strategy investing in emerging and frontier market equities.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near-term and that such changes could be material

Investment activity (net of fees) consists of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Realized gain	\$ 8,723	\$ 23,880
Unrealized gain	9,907	13,219
Interest and dividends (net of investment fees)	<u>1,087</u>	<u>(206)</u>
Total	<u>\$ 19,717</u>	<u>\$ 36,893</u>
Designation of investment activity:		
Amount used for operations and special initiatives	\$ 19,190	\$ 16,288
Amount in excess of amount used for operations	<u>527</u>	<u>20,605</u>
Total	<u>\$ 19,717</u>	<u>\$ 36,893</u>

Investment fees amounted to approximately \$3,718 and \$2,989 for the years ended June 30, 2018 and 2017, respectively.

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6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 5,782	\$ 5,782
Buildings and improvements	70,143	25,781
Furniture and equipment	11,161	8,465
Leasehold improvements	6,820	6,743
Construction in progress	<u>752</u>	<u>37,615</u>
Total cost	94,658	84,386
Less: Accumulated depreciation and amortization	<u>(27,654)</u>	<u>(24,627)</u>
Net book value	<u>\$ 67,004</u>	<u>\$ 59,759</u>

Depreciation expense amounted to \$3,028 and \$2,214 for the years ended June 30, 2018 and 2017, respectively.

Construction in progress is primarily for the construction of the building located at 1232 Southern Blvd., Bronx, New York to house the Children's Aid College Prep Charter School and related Children's Aid programs. The estimated total project cost, as of June 30, 2017, excluding capitalized interest, was approximately \$46,019 million and the building was completed in October 2017.

Children's Aid quantified and recognized the fair value of the contributed space it receives for its programmatic purposes to total approximately \$1,276 and \$1,579 for the years ended June 30, 2018 and June 30, 2017, respectively, and recognized it as a component of both contributed services revenue and allocated the related expense amongst the functional expense categories benefitted in its consolidated statements of activities and functional expenses.

7. ENDOWMENT NET ASSETS

Endowment net assets consist of donor-restricted endowment funds and board-designated special purpose funds established for similar purposes. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. See Note 2 for how Children's Aid reports its net assets.

Children's Aid recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

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Children's Aid's Board has interpreted NYPMIFA as allowing Children's Aid to appropriate for expenditure or accumulate so much of an endowment fund as Children's Aid determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

For donor-restricted endowment funds and other unrestricted reserves, the Board of Trustees of Children's Aid has established investment policies. Endowment investments consist of a broad range of securities to provide a balance that will enhance total return while avoiding undue risk through excessive concentration in any single asset class or individual security. Asset allocation is determined by the Investment Committee of the Board and reviewed regularly. Effective June 24, 2016, Children's Aid outsourced endowment discretionary investment management services to Perella Weinberg Partners Capital Management LP.

For the years ended June 30, 2018 and 2017, the distribution for current spending was based on the organization's investment and spending policy, as adopted by the Board of Trustees. This policy is compliant in all material respects with the standards established under the NYPMIFA, and provides guidance for the use of the organization's unrestricted reserves and permanent endowments. For the years ended June 30, 2018 and 2017, the primary distribution for current spending was 5.5% and 5.75%, respectively, of the average fair value of the endowment and reserve funds on the last business day of each of the prior 20 calendar quarters. The distribution for the year ended June 30, 2018 includes additionally a special draw of \$5,137 to cover a payment from Children's Aid reserves into the pension investment accounts. The purpose of the special draw was to fund the employer minimum required pension contribution. The Board of Trustees has from time to time authorize additional distributions for specific purposes. This additional \$5,137 special draw for the pension obligation together with the spending rate from operations of \$14,053 totals the amount used in operations and special initiative of \$19,190.

Permanently restricted endowment funds are classified as "restricted as to income" or "unrestricted as to income" as follows:

	<u>2018</u>	<u>2017</u>
Investment in perpetuity, the income from which is expendable to support specific activities of Children's Aid	\$ 2,741	\$ 2,741
Investment in perpetuity, the income from which is expendable to support any activities of Children's Aid	<u>4,070</u>	<u>4,070</u>
	<u>\$ 6,811</u>	<u>\$ 6,811</u>

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Changes in endowment investments for year ended June 30, 2018 follow:

	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ 11,024	\$ 1,084	\$ 6,811	\$ 18,919
Activity:				
Additions/contributions	1,154	11,512	-	12,666
Investment income	-	-	-	-
Net gains (realized and unrealized)	-	405	-	405
Appropriated for operations	<u>(2,416)</u>	<u>(137)</u>	<u>-</u>	<u>(2,553)</u>
Total activity	<u>(1,262)</u>	<u>11,780</u>	<u>-</u>	<u>10,518</u>
Endowment net assets, June 30, 2018	<u>\$ 9,762</u>	<u>\$ 12,864</u>	<u>\$ 6,811</u>	<u>\$ 29,437</u>

Changes in endowment investments for year ended June 30, 2017 follow:

	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2016	\$ 13,210	\$ 389	\$ 6,561	\$ 20,160
Activity:				
Additions/contributions	1,405	-	250	1,655
Investment income	-	-	-	-
Net gains (realized and unrealized)	-	832	-	832
Appropriated for operations	<u>(3,591)</u>	<u>(137)</u>	<u>-</u>	<u>(3,728)</u>
Total activity	<u>(2,186)</u>	<u>695</u>	<u>250</u>	<u>(1,241)</u>
Endowment net assets, June 30, 2017	<u>\$ 11,024</u>	<u>\$ 1,084</u>	<u>\$ 6,811</u>	<u>\$ 18,919</u>

Children's Aid's policy is that endowment earnings will be appropriated for expenditure in accordance with donors stipulations. In the absence of donor stipulations, endowment earnings are classified as temporarily restricted until appropriated for expenditure by the Board of Trustees. As of June 30, 2018 and 2017, all earnings without donor stipulations were appropriated by the Board of Trustees, and are classified as unrestricted. As of June 30, 2018 and 2017, endowment earnings with donor stipulations amounted to \$405 and \$832, respectively, and are classified under temporarily restricted net assets.

In accordance with US GAAP, Children's Aid is required to disclose any deterioration of the fair value of assets associated with donor restricted endowment funds that fall below the level the donor requires Children's Aid to retain in perpetuity. Deficiencies of this nature may result from unfavorable market fluctuations that may have affected the donor-restricted fund where the fair value of the donor-restricted fund fell below the amount that is required to be retained permanently. As of June 30, 2018 and 2017, Children's Aid had no individual funds that had values below their original corpus values.

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Permanently restricted endowment net assets amounting to approximately \$6,811 are included with investments on the consolidated statements of financial position as of June 30, 2018 and 2017, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time restriction/other	\$ 1,130	\$ 376
Adolescence Programs	8,109	5,727
Child Welfare and Family Services Programs	2,479	696
Early Childhood Programs	1,823	864
Health and Wellness Programs	2,087	2,172
National Center for Community Schools	158	87
School Age Programs	<u>1,781</u>	<u>3,894</u>
Total	<u>\$ 17,567</u>	<u>\$ 13,816</u>

Net assets of approximately \$7,776 and \$6,041 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2018 and 2017, respectively.

9. DEFINED BENEFIT AND POST-RETIREMENT PLANS ("PLANS")

Children's Aid has a noncontributory defined benefit pension plan covering eligible employees hired prior to January 1, 2012. The benefits are based on years of service and an employee's compensation. The pension benefit formula was revised effective July 1, 2011, resulting in a reduction in the benefits earned after July 1, 2011. Children's Aid makes annual contributions that meet the requirements of minimum funding and maximum contribution limitations.

In addition to providing pension benefits, Children's Aid provides certain health-care and life insurance benefits for retired employees subject to predefined limits and eligibility requirements.

The post-retirement plan is currently noncontributory, however, Children's Aid reserves the right to request contributions into the plan. An amendment to the plan has been made excluding from the post-retirement plan employees who are hired after July 1, 2010.

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The funded status of the plans at June 30, 2018 and 2017 is as follows:

	2018		2017	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 109,771	\$ 12,023	\$ 99,343	\$ 14,633
Interest cost	4,225	465	3,867	578
Service cost	2,823	431	2,547	670
Actuarial loss (gain)	(4,114)	(1,346)	10,492	(770)
Benefits paid	(3,055)	(211)	(6,478)	(241)
Benefit obligation at end of year	<u>109,650</u>	<u>11,362</u>	<u>109,771</u>	<u>14,870</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	63,432	-	61,470	-
Actual return on plan assets	2,979	-	5,440	-
Employer contributions	5,137	-	3,000	-
Benefits paid	(3,055)	-	(6,478)	-
Fair value of plan assets at end of year	<u>68,493</u>	<u>-</u>	<u>63,432</u>	<u>-</u>
Unfunded status	<u>\$ (41,157)</u>	<u>\$ (11,362)</u>	<u>\$ (46,339)</u>	<u>\$ (14,870)</u>

Amounts recognized in unrestricted net assets for the plans consist of the following as of June 30, 2018 and 2017:

	2018		2017	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Net actuarial loss (gain)	\$ 39,842	\$ (4,679)	\$ 47,525	\$ (683)
Prior service credit	(112)	(726)	(137)	(808)
Transition asset	(870)	-	(1,044)	-
	<u>\$ 38,860</u>	<u>\$ (5,405)</u>	<u>\$ 46,344</u>	<u>\$ (1,491)</u>

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The components of net periodic benefit cost for the Plans for the years ended June 30, 2018 and 2017, are as follows:

	2018		2017	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Interest cost	\$ 4,225	\$ 465	\$ 3,867	\$ 578
Service cost	2,823	431	2,547	670
Expected return on plan assets	(4,011)	-	(4,040)	-
Amortization of net loss (gain)	4,601	(197)	2,754	(45)
Amortization of prior service cost	(25)	(82)	(25)	(82)
Amortization of net transition asset	(174)	-	(174)	-
	<u>\$ 7,439</u>	<u>\$ 617</u>	<u>\$ 4,929</u>	<u>\$ 1,121</u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2018 and 2017, are as follows:

	2018		2017	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Net loss (gain)	\$ (7,683)	\$ (3,996)	\$ 6,338	\$ (725)
Amortization of prior service cost	174	82	25	82
Amortization of transition asset	25	-	174	-
Total recognized in change in unrestricted net assets	<u>\$ (7,484)</u>	<u>\$ (3,914)</u>	<u>\$ 6,537</u>	<u>\$ (643)</u>

For the year ended June 30, 2018, Children's Aid made total contributions of \$5,137 into the defined-benefit pension plan and expects to meet the minimum required contributions for plan years 2019 and 2020.

The weighted average assumptions used to determine the benefit obligation for the defined benefit plan as of and for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Discount rate	4.20 %	3.91 %
Expected return on plan assets	6.50 %	6.75 %
Salary increase	2.50 %	2.50 %

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The weighted average assumptions used to determine the benefit obligation for the post-retirement plan as of and for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	4.22 %	3.99 %
Expected return on plan assets	N/A	N/A
Salary increase	3.00 %	3.00 %

The assumed health care cost trend rate at June 30, 2018 is 3.84%. Increasing the assumed medical care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation by \$1,888 as of June 30, 2018, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for the year by \$186.

Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by \$1,480 as of June 30, 2018, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by \$142,682.

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

	<u>Pension Benefits</u>	<u>Post-Retirement Benefits</u>
2019	\$ 3,350	\$ 352
2020	3,578	365
2021	3,901	372
2022	4,261	399
2023	4,512	405
2024-2028	26,697	2,357

The defined benefit plan assets reported at fair value at June 30, 2018, are classified as Level 1, Level 2 and Level 3, except for those reported at fair value using NAV, which are separately presented, in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and money market funds	\$ 5,748	\$ -	\$ -	\$ -	\$ 5,748
Equity securities	21,263	-	-	936	22,199
Fixed income	14,253	-	-	-	14,253
Real estate/private capital	-	-	-	26,293	26,293
Total investments, at fair value	<u>\$ 41,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,229</u>	<u>\$ 68,493</u>

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The following table sets forth additional disclosures of the Children's Aid's defined benefit plan investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2018.

Type	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Real Estate/Private Capital	\$ 26,293	10	\$ -	Daily to Annual	1 Year Lock (Exp. 10/1/18)	2 to 90 days
Emerging Markets Equity	936	1	-	Quarterly	None	30 days
	<u>\$ 27,229</u>	<u>11</u>	<u>\$ -</u>			

The defined benefit plan assets reported at fair value at June 30, 2017, are classified as Level 1 and Level 3 except for those reported at fair value using NAV, which are separately presented, in the table as follows:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money market funds	\$ 1,587	\$ -	\$ -	\$ -	\$ 1,587
Equity securities	24,347	-	-	-	24,347
Fixed income	13,372	-	-	-	13,372
Real estate	-	-	-	24,126	24,126
Total investments, at fair value	<u>\$ 39,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,126</u>	<u>\$ 63,432</u>

The following table sets forth additional disclosures of the Children's Aid's defined benefit plan investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2017.

Type	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Real Estate/Private Capital	\$ 21,515	8	\$ -	Daily to Annual	1 Year Lock to 1	2 to 90 days
Emerging Markets Equity	2,611	1	-	Quarterly	None	30 days
	<u>\$ 24,126</u>	<u>9</u>	<u>\$ -</u>			

10. COMMITMENTS AND CONTINGENCIES

In February 2015, Children's Aid signed a 5 year lease agreement for space located at 711 Third Avenue, New York, New York, that will serve as the Agency's administrative offices. In addition, Children's Aid leases several other premises under operating lease agreements.

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Future minimum required annual lease payments are as follows:

<u>Year Ending June 30:</u>	
2019	\$ 4,423
2020	3,740
2021	1,861
2022	1,488
2023	1,345
Thereafter	<u>15,775</u>
	<u>\$ 28,632</u>

There are also a number of other rentals of premises utilized for programs. Charges for these premises are calculated on a specific use basis rather than on a periodic rental basis. For the years ended June 30, 2018 and 2017, rent expense pertaining to these properties amounted to approximately \$50 and \$70, respectively.

Children's Aid is a defendant with respect to various claims as a result of incidents alleged to have occurred during the normal course of business, in connection with activities sponsored by Children's Aid. Management and legal counsel believe the ultimate resolution of these claims will not have a material impact on the consolidated financial position, changes in net assets or cash flows of Children's Aid.

Pursuant to Children's Aid's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of Children's Aid involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances.

11. CONCENTRATION

Cash and cash equivalents, that potentially subject the Agency to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation insurance limits \$250 by approximately \$13,670 and \$12,161, as of June 30, 2018 and 2017, respectively.

12. RELATED-PARTY TRANSACTIONS

Children's Aid has a 25% membership interest in United Charities, a New York not-for-profit organization. Children's Aid rented premises under a lease with United Charities. Certain senior members of management are board members of United Charities. There was no rent expense for the years ended June 30, 2018 and 2017. United Charities has submitted an application for dissolution with the New York State Office of the Attorney General.

In August 2014, the Agency along with its fellow United Charities member organizations (Community Services Society and New York Mission Society), sold a building located at 105 East 22nd Street, New York, New York, which was the Agency's headquarters, at an agreed-upon price of approximately \$128 million. As a result of the sale, Children's Aid received gross proceeds amounting to approximately \$31 million. The Agency moved to new rental headquarters located at 711 Third Avenue, New York, New York, effective August 2015 (See Note 10).

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In fiscal year 2012, Children's Aid started the Children's Aid College Prep Charter School ("Charter School"). The Charter School is a related party through certain Board commonality. Children's Aid provides administrative support services and other enrichment programs and services to the students of the Charter School ("wrap-around services") under an agreement between the two entities. The Charter School pays an administrative fee equal to 10.6% of total operating expenses, excluding rent and depreciation to Children's Aid for the administrative services it provides, which amounted to \$592 and \$454, for the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, the wrap-around services and other changes amounted to approximately \$835 and \$612, respectively.

1232 Southern Boulevard, LLC, which is a consolidated entity of Children's Aid, is the borrower of record for tax-exempt bonds issued to finance the development of property for the home of the Charter School and certain other Children's Aid programs. 1232 LLC has also signed a lease with the Charter School. The Charter School did not make a lease payment to Children's Aid during the year ended June 30, 2017 because the school was under construction. The building was put into service on October 9, 2017, and rental payments from the Charter School to 1232 LLC commenced on October 15, 2017. Lease payments from the Charter School to 1232 LLC totaled \$354 in fiscal year ended June 30, 2018. In addition, 1232 Southern Blvd provided \$1,276 in donated space to Children's Aid College Prep Charter School.

Children's Aid routinely receives contributions from private donors to benefit the Charter School program. These contributions are passed-through by Children's Aid to the Charter School. Such funds amounted to \$16 and \$58, respectively, for the years ended June 30, 2018 and 2017. As of June 30, 2018 and 2017, Charter School owed \$863 and \$618, respectively, to Children's Aid.

13. FAIR VALUE MEASUREMENTS

In determining fair value, Children's Aid utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

- Level 1 - Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3 - Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

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Investments in equity securities (except International Commingled Funds) are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. U.S. Government and corporate bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc.).

Investments in international commingled funds and alternative investments (including private capital, limited partnerships and hedge funds) are recorded at fair value in an amount equal to the NAV, as reported by the investment manager, ownership interest held by Children's Aid at year-end. These investments are presented separately in the fair value levelling hierarchy.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2018 and 2017, there were no transfers in or out of Levels 1, 2 or 3.

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Financial assets reported at fair value at June 30, 2018, are classified as Level 1, Level 2 and Level 3 except for those reported at fair value using NAV, which are separately presented, in the table as follows:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money market funds	\$ 6,417	\$ -	\$ -	\$ -	\$ 6,417
Equity securities:					
Basic industries	739	-	-	-	739
Consumer discretionary	1,489	-	-	-	1,489
Consumer staples	1,148	-	-	-	1,148
Energy	2,081	-	-	-	2,081
Financial	30,532	-	-	-	30,532
Health	5,907	-	-	-	5,907
Health Care	576	-	-	-	576
Hospitality	938	-	-	-	938
Industrials	2,658	-	-	-	2,658
Manufacturing	335	-	-	-	335
Information technology	12,190	-	-	-	12,190
Treasury bills	15,815	-	-	-	15,815
Media	2,731	-	-	-	2,731
Technology	93	-	-	-	93
Transportation	239	-	-	-	239
Total equity securities	<u>77,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,471</u>
Fixed income:					
Mutual funds	24,143	-	-	-	24,143
Total fixed income	<u>24,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,143</u>
Alternative investments:					
Emerging markets equity	-	-	-	11,602	11,602
International commingled funds	-	-	-	38,730	38,730
Global equity	-	-	-	49,530	49,530
Hedge funds	5,498	-	-	57,849	63,347
Private capital	-	-	-	17,513	17,513
Mutual funds	-	-	-	9,283	9,283
Limited partnerships	-	-	-	7,598	7,598
Total alternate investments	<u>5,498</u>	<u>-</u>	<u>-</u>	<u>192,105</u>	<u>197,603</u>
Total investments, at fair value	<u>\$ 113,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,105</u>	<u>\$ 305,634</u>

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Financial assets carried at fair value at June 30, 2017, are classified as Level 1, Level 2 and Level 3 in the table as follows:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money market funds	\$ 10,679	\$ -	\$ -	\$ -	\$ 10,679
Equity securities:					
International commingled funds	-	29,267	-	-	29,267
Basic industries	1,342	-	-	-	1,342
Consumer discretionary	4,498	-	-	-	4,498
Consumer staples	3,307	-	-	-	3,307
Energy	2,662	-	-	-	2,662
Financial	51,262	-	-	-	51,262
Health	7,907	-	-	-	7,907
Health Care	853	-	-	-	853
Hospitality	532	-	-	-	532
Industrials	3,832	-	-	-	3,832
Information technology	11,388	-	-	-	11,388
Material	1,577	-	-	-	1,577
Media	547	-	-	-	547
Technology	155	-	-	-	155
Transportation	62	-	-	-	62
Total equity securities	<u>89,924</u>	<u>29,267</u>	<u>-</u>	<u>-</u>	<u>119,191</u>
Fixed income:					
Mutual funds	29,048	-	-	-	29,048
Total fixed income	<u>29,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,048</u>
Alternative investments:					
Emerging markets equity	-	-	-	10,545	10,545
Hedge funds	-	-	-	26,586	26,586
Limited partnerships	-	-	-	28,538	28,538
Private capital	-	-	-	88,571	88,571
Total alternate investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,240</u>	<u>154,240</u>
Total investments, at fair value	<u>\$ 129,651</u>	<u>\$ 29,267</u>	<u>\$ -</u>	<u>\$ 154,240</u>	<u>\$ 313,158</u>

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Children's Aid uses the NAV per share or its equivalent to determine the fair value of all the underlying investments which: (a) do not have readily determinable fair value; and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Certain hedge funds in the June 30, 2017 consolidated financial statement, as previously presented, have been reclassified from Level 2 to NAV to conform to the June 30, 2018 presentation.

The following table sets forth additional disclosures of the Children's Aid's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2018.

	NAV in Funds	# of Funds	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Private capital	\$ 17,513	1	\$ -	Daily to Annual	1 Year lock to 1 year soft (exp 10/1/18)	2 to 90 days
Limited partnerships	7,598	1	-	Quarterly	None	30 to 90 days
Global equity	49,530	4	-	Quarterly	None	30 days
International commingled funds	38,730	3	-	Daily, monthly, quarterly	None	10 to 90 days
Mutual funds	9,283	2	-	Daily, monthly	None	2 to 5 days
Hedge funds	57,849	8	-	Quarterly	5 year lock (exp. 10/1/18)	Redeemed as of 9/30/2017 to 30 days
Emerging markets equity	11,602	1	-	Quarterly	None	30 days
Total	\$ 192,105	20	\$ -			

The following table sets forth additional disclosures of the Children's Aid's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2017.

	NAV in Funds	# of Funds	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Private capital	\$ 88,571	12	\$ -	Daily to Annual	1 Year lock to 1 year soft (exp 10/1/18)	2 to 90 days
Limited partnerships	28,538	2	-	Quarterly	None	30 to 90 days
Hedge funds	26,586	2	-	Quarterly	5 year lock (exp. 10/1/18)	Redeemed as of 9/30/2017 to 30 days
Emerging markets equity	10,545	2	-	Quarterly	None	30 days
Total	\$ 154,240	18	\$ -			

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During the year ended June 30, 2018, the investment strategy and objective of Children's Aid's investments whose fair value is estimated using NAV per share are as follows:

International Commingled Funds - includes investments in a diversified portfolio of equity securities of companies located in any country other than the United States of America as well as funds that engage in options, swaps and exchange traded funds in U.S. Markets. The funds objective is to utilize market inefficiencies to realize returns.

Hedge Funds - Hedge funds include investments through a "Master Fund" as well as a global special-situations fund that invests, long and short, across the capital structure. The investment objective of the Master Fund is to provide compound annual long-term returns that are superior to the broad market average while having less risk than the overall stock market.

The global special-situations fund uses hedging and directional investment strategies, as deemed appropriate, to capitalize on relative and absolute value opportunities among reorganized/value equities, distressed debt, private financings, stressed debt, high yield debt and leveraged bank debt. The fund seeks to benefit from higher risk-return opportunities during times of asset class or sector dislocations and in normal times to invest in limited-risk investments.

Hedge Fund - International - Hedge fund – International employs a multi-strategy trading approach which includes hedge, diversification and active equity positions. The fund maintains a wide range of arbitrage positions to further protect against risk and maximize returns in any market condition. The fund seeks out various opportunities for potential revenue creation in order to realize high returns in favorable market conditions while minimizing losses in adverse periods.

14. SPLIT-INTEREST OBLIGATIONS

Split-interest agreements include the following:

Charitable Gift Annuities - Children's Aid administers various charitable gift annuities. Under terms of agreements for such charitable gift annuities, assets are transferred to Children's Aid and are available for unrestricted use. Children's Aid agrees to pay the grantor or other designated beneficiary a stipulated amount over the beneficiary's lifetime. Investment assets for the charitable gift annuities total \$1,774 and \$2,703 as of June 30, 2018 and 2017, respectively, and are reported at fair value under split-interest agreement investments in the accompanying consolidated statements of financial position. The underlying assets are valued at Level 1 in the fair value hierarchy.

On an annual basis, Children's Aid revalues the annuity payment liability based on actuarial assumptions. The present value of the estimated future payments as of June 30, 2018 and 2017, amounted to \$1,714 and \$1,823, respectively, and have been calculated using discount rates ranging from 0% to 2% for the years ended June 30, 2018 and 2017, and the applicable mortality table. This annuity payment liability has been included in split-interest agreement obligations in the accompanying consolidated statements of financial position.

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Pooled Income Fund - Children's Aid also administers a pooled income fund. The fund is divided into units, and contributions from various donors are pooled. Donors are assigned a specific number of units and receive the actual income earned on those units until death. The portion of the donors' contribution attributable to the present value of the future benefits to be received by Children's Aid is recorded as a temporarily restricted contribution in the period the donor's contribution is made. The assets contributed must be invested in the fund until the donor's death. At that time, the value of the units assigned to the donor will revert to Children's Aid, and those assets will be released from restriction. Pooled income assets included with split-interest agreement assets amounted to \$2,084 and \$300 as of June 30, 2018 and 2017, respectively, and are reported at fair value. The underlying assets are valued at Level 1 in the fair value hierarchy. The present value of the estimated future payments as of June 30, 2018 and 2017, amounted to \$1,089 and \$38, respectively, for the years ended June 30, 2018 and 2017, and the applicable mortality table. This annuity payment liability has been included in split-interest agreement obligations in the accompanying consolidated statements of financial position.

Income earned by the fund and due to the life beneficiary as of June 30, 2018 and 2017, amounted to \$14 and \$38, respectively, has been included in split-interest agreement obligations on the accompanying consolidated statements of financial position. No contributions were made to the pooled income fund during the years ended June 30, 2018 and 2017, respectively.

Charitable Lead Trusts - Children's Aid is a beneficiary of a charitable lead trust. The trust is a Charitable Lead Annuity Trust, from which Children's Aid receives \$50 annually, which is equal to 5% of initial net fair value of the property placed in this trust as finally determined for federal tax purposes. As of June 30, 2018 and 2017, the beneficial interest in the lead trust of \$149 is included in split-interest agreement assets representing the present value of the future cash flows from the trust, which was calculated using discount rates ranging from 0.28% to 0.69%.

During the year ended June 30, 2017, Children's Aid recorded as adjustment to increase the value of its obligations to annuitants under its charitable gift annuities and pooled income funds totaling \$1,722. This amount in part represents a cumulative adjustment pertaining to the prior years to properly state the extent of the obligation payable to beneficiaries. For the years ended June 30, 2018 and 2017, donors made contributions into the annuity fund. Based on the donor's life expectancy and the applicable discount rate, contributions of approximately \$99 and \$28 for the years ended June 30, 2018 and 2017, respectively, have been recorded in the accompanying consolidated statements of activities.

15. VOLUNTARY RETIREMENT PLAN AND SUPPLEMENTAL RETIREMENT PLAN

Children's Aid offers a 403(b) retirement plan covering all employees who are not covered by a collective bargaining agreement. All employees can make salary reduction contributions. For full-time employees hired on or after January 1, 2012, Children's Aid makes contributions to the plan. Such contributions amounted to approximately \$584 and \$550 for the years ended June 30, 2018 and 2017, respectively.

Children's Aid offers a Supplemental Executive Retirement Plan for the Chief Executive Officer of Children's Aid. There were no accrued benefits under the plan as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, related benefit costs were \$18, respectively, per year.

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(in thousands)

16. LOAN PAYABLE

During 2011, 910 East 172nd Street LLC (the "LLC"), an affiliate of Children's Aid obtained a *Qualified Low Income Community Investment* loan from Primary Care Development Corporation Empire State Health Opportunities Fund I, LLC ("PCDC"). The loan is secured by building and improvements. Children's Aid is the guarantor for the loan. The loan was obtained in connection with the property obtained and owned by the LLC at 910 East 172nd Street, Bronx, New York. A portion of the property is leased to Children's Aid ("CAS space") and the remaining space is leased to another non-profit ("Tenant space"). The loan was \$7 million funded in two tranches - one tranche in the principal amount of up to \$5,303 in connection with the acquisition, renovation and improvement of CAS space and the other in the principal amount of \$1,696 in connection with the acquisition, renovation and improvement of the Tenant space. Each tranche was funded in two disbursements. The first disbursement of \$2,775 was received during 2011 and the final disbursement of \$4,225 was received in September 2012.

As of June 30, 2018 and 2017, the loan payable to PCDC amounted to \$7,000, respectively, with a maturity date of March 25, 2036 and interest rate of 5.26%. Interest expense was approximately \$368 for each of the years ended June 30, 2018 and 2017, respectively.

For the first eighteen months, loan payments of \$12 per month are for interest only. After the final disbursement, interest only payments will be \$30 per month for the next eighty-four (84) months. Payments of principal and interest will begin thereafter, calculated based on the outstanding principal balance at that time. Repayment will be made over one hundred ninety-nine (199) equal installments of principal and interest in the approximate amount of \$53 per month until maturity date.

Deferred financing costs (net of amortization) of approximately \$544 and \$574 as of June 30, 2018 and 2017, respectively, associated with the loan payable are being amortized over the life of the loan. Amortization expense was approximately \$30 for each of the years ended June 30, 2018 and 2017, respectively. Children's Aid is required to maintain a debt service reserve with PCDC equal to six months principal and interest, which amounted to approximately \$126 as of June 30, 2018 and 2017.

Children's Aid is required to maintain a Debt Service Coverage Ratio for the twelve month period beginning July 1, 2012 and on an annual basis thereafter, of at least 1.20 to 1. As of June 30, 2018 and 2017, Children's Aid is in compliance. In addition, Children's Aid is required to maintain a ratio of (i) total net assets to total assets of not less than 10%, (ii) current assets to current liabilities of not less than 1.1 to 1.0. As of June 30, 2018 and 2017, Children's Aid is in compliance with these ratios. Children's Aid is also required to comply with certain representations, warranties and covenants under the new markets tax credit structure.

17. BONDS PAYABLE

On July 1, 2015, 1232 Southern Blvd, LLC issued 30-year tax-exempt bonds through the Build NYC Resource Corporation in the amount of \$37,205 to finance the planning and construction of the building located at 1232 Southern Blvd., Bronx, New York to house the Children's Aid College Prep Charter School and related Children's Aid programs. Children's Aid is the guarantor of the bonds. The bonds are structured as a bank direct purchase loan.

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The bonds have an average coupon rate of approximately 4.8%. Capitalized interest for the life of the project totaled \$3,775 at June 30, 2018.

The bonds were issued at a premium of approximately \$3,492. The premium is being amortized over the term of the bond. For the year ended June 30, 2018, amortization amounted to approximately \$66. Deferred financing costs (net of amortization) of approximately \$601 and \$623 as of June 30, 2018 and 2017, respectively, associated with the loan payable are being amortized over the life of the loan. For the years ended June 30, 2018 and 2017, amortization expense amounted to approximately \$22.

The bond indenture requires that proceeds are held in a separate account held by the bond trustee until they are used for construction. Such funds amounted to approximately \$94 and \$10,157 as of June 30, 2018 and 2017, respectively.

Future annual principal payments of the bonds are as follows for the years ending after June 30, 2018:

Year Ending June 30:

2019	\$	650
2020		675
2021		705
2022		735
2023		775
Thereafter		<u>33,040</u>
Subtotal		<u>36,580</u>
Bond premium, net		3,142
Less: Bond issuance cost, net		<u>(600)</u>
Total	\$	<u>39,122</u>

18. SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the consolidated statements of financial position through February 1, 2019, the date the consolidated financial statements were issued, noting no items which effect the financial statements except for the item below.

On November 29, 2018, management resolved a longstanding litigation regarding an implied easement on a Children's Aid property in Staten Island. The settlement was approved by the Real Estate Committee of the Board of Trustees.

SUPPLEMENTARY INFORMATION

THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Financial Position
As of June 30, 2018 and 2017
(in thousands)

	As of June 30, 2018						As of June 30, 2017					
	The Children's Aid Society	910 East 172nd Street, LLC	Milbank Housing Development Corporation	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	1233 Southern Boulevard LLC	The Children's Aid Society	910 East 172nd Street, LLC	Milbank Housing Development Corporation	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	1233 Southern Boulevard LLC
ASSETS												
Cash and cash equivalents	\$ 9,954	\$ 906	\$ -	\$ 2,555	\$ -	\$ 13,421	\$ 8,837	\$ 747	\$ -	\$ 6	\$ 3,150	\$ -
Accounts and grants receivable, net	35,571	250	-	613	(10,294)	26,140	26,245	250	-	-	-	(8,391)
Contributions receivable, net	1,460	-	-	-	-	1,460	1,537	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-
Debt service reserve	-	126	-	93	-	219	-	126	-	-	10,031	-
Prepaid expenses and other assets	1,947	62	-	27	-	2,036	1,506	28	-	-	128	-
Facilities acquisition escrow	4,525	-	-	-	-	4,525	-	-	-	-	-	-
Investments	305,634	-	-	-	-	305,634	313,158	-	-	-	-	-
Split-interest agreement investments	4,007	-	-	-	-	4,007	3,152	-	-	-	-	-
Investment in LLC	9,002	-	-	-	(9,002)	9,002	9,002	-	-	-	-	(9,002)
Property and equipment, net	7,378	11,025	-	46,864	-	67,004	8,288	11,433	-	1,737	38,301	-
Total assets	\$ 379,478	\$ 12,369	\$ -	\$ 50,152	\$ (19,296)	\$ 424,446	\$ 371,725	\$ 12,584	\$ -	\$ 1,743	\$ 51,610	\$ (17,391)
LIABILITIES												
Accounts payable	\$ 1,798	\$ 1,461	\$ -	\$ 9,019	\$ (10,294)	\$ 2,084	\$ 1,916	\$ 1,359	\$ -	\$ 100	\$ 8,994	\$ (8,391)
Accrued expenses	11,546	-	-	951	-	12,497	11,242	-	-	-	878	-
Deferred income	2,948	-	-	-	-	2,948	2,115	-	-	-	-	-
Split-interest agreement liabilities	2,803	-	-	-	-	2,803	1,861	-	-	-	-	-
Loan payable	-	6,456	-	-	-	6,456	-	6,426	-	-	-	-
Bonds payable	-	-	-	39,122	-	39,122	-	-	-	-	39,841	-
Accrued pension and post-retirement liability	52,519	-	-	-	-	52,519	61,209	-	-	-	-	-
Other liabilities	159	-	-	-	-	159	446	-	-	-	-	-
Total liabilities	71,743	7,917	-	48,092	(10,294)	118,558	78,789	7,785	-	100	49,713	(8,391)
NET ASSETS												
Unrestricted	283,337	4,452	-	1,060	(9,002)	281,510	272,309	4,799	-	1,643	1,897	(9,002)
Temporarily restricted	17,567	-	-	-	-	17,567	13,816	-	-	-	-	-
Permanently restricted	6,811	-	-	-	-	6,811	6,811	-	-	-	-	-
Total net assets	307,715	4,452	-	1,060	(9,002)	305,888	292,936	4,799	-	1,643	1,897	(9,002)
Total liabilities and net assets	\$ 379,478	\$ 12,369	\$ -	\$ 50,152	\$ (19,296)	\$ 424,446	\$ 371,725	\$ 12,584	\$ -	\$ 1,743	\$ 51,610	\$ (17,391)

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto and report of independent certified public accountants.

THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Activities
For the year ended June 30, 2018
(in thousands)

	The Children's Aid Society			910 East 172nd Street, LLC			1218 Southern Boulevard LLC			1232 Southern Boulevard LLC			Consolidated Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT																
Government support	\$ 86,567	\$ -	\$ -	\$ 86,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,567	\$ -	\$ -	\$ 86,567
Program services fees and dues	5,475	-	-	5,475	-	-	-	-	-	-	-	-	5,475	-	-	5,475
Contributions	9,204	10,958	-	20,162	-	-	-	-	-	-	-	-	9,204	10,958	-	20,162
Bequests	2,659	-	-	2,659	-	-	-	-	-	-	-	-	2,659	-	-	2,659
Estates and trusts	260	-	-	260	-	-	-	-	-	-	-	-	260	-	-	260
Rental income	60	-	1,003	1,063	-	-	-	583	-	-	-	-	1,168	-	-	1,168
Investment return used for operations and special initiatives	19,190	-	-	19,190	-	-	-	-	-	-	-	-	19,190	-	-	19,190
Other revenue	227	569	-	796	-	-	-	161	-	-	-	-	388	569	-	957
In-kind donations	1,206	-	-	1,206	-	-	-	1,276	-	-	-	-	2,482	-	-	2,482
Net assets released (transferred) from special purpose funds	(1,102)	-	-	(1,102)	-	-	-	-	-	-	-	-	(1,102)	-	-	(1,102)
Net assets released from the real estate net asset fund	2,296	-	-	2,296	-	-	-	-	-	-	-	-	2,296	-	-	2,296
Net assets released from restrictions for operations	7,776	(7,776)	-	-	-	-	-	-	-	-	-	-	7,776	(7,776)	-	-
Total operating revenue and support	133,818	3,751	-	137,569	1,003	-	-	2,020	-	-	-	-	136,263	3,751	-	140,114
OPERATING EXPENSES																
Program Services																
Early Childhood	17,514	-	-	17,514	-	-	-	-	-	-	-	-	17,514	-	-	17,514
School Age	20,965	-	-	20,965	-	-	-	3,957	-	-	-	-	24,922	-	-	24,922
Adolescent and Carrera Pregnancy Prevention Program	8,380	-	-	8,380	-	-	-	-	-	-	-	-	8,380	-	-	8,380
Health and Wellness	16,413	-	-	16,413	545	-	-	(194)	-	-	-	-	16,764	-	-	16,764
Child Welfare and Family Services	41,560	-	-	41,560	805	-	-	(284)	-	-	-	-	42,081	-	-	42,081
National Center for Community Schools	1,359	-	-	1,359	-	-	-	-	-	-	-	-	1,359	-	-	1,359
Total program services	106,191	-	-	106,191	1,350	-	-	3,957	-	-	-	-	111,020	-	-	111,020
Supporting Services																
Management and general	21,960	-	-	21,960	-	-	-	-	-	-	-	-	21,960	-	-	21,960
Fundraising	3,308	-	-	3,308	-	-	-	-	-	-	-	-	3,308	-	-	3,308
Total supporting services	25,268	-	-	25,268	-	-	-	-	-	-	-	-	25,268	-	-	25,268
Total operating expenses	131,459	-	-	131,459	1,350	-	-	3,957	-	-	-	-	136,288	-	-	136,288
Change in net assets from operations	2,359	3,751	-	6,110	(347)	-	-	(1,937)	-	-	-	-	75	3,751	-	3,626
NON-OPERATING ACTIVITIES																
Net assets released (transferred) from special purpose funds	1,102	-	-	1,102	-	-	-	-	-	-	-	-	1,102	-	-	1,102
Net assets released from the real estate net asset fund	(2,296)	-	-	(2,296)	-	-	-	-	-	-	-	-	(2,296)	-	-	(2,296)
Net assets transferred from the real estate net asset fund	(1,100)	-	-	(1,100)	-	-	-	1,100	-	-	-	-	-	-	-	-
Investment return in excess (deficit) of amount used for operations	527	-	-	527	-	-	-	-	-	-	-	-	527	-	-	527
Adjustment to obligation under split-interest agreements	(942)	-	-	(942)	-	-	-	-	-	-	-	-	(942)	-	-	(942)
Pension related charges other than net periodic pension costs	11,398	-	-	11,398	-	-	-	-	-	-	-	-	11,398	-	-	11,398
Change in net assets from nonoperating activities	8,689	-	-	8,689	-	-	-	1,100	-	-	-	-	9,789	-	-	9,789
Change in total net assets	11,048	3,751	-	14,799	(347)	-	-	(837)	-	-	-	-	9,864	3,751	-	13,615
Net assets - beginning of year	272,309	13,816	6,811	292,936	4,799	1,643	1,643	1,897	(9,002)	13,816	6,811	292,273	271,646	13,816	6,811	292,273
Net assets - end of year	283,357	17,567	6,811	307,735	4,452	1,643	1,643	1,060	(9,002)	281,510	17,567	303,688	281,510	17,567	6,811	303,688

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto and report of independent certified public accountants.

THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Activities
For the year ended June 30, 2017
(in thousands)

	The Children's Aid Society		910 East 172nd Street, LLC		Millbank Housing Development Fund Corporation		1218 Southern Boulevard, LLC		1232 Southern Boulevard, LLC		Consolidated Total	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
OPERATING REVENUE AND SUPPORT												
Government support	80,415	-	80,415	-	-	-	-	-	-	80,415	-	80,415
Program services fees and dues	4,025	-	4,025	-	-	-	-	-	-	4,025	-	4,025
Contributions	8,455	7,939	16,644	-	-	-	-	-	-	8,455	7,939	16,644
Bequests	1,532	-	1,532	-	-	-	-	-	-	1,532	-	1,532
Estates and trusts	512	-	512	-	-	-	-	-	-	512	-	512
Rental income	30	-	30	1,111	-	-	-	-	-	63	-	663
Investment return used for operations and special initiatives	16,288	-	16,288	-	-	-	-	-	-	16,288	-	16,288
Other revenue	172	-	172	-	-	-	-	119	-	291	-	291
In-kind donations	1,993	-	1,993	-	-	-	-	-	-	1,993	-	1,993
Net assets released from board designated special purpose funds	4,157	-	4,157	-	-	-	-	-	-	4,157	-	4,157
Net assets released from restrictions for operations	6,041	(6,041)	-	-	-	-	-	-	-	6,041	(6,041)	-
Total operating revenue and support	123,620	1,898	125,768	1,111	-	-	-	119	-	124,372	1,898	126,520
OPERATING EXPENSES												
Program Services												
Early Childhood	17,955	-	17,955	-	-	-	-	-	-	17,955	-	17,955
School Age	20,332	-	20,332	-	-	-	-	-	-	20,332	-	20,332
Adolescent and Carerra Pregnancy Prevention Program	10,416	-	10,416	-	-	-	-	-	-	10,416	-	10,416
Health and Wellness	15,736	-	15,736	527	-	-	-	-	-	16,069	-	16,069
Child Welfare and Family Services	38,657	-	38,657	774	-	-	-	-	-	39,147	-	39,147
National Center for Community Schools	1,424	-	1,424	-	-	-	-	-	-	1,424	-	1,424
Total program services	104,520	-	104,520	1,301	-	-	-	-	-	105,343	-	105,343
Supporting Services												
Management and general	21,542	-	21,542	-	-	-	-	-	-	21,565	-	21,565
Fundraising	3,163	-	3,163	-	-	-	-	-	-	3,163	-	3,163
Total supporting services	24,705	-	24,705	-	-	-	-	-	-	24,728	-	24,728
Total operating expenses	129,225	-	129,225	1,301	-	-	-	-	-	130,071	-	130,071
Change in net assets from operations	(5,605)	1,898	(3,457)	(190)	-	-	-	96	-	(5,689)	1,898	(3,551)
NON-OPERATING ACTIVITIES												
Net assets released from board designated special purpose funds	(4,157)	-	(4,157)	-	-	-	-	-	-	(4,157)	-	(4,157)
Investment return in excess (deficit) of amount used for operations	20,605	-	20,605	-	-	-	-	-	-	20,605	-	20,605
Gain (loss) on investment in related party	(465)	-	(465)	-	-	-	-	465	-	-	-	-
Adjustment to obligation under split-interest agreements	(1,722)	-	(1,722)	-	-	-	-	-	-	(1,722)	-	(1,722)
Pension related changes other than net periodic pension cost	(5,894)	-	(5,894)	-	-	-	-	-	-	(5,894)	-	(5,894)
Change in net assets from nonoperating activities	8,367	-	8,367	-	-	-	-	465	-	8,332	-	8,332
Change in total net assets	2,762	1,898	4,910	(190)	-	-	-	465	-	3,133	1,898	5,281
Net assets - beginning of year	269,547	11,918	288,026	4,989	(465)	-	-	1,643	1,801	268,513	11,918	286,992
Net assets - end of year	\$ 272,209	\$ 13,816	\$ 292,936	\$ 4,799	\$ 6,811	\$ -	\$ 1,643	\$ 1,897	\$ -	\$ 271,646	\$ 13,816	\$ 292,273

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto and report of independent certified public accountants.

APPENDIX C
CERTAIN DEFINITIONS

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APPENDIX C

SCHEDULE OF DEFINITIONS

The following are definitions of certain terms, unless the context shall otherwise require, used in the Indenture, the Loan Agreement or this Official Statement.

Additional Bonds shall mean one or more Series of additional bonds issued, executed, authenticated and delivered under the Indenture.

Additional Improvements shall mean such alterations of or additions to the Facility Realty or any part thereof.

Affiliate means, with respect to a given Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with such given Person.

Agreement shall mean the Loan Agreement, dated as of August 1, 2019, between the Issuer and the Institution, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Annual Administrative Fee shall mean that annual administrative fee established from time to time by the Issuer's Board of Directors as generally applicable to Entities receiving or that have received financial assistance from the Issuer (subject to such exceptions from such general applicability as may be established by the Issuer's Board of Directors).

Approved Facility shall mean the Facility as occupied, used and operated by the Institution substantially for the Approved Project Operations, including such other activities as may be substantially related to or substantially in support of such operations, all to be effected in accordance with the Loan Agreement.

Approved Project Operations shall mean the facility located at 117 West 124th Street, New York, New York 10025, for use by the Institution as its headquarters.

Asserted Cure shall mean the specification of the remedy required to cure an Asserted LW Violation as provided in a LW Violation Notice.

Asserted LW Violation shall mean the specification of the nature of the alleged violation of LW in such reasonable detail as is known to the Issuer, the DCA and the Comptroller as provided in a LW Violation Notice.

Authorized Denomination shall mean, in the case of the Initial Bonds, \$5,000 or any integral multiple of \$5,000 in excess thereof, and with respect to any Series of Additional Bonds, the denominations set forth therefor in the Supplemental Indenture pursuant to which such Series of Additional Bonds are issued.

Authorized Principal Amount shall mean, in the case of the Initial Bonds, \$34,420,000, and with respect to any Series of Additional Bonds, the amount set forth therefor in the Supplemental Indenture pursuant to which such Series of Additional Bonds are issued.

Authorized Representative shall mean, (i) in the case of the Issuer, the Chairperson, Vice Chairperson, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel, or any other officer or employee of the Issuer who is authorized to perform specific acts or to discharge specific duties, and (ii) in the case of the Institution, a person named in Exhibit C — “Authorized Representative” to the Loan Agreement, or any other officer or employee of the Institution who is authorized to perform specific duties under the Loan Agreement or under any other Project Document and of whom another Authorized Representative of the Institution has given written notice to the Issuer and the Trustee; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized Representative to any Person pursuant to the terms of the Loan Agreement or any other Project Document, such certificate or statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement.

Beneficial Owner shall mean, whenever used with respect to an Initial Bond, the Person in whose name such Initial Bond is recorded as the Beneficial Owner of such Initial Bond by the respective systems of DTC and each of the Participants of DTC. If at any time the Initial Bonds are not held in the Book-Entry System, Beneficial Owner shall mean “Holder” for purposes of the Security Documents.

Bond Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Bondholder, Holder of Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bond Purchase Agreement shall mean the Bond Purchase Agreement, dated July 24, 2019, among the Institution, the Issuer and the Underwriter.

Bond Registrar shall mean the Trustee acting as registrar as provided in the Indenture.

Bond Resolution shall mean the resolution of the Issuer adopted on June 11, 2019 authorizing the Project and the issuance of the Initial Bonds.

Bonds shall mean the Initial Bonds and any Additional Bonds.

Business Day shall mean any day that shall not be:

- (i) a Saturday, Sunday or legal holiday;

(ii) a day on which the Trustee or banking institutions in the City are authorized by law or executive order to close; or

(iii) a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is closed.

Business Incentive Rate shall mean the discount energy transportation and delivery rate provided through the Business Incentive Rate program co-administered by NYCEDC and Consolidated Edison Company of New York, Inc.

Certificate shall mean an ACORD certificate evidencing insurance.

CGL shall mean commercial general liability insurance.

City shall mean The City of New York, New York.

Claims shall mean any and all claims (whether in tort, contract or otherwise), taxes (of any kind and by whomsoever imposed), demands, penalties, fines, liabilities, lawsuits, actions, proceedings, settlements, costs and expenses, including attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses.

Closing Date shall mean August 1, 2019, the date of the initial issuance and delivery of the Initial Bonds.

CM shall mean a construction manager providing construction management services in connection with any Construction.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder. All references to Sections of the Code or regulations thereunder shall be deemed to include any such Sections or regulations as they may hereafter be renumbered in any subsequent amendments to the Code or such regulations.

Common Elements shall have the meaning assigned to that term in the Condominium Documents.

Completed Improvements Square Footage shall mean approximately 44,000 square feet, the square footage of the Facility Realty upon completion of the Project Work.

Comptroller shall mean the Comptroller of The City of New York or his or her designee.

Computation Date shall have the meaning assigned to that term in the Tax Regulatory Agreement.

Computation Period shall have the meaning assigned to that term in the Tax Regulatory Agreement.

Concessionaire shall mean a Person that has been granted the right by Institution, an Affiliate of Institution or any tenant, subtenant, leaseholder or subleaseholder of Institution or of an Affiliate of Institution to operate at the Facility Realty for the primary purpose of selling goods or services to natural persons at the Facility Realty.

Condominiums shall mean each condominium located at 117 West 124th Street, New York, New York 10027, created pursuant to the Condominium Declaration.

Condominium Bylaws shall mean the bylaws of the Condominiums.

Condominium Declaration shall mean the declaration made by FDB Acquisition LLC under the Condominium Act of the State of New York (Article 9-B of the Real Property Law of the State of New York), to be dated a date to be determined and to be recorded in the New York County office of the Register of The City of New York.

Condominium Documents shall mean, collectively, the Condominium Declaration and the Condominium By-laws.

Conduct Representation shall mean any representation by the Institution under Section 2.2(t) of the Loan Agreement, or by any other Person in any Required Disclosure Statement delivered to the Issuer.

Construction shall mean any construction, reconstruction, restoration, renovation, alteration and/or repair on, in, at or about the Facility Realty, including the Project Work or any other construction, reconstruction, restoration, alteration and/or repair required under the Loan Agreement in connection with the Facility.

Contractor shall mean, individually or collectively, a contractor or subcontractor providing materials and/or labor and/or other services in connection with any Construction, but not including a GC, CM or any architect or engineer providing professional services.

Control or Controls, including the related terms “controlled by” and “under common control with”, shall mean the power to direct the management and policies of a Person (x) through the ownership, directly or indirectly, of not less than a majority of its voting securities, (y) through the right to designate or elect not less than a majority of the members of its board of directors or trustees or other Governing Body, or (z) by contract or otherwise.

Costs of Issuance shall mean issuance costs with respect to the Initial Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following: Underwriter’s spread (whether realized directly or derived through the purchase of the Initial Bonds at a discount below the price at which they are expected to be sold to the public); counsel fees (including bond counsel, counsel to the Underwriter, Trustee’s counsel, Issuer’s counsel, Institution’s counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Issuer or the Institution incurred in connection with the issuance of the Initial Bonds; engineering and feasibility study costs; guarantee

fees (other than Qualified Guarantee Fees, as defined in the Tax Regulatory Agreement); Rating Agency fees; Trustee and Paying Agent fees; accountant fees and other expenses related to issuance of the Initial Bonds; printing costs for the Initial Bonds and for the preliminary and final offering documents relating to the Initial Bonds; public approval and process costs; fees and expenses of the Issuer incurred in connection with the issuance of the Initial Bonds; Blue Sky fees and expenses; and similar costs.

Covered Counterparty shall mean a Covered Employer whose Specified Contract is directly with Institution or one of its Affiliates to lease, occupy, operate or perform work at the Facility Realty.

Covered Employer shall mean any of the following Persons: (a) Institution, (b) a Site Affiliate, (c) a tenant, subtenant, leaseholder or subleaseholder of Institution or of an Affiliate of Institution that leases any portion of the Facility Realty (or an Affiliate of any such tenant, subtenant, leaseholder or subleaseholder if such Affiliate has one or more direct Site Employees), (d) a Concessionaire that operates on any portion of the Facility Realty, and (e) a Person that contracts or subcontracts with any Covered Employer described in clauses (a), (b), (c) or (d) above to perform work for a period of more than ninety days on any portion of the Facility Realty, including temporary services or staffing agencies, food service contractors, and other on-site service contractors; provided, however, that the term "Covered Employer" shall not include (i) a Person of the type described in Section 6-134(d)(2), (3), (4) or (5) of the New York City Administrative Code, (ii) a Person that has annual consolidated gross revenues that are less than the Small Business Cap unless the revenues of the Person are included in the consolidated gross revenues of a Person having annual consolidated gross revenues that are more than the Small Business Cap, in each case calculated based on the fiscal year preceding the fiscal year in which the determination is being made, and in each case calculated in accordance with generally accepted accounting principles, (iii) any otherwise covered Person operating on any portion of the Facility Realty if residential units comprise more than 75% of the total Facility Realty area and all of the residential units are subject to rent regulation, (iv) any otherwise covered Person that the Issuer has determined (in its sole and absolute discretion) in writing to be exempt on the basis that it works significantly with a Qualified Workforce Program, (v) a Person whose Site Employees all are paid wages determined pursuant to a collective bargaining or labor agreement, (vi) if Institution is a "covered developer" under and as defined in the Prevailing Wage Law, a Person that is a "building services contractor" (as defined in the LW Law) so long as such Person is paying its "building service employees" (as defined in the Prevailing Wage Law) no less than the applicable "prevailing wage" (as defined in the Prevailing Wage Law), or (vii) a Person exempted by a Deputy Mayor of The City of New York in accordance with the Mayor's Executive Order No. 7 dated September 30, 2014.

DCA shall mean the Department of Consumer Affairs of The City of New York, acting as the designee of the Mayor of The City of New York, or such other agency or designee that the Mayor of The City of New York may designate from time to time.

Defaulted Interest shall mean interest on any Initial Bond that is due and payable but not paid on the date due.

Defeasance Obligations shall mean Government Obligations that are not subject to redemption prior to maturity.

Determination of Taxability shall mean:

(i) (A) the adoption, promulgation or enactment of any federal statute or regulation, or any determination, decision, decree or ruling made by the Commissioner or any District Director of the Internal Revenue Service;

(B) the issuance of a public or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Institution has participated or has been given the opportunity to participate, and which ruling or memorandum the Institution, in its discretion, does not contest or from which no further right of judicial review or appeal exists;

(C) a determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Institution has participated or has been a party, or has been given the opportunity to participate or be a party; or

(D) the admission in writing by the Institution;

in any case, to the effect that the interest payable on the Bond of a Holder or a former Holder thereof is includable in gross income for federal income tax purposes; or

(ii) the receipt by the Trustee of a written opinion of Nationally Recognized Bond Counsel to the effect that the interest payable on the Bonds is includable in gross income for federal income tax purposes or the refusal of any such counsel to render a written opinion that the interest on the Bonds is not so includable when required pursuant to a request by a Bondholder in accordance with the procedures set forth in the Indenture;

provided, however, that no such Determination of Taxability described in clauses (i)(B) or (i)(C) of this definition shall be considered to exist unless (1) the Holder or former Holder of the Bond involved in such proceeding (a) gives the Institution and the Trustee prompt notice of the commencement thereof and (b) (if the Institution agrees to pay all expenses in connection therewith) offers the Institution the opportunity to control the defense thereof and (2) either (a) the Institution does not agree within thirty (30) days of receipt of such offer to pay such expenses and to control such defense or (b) the Institution shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Institution determines to be appropriate. A Bondholder shall have the right to request the Trustee to obtain a written opinion of Nationally Recognized Bond Counsel pursuant to clause (ii) above, at the expense of the Institution, upon delivery by the Bondholder to the Institution of a letter from the Bondholder's accountant stating that, in his or her reasonable opinion, interest on the Bonds is includable in the gross income of such Bondholder for federal income tax purposes and stating the reasons for such determination. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

DOL shall mean the New York State Department of Labor.

DTC shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

Due Date shall mean the date on which a payment, filing or delivery is due.

Earnings Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Employment Information shall mean information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Institution, or any information previously released as provided by all or any of the foregoing parties.

Entity shall mean any of a corporation, general partnership, limited liability company, limited liability partnership, joint stock company, trust, estate, unincorporated organization, business association, tribe, firm, joint venture, governmental authority or governmental instrumentality, but shall not include an individual.

Event of Default shall have the meanings specified in the Loan Agreement, the Indenture and the Guaranty.

Event of Taxability shall mean the date specified in a Determination of Taxability as the date interest paid or payable on any Bond becomes includable for federal income tax purposes in the gross income of any Holder thereof as a consequence of any act, omission or event whatsoever, including any change of law, and regardless of whether the same was within or beyond the control of the Institution.

Existing Facility Property shall mean any fixture constituting part of the Facility Realty or any machinery, equipment or other item of personal property constituting part of the Facility Personalty.

Facility shall mean, collectively, the Facility Personalty and the Facility Realty.

Facility Personalty shall mean those items of machinery, equipment and other items of personalty the acquisition and/or the installation of which is to be financed in whole or in part with the proceeds of the Bonds for installation or use at the Facility Realty as part of the Project pursuant to the Loan Agreement and described in Exhibit B — “Description of the Facility Personalty” to the Loan Agreement, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto. Facility Personalty shall, in accordance with the Loan Agreement, include all property substituted for or replacing items of Facility Personalty and exclude all items of Facility Personalty so substituted for or replaced, and further exclude all items of Facility Personalty removed as provided in the Loan Agreement.

Facility Realty shall mean the Unit, the Common Elements pertaining to the Unit and the proportional common interest in the land associated with the Unit as described in Exhibit A — “Description of the Facility Realty” in the appendices to the Indenture and to the Loan Agreement, and all rights or interest therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures (other than trade fixtures) and other improvements now or at any time made, erected or situated thereon (including the improvements made pursuant to the section of the Loan Agreement regarding the “Manner of Project Completion”), and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto.

Final Project Cost Budget shall mean that certain budget of costs paid or incurred for the Project to be submitted by the Institution pursuant to the Loan Agreement upon completion of the Project.

Fiscal Year shall mean a year of 365 or 366 days, as the case may be, commencing on July 1 and ending on June 30 of the next calendar year, or such other fiscal year of similar length used by the Institution for accounting purposes as to which the Institution shall have given prior written notice thereof to the Issuer and the Trustee at least ninety (90) days prior to the commencement thereof.

Fitch shall mean Fitch, Inc., a Delaware corporation, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Fixed Date Deliverables shall mean any of the documents required of the Institution under the Loan Agreement by the date therein stated.

GAAP shall mean those generally accepted accounting principles and practices that are recognized as such by the American Institute of Certified Public Accountants or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, and that are consistently applied for all periods, after the Closing Date, so as to properly reflect the financial position of the Institution, except that any accounting principle or practice required to be changed by the Financial Accounting

Standards Board (or other appropriate board or committee of the said Board) in order to continue as a generally accepted accounting principle or practice may be so changed.

GC shall mean any general contractor providing general contracting services in connection with any Construction.

Governing Body shall mean, when used with respect to any Entity, its board of directors, board of trustees or individual or group of individuals by, or under the authority of which, the powers of such Entity are exercised.

Government Obligations shall mean the following:

(iii) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America;

(iv) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof; or

(v) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (i) or (ii) above.

Hazardous Materials shall include any petroleum, flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 5101, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation.

Impositions shall mean all taxes and assessments, general and specific, if any, levied and assessed upon or against the Trust Estate, the Facility Realty or any part thereof, or interest of the Institution in the Facility, or against any of the loan payments or other payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Institution in any Project Document, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility Realty.

Indemnification Commencement Date shall mean June 11, 2019, the date on which the Issuer first adopted a resolution with respect to the Project.

Indemnified Parties shall mean the Issuer, the Trustee, the Bond Registrar and the Paying Agents, and any director, member, officer, employee, servant, agent (excluding for this purpose the Institution, which is not obligated by the Loan Agreement to indemnify its own employees, Affiliates or affiliated individuals) thereof and persons under the Issuer's control or supervision.

Indenture shall mean the Indenture of Trust, dated as of August 1, 2019, between the Issuer and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with the Indenture.

Independent Accountant shall mean an independent certified public accountant or firm of independent certified public accountants selected by the Institution and approved by the Issuer and the Trustee (such approvals not to be unreasonably withheld or delayed).

Independent Engineer shall mean a Person (not an employee of either the Issuer or the Institution or any Affiliate of either thereof) registered and qualified to practice engineering or architecture under the laws of the State, selected by the Institution, and approved in writing by the Trustee (which approval shall not be unreasonably withheld).

Information Recipients shall mean the Issuer and/or NYCEDC, and/or to the successors and assigns of either.

Initial Annual Administrative Fee shall mean \$1,250.00.

Initial Bonds shall mean the Issuer's \$34,420,000 Revenue Bonds (The Children's Aid Society Project), Series 2019, authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Institution shall mean The Children's Aid Society, a not-for-profit corporation, organized and existing under the laws of the State of New York and exempt from federal taxation pursuant to Section 501(c)(3) of the Code, and its successors and assigns; provided, however, that nothing contained in this definition shall be deemed to limit or modify the obligations of the Institution under the Loan Agreement.

Institution's Property shall mean machinery, equipment and other personal property installed or permitted to be installed at the Facility Realty, at the Institution's own cost and expense.

Insured shall mean the Institution.

Insurer shall mean any entity writing or issuing a Policy.

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Interest Payment Date shall mean, with respect to the Initial Bonds, January 1 and July 1 of each year, commencing January 1, 2020, and with respect to any Series of

Additional Bonds, the dates set forth therefor in the Supplemental Indenture pursuant to which such Series of Additional Bonds are issued.

IRS Determination Letter shall mean those certain ruling letters dated February 3, 2010, March 17, 2011, April 12, 2011 and June 23, 2011 issued by the Internal Revenue Service to the Institution confirming that the Institution is a Tax-Exempt Organization.

ISO shall mean the Insurance Services Office or its successor.

ISO Form CG-0001 shall mean the CGL form published by ISO at the Closing Date.

Issuer shall mean Build NYC Resource Corporation, a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State at the direction of the Mayor of the City, and its successors and assigns.

Issuer's Reserved Rights shall mean, collectively,

(i) the right of the Issuer in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Loan Agreement;

(ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Loan Agreement;

(iii) the right of the Issuer to enforce in its own behalf the obligation of the Institution under the Loan Agreement to complete the Project;

(iv) the right of the Issuer to enforce or otherwise exercise in its own behalf all agreements of the Institution under the Loan Agreement with respect to ensuring that the Facility shall always constitute the Approved Facility;

(v) reserved;

(vi) the right of the Issuer in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under the following Articles and Sections of the Loan Agreement: Article III (except for Section 3.1), Sections 4.4, 4.5 and 4.6, Article VI, Article VIII (except for Section 8.26), Article IX, Article X, Sections 11.1, 11.3 and 11.5, and Article XII (except Section 12.2); and

(vii) the right of the Issuer in its own behalf to declare a default with respect to any of the Issuer's Reserved Rights and exercise the remedies set forth in the Loan Agreement.

Legal Requirements shall mean the Constitutions of the United States and the State of New York and all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, certificates of occupancy, directions and requirements (including zoning, land use, planning, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wage, living wage, prevailing wage, sick leave, healthcare, benefits and employment practices) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, including those of the City, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter to (i) the Institution, (ii) the Facility or any part thereof, or (iii) any use or condition of the Facility or any part thereof.

Letter of Representation and Indemnity Agreement shall mean the Letter of Representation and Indemnity Agreement, dated the Closing Date, from the Institution to the Issuer, the Trustee and the Underwriter of the Initial Bonds.

Liability shall mean losses, damage, injury and liability.

Liens shall mean any lien, encumbrance or charge (including any lien for the performance of any labor or services or the furnishing of materials) and any judgment, decree, order, levy or process of any court or governmental body, encumbrances, charges, judgments, decrees, orders, levies, processes and claims.

Loan shall mean the loan made by the Issuer to the Institution pursuant to the Loan Agreement.

Loan Agreement shall mean the Loan Agreement, dated as of August 1, 2019, between the Issuer and the Institution, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Loan Payment Date shall mean the third Business Day prior to each Interest Payment Date.

Loss Event shall mean any event by which the whole or part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement to which the Institution and those authorized to exercise such right are parties, or if the temporary use of the Facility shall be so taken by condemnation or agreement.

LW shall mean the same as the term “living wage” as defined in Section 6-134(b)(9) of the New York City Administrative Code and shall be adjusted annually in accordance therewith, except that as of April 1, 2015, the “living wage rate” component of the LW shall be eleven dollars and sixty-five cents per hour (\$11.65/hour) and the “health benefits supplement rate” component of the LW shall be one dollar and sixty-five cents per hour (\$1.65/hour). The annual adjustments to the “living wage rate” and “health benefits supplement rate” will be announced on or around January 1 of each year by the DCA and will go into effect on April 1 of such year.

LW Agreement shall mean, with respect to any Covered Counterparty, an enforceable agreement in the form of Exhibit J (except only with such changes as are necessary to make such Covered Counterparty the obligor thereunder) to the Loan Agreement.

LW Agreement Delivery Date shall mean, with respect to any Covered Counterparty, the latest of (a) the effective date of such Covered Counterparty's Specified Contract, (b) the date that such Covered Counterparty becomes a Covered Employer at the Facility Realty and (c) the Closing Date.

LW Event of Default shall mean the satisfaction of the following two conditions: (a) two or more LW Violation Final Determinations shall have been imposed against Institution or its Site Affiliates in respect of the direct Site Employees of Institution or its Site Affiliates in any consecutive six year period during the LW Term and (b) the aggregate amount of Owed Monies and Owed Interest paid or payable by Institution in respect of such LW Violation Final Determinations is in excess of the LW Violation Threshold in effect as of the date of the second LW Violation Final Determination. For the avoidance of doubt, the Owed Monies and Owed Interest paid or payable by Institution in respect of the Site Employees of a Covered Counterparty that is not an Affiliate of Institution (pursuant to the Loan Agreement) shall not count for purposes of determining whether the conditions in clauses (a) and (b) of the preceding sentence have been satisfied.

LW Law shall mean the Fair Wages for New Yorkers Act, constituting Section 6-134 of the New York City Administrative Code, as amended, supplemented or otherwise modified from time to time, and all rules and regulations promulgated thereunder.

LW Term shall mean the period commencing on the Closing Date and ending on the later to occur of (a) the date on which Institution is no longer receiving financial assistance under the Loan Agreement or (b) the date that is ten years after the Facility commences operations.

LW Violation Final Determination has the meaning specified in the Loan Agreement, as applicable.

LW Violation Initial Determination shall mean a good faith determination by the DCA, on behalf of the City, the Issuer and the Comptroller, of whether an Asserted LW Violation exists based on the evidence provided by Institution and delivery to Institution of a written statement of such determination in reasonable detail, which shall include a confirmation or modification of the Asserted LW Violation and Asserted Cure.

LW Violation Notice shall mean written notice provided to the Institution for an alleged violation of LW, specifying the Asserted LW Violation and the Asserted Cure.

LW Violation Threshold shall mean \$100,000 multiplied by 1.03^n , where "n" is the number of full years that have elapsed since January 1, 2015.

Majority Holders shall mean the Beneficial Owners of at least a majority in aggregate principal amount of the Bonds Outstanding, or, if the Bonds shall cease to be in book-entry form, the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding.

Maturity Date shall mean July 1, 2049.

Merge shall mean the consolidation with or merger into another Entity or the permitting of one or more Entities to consolidate with or merge into the Entity.

Moody's shall mean Moody's Investors Service Inc., a Delaware corporation, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Nationally Recognized Bond Counsel shall mean Nixon Peabody LLP or other counsel acceptable to the Issuer and the Trustee and experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

Net Proceeds shall mean, when used with respect to any insurance proceeds or condemnation award, compensation or damages, the gross amount of any such proceeds, award, compensation or damages less all expenses (including reasonable attorneys' fees and any extraordinary expenses of the Issuer or the Trustee) incurred in the collection thereof.

Notice Parties shall mean the Issuer, the Institution, the Bond Registrar, the Paying Agents and the Trustee.

Notification of Failure to Deliver shall mean written notice to the Institution of a failure to deliver on the Due Date the Annual Administrative Fee, a Fixed Date Deliverable and/or a Requested Document Deliverable.

NYCDOF shall mean the New York City Department of Finance.

NYCEDC shall mean New York City Economic Development Corporation, a New York not-for-profit corporation, and any successor thereof.

NYCIDA shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Operations Commencement Date shall mean the date by which the Issuer shall have received a signed certificate of an Authorized Representative of the Institution certifying that the Project Completion Date has occurred and that the Facility is in fact being occupied, used and operated for the Approved Project Operations.

Opinion of Counsel shall mean a written opinion of counsel for the Institution or any other Person (which counsel shall be reasonably acceptable to the Issuer and the Trustee) with respect to such matters as required under any Project Document or as the Issuer or the Trustee may otherwise reasonably require, and which shall be in form and substance reasonably acceptable to the Issuer and the Trustee.

Organizational Documents shall mean, (i) in the case of an Entity constituting a limited liability company, the articles of organization or certificate of formation, and the operating agreement of such Entity, (ii) in the case of an Entity constituting a corporation, the charter, articles of incorporation or certificate of incorporation, and the bylaws of such Entity, and (iii) in the case of an Entity constituting a general or limited partnership, the partnership agreement of such Entity.

Outstanding, when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or under any other Security Document, Bonds owned by the Institution or any Affiliate of the Institution shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be

protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Institution or any Affiliate of the Institution.

Owed Interest shall mean the interest accruing on Owed Monies, which interest shall accrue from the relevant date(s) of underpayment to the date that the Owed Monies are paid, at a rate equal to the interest rate then in effect as prescribed by the superintendent of banks pursuant to Section 14-a of the New York State Banking Law, but in any event at a rate no less than six percent per year.

Owed Monies shall mean, as the context shall require, either (a) the total deficiency of LW required to be paid by Institution or a Site Affiliate in accordance with the Loan Agreement to Institution's or its Site Affiliate's (as applicable) direct Site Employee(s) after taking into account the wages actually paid (which shall be credited towards the "living wage rate" component of the LW), and the monetary value of health benefits actually provided (which shall be credited towards the "health benefits supplement rate" component of the LW), to such direct Site Employee(s), all as calculated on a per pay period basis; or (b) if Institution or its Site Affiliate failed to obtain a LW Agreement from a Covered Counterparty as required under the Loan Agreement, the total deficiency of LW that would have been required to be paid under such Covered Counterparty's LW Agreement to its direct Site Employee(s) after taking into account the wages actually paid (which shall be credited towards the "living wage rate" component of the LW), and the monetary value of health benefits actually provided (which shall be credited towards the "health benefits supplement rate" component of the LW), to such direct Site Employee(s), all as calculated on a per pay period basis, during the period commencing on the LW Agreement Delivery Date applicable to such Covered Counterparty and ending immediately prior to the execution and delivery by such Covered Counterparty of its LW Agreement (if applicable).

Participants shall mean those financial institutions for whom the Securities Depository effects book entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

Paying Agent shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Per Diem Fees shall mean, collectively, the Per Diem Late Fee and the Per Diem Supplemental Late Fee.

Per Diem Late Fee shall mean that per diem late fee established from time to time by the Issuer's Board of Directors generally imposed upon Entities receiving or that have received financial assistance from the Issuer (subject to such exceptions from such general applicability as may be established by the Issuer's Board of Directors) and that

have not (x) paid to the Issuer the Annual Administrative Fee on the date required under the Loan Agreement, (y) delivered to the Issuer all or any of the Fixed Date Deliverables on the respective dates required under the Loan Agreement, and/or (z) delivered to the Issuer all or any of the Requested Document Deliverables under the Loan Agreement within five (5) Business Days of the Issuer having made the request therefor.

Per Diem Supplemental Late Fee shall mean that supplemental per diem late fee established from time to time by the Issuer's Board of Directors generally imposed upon Entities receiving or that have received financial assistance from the Issuer (subject to such exceptions from general applicability as may be established by the Issuer's Board of Directors).

Permitted Encumbrances shall mean:

- (i) Condominium Documents;
- (ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not yet due and payable;
- (iii) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien, security interest, encumbrance or charge or right in respect thereof, placed on or with respect to the Facility or any part thereof, if payment is not yet due and payable, or if such payment is being disputed pursuant to the Loan Agreement;
- (iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Institution certifies to the Issuer and the Trustee will not materially interfere with or impair the Institution's use and enjoyment of the Facility as provided in the Loan Agreement;
- (v) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to property similar in character to the Facility as do not, as set forth in a certificate of an Authorized Representative of the Institution delivered to the Issuer and the Trustee, either singly or in the aggregate, render title to the Facility unmarketable or materially impair the property affected thereby for the purpose for which it was acquired or purport to impose liabilities or obligations on the Issuer;
- (vi) any leases or other use arrangements permitted under the Loan Agreement;
- (vii) liens arising by reason of good faith deposits with the Institution in connection with the tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Institution to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(viii) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Institution to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(ix) any judgment lien against the Institution, so long as the finality of such judgment is being contested in good faith and execution thereon is stayed;

(x) any purchase money security interest in movable personal property, including equipment leases and financing;

(xi) liens on property due to rights of governmental entities or third party payors for recoupment of excess reimbursement paid;

(xii) a lien, restrictive declaration or performance mortgage with respect to the operation of the Facility arising by reason of a grant or other funding received by the Institution from the City, the State or any governmental agency or instrumentality; and

(xiii) any lien, security interest, encumbrances or charge which exists in favor of the Trustee or to which the Trustee shall consent in writing.

Person shall mean an individual or any Entity.

Policy(ies) shall mean, collectively or individually, the policies required to be obtained and maintained pursuant to the Loan Agreement.

Predecessor Institution shall mean the Institution when the Institution is not the surviving, resulting or transferee Entity in a Merger or Transfer.

Prevailing Wage Law shall mean Section 6-130 of the New York City Administrative Code, as amended, supplemented or otherwise modified from time to time, and all rules and regulations promulgated thereunder.

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Project shall mean (i) the acquisition, renovation, furnishing and equipping of an approximately 42,000 square foot, four-story condominium unit, located on an approximately 12,615 square foot parcel of land located at 117 West 124th Street, New York, New York 10027, to serve as the Institution's headquarters facility; and (ii) the payment of certain costs associated with the issuance of the Bonds.

Project Application Information shall mean the eligibility application and questionnaire submitted to the Issuer by or on behalf of the Institution, for approval by the Issuer of the Project and the providing of financial assistance by the Issuer therefor, together with all other letters, documentation, reports and financial information submitted in connection therewith.

Project Completion Date shall mean the date by which all of the following conditions have been satisfied: (i) the Issuer shall have received a signed and complete certificate of an Authorized Representative of the Institution in substantially the form set forth in Exhibit G – “Form of Project Completion Certificate” to the Loan Agreement, together with all attachments required thereunder, (ii) the Project Work shall have been finished and shall have been completed substantially in accordance with the plans and specifications therefor, (iii) the Issuer shall have received a copy of a certificate of occupancy, a temporary certificate of occupancy, an amended certificate of occupancy or a letter of no objection issued by the New York City Department of Buildings from the Institution, (iv) there shall be no certificate, license, permit, authorization, written approval or consent or other document required to permit the occupancy, operation and use of the Facility as the Approved Facility that has not already been obtained or received, except for such certificates, licenses, permits, authorizations, written approvals and consents that will be obtained in the ordinary course of business and the issuance of which are ministerial in nature, and (v) the Facility shall be ready for occupancy, use and operation for the Approved Project Operations in accordance with all applicable laws, regulations, ordinances and guidelines.

Project Cost Budget shall mean that certain budget for costs of the Project Work as set forth by the Institution in Exhibit E — “Project Cost Budget” to the Loan Agreement.

Project Costs shall mean:

(i) all costs of engineering and architectural services with respect to the Project, including the cost of test borings, surveys, estimates, permits, plans and specifications and for supervising demolition, construction and renovation, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) the interest on the Bonds during the construction and renovation of the Project;

(iv) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction and renovation;

- (v) the cost of acquisition of the Facility Realty;
- (vi) reserved;
- (vii) the payment of the Costs of Issuance with respect to the Initial Bonds;
- (viii) the payment of the fees and expenses of the Trustee during the period of construction and renovation of the Project;
- (ix) all costs which the Institution shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Institution for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project; and
- (x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Additional Bonds.

“Project Costs” shall not include (i) fees or commissions of real estate brokers, (ii) moving expenses, or (iii) operational costs.

Project Documents shall mean, collectively, the Bond Purchase Agreement and the Security Documents.

Project Fee shall mean \$192,100, representing the \$197,100 Issuer’s financing fee, less the application fee of \$5,000.

Project Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Project Work shall mean (i) the design, construction and/or renovation of the Facility Realty, including the acquisition of building materials and fixtures, and (ii) the acquisition, whether by title or lease, of the Facility Personalty and any work required to install same.

Promissory Note shall mean, (i) with respect to the Initial Bonds, that certain Promissory Note in substantially the form of Exhibit H to the Loan Agreement, (ii) with respect to any Series of Additional Bonds, that certain Promissory Note in substantially the form of any related Exhibit to an amendment to the Loan Agreement, and (iii) with respect to the Bonds, collectively, those certain Promissory Notes described in clauses (i) and (ii) above, and shall include in each case any and all amendments thereof and supplements thereto made in conformity with the Loan Agreement and the Indenture.

Purchase Price shall mean an amount equal to the Redemption Price that would be applicable to the Initial Bonds being purchased pursuant to the Indenture if such Initial Bonds were being optionally redeemed pursuant to the Indenture on the date such Initial Bonds are being so purchased, plus accrued interest thereon to the date of purchase.

Qualified Investments shall mean any of the following investments, if and to the extent the same are at the time legal for investment of the funds held under and pursuant to the Indenture:

- (i) Government Obligations;
- (ii) obligations issued or guaranteed by any of the following agencies (stripped securities are only permitted if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (participation certificates or senior debt obligations), Federal National Mortgage Association (mortgage-backed securities and senior debt obligations), Student Loan Marketing Association (senior debt obligations), Resolution Funding Corp., and Farm Credit System (consolidated system-wide bonds and notes);
- (iii) Certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks which certificates of deposit are secured at all times by collateral consisting of Government Obligations, including those of the Trustee or any of its affiliates. Such collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral;
- (iv) Certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Institution, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation;
- (v) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "P-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;
- (vi) Obligations of a state, a territory, or a possession of the United States, or any political subdivision of any of the foregoing or of the District of Columbia as described in Section 103(a) of the Code if such obligations are rated by Moody's and S&P in one of the two highest rating categories assigned by such rating agencies;
- (vii) Commercial paper rated, at the time of purchase, not less than P-1 by Moody's and A-1 by S&P;
- (viii) Any money market fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating at the time of investment by S&P of AAAM-G, AAA-m, or AA-m and if rated

by Moody's rated Aaa, Aa1 or Aa2, or analogous ratings if such ratings are no longer being used by S&P or Moody's, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (2) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (3) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates; or

- (ix) Investment agreements with, or which are guaranteed by, a financial institution which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the two highest rating categories by Moody's or S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, including any affiliate of the Trustee provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with the Interest Payment Dates, (ii) moneys invested thereunder may be withdrawn for any purpose required under the Indenture without any penalty, premium or charge upon not more than seven days' notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date), (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such financial institution.

Qualified Workforce Program shall mean a training or workforce development program that serves youth, disadvantaged populations or traditionally hard-to-employ populations and that has been determined to be a Qualified Workforce Program by the Director of the Mayor's Office of Workforce Development.

Rating Agency shall mean any of S&P, Moody's or Fitch and such other nationally recognized securities rating agency as shall have awarded a rating to the Initial Bonds.

Rating Category shall mean one of the generic rating categories of a Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Amount shall have the meaning assigned to that term in the Tax Regulatory Agreement.

Rebate Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Record Date shall mean, with respect to any Interest Payment Date for the Initial Bonds, the close of business on the fifteenth (15th) day of the month next preceding such Interest Payment Date, or, if such day is not a Business Day, the next preceding Business Day.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Redemption Date shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunding Bonds shall mean one or more Series of Additional Bonds which may be authenticated and made available for pick-up upon original issuance to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds.

Reimbursement Resolution shall mean the resolution adopted by the Institution on June 20, 2019 with respect to the Project and the debt financing thereof.

Related Security Documents shall mean all Security Documents other than the Indenture.

Renewal Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Representations Letter shall mean the Blanket Issuer Letter of Representations from the Issuer to DTC with respect to the Initial Bonds.

Requested Document Deliverables shall mean any documents as shall have been requested by the Issuer of the Institution pursuant to the Loan Agreement.

Required Disclosure Statement shall mean that certain Required Disclosure Statement in the form of Exhibit F — “Form of Required Disclosure Statement” to the Loan Agreement.

Responsible Officer shall mean, with respect to the Trustee, any officer within the corporate trust office of the Trustee, including any vice-president, any assistant vice-

president, any secretary, any assistant secretary, the treasurer, any assistant treasurer or other officer of the corporate trust office of the Trustee customarily performing functions similar to those performed by any of the above designated officers, who has direct responsibility for the administration of the trust granted in the Indenture, and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

S&P shall mean Standard & Poor's Financial Services LLC, a Delaware limited liability company which is a subsidiary of McGraw Hill Financial, Inc., a corporation organized and existing under the laws of the State, its successors and assigns, and if such limited liability company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Sales Taxes shall mean City and State sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Securities Act shall mean the Securities Act of 1933, as amended, together with any rules and regulations promulgated thereunder.

Securities Depository shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

Securities Exchange Act shall mean the Securities Exchange Act of 1934, as amended, together with any rules and regulations promulgated thereunder.

Security Documents shall mean, collectively, the Loan Agreement, the Promissory Note, the Indenture, and the Tax Regulatory Agreement.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

Sign shall mean a large and readable sign erected on the Facility site, at the Institution's cost and expense, within easy view of passing pedestrians and motorists, with certain information on it and satisfying certain requirements, as described in the Loan Agreement, to the extent permitted by applicable Legal Requirements.

Sinking Fund Installment shall mean an amount so designated and which is established for mandatory redemption on a date certain of the Bonds of any Series of

Bonds pursuant to the Indenture. The portion of any such Sinking Fund Installment of a Series of Bonds remaining after the deduction of any amounts credited pursuant to the Indenture toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments of such Series of Bonds due on a future date.

Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to the Indenture.

SIR shall mean self-insured retention.

Site Affiliates shall mean, collectively, all Affiliates of Institution that lease, occupy, operate or perform work at the Facility Realty and that have one or more direct Site Employees.

Site Employee shall mean, with respect to any Covered Employer, any natural person who works at the Facility Realty and who is employed by, or contracted or subcontracted to work for, such Covered Employer, including all employees, independent contractors, contingent workers or contracted workers (including persons made available to work through the services of a temporary services, staffing or employment agency or similar entity) that are performing work on a full-time, part-time, temporary or seasonal basis; provided that the term "Site Employee" shall not include any natural person who works less than seventeen and a half (17.5) hours in any consecutive seven day period at the Facility Realty unless the primary work location or home base of such person is at the Facility Realty (for the avoidance of doubt, a natural person who works at least seventeen and a half (17.5) hours in any consecutive seven day period at the Facility Realty shall thereafter constitute a Site Employee).

Small Business Cap shall mean three million dollars; provided that, beginning in 2015 and each year thereafter, the Small Business Cap shall be adjusted contemporaneously with the adjustment to the "living wage rate" component of the LW using the methodology set forth in Section 6-134(b)(9) of the New York City Administrative Code.

Special Record Date shall mean a date fixed pursuant to and in accordance with the Indenture on which to pay Defaulted Interest to the owner in whose name such Initial Bond is registered at the close of business on a special record date.

Specified Contract shall mean, with respect to any Person, the principal written contract that makes such Person a Covered Employer under the Loan Agreement.

State shall mean the State of New York.

Successor Institution shall mean the surviving, resulting or transferee Entity in a Merger or Transfer.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with the Indenture.

Tax-Exempt Organization shall mean an Entity organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from Federal income taxes under 501(a) of Code, or corresponding provisions of Federal income tax laws from time to time in effect.

Tax Regulatory Agreement shall mean the Tax Regulatory Agreement, dated the Closing Date, from the Issuer and the Institution to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Termination Date shall mean such date on which the Loan Agreement may terminate pursuant to the terms therein.

Transfer shall mean the liquidation, wind up, dissolution or other disposal of all or substantially all of an Entity's property, business or assets.

Trustee shall mean The Bank of New York Mellon, New York, New York in its capacity as trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

U/E shall mean Umbrella or Excess Liability insurance.

Underwriter shall mean J.P. Morgan Securities LLC.

Unit shall mean that certain unit known as the Office Unit, together with an undivided approximately 57% interest in the Common Elements as so designated in the Condominium Declaration.

Workers' Compensation shall mean Workers' Compensation, disability and employer liability insurance.

Yield shall have the meaning assigned to such term in the Tax Regulatory Agreement.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreement for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Loan Agreement and are included for ease of reference only.

Loan of Proceeds.

The Issuer agrees, upon the terms and conditions contained in the Loan Agreement and the Indenture, to loan the proceeds from the sale of the Initial Bonds to the Institution. The Loan shall be made by depositing on the Closing Date the proceeds from the sale of the Initial Bonds into the Project Fund in accordance with the Indenture. Such proceeds shall be disbursed to or on behalf of the Institution as provided in the Indenture. (Section 4.1)

Promissory Note.

The Institution's obligation to repay the Loan shall be evidenced by the Loan Agreement and the Promissory Note. On the Closing Date, the Institution shall execute and deliver the Promissory Note payable to the Issuer, and the Issuer will endorse the Promissory Note to the Trustee. The Institution acknowledges that the original principal amount payable under the Promissory Note may be more or less than the original principal amount of the Loan if the Initial Bonds are sold at a discount or at a premium, respectively, and agrees that repayment of the Loan and the Promissory Note will be made in accordance with the Loan Agreement. (Section 4.2)

Loan Payments; Pledge of the Loan Agreement and of the Promissory Note.

(a) The Institution covenants to pay the Promissory Note and repay the Loan made pursuant to the Loan Agreement by making loan payments which the Issuer agrees shall be paid in immediately available funds by the Institution directly to the Trustee on each Loan Payment Date (except as provided in subsection (a)(ii) below which shall be paid on the respective due dates thereof) for deposit in the Bond Fund (except to the extent that amounts are on deposit in the Bond Fund and available therefor) in an amount equal to the sum of:

(i) with respect to interest due and payable on the Initial Bonds, an amount equal to the amount of interest which will become due and payable on the Initial Bonds on the next succeeding Interest Payment Date (after taking into account any amounts on deposit in the applicable subaccounts of the Interest Account of the Bond Fund, and as shall be available to pay interest on the Initial Bonds on such next succeeding Interest Payment Date);

(ii) with respect to principal due on the Initial Bonds (other than such principal amount as shall become due as a mandatory Sinking Fund Installment payment), commencing on that Loan Payment Date as shall precede the first principal

payment date an amount equal to the amount of the principal of the Bonds Outstanding becoming due (other than by reason of mandatory Sinking Fund Installments) on such next succeeding principal payment date of the Initial Bonds; provided, however, that in the event of the acceleration of the principal of the Initial Bonds, a loan payment in the amount of the principal amount of the Initial Bonds Outstanding (together with all interest accrued thereon to the date of payment), shall be due and payable on such date of acceleration; and

(iii) with respect to Sinking Fund Installment payments due on the Initial Bonds, commencing on that Loan Payment Date as shall precede the first Sinking Fund Installment payment date, an amount equal to the amount of the Sinking Fund Installment of the Initial Bonds Outstanding becoming due on such next succeeding Sinking Fund Installment payment date; and on each redemption date, with respect to the Redemption Price (other than by Sinking Fund Installments) due and payable on the Initial Bonds, whether as an optional or mandatory redemption, an amount equal to the Redemption Price together with accrued interest on the Initial Bonds being redeemed on such redemption date.

(b) In the event the Institution should fail to make or cause to be made any of the payments required under the foregoing provisions of this heading, the item or installment not so paid shall continue as an obligation of the Institution until the amount not so paid shall have been fully paid.

(c) The Institution has the option to make advance loan payments for deposit in the Bond Fund to effect the retirement, defeasance or redemption of the Bonds in whole or in part, all in accordance with the terms of the Indenture; provided, however, that no partial redemption of the Bonds may be effected through advance loan payments under the Loan Agreement if there shall exist and be continuing an Event of Default. The Institution shall exercise its option to make such advance loan payments by delivering a written notice of an Authorized Representative of the Institution to the Trustee in accordance with the Indenture, with a copy to the Issuer, setting forth (u) the amount of the advance loan payment, (v) the principal amount of Bonds Outstanding requested to be redeemed with such advance loan payment (which principal amount shall be in such minimum amount or integral Authorized Denomination as shall be permitted in the Indenture), and (w) the date on which such principal amount of Bonds are to be redeemed (which date shall be not earlier than forty-five (45) days after the date of such notice). In the event the Institution shall exercise its option to make advance loan payments to effect the redemption in whole of the Bonds, and such redemption is expressly permitted under the Indenture as a result of the damage, destruction or condemnation of the Facility, or changes in law, or executive or judicial action, the Institution shall further deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Institution stating that, as a result of the occurrence of the event giving rise to such redemption, the Institution has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes. Such advance loan payment shall be paid to the Trustee in legal tender, for deposit in the Redemption Account of the Bond Fund on or before the redemption date and shall be an amount which, when added to the amounts on deposit in the Bond Fund and available therefor, will be sufficient to pay the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Issuer, the Trustee, the Bond

Registrar and the Paying Agents in connection with such redemption. In the event the Bonds are to be redeemed in whole or otherwise retired, the Institution shall further pay on or before such redemption date, in legal tender, to the Issuer, the Trustee, the Bond Registrar and the Paying Agent all fees and expenses owed such party or any other party entitled thereto under the Loan Agreement or the Indenture together with (x) all other amounts due and payable under the Loan Agreement and the other Security Documents, and (y) any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement.

(d) At its option, to be exercised on or before the forty-fifth (45th) day next preceding the date any Bonds of a Series are to be redeemed from mandatory Sinking Fund Installments, the Institution may deliver to the Trustee Bonds of such Series which are subject to mandatory Sinking Fund Installment redemption in an aggregate principal amount not in excess of the principal amount of Bonds of such Series to be so redeemed on such date. Each such Bond so delivered shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Issuer on such Sinking Fund Installment payment date and any excess over such Sinking Fund Installment shall be credited on future Sinking Fund Installments in direct chronological order, and the principal amount of Bonds to be redeemed by operation of the mandatory Sinking Fund Installments shall be accordingly reduced.

(e) In the event Defaulted Interest (as defined in the Indenture) shall become due on any Initial Bond, the Institution shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on such Initial Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the terms of the Indenture), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment.

(f) No further loan payments need be made to the Issuer on account of the Bonds when and so long as the amount of cash and/or Defeasance Obligations on deposit in the Bond Fund is sufficient to satisfy and discharge the obligations of the Issuer under the Indenture and pay the Bonds as provided in the Indenture.

(g) Any amounts remaining in the Earnings Fund, the Rebate Fund, the Bond Fund, the Project Fund or the Renewal Fund after payment in full of (w) the Bonds (in accordance with the Indenture), (x) the fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents in accordance with the Indenture, (y) all amounts required to be rebated to the Federal government pursuant to the Tax Regulatory Agreement or the Indenture, and (z) all amounts required to be paid under any Project Document, shall have been so paid, shall belong to and be paid to the Institution by the Trustee as overpayment of the loan payments.

(h) In the event that the Institution fails to make any loan payment required by the provisions under this heading, the installment so in default shall continue as an obligation of the Institution until the amount in default shall have been fully paid.

(i) Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Bond Fund is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the Bonds when due (whether at

maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Institution shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Bond Fund. *(Section 4.3)*

Nature of Institution's Obligation Unconditional.

The Institution's obligation under the Loan Agreement and under the Promissory Note to pay the loan payments and all other payments provided for in the Loan Agreement and in the Promissory Note shall be absolute, unconditional and a general obligation of the Institution, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee or the Holder of any Bond and the obligation of the Institution shall arise whether or not the Project has been completed as provided in the Loan Agreement and whether or not any provider of a credit facility or liquidity facility with respect to the Bonds shall be honoring its obligations thereunder. The Institution will not suspend or discontinue any such payment or terminate the Loan Agreement (other than such termination as is provided for under the Loan Agreement), or suspend the performance or observance of any covenant or agreement required on the part of the Institution under the Loan Agreement, for any cause whatsoever, and the Institution waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender the Loan Agreement or any obligation of the Institution under the Loan Agreement except as provided in the Loan Agreement or to any abatement, suspension, deferment, diminution or reduction in the loan payments or other payments thereunder or under the Promissory Note. *(Section 4.5)*

Advances by the Issuer or the Trustee.

In the event the Institution fails to make any payment or to perform or to observe any obligation required of it under the Loan Agreement, under the Promissory Note or under any other Security Document, the Issuer or the Trustee, after first notifying the Institution in writing of any such failure on its part (except that no prior notification of the Institution shall be required in the event of an emergency condition that, in the reasonable judgment of the Issuer or the Trustee, necessitates immediate action), may (but shall not be obligated to), and without waiver of any of the rights of the Issuer or the Trustee under the Loan Agreement or any other Security Document to which the Issuer or the Trustee is a party, make such payment or otherwise cure any failure by the Institution to perform and to observe its other obligations thereunder. All amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Institution to the Issuer or the Trustee, as the case may be, which amounts, together with interest thereon at the rate of twelve percent (12%) per annum, compounded daily, from the date advanced, the Institution will pay upon demand therefor by the Issuer or the Trustee, as applicable. Any remedy vested in the Issuer or the Trustee under the Loan Agreement or in any other Security Document for the collection of the loan payments or other payments or other amounts due thereunder, under the Promissory Note or under any other Security Document shall also be available to the Issuer or the Trustee for the collection of all such amounts so advanced. No advance shall be made by the Trustee except as specified in the Indenture. *(Section 4.6)*

Damage, Destruction and Condemnation.

In the event that the whole or part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement to which the Institution and those authorized to exercise such right are parties, or if the temporary use of the Facility shall be so taken by condemnation or agreement (a "Loss Event"):

(i) the Issuer shall have no obligation to rebuild, replace, repair or restore the Facility or to advance funds therefor,

(ii) there shall be no abatement, postponement or reduction in the loan payments or other amounts payable by the Institution under the Loan Agreement or the Promissory Note or any other Security Document to which it is a party, and the Institution waives, to the extent permitted by law, any provisions of law which would permit the Institution to terminate the Loan Agreement, the Promissory Note or any other Security Document, or eliminate or reduce its payments under the Loan Agreement, under the Promissory Note or under any other Security Document, and

(iii) the Institution will promptly give written notice of such Loss Event to the Issuer and the Trustee, generally describing the nature and extent thereof. *(Section 6.1)*

Loss Proceeds.

(a) The Issuer, the Trustee and the Institution shall cooperate and consult with each other in all matters pertaining to the settlement, compromise, arbitration or adjustment of any claim or demand on account of any Loss Event, and the settlement, compromise, arbitration or adjustment of any such claim or demand shall, as between the Issuer and the Institution, be subject to the written approval of the Institution and the Trustee (such approvals not to be unreasonably withheld).

(b) The Net Proceeds with respect to the Facility shall be paid to the Trustee and deposited in the Renewal Fund. Pending the disbursement or transfer thereof, the Net Proceeds in the Renewal Fund shall be applied, and may be invested, as provided in the Indenture. The Institution shall be entitled to the Net Proceeds of any insurance proceeds or condemnation award, compensation or damages attributable to the Institution's Property. *(Section 6.2)*

Pledge and Assignment to Trustee.

As security for the payment of the Bonds and the obligations of the Institution under the Security Documents, the Issuer shall pledge and assign to the Trustee, for the benefit of the Bondholders, pursuant to the Indenture all of the Issuer's right, title and interest in the Promissory Note and all of the Issuer's right, title and interest in the Loan Agreement (except for the Issuer's Reserved Rights), including all loan payments thereunder and under the Promissory Note, and in furtherance of such pledge, the Issuer will unconditionally assign such loan payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture. *(Section 7.4)*

Insurance.

At such time as the Institution acquires the Facility, the Institution shall obtain and maintain for itself as a primary insured the insurance required by the Loan Agreement. (*Section 8.1*)

Indemnity.

(a) The Institution shall at all times indemnify, defend, protect and hold the Issuer, the Trustee, the Bond Registrar and the Paying Agents, and any director, member, officer, employee, servant, agent (excluding for this purpose the Institution, which is not obligated under the Loan Agreement to indemnify its own employees, Affiliates or affiliated individuals) thereof and persons under the Issuer's control or supervision (collectively, the "Indemnified Parties" and each an "Indemnified Party") harmless of, from and against any and all claims (whether in tort, contract or otherwise), taxes (of any kind and by whomsoever imposed), demands, penalties, fines, liabilities, lawsuits, actions, proceedings, settlements, costs and expenses, including attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses (collectively, "Claims") of any kind for losses, damage, injury and liability (collectively, "Liability") of every kind and nature and however caused (except, with respect to any Indemnified Party, Liability arising from the gross negligence or willful misconduct of such Indemnified Party), arising during the period commencing on the Indemnification Commencement Date, and continuing until the termination of the Loan Agreement, arising upon, about, or in any way connected with the Facility, the Project, or any of the transactions with respect thereto, including:

(i) the financing of the costs of the Facility or the Project and the marketing, offering, issuance, sale and remarketing of the Bonds for such purpose,

(ii) the planning, design, acquisition, site preparation, Project Work, construction, renovation, equipping, installation or completion of the Project or any part thereof or the effecting of any work done in or about the Facility, or any defects (whether latent or patent) in the Facility,

(iii) the maintenance, repair, replacement, restoration, rebuilding, construction, renovation, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any portion thereof,

(iv) the execution and delivery by an Indemnified Party, the Institution or any other Person of, or performance by an Indemnified Party, the Institution or any other Person, as the case may be, of, any of their respective obligations under, the Loan Agreement or any other Project Document, or other document or instrument delivered in connection therewith or the enforcement of any of the terms or provisions of the Loan Agreement or the transactions contemplated by the Loan Agreement,

(v) any damage or injury to the person or property of any Person in or on the premises of the Facility,

(vi) any imposition arising from, burden imposed by, violation of, or failure to comply with any Legal Requirement, including failure to comply with the requirements of the City's zoning resolution and related regulations, or

(vi) the presence, disposal, release, or threatened release of any Hazardous Materials that are on, from, or affecting the Facility; any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials; any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials, and/or any violation of Legal Requirements, including demands of government authorities, or any policies or requirements of the Issuer, which are based upon or in any way related to such Hazardous Materials.

(b) The Institution releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable to the Institution or its Affiliates for, any Claim or Liability arising from or incurred as a result of action taken or not taken by such Indemnified Party with respect to any of the matters set forth in subsection (a) above including any Claim or Liability arising from or incurred as a result of the negligence or gross negligence of such Indemnified Party, or at the direction of the Institution with respect to any of such matters above referred to.

(c) An Indemnified Party shall promptly notify the Institution in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Institution pursuant to the provisions under this heading; such notice shall be given in sufficient time to allow the Institution to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a defense under the Loan Agreement nor in any way impair the obligations of the Institution under the Loan Agreement.

(d) Anything to the contrary in the Loan Agreement notwithstanding, the covenants of the Institution contained in the provisions under this heading shall be in addition to any and all other obligations and liabilities that the Institution may have to any Indemnified Party in any other agreement or at common law, and shall remain in full force and effect after the termination of the Loan Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions specified in the Loan Agreement. (*Section 8.2*)

Assignment of the Loan Agreement or Lease of Facility.

(a) The Institution shall not at any time, except as permitted by the Loan Agreement, assign or transfer the Loan Agreement without the prior written consents of the Issuer and the Trustee (which consents may be withheld by the Issuer or the Trustee in their absolute discretion); provided further, that the following conditions must be satisfied on or prior to the date the Issuer and the Trustee consent to any such assignment or transfer:

(i) the Institution shall have delivered to the Issuer and the Trustee a certificate of an Authorized Representative to the effect that the transfer or assignment to

the assignee or transferee (the "New Institution") shall not cause the Facility to cease being the Approved Facility;

(ii) the New Institution shall be liable to the Issuer for the payment of all loan and other payments and for the full performance of all of the terms, covenants and conditions of the Loan Agreement and of any other Project Document to which it shall be a party;

(iii) the New Institution shall have assumed in writing (and shall have executed and delivered to the Issuer and the Trustee such document and have agreed to keep and perform) all of the terms of the Loan Agreement and each other Project Document on the part of the New Institution to be kept and performed, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State;

(iv) the New Institution shall be a not-for-profit corporation or a limited liability company constituting a Tax-Exempt Organization;

(v) such assignment or transfer shall not violate any provision of the Loan Agreement or any other Project Document;

(vi) an Opinion of Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that, (x) such assignment or transfer shall constitute the legally valid, binding and enforceable obligation of the New Institution and shall not legally impair in any respect the obligations of the New Institution for the payment of all loan payments nor for the full performance of all of the terms, covenants and conditions of the Loan Agreement, of the Promissory Note or of any other Project Document to which the New Institution shall be a party, nor impair or limit in any respect the obligations of any other obligor under any other Project Document, and (y) the Loan Agreement and each of the other Project Documents to which the New Institution is a party constitute the legally valid, binding and enforceable obligation of the New Institution;

(vii) the New Institution shall have delivered to the Issuer the Required Disclosure Statement in form and substance satisfactory to the Issuer;

(viii) each such assignment shall contain such other provisions as the Issuer or the Trustee may reasonably require; and

(ix) an opinion of Nationally Recognized Bond Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such assignment or transfer shall not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income tax purposes.

The Institution shall furnish or cause to be furnished to the Issuer and the Trustee a copy of any such assignment or transfer in substantially final form at least thirty (30) days prior to the date of execution thereof.

(b) The Institution shall not at any time lease all or substantially all of the Facility, without the prior written consents of the Issuer and the Trustee (which consents may be withheld by the Issuer or the Trustee in their absolute discretion); nor shall the Institution lease part (*i.e.*, not constituting substantially all) of the Facility without the prior written consents of the Issuer and the Trustee (which consents shall, in such case, not be unreasonably withheld and, in the case of the Issuer, such consent to be requested by the Institution of the Issuer in the form prescribed by the Issuer, and such consent of the Issuer to take into consideration the Issuer's policies as in effect from time to time); provided further, that the following conditions must be satisfied on or prior to the date the Issuer and the Trustee consent to any such letting:

(i) the Institution shall have delivered to the Issuer and the Trustee a certificate of an Authorized Representative to the effect that the lease shall not cause the Facility to cease being the Approved Facility;

(ii) the Institution shall remain primarily liable to the Issuer for the payment of all loan and other payments and for the full performance of all of the terms, covenants and conditions of the Loan Agreement and of the Promissory Note and of any other Project Document to which it shall be a party;

(iii) any lessee in whole or substantially in whole of the Facility shall have assumed in writing (and shall have executed and delivered to the Issuer and the Trustee such document) and have agreed to keep and perform all of the terms of the Loan Agreement and each other Project Document on the part of the Institution to be kept and performed, shall be jointly and severally liable with the Institution for the performance thereof, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State;

(iv) any lessee shall utilize the Facility as the Approved Facility and shall constitute a Tax-Exempt Organization unless the Institution delivers to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that such letting will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(v) such lease shall not violate any provision of the Loan Agreement or any other Project Document;

(vi) with respect to any letting in part of the Facility, no more than an aggregate of twenty percent (20%) of the Completed Improvements Square Footage shall be leased by the Institution;

(vii) an Opinion of Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such lease shall constitute the legally valid, binding and enforceable obligation of the lessee and shall not legally impair in any respect the obligations of the Institution for the payment of all loan or other payments nor for the full performance of all of the terms, covenants and conditions of the Loan Agreement, of the Promissory Note or of any other Project Document to which the

Institution shall be a party, nor impair or limit in any respect the obligations of any other obligor under any other Project Document;

(viii) such lease shall in no way diminish or impair the obligation of the Institution to carry the insurance required under the Loan Agreement and the Institution shall furnish written evidence satisfactory to the Issuer and the Trustee that such insurance coverage shall in no manner be diminished or impaired by reason of such assignment, transfer or lease;

(ix) any such lessee shall have delivered to the Issuer the Required Disclosure Statement in form and substance satisfactory to the Issuer;

(x) each such lease shall contain such other provisions as the Issuer or the Trustee may reasonably require; and

(xi) an opinion of Nationally Recognized Bond Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such lease shall not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income tax purposes.

The Institution shall furnish or cause to be furnished to the Issuer and the Trustee a copy of any such lease in substantially final form at least thirty (30) days prior to the date of execution thereof.

(c) Any consent by the Issuer or the Trustee to any act of assignment, transfer or lease shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Institution, or the successors or assigns of the Institution, to obtain from the Issuer and the Trustee consent to any other or subsequent assignment, transfer or lease, or as modifying or limiting the rights of the Issuer or the Trustee under the foregoing covenant by the Institution.

(d) For purposes of the provisions under this heading, any license or other right of possession or occupancy granted by the Institution with respect to the Facility shall be deemed a lease subject to the provisions of under this heading. (*Section 8.9*)

Retention of Title to or of Interest in Facility; Grant of Easements; Release of Portions of Facility.

(a) The Institution shall not sell, assign, encumber (other than Permitted Encumbrances), convey or otherwise dispose of its fee title to or interest in the Facility, or any part of the Facility or interest therein, except as set forth in the Loan Agreement, without (i) the prior written consents of the Issuer and of the Trustee and (ii) the Institution delivering to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that such action pursuant to the Loan Agreement will not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income taxes. Any purported disposition without such consents and opinion shall be void.

(b) The Institution may, with the prior written consents of the Issuer and the Trustee (such consents not to be unreasonably withheld or delayed), so long as there exists no Event of Default under the Loan Agreement, grant such rights of way or easements over, across, or under, the Facility Realty, or grant such permits or licenses in respect to the use thereof, as shall be necessary or convenient in the opinion of the Institution for the operation or use of the Facility, or required by any utility company for its utility business, provided that, in each case, such rights of way, easements, permits or licenses shall not adversely affect the use or operation of the Facility as the Approved Facility, and provided, further, that any consideration received by the Institution from the granting of said rights-of-way, easements, permits or licenses shall be paid to the Trustee and deposited in the Redemption Account of the Bond Fund. The Issuer agrees, at the sole cost and expense of the Institution, to execute and deliver, and to cause and direct the Trustee to execute and deliver, any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license.

(c) No conveyance or release effected under the provisions of this heading shall entitle the Institution to any abatement or diminution of the loan payments or other amounts payable under the Loan Agreement or any other payments required to be made by the Institution under the Loan Agreement or any other Project Document to which it shall be a party. (*Section 8.10*)

Discharge of Liens.

(a) If any lien, encumbrance or charge is filed or asserted (including any lien for the performance of any labor or services or the furnishing of materials), or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims being collectively called "Liens"), whether or not valid, is made against the Trust Estate, the Facility or any part thereof or the interest therein of the Institution or against any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents, or the interest of the Issuer or the Institution in any Security Document, other than Liens for Impositions not yet payable, Permitted Encumbrances, or Liens being contested as permitted by the subsection (b) below, the Institution forthwith upon receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice) shall give written notice thereof to the Issuer and the Trustee and take all action (including the payment of money and/or the securing of a bond with respect to any such Lien) at its own cost and expense as may be necessary or appropriate to obtain the discharge in full of such Lien and to remove or nullify the basis therefor. Nothing contained in the Loan Agreement shall be construed as constituting the express or implied consent to or permission of the Issuer for the performance of any labor or services or the furnishing of any materials that would give rise to any Lien not permitted under this subsection (a).

(b) The Institution may at its sole cost and expense contest (after prior written notice to the Issuer and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Lien, if:

(i) such proceeding shall suspend the execution or enforcement of such Lien against the Trust Estate, the Facility or any part thereof or interest therein, or against any

of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents or the interest of the Issuer or the Institution in any Project Document,

(ii) neither the Facility nor any part thereof or interest therein, the Trust Estate or any portion thereof, the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents or the interest of the Issuer or the Institution in any Security Document would be in any danger of being sold, forfeited or lost,

(iii) neither the Institution, the Issuer nor the Trustee would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith, and

(iv) the Institution shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Issuer or the Trustee to protect the security intended to be offered by the Security Documents. (*Section 8.11*)

No Further Encumbrances Permitted.

The Institution shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against (i) the Facility or any part thereof, or the interest of the Institution in the Facility, except for Permitted Encumbrances, or (ii) the Trust Estate or any portion thereof, the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents or the interest of the Issuer or the Institution in any Security Document. The Institution covenants that it shall take or cause to be taken all action, including all filing and recording, as may be necessary to ensure that there are no mortgage liens on, or security interests in, the Facility (other than Permitted Encumbrances). (*Section 8.13*)

Taxes, Assessments and Charges.

(a) The Institution shall pay when the same shall become due all taxes and assessments, general and specific, if any, levied and assessed upon or against the Trust Estate, the Facility Realty or any part thereof, or interest of the Institution in the Facility, or against any of the loan payments or other payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Institution in any Project Document, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility Realty, all of which are called "Impositions". The Institution may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

(b) In the event the Facility Realty is exempt from Impositions solely due to the Issuer's involvement with the Project and the Facility Realty, the Institution shall pay all Impositions to the appropriate taxing authorities equivalent to the Impositions that would have

been imposed on the Facility Realty as if the Issuer had no involvement with the Project and the Facility Realty.

(c) The Institution may at its sole cost and expense contest (after prior written notice to the Issuer and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition, if:

(i) such proceeding shall suspend the execution or enforcement of such Imposition against the Trust Estate, the Facility or any part thereof, or interest of the Institution in the Facility, or against any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Institution in any Project Document,

(ii) none of the Trust Estate, the Facility nor any part thereof or interest of the Institution in the Facility, or any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Institution in any Project Document, would be in any danger of being sold, forfeited or lost,

(iii) none of the Institution, the Issuer nor the Trustee would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith, and

(iv) the Institution shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Issuer or the Trustee to protect the security intended to be offered by the Security Documents. (*Section 8.17*)

Compliance with Legal Requirements.

(a) The Institution shall not occupy, use or operate the Facility, or allow the Facility or any part thereof to be occupied, used or operated, for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or for any use which may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto.

(b) At its sole cost and expense, the Institution shall promptly observe and comply with all applicable Legal Requirements (including, without limitation, as applicable, the LW Law, the Prevailing Wage Law, and the Earned Sick Time Act, constituting Chapter 8 of Title 20 of the New York City Administrative Code), whether foreseen or unforeseen, ordinary or extraordinary, that shall now or at any time hereafter be binding upon or applicable to the Institution, the Facility, any occupant, user or operator of the Facility or any portion thereof, and will observe and comply with all conditions, requirements, and schedules necessary to preserve and extend all rights, licenses, permits (including zoning variances, special exception and non conforming uses), privileges, franchises and concessions. The Institution will not, without the prior written consent of the Issuer and the Trustee (which consents shall not be unreasonably withheld or delayed), initiate, join in or consent to any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses that may be made of the Facility or any part thereof.

(c) The Institution may at its sole cost and expense contest in good faith the validity, existence or applicability of any of the matters described in subsection (b) above if (i) such contest shall not result in the Trust Estate, the Facility or any part thereof or interest of the Institution in the Facility, or any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Institution in any Project Document, being in any danger of being sold, forfeited or lost, (ii) such contest shall not result in the Institution, the Issuer or the Trustee being in any danger of any civil or any criminal liability for failure to comply therewith, and (iii) the Institution shall have furnished such security, if any, as may be reasonably requested by the Issuer or the Trustee to protect the security intended to be offered by the Security Documents for failure to comply therewith. *(Section 8.18)*

Operation as Approved Facility.

(a) The Institution will not take any action, or suffer or permit any action, if such action would cause the Facility not to be the Approved Facility.

(b) The Institution will not fail to take any action, or suffer or permit the failure to take any action, if such failure would cause the Facility not to be the Approved Facility.

(c) The Institution will permit the Trustee and its duly authorized agents, at all reasonable times upon reasonable prior written notice to enter upon the Facility and to examine and inspect the Facility and exercise its rights under the Loan Agreement, under the Indenture and under the other Security Documents with respect to the Facility, subject however to the requirement that there be an accompanying representative of the Institution present. The Institution will further permit the Issuer, or its duly authorized agent, upon reasonable notice, at all reasonable times, and on the same conditions to enter the Facility, but solely for the purpose of assuring that the Institution is operating the Facility, or is causing the Facility to be operated, as the Approved Facility consistent with the Approved Project Operations and with the corporate purposes of the Issuer. *(Section 8.19)*

Preservation of Exempt Status.

The Institution agrees that it shall:

(a) not perform any acts, enter into any agreements, carry on or permit to be carried on at the Facility, or permit the Facility to be used in or for any trade or business, which shall adversely affect the basis for its exemption under Section 501 of the Code;

(b) not use more than three percent (3%) of the proceeds of the Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any Person or Persons who are not governmental units or Tax-Exempt Organizations;

(c) not directly or indirectly use the proceeds of the Bonds to make or finance loans to Persons other than governmental units or Tax-Exempt Organizations, provided that no loan shall be made to another Tax-Exempt Organization unless such organization is using

the funds for a purpose that is not an unrelated trade or business for either the Institution or the borrower;

(d) not take any action or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the Closing Date, would cause the Bonds to be “arbitrage bonds” under the Code or cause the interest paid by the Issuer on the Bonds to be subject to Federal income tax in the hands of the Holders thereof; and

(e) use its best efforts to maintain the tax-exempt status of the Bonds. *(Section 8.21)*

Financial Covenants.

The Institution shall maintain an amount of Unrestricted Net Assets minus Net Property Plant & Equipment (pursuant to both values as consistently reported in the audited financial statements of the Institution) in an amount that equals or exceeds the par amount of any outstanding indebtedness of the Institution plus the par amount of any outstanding indebtedness guaranteed by the Institution tested on an annual basis. This calculation shall be performed annually within thirty (30) days of the release of the Institution’s financial statements. A certificate certifying as to the compliance with the foregoing requirement and signed by the Institution shall be posted to the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board (“EMMA”) no later than 30 days after the release and publication of the audited financial statements of the Institution. Notwithstanding the foregoing, the Institution shall be free to spend its Unrestricted Net Assets between testing dates without any restriction other than a requirement that it replenish its Unrestricted Net Assets to the amount required in the first sentence of this paragraph by the next testing date. *(Section 8.31)*

Obligations Under and Covenants with Respect to the Condominium Documents.

The Institution covenants and agrees that, for so long as the Promissory Note shall be Outstanding, it shall (i) not enter into, consent, permit or approve an amendment, supplement or modification to any of the Condominium Documents which would (y) be prohibited by the terms of any of the Security Documents, or (z) adversely affect the Issuer, without the prior written consent of the Issuer, (ii) pay all costs, fees, charges and expenses required of it when due under any of the Condominium Documents, except for any amounts being diligently disputed in good faith to the extent permitted to do so under the Condominium Documents, and (iii) not dissolve the Condominium regime without the prior written consent of the Issuer and the Trustee (such consents not to be unreasonably withheld). *(Section 8.32)*

Events of Default.

Any one or more of the following events shall constitute an “Event of Default” under the Loan Agreement:

(a) Failure of the Institution to pay any loan payment that has become due and payable by the terms of the Loan Agreement which results in an Event of Default under the Indenture;

(b) Failure of the Institution to pay any amount (except as set forth in Section 9.1(a)) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under Sections 8.1, 8.2, 8.3, 8.9, 8.11, 8.13, 8.17, 8.18, 8.20, 8.21, 8.22, 8.26, 9.7, 11.2 or 11.3 or Article VI of the Loan Agreement and continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Institution specifying the nature of such failure by the Issuer or the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding;

(c) Failure of the Institution to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be performed (except as set forth in subsections (a) or (b) above) and (i) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Institution specifying the nature of same by the Issuer or the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (ii) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Institution fails to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice;

(d) The Institution shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner or acquiesce in writing to, any petition filed against itself in an involuntary case under the Federal Bankruptcy Code, (vii) take any action for the purpose of effecting any of the foregoing, or (viii) be adjudicated a bankrupt or insolvent by any court;

(e) A proceeding or case shall be commenced, without the application or consent of the Institution, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Institution or of all or any substantial part of its assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of ninety (90) days; or any order for relief against the Institution shall be entered in an involuntary case under such Bankruptcy Code; the terms "dissolution" or "liquidation" of the Institution as used above shall not be construed to prohibit any action otherwise permitted by the Loan Agreement;

(f) Any representation or warranty made by the Institution (i) in the application and related materials submitted to the Issuer for approval of the Project or its financing, or (ii) in the Loan Agreement or in any other Project Document, or (iii) in the Letter of Representation and Indemnity Agreement dated the Closing Date and delivered to the Issuer, the Trustee and the

Underwriter of the Initial Bonds, or (iv) in the Tax Regulatory Agreement, or (v) by or on behalf of the Institution or any other Person in any Required Disclosure Statement, or (vi) in any report, certificate, financial statement or other instrument furnished pursuant to the Loan Agreement or any of the foregoing, shall in any case prove to be false, misleading or incorrect in any material respect as of the date made;

(g) The commencement of proceedings to appoint a receiver or to foreclose any mortgage lien on or security interest in the Facility;

(h) An "Event of Default" under the Indenture or under any other Security Document shall occur and be continuing; or

(i) The occurrence of an LW Event of Default. *(Section 9.1)*

Remedies on Default.

(a) Whenever any Event of Default referred to in the Loan Agreement shall have occurred and be continuing, the Issuer, or the Trustee where so provided, may, take any one or more of the following remedial steps:

(i) The Trustee, as and to the extent provided in the Indenture, may cause all principal installments of loan payments payable under the Loan Agreement until the Bonds are no longer Outstanding to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default under the Loan Agreement, all principal installments of loan payments payable under the Loan Agreement until the Bonds are no longer Outstanding, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Issuer, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(ii) The Issuer or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the loan payments then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Institution under the Loan Agreement; and

(iii) The Trustee may take any action permitted under the Indenture with respect to an Event of Default thereunder.

(b) Upon the occurrence of a default with respect to any of the Issuer's Reserved Rights, the Issuer, without the consent of the Trustee or any other Person, may proceed to enforce the Issuer's Reserved Rights by

(i) bringing an action for damages, injunction or specific performance, and/or

(ii) taking whatever action at law or in equity as may appear necessary or desirable to collect payment of amounts due by the Institution under the Issuer's

Reserved Rights or to enforce the performance or observance of any obligations, covenants or agreements of the Institution under the Issuer's Reserved Rights.

(c) No action taken pursuant to the provisions under this heading or by operation of law or otherwise shall, except as expressly provided in the Loan Agreement, relieve the Institution from the Institution's obligations under the Loan Agreement, all of which shall survive any such action. *(Section 9.2)*

Bankruptcy Proceedings.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Institution under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee (other than the Trustee under the Indenture) shall have been appointed for the property of the Institution or in the case of any other similar judicial proceedings relative to the Institution or the creditors or property of the Institution, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreement and the Promissory Note, irrespective of whether the principal of the Bonds (and the loan payments payable pursuant to the Promissory Note and the Loan Agreement) shall have been accelerated by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand for payment under the Promissory Note or the Loan Agreement, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Institution, the creditors or property of the Institution, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is authorized pursuant to the Loan Agreement to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution. *(Section 9.3)*

Remedies Cumulative.

The rights and remedies of the Issuer or the Trustee under the Loan Agreement shall be cumulative and shall not exclude any other rights and remedies of the Issuer or the Trustee allowed by law with respect to any default under the Loan Agreement. Failure by the Issuer or the Trustee to insist upon the strict performance of any of the covenants and agreements set forth in the Loan Agreement or to exercise any rights or remedies upon default by the Institution under the Loan Agreement shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy the strict compliance by the Institution with all of the covenants and conditions of the Loan Agreement, or of the rights to exercise any such rights or remedies, if such default by the Institution be continued or repeated. *(Section 9.4)*

No Additional Waiver Implied by One Waiver.

In the event any covenant or agreement contained in the Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement. No waiver shall be binding unless it is in writing and signed by the party making such waiver. No course of dealing between the Issuer and/or the Trustee and the Institution or any delay or omission on the part of the Issuer and/or the Trustee in exercising any rights under the Loan Agreement or under the Indenture or under any other Security Document shall operate as a waiver. To the extent permitted by applicable law, the Institution waives the benefit and advantage of, and covenants not to assert against the Issuer or the Trustee, any valuation, inquisition, stay, appraisal, extension or redemption laws now existing or which may hereafter exist. *(Section 9.5)*

Agreement to Pay Fees and Expenses of Attorneys and Other Consultants.

In the event the Institution should default under any of the provisions of the Loan Agreement, and the Issuer or the Trustee should employ outside attorneys or other consultants or incur other expenses for the collection of loan payments or other amounts payable under the Loan Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Institution contained in the Loan Agreement or in any other Security Document, the Institution agrees that it will on demand therefor pay to the Issuer or the Trustee, as the case may be, the reasonable fees and disbursements of such attorneys or other consultants and such other expenses so incurred. *(Section 9.7)*

Termination of the Loan Agreement.

(a) The Institution shall have the option to cause the redemption or defeasance in whole of all Outstanding Bonds in accordance with the terms set forth in the Indenture.

(b) After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with the Indenture, but not later than the receipt by the Institution of ten (10) days prior written notice from the Issuer directing termination of the Loan Agreement, the Institution shall terminate the Loan Agreement by giving the Issuer notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to (x) the delivery of those documents referred to in the Loan Agreement, and (y) the survival of those obligations of the Institution set forth in the Loan Agreement. *(Section 10.1)*

Issuance of Additional Bonds.

If a Series of Additional Bonds are to be issued pursuant to the Indenture, the Issuer and the Institution shall enter into an amendment to the Loan Agreement, and the Institution shall execute and deliver a new Promissory Note, in each case providing, among other things, for the payment by the Institution of such additional loan payments as are necessary in order to amortize in full the principal of and interest on such Series of Additional Bonds and any other costs in connection therewith.

Any such completion, repair, relocation, replacement, rebuilding, restoration, additions, extensions or improvements shall become a part of the Facility and shall be included under the Loan Agreement to the same extent as if originally included under the Loan Agreement. *(Section 11.1)*

Determination of Taxability.

(a) If any Holder of Bonds receives from the Internal Revenue Service a notice of assessment and demand for payment with respect to interest on any Bond, an appeal may be taken by such Holder at the option of either such Holder or the Institution. If such appeal is taken at the option of the Institution (exercised in accordance with the procedures set forth in the definition of "Determination of Taxability"), all expenses of the appeal including reasonable counsel fees shall be paid by the Institution, and the Institution shall control the procedures and terms relating to such appeal, and such Holder and the Institution shall cooperate and consult with each other in all matters pertaining to any such appeal which the Institution has elected to take, except that no Holder of Bonds shall be required to disclose or furnish any non-publicly disclosed information, including without limitation, financial information and tax returns. Before the taking of any appeal which the Institution has elected to take, however, the Bondholder shall have the right to require the Institution to pay the tax assessed and conduct the appeal as a contest for reimbursement.

(b) The obligations of the Institution to make the payments provided for under this heading shall be absolute and unconditional, and the failure of the Issuer, the Trustee or any other Person to execute or deliver or cause to be delivered any documents or to take any action required under the Loan Agreement or otherwise shall not relieve the Institution of its obligation under this heading.

(c) Not later than one hundred twenty (120) days following a Determination of Taxability, the Institution shall pay to the Trustee an amount sufficient, when added to the amounts then in the Bond Fund and available for such purpose, to retire and redeem all Bonds then Outstanding, in accordance with the Indenture. The Bonds shall be redeemed in whole unless redemption of a portion of the Bonds Outstanding would have the result that interest payable on the Bonds remaining Outstanding after such redemption would not be includable in the gross income of any Holder of a Bond. In such event, the Bonds shall be redeemed in such amount as is deemed necessary in the opinion of Nationally Recognized Bond Counsel to accomplish that result. *(Section 11.2)*

Mandatory Redemption of Bonds as Directed by the Issuer.

(a) Upon the determination by the Issuer that (i) the Institution is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, not for the Approved Project Operations in accordance with the Loan Agreement and the failure of the Institution within thirty (30) days of the receipt by the Institution of written notice of such noncompliance from the Issuer to cure such noncompliance together with a copy of such resolution (a copy of which notice shall be sent to the Trustee), (ii) the Institution, any Principal of the Institution or any Person that directly or indirectly Controls, is Controlled by or is under common Control with the Institution has committed a material violation of a material Legal

Requirement and the failure of the Institution within thirty (30) days of the receipt by the Institution of written notice of such determination from the Issuer to cure such material violation (which cure, in the case of a Principal who shall have committed the material violation of a material Legal Requirement, may be effected by the removal of such Principal), (iii) as set forth in the Loan Agreement, any Conduct Representation is false, misleading or incorrect in any material respect at any date, as if made on such date, or (iv) a Required Disclosure Statement delivered to the Issuer under any Project Document is not acceptable to the Issuer acting in its sole discretion, the Institution covenants and agrees that it shall, no later than ten (10) days following the termination of such thirty (30) day period, pay to the Trustee advance loan payments in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of 100% of the aggregate principal amount of the Outstanding Bonds together with interest accrued thereon to the redemption date. The Issuer shall give prior written notice of the meeting at which the Board of Directors of the Issuer are to consider such resolution to the Institution and the Trustee, which notice shall be no less than fifteen (15) days prior to such meeting.

(b) In the event the Institution fails to obtain or maintain the liability insurance with respect to the Facility required under the Loan Agreement, and the Institution shall fail to cure such circumstance within ten (10) days of the receipt by the Institution of written notice of such noncompliance from the Issuer and a demand by the Issuer on the Institution to cure such noncompliance, upon notice or waiver of notice as provided in the Indenture, the Institution shall pay to the Trustee advance loan payments in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Bonds, together with interest accrued thereon to the date of redemption. *(Section 11.3)*

Prohibition on the Purchase of Bonds.

Except as provided under this heading, neither the Institution nor any Related Person (as defined in the Tax Regulatory Agreement) to the Institution shall purchase Bonds in an amount related to the amount of the Loan. The Institution shall have the option, at any time during the term of the Loan Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender offer to the Holders thereof. The Bonds so purchased by the Institution or by any Affiliate of the Institution shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase unless the Institution pursuant to the section summarized under this heading shall deliver to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that the failure to surrender such Bonds by such date will not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income tax purposes. *(Section 11.6)*

Investment of Funds.

Any moneys held as part of the Rebate Fund, the Earnings Fund, the Project Fund, the Bond Fund, or the Renewal Fund or in any special fund provided for in the Loan Agreement or in the Indenture to be invested in the same manner as in any said Fund shall, at the written request of an Authorized Representative of the Institution, be invested and reinvested by the Trustee as provided in the Indenture (but subject to the provisions of the Tax Regulatory

Agreement). Neither the Issuer nor the Trustee nor any of their members, directors, officers, agents, servants or employees shall be liable for any depreciation in the value of any such investments or for any loss arising therefrom.

Interest and profit derived from such investments shall be credited and applied as provided in the Indenture, and any loss resulting from such investments shall be similarly charged. (*Section 11.7*)

Amendments.

The Loan Agreement may be amended only with the concurring written consent of the Trustee given in accordance with the provisions of the Indenture and only by a written instrument executed by the parties to the Loan Agreement. (*Section 12.3*)

Recourse Under the Loan Agreement.

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Loan Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer, and not of any member, director, officer, employee or agent of the Issuer or any natural person executing the Loan Agreement on behalf of the Issuer in such person's individual capacity, and no recourse shall be had for any reason whatsoever under the Loan Agreement against any member, director, officer, employee or agent of the Issuer or any natural person executing the Loan Agreement on behalf of the Issuer. No recourse shall be had for the payment of the principal of, redemption premium, if any, Sinking Fund Installments for, Purchase Price or interest on the Bonds or for any claim based thereon or under the Loan Agreement against any member, director, officer, employee or agent of the Issuer or any natural person executing the Bonds. In addition, in the performance of the agreements of the Issuer contained in the Loan Agreement, any obligation the Issuer may incur for the payment of money shall not subject the Issuer to any pecuniary or other liability or create a debt of the State or the City, and neither the State nor the City shall be liable on any obligation so incurred and any such obligation shall be payable solely out of amounts payable to the Issuer by the Institution under the Loan Agreement and the Promissory Note. (*Section 12.14*)

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete and reference is made to the Indenture for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Indenture and are included for ease of reference only.

Authorized Amounts of Bonds; Pledge Effected by the Indenture.

(a) No Bond may be authenticated and delivered under the provisions of the Indenture except in accordance with the Indenture. Except as provided in the Indenture, the total aggregate principal amount of Bonds that may be authenticated and delivered under the Indenture is limited to the Authorized Principal Amount.

(b) The proceeds of the Bonds deposited in the Project Fund and certain of the loan payments, receipts and revenues payable under the Loan Agreement, including moneys which are required to be set apart, transferred and pledged to the Earnings Fund, to the Bond Fund, to the Renewal Fund or to certain special funds, including the investments, if any, thereof (subject to disbursements from such Funds in accordance with the provisions of the Indenture) are pledged by the Indenture for the payment of the principal, Purchase Price or Redemption Price (if any) of, Sinking Fund Installments for, and interest on, the Bonds. All such Funds shall be held by the Trustee in trust for the benefit of the Bondholders, and while held by the Trustee constitute part of the Trust Estate and be subject to the lien of the Indenture. The Rebate Fund (including amounts on deposit therein) shall not be subject to any assignment, pledge, lien or security interest in favor of the Trustee or any Bondholder or any other Person. The Bonds shall be the special limited revenue obligations of the Issuer and shall be payable by the Issuer as to the principal, Purchase Price or Redemption Price (if any) of the Bonds, Sinking Fund Installments for the Bonds, and interest on the Bonds only from the Funds, special funds and loan payments, revenues and receipts pledged therefor. The Bonds are additionally secured by a pledge and assignment of the Promissory Note and substantially all of the Issuer's right, title and interest in and to the Loan Agreement (excluding the Issuer's Reserved Rights).

In no event shall any obligations of the Issuer under the Indenture or the Bonds or under the Loan Agreement or under any other Security Document or related document for the payment of money create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, but any such obligation shall be a special limited revenue obligation of the Issuer secured and payable solely as provided in the Indenture. *(Section 2.01)*

Additional Bonds.

(a) So long as the Promissory Note, the Loan Agreement and the other Security Documents are each in effect and the conditions set forth in the section summarized in the paragraph are satisfied, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) completing the Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the

event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facility, the purpose of which shall be for the Approved Project Operations, or (iv) refunding Outstanding Bonds. Such Additional Bonds shall be payable from the loan payments, receipts and revenues of the Facility including such extensions, additions and improvements thereto. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Issuer and the Institution shall enter into an amendment to the Loan Agreement, and the Institution shall execute a new Promissory Note, which shall provide, among other things, that the loan payments payable by the Institution under the Loan Agreement and the aggregate amount to be paid under all Promissory Notes shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. In addition, the Institution and the Issuer shall enter into an amendment to each Security Document with the Trustee which shall provide that the amounts guaranteed or otherwise secured thereunder be increased accordingly to the extent necessary in connection with the issuance of the Additional Bonds.

(b) Each such Series of Additional Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of such Series of Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(1) a copy of the resolution, duly certified by the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel of the Issuer, authorizing, issuing and awarding the Series of Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Loan Agreement and any other Security Document to which the Issuer shall be a party;

(2) original executed counterparts of the Supplemental Indenture and an amendment of or supplement to the Loan Agreement expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, the Promissory Note and the Loan Agreement, the Facility referred to therein and the premises related or subject thereto shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Series of Additional Bonds being issued as well as the Initial Bonds and any Series of Additional Bonds theretofore issued;

(3) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Series of Additional Bonds and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled and that the issuance of the Series of Additional Bonds will not cause the interest on any Series of Bonds Outstanding to become includable in gross income for federal income tax purposes;

(4) except in the case of a Series of Refunding Bonds (defined below) refunding all Outstanding Bonds, a certificate of an Authorized Representative of the Institution to the effect that (i) each Security Document to which it is a party continues in full force and effect; (ii) there is no Event of Default nor any event which upon notice or

lapse of time or both would become an Event of Default; and (iii) after the issuance of such Additional Bonds, the Institution will be in compliance with the provisions of the Loan Agreement summarized under the heading "Financial Covenants" (together with a pro forma calculation of such covenant taking into account the issuance of such Additional Bonds);

(5) written evidence from each Rating Agency by which any Series of Outstanding Bonds are then rated, if any, to the effect that it has reviewed the documentation pertaining to the issuance of the Series of Additional Bonds, and that the issuance of such Series of Additional Bonds will not result in a withdrawal, a suspension or a reduction of the long and short-term ratings, if applicable, then assigned to any Series of Outstanding Bonds by such Rating Agency;

(6) an original, executed counterpart of the new Promissory Note and the amendment to each Security Document; and

(7) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

(c) (1) Upon the request of the Institution, one or more Series of Additional Bonds may be authenticated and made available for pick-up upon original issuance to refund ("Refunding Bonds") all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under the Indenture of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

(2) A Series of Refunding Bonds may be authenticated and made available for pick-up only upon receipt by the Trustee (in addition to the receipt by it of the documents required by subsection (b) above, as may be applicable) of:

(A) Irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and

(B) Either:

(i) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and

assigned to the respective Holders of the Outstanding Bonds being refunded, or

(ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Indenture, and any moneys required pursuant to the Indenture (with respect to all Outstanding Bonds or any part of one or more Series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Indenture.

(3) The Institution shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

(d) Each Series of Additional Bonds issued pursuant to the Indenture shall be equally and ratably secured under the Indenture with the Initial Bonds and all other Series of Additional Bonds, if any, issued pursuant to the provisions under this heading, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture.

(e) No Series of Additional Bonds shall be issued unless the Promissory Note, the Loan Agreement and the other Security Documents are in effect and, at the time of issuance, there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default. (*Section 2.07*)

Creation of Funds and Accounts.

The Issuer establishes and creates the following special trust Funds and Accounts comprising such Funds:

- (1) Project Fund
- (2) Bond Fund
 - (A) Principal Account
 - (B) Interest Account
 - (C) Redemption Account
 - (D) Sinking Fund Installment Account
- (3) Renewal Fund

(4) Earnings Fund

(5) Rebate Fund

All of the Funds and Accounts created under the Indenture shall be held by the Trustee. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate (subject to the granting clauses of the Indenture), other than the Rebate Fund, and be subject to the lien of the Indenture. *(Section 5.01)*

Project Fund.

(a) There shall be deposited in the accounts of the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture or otherwise required to be deposited therein pursuant to the Loan Agreement or the Indenture.

The Trustee shall apply the amounts on deposit in the accounts of the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the Institution or the Issuer, of Project Costs (including interest on the Bonds during the period of Project construction and renovation) to the extent requisitioned under subsection (b) under this heading.

(b) The Trustee is authorized to disburse from the accounts of the Project Fund amounts required to pay (in whole or in part) the Project Costs and is directed to issue its checks (or, at the direction of the Institution, make wire transfers) for each disbursement from the accounts of the Project Fund for the Project Costs, upon a requisition submitted to the Trustee, signed by an Authorized Representative of the Institution; provided, however, that the Trustee shall retain in the Project Fund an amount equal to the greater of (a) \$60,000 or (b) the lesser of (i) one percent (1%) of the original principal amount of the Initial Bonds or (ii) \$500,000, until an Authorized Representative of the Institution shall have delivered the completion certificate and other documents required by the Loan Agreement.

The requisition from the Project Fund shall be accompanied by bills or invoices (stamped "paid" by the Person to whom payment was due or with other evidence of payment if reimbursement is to be made to the Institution), including evidence that the bill, invoice or other evidence was not incurred on a date prior to sixty (60) days prior to the date of adoption by the Issuer or the Institution of the Reimbursement Resolution for the Project. Such requisition shall be as set forth in Exhibit D — "Form of Requisition from the Project Fund" to the Indenture and shall be submitted to the Trustee. The Trustee shall disburse amounts from the Project Fund not later than five (5) Business Days following the receipt of the executed requisition and accompanying bills or invoices, except that any such requisition and accompanying bills or invoices submitted on the Closing Date shall have disbursements made by the Trustee on such Closing Date. The Trustee shall be entitled to conclusively rely on the correctness and accuracy of such requisition as well as the propriety of the signature thereon.

(c) The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom and shall furnish copies of same to the Issuer or the Institution upon reasonable written request.

(d) The Trustee shall on written request furnish to the Issuer and the Institution within a reasonable time period a written statement of disbursements from the Project Fund, enumerating, among other things, item, cost, amount disbursed, date of disbursement and the person to whom payment was made, together with copies of all bills, invoices or other evidences submitted to the Trustee for such disbursement.

(e) The completion of the Project shall be evidenced as set forth in the Loan Agreement including the filing of the certificate of an Authorized Representative of the Institution referred to in the Loan Agreement. Upon the filing of such certificate, the balance in the Project Fund in excess of the amount, if any, stated in such certificate for the payment of any remaining part of the costs of the Project, shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture, be deposited by the Trustee in the Sinking Fund Installment Account of the Bond Fund to be applied to the payment of Sinking Fund Installments of Bonds at the earliest practicable date or to such other costs as may be approved by Nationally Recognized Bond Counsel and the Issuer. Upon payment of all the costs and expenses incident to the completion of the Project, any balance of such remaining amount in the Project Fund, together with any amount on deposit in the Earnings Fund derived from transfers made thereto from the Project Fund, shall, after making any such transfer to the Rebate Fund, be deposited in the Sinking Fund Installment Account of the Bond Fund to be applied to the payment of Sinking Fund Installments of Bonds at the earliest practicable date or to such other costs as may be approved by Nationally Recognized Bond Counsel and the Issuer. The Trustee shall promptly notify the Institution of any amounts so deposited in the Sinking Fund Installment Account of the Bond Fund pursuant to this section (e).

(f) In the event the Institution shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the Loan Agreement, the balance in the Project Fund and in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Regulatory Agreement and the Indenture) shall be deposited in the Redemption Account of the Bond Fund. In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default under the Indenture, the balance in the Project Fund and in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Regulatory Agreement and the Indenture) shall be deposited in the Bond Fund as provided in the Indenture.

(g) Except as provided in the Indenture, all earnings on amounts held in the Project Fund shall be transferred by the Trustee and deposited in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from the Earnings Fund prior to drawing any amounts from the Project Fund. (*Section 5.02*)

Payments into Bond Fund.

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) The interest accruing on any Series of Bonds from the date of original issuance thereof to the date of delivery, which shall be credited to the Interest Account of the Bond Fund and applied to the payment of interest on such Series of Bonds.

(b) Amounts disbursed from the Project Fund for the payment of interest on the Bonds during the period of Project Work, which shall be credited to the Interest Account of the Bond Fund and applied to the payment of interest on the Bonds;

(c) Excess or remaining amounts in the Project Fund required to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the Tax Regulatory Agreement and the Indenture) (i) in the Sinking Fund Installment Account of the Bond Fund pursuant to the Indenture, which shall be kept segregated from any other moneys within such Account, or (ii) in the Bond Fund pursuant to the Indenture.

(d) Loan payments received by the Trustee pursuant to the Loan Agreement, which shall be deposited in and credited, to the extent necessary, first to the Interest Account, second to the Principal Account, and third to the Sinking Fund Installment Account of the Bond Fund.

(e) Advance loan payments received by the Trustee pursuant to the Loan Agreement, which shall be deposited in and credited to the Redemption Account of the Bond Fund.

(f) Any amounts transferred from the Earnings Fund pursuant to the Indenture, which shall be deposited in and credited to the Interest Account of the Bond Fund.

(g) The excess amounts referred to in the Indenture, which shall be deposited in and credited to the Interest Account of the Bond Fund.

(h) Any amounts transferred from the Redemption Account pursuant to the Indenture, which shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Bond Fund, as the case may be and in such order of priority, and applied solely to such purposes.

(i) Amounts in the Renewal Fund required under the Indenture to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the Tax Regulatory Agreement and the Indenture) to the Redemption Account of the Bond Fund pursuant to the Indenture.

(j) All other receipts when and if required by the Loan Agreement or by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in the Indenture) to the Redemption Account of the Bond Fund.
(Section 5.04)

Application of Bond Fund Moneys.

(a) The Trustee shall (i) on each Interest Payment Date pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Bonds, and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest

upon any purchase or redemption (including any mandatory Sinking Fund Installment redemption) of Bonds.

(b) The Trustee shall on each principal payment date on the Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if any, due on the Bonds (other than such as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Bonds.

(c) There shall be paid from the Sinking Fund Installment Account of the Bond Fund to the Paying Agents on each Sinking Fund Installment payment date in immediately available funds the amounts required for the Sinking Fund Installment due and payable with respect to Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Bonds for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Bond Fund.

(d) Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the Institution, as promptly as practicable, to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which the Bonds are next subject to optional redemption, plus accrued interest to the date of redemption. Any amount in the Redemption Account not so applied to the purchase of Bonds by forty-five (45) days prior to the next date on which the Bonds are so redeemable shall be applied to the redemption of Bonds on such redemption date. Any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with the Indenture) shall be transferred to the Interest Account. Upon the purchase of any Bonds out of advance loan payments as provided in this subsection, or upon the redemption of any Bonds, an amount equal to the principal of such Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for such Bonds in chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Bonds being redeemed plus interest on such Bonds accrued to the redemption date.

(e) In connection with purchases of Bonds out of the Bond Fund as in the provisions under this heading, the Institution shall arrange and the Trustee shall execute such purchases (through brokers or otherwise, and with or without receiving tenders) at the written direction of

the Institution. The payment of the purchase price shall be made out of the moneys deposited in the Redemption Account of the Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the Interest Account of the Bond Fund.

(f) The Issuer shall receive a credit in respect of Sinking Fund Installments for any Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Issuer or the Institution to the Trustee on or before the forty-fifth (45th) day next preceding any Sinking Fund Installment payment date and for any Bonds which prior to said date have been purchased or redeemed (otherwise than through the operation of the Sinking Fund Installment Account) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment (whether pursuant to subsection (d) above or otherwise). Each Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee at one hundred per cent (100%) of the principal amount thereof against the obligation of the Issuer on such Sinking Fund Installment payment date with respect to Bonds of such Series and maturity and the principal amount of such Bonds to be redeemed by operation of the Sinking Fund Installment Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in direct chronological order, and the principal amount of Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

(g) The Institution shall on or before the forty-fifth (45th) day next preceding each Sinking Fund Installment payment date furnish the Trustee with the certificate of an Authorized Representative of the Institution indicating whether or not and to what extent the provisions of this heading are to be availed of with respect to such Sinking Fund Installment payment, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

(h) Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Interest Account, to the Principal Account or to the Sinking Fund Installment Account of the Bond Fund as more particularly described in the Indenture. (*Section 5.05*)

Payments into Rebate Fund; Application of Rebate Fund.

(a) The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder or any other Person.

(b) The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Institution, shall deposit in the Rebate Fund within sixty (60) days following each Computation Date, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such Computation Date. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Project pursuant to the Loan Agreement or the restoration of the Facility pursuant to the Indenture, at any time, the Trustee shall deposit in the Rebate Fund at that time an

amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of the Project or the restoration of the Facility as aforesaid. The amount deposited in the Rebate Fund pursuant to the previous sentences shall be withdrawn from the Earnings Fund. If the amount on deposit in the Rebate Fund following such deposit is less than the Rebate Amount, the Trustee shall promptly deliver a notice stating the amount of such deficiency to the Institution. It is provided in the Loan Agreement that promptly upon receipt of such notice, the Institution shall deliver the amount necessary to make up such deficiency to the Trustee for deposit in the Rebate Fund.

(c) If within sixty (60) days following any Computation Date, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall withdraw such excess amount and deposit it in the Project Fund until the completion of the Project as provided in the Loan Agreement, or, after the completion of the Project, deposit it in the Interest Account of the Bond Fund.

(d) The Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the Closing Date, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to the Initial Bonds as of the date of such payment and (ii) notwithstanding the provisions of the Indenture, not later than thirty (30) days after the date on which all Initial Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment. (*Section 5.07*)

Investment of Funds and Accounts.

(a) Amounts in any Fund or Account established under the Indenture may, if and to the extent then permitted by law, be invested only in Qualified Investments provided that any Qualified Investment shall not have a maturity date greater than five (5) years from the date of the making of such investment unless such Qualified Investment may be put at par at any time at the option of the owner thereof. Any investment authorized pursuant to the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. In particular, unexpended Bond proceeds transferred from the Project Fund (or from the Earnings Fund with respect to amounts deposited therein from the Project Fund) to the Sinking Fund Installment Account of the Bond Fund pursuant to the Indenture may not be invested at a Yield which is greater than the Yield on the applicable Series of Bonds. Such investments shall be made by the Trustee only at the written request of an Authorized Representative of the Institution; and if such investment is to be in one or more certificates of deposit, investment agreements or guaranteed investment contracts, then such written request shall include written assurance to the effect that such investment complies with the Tax Regulatory Agreement. Any investment made under this subsection (a) shall be made in accordance with the Tax Regulatory Agreement, and the Institution shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund. Net income or gain received and collected from such investments

shall be credited and losses charged to (i) the Rebate Fund with respect to the investment of amounts held in the Rebate Fund, (ii) the Bond Fund with respect to the investment of amounts held in the Bond Fund, and (iii) the Earnings Fund with respect to the investment of amounts held in any other Fund.

(b) At the written request of an Authorized Representative of the Institution no sooner than ten (10) days prior to each Loan Payment Date under the Loan Agreement, the Trustee shall notify the Institution of the amount of such net investment income or gain received and collected subsequent to the last such loan payment and the amount then available in the various Accounts of the Bond Fund.

(c) Upon the written direction of an Authorized Representative of the Institution, the Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of the Indenture. The Trustee shall not be liable for losses incurred as a result of actions taken in good faith in accordance with this subsection (c). As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Issuer and the Institution.

(d) Neither the Trustee nor the Issuer shall be liable for any loss arising from, or any depreciation in the value of any obligations in which moneys of the Funds and Accounts shall be invested in accordance with the Indenture. The investments authorized by the provisions under this heading shall at all times be subject to the provisions of applicable law, as amended from time to time.

(e) In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at fair market value as determined by the Trustee one month prior to each Interest Payment Date.

The fair market value of Qualified Investments shall be determined as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*), the average bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*, the average bid price at such nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or as quoted in the Interactive Data Service; and

(iii) as to certificates of deposit and bankers acceptances and other investments, the face amount thereof, plus accrued interest.

If more than one provision of this definition of “fair market value” shall apply at any time to any particular investment, the fair market value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment. *(Section 5.09)*

Non-presentment of Bonds.

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, and funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, together with interest to the date on which principal is due, all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to pay such funds to the Person entitled thereto or if the Person is not known to the Trustee, to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Such amounts so held shall, pending payment to the Holder of such Bond, (y) be subject to any rebate requirement as set forth in the Tax Regulatory Agreement or the Indenture, and (z) shall be uninvested, or, if invested, invested or re-invested only in Government Obligations maturing within thirty (30) days. Funds remaining with the Trustee as above and unclaimed for the earlier of two (2) years or one month less than the applicable statutory escheat period shall be paid to the Institution. After the payment of such unclaimed moneys to the Institution, the Holder of such Bond shall thereafter look only to the Institution for the payment thereof, and all obligations of the Trustee or such Paying Agent with respect to such moneys shall thereupon cease. *(Section 5.12)*

Creation of Liens; Indebtedness.

The Issuer shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture and the other Security Documents. *(Section 7.05)*

Issuer Tax Covenant.

The Issuer covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the Institution or the Trustee, that would cause the interest on the Bonds to become includable in gross income for federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance. *(Section 7.08)*

Events of Default; Acceleration of Due Date.

(a) Each of the following events is defined as and shall constitute an “Event of Default”:

- (1) Failure in the payment of the interest on any Bond when the same shall become due and payable;

(2) Failure in the payment of the principal or redemption premium, if any, of, or Sinking Fund Installment for, any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise;

(3) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in subsections (a)(1) or (2) above) and (A) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Issuer and the Institution specifying the nature of same from the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Issuer or the Institution fails to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice; or

(4) The occurrence of an "Event of Default" under the Loan Agreement or any other Security Document.

(b) Upon the happening and continuance of any Event of Default set forth in subsections (a)(1) or (2) above, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the Issuer and the Institution) or the Holders of over fifty percent (50%) in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Issuer, the Institution and the Trustee) may declare the principal or Redemption Price, if any, of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

(c) If there shall occur an Event of Default under the Loan Agreement, the unpaid principal of all the Bonds (and all principal installments of loan payments under the Loan Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

(d) The right of the Trustee or of the Holders of over fifty percent (50%) in aggregate principal amount of the Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed has been paid by or for the account of the Issuer, and all other Events of Default have been otherwise remedied, and the reasonable and proper charges, expenses and liabilities of the Trustee, shall either be paid by or for the account of the Issuer or provision satisfactory to the Trustee shall be made for such payment and the Facility shall not have been sold or otherwise encumbered, and all defaults have been otherwise remedied as provided in the Indenture, then and in every such case any such default and its consequences shall ipso facto be deemed to be annulled, but no

such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

(e) Pursuant to the Loan Agreement, the Issuer has granted to the Institution full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Institution to constitute a default under the Indenture, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Institution as performance by the Issuer. *(Section 8.01)*

Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and upon the written request of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Bonds, the Loan Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable.

(b) In the enforcement of any right or remedy under the Indenture or under any other Security Document, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Issuer, for principal, interest, Sinking Fund Installments, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Institution or the Issuer or their creditors or property.

(c) Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request. *(Section 8.02)*

Application of Revenues and Other Moneys After Default.

(a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the Indenture, as follows:

(A) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

Second - To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(B) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon the Bonds and if applicable to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, Sinking Fund Installments, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(C) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of subsection (a)(B) above which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of subsection (a)(A) above.

(b) Whenever moneys are to be applied pursuant to the provisions of the Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue; provided, however, that if the principal or Redemption Price of the Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to the Indenture, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. *(Section 8.03)*

Majority Holders Control Proceedings.

Anything in the Indenture to the contrary notwithstanding, the Majority Holders shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. *(Section 8.05)*

Individual Bondholder Action Restricted.

(a) No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity (i) with respect to the Bonds, the Indenture or any other Security Document, (ii) for the enforcement of any provisions of the Bonds, the Indenture or of any other

Security Document, (iii) for the execution of any trust under the Indenture or (iv) for any remedy under the Bonds, the Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Bonds, the Indenture or in such other Security Document or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Bonds or the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of the Indenture, be for the equal benefit of all Holders of the Outstanding Bonds.

(b) Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner pursuant to the Indenture and in said Bonds expressed. (*Section 8.06*)

Notice of Default.

The Trustee shall promptly mail to the Issuer, to registered Holders of Bonds and to the Institution by first class mail, postage prepaid, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by the Indenture. (*Section 8.10*)

Waivers of Default.

The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration only upon the written request of the Majority Holders; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such

case the Institution, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. *(Section 8.11)*

Resignation or Removal of Trustee.

The Trustee may resign and thereby become discharged from the trusts created under the Indenture for any reason by giving written notice by first class mail, postage prepaid, to the Issuer, to the Institution and to the Holders of all Bonds not less than sixty (60) days before such resignation is to take effect, but such resignation shall not take effect until the appointment and acceptance thereof of a successor Trustee pursuant to the Indenture.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing filed with the Trustee and signed by the Issuer or the Majority Holders or their attorneys-in-fact duly authorized. Such removal shall become effective either upon the appointment and acceptance of such appointment by a successor Trustee or at the date specified in the instrument of removal. The Trustee shall promptly give notice of such filing to the Issuer and the Institution. No removal shall take effect until the appointment and acceptance thereof of a successor Trustee pursuant to the Indenture.

If the Trustee shall resign or shall be removed, such Trustee must transfer and assign to the successor Trustee, not later than the date of this acceptance by the successor Trustee of its appointment as such, or thirty (30) days from the date specified in the instrument of removal or resignation, if any, whichever shall last occur, (i) all amounts (including all investments thereof) held in any Fund or Account under the Indenture, together with a full accounting thereof, (ii) all records, files, correspondence, registration books, Bond inventory, all information relating to the Indenture and to Bond payment status (i.e., outstanding principal balances, principal payment and interest payment schedules, Sinking Fund Installment schedules, pending notices of redemption, payments made and to whom, delinquent payments, default or delinquency notices, deficiencies in any Fund or Account balance, etc.) and all such other information (in whatever form) relating to all Funds and Accounts in the possession of the Trustee being removed or resigning, and (iii) all Security Documents and other documents or agreements, including, without limitation, all Uniform Commercial Code Financing Statements, all insurance policies or certificates, letters of credit or other instruments provided to the Trustee being removed or resigning (clauses (i), (ii) and (iii), together with the Trust Estate, being collectively referred to as the "Trust Corpus"). *(Section 9.07)*

Successor Trustee.

(a) If at any time the Trustee shall be dissolved or otherwise become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator thereof, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason or if the Trustee shall resign, the Institution shall cooperate with the Issuer and the Issuer shall appoint a successor Trustee and shall use its best efforts to obtain acceptance of such trust by the successor Trustee within sixty (60) days from such vacancy or notice of resignation.

Within twenty (20) days after such appointment and acceptance, the Issuer shall notify in writing the Institution and the Holders of all Bonds.

(b) In the event of any such vacancy or resignation and if a successor Trustee shall not have been appointed within sixty (60) days of such vacancy or notice of resignation, the Majority Holders, by an instrument or concurrent instruments in writing, signed by such Bondholders or their attorneys-in-fact thereunto duly authorized and filed with the Issuer, may appoint a successor Trustee which shall, immediately upon its acceptance of such trusts, and without further act, supersede the predecessor Trustee. If no appointment of a successor Trustee shall be made pursuant to the provisions of the Indenture, within ninety (90) days of such vacancy or notice of resignation, the Holder of any Bond then Outstanding, the Issuer or any retiring Trustee or the Institution may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) Any Trustee appointed under the Indenture shall be a national banking association or a bank or trust company duly organized under the laws of any state of the United States authorized to exercise corporate trust powers under the laws of the State and authorized by law and its charter to perform all the duties imposed upon it by the Indenture and each other Security Document. At the time of its appointment, any successor Trustee shall (x) have a capital stock and surplus aggregating not less than \$100,000,000 and (y) have an investment grade rating of at least "Baa3" or "P-3".

(d) Any predecessor Trustee shall transfer to any successor Trustee appointed under the Indenture as a result of a vacancy in the position the Trust Corpus by a date not later than thirty (30) days from the date of the acceptance by the successor Trustee of its appointment as such. Where no vacancy in the position of the Trustee has occurred, the transfer of the Trust Corpus shall take effect in accordance with the provisions of the Indenture.

(e) Every successor Trustee shall execute, acknowledge and deliver to its predecessor, and also to the Issuer, an instrument in writing accepting such appointment, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor, with like effect as if originally named as such Trustee; but such predecessor shall, nevertheless, on the written request of its successor or of the Issuer, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are due and payable pursuant to the Indenture, execute and deliver an instrument transferring to such successor Trustee all the estate, properties, rights, immunities, powers and trusts of such predecessor and the Trust Corpus; and every predecessor Trustee shall deliver all property and moneys, together with a full accounting thereof, held by it under the Indenture to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such Trustee the estate, properties, rights, immunities, powers and trusts vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall, on request, be executed, acknowledged and delivered by the Issuer. Any successor Trustee shall promptly notify the Issuer and the Paying Agent of its appointment as Trustee.

(f) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a national banking association or a bank or trust company duly organized under the laws of any state of the United States and shall be authorized by law and its charter to perform all the duties imposed upon it by the Indenture and each other Security Document shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act. *(Section 9.08)*

Defeasance.

(a) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Loan Agreement, and any other amounts required to be rebated to the federal government pursuant to the Tax Regulatory Agreement or the Indenture, shall be paid in full, then the pledge of any loan payments, revenues or receipts from or in connection with the Security Documents or the Facility under the Indenture and the estate and rights granted under the Indenture, and all covenants, agreements and other obligations of the Issuer to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below in this subsection. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Institution all such instruments as may be appropriate to satisfy such liens and to evidence such discharge and satisfaction, and (2) the Trustee and the Paying Agents shall pay over or deliver to the Institution or on its order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of the principal or Redemption Price, if applicable, Sinking Fund Installments for, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the federal government under the Tax Regulatory Agreement or the Indenture.

(b) Bonds or interest installments for the payment or redemption of which moneys (or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) above, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice, and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, (y) provision shall have been made by deposit with the Trustee or

other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds of the full amount to which they would be entitled by way of principal or Redemption Price, Sinking Fund Installments, and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and (z) provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment on such maturity or redemption date. *(Section 10.01)*

Limitation on Modifications.

The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of the Indenture. *(Section 11.01)*

Supplemental Indentures Without Bondholder's Consent.

(a) The Issuer and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without the consent of the Bondholders for any of the following purposes:

(1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action in the Opinion of Counsel is not materially adverse to the interests of the Bondholders.

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(3) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of any moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure that the interest on the Tax-Exempt Bonds not be includable in gross income for federal income tax purposes.

(7) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(8) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture and any Supplemental Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(9) To effect the issuance of Additional Bonds in accordance with the Indenture.

(10) To include the Institution's property located at 130 East 101st Street, New York, New York 10029 in the Project and the Facility for all purposes of the Indenture.

(b) Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the Indenture, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms. Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the provision summarized in clause (10) above, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendments will not cause the interest on any Series of Bonds to become includable in gross income for federal income tax purposes. (*Section 11.02*)

Supplemental Indentures With Bondholders' Consent.

(a) Subject to the terms and provisions contained in the Indenture, the Majority Holders shall have the right from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture. Nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Sinking Fund Installments for, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of the Trust Estate other than the liens or pledge created by the Indenture and the other Security Documents, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this subsection (a), without, in the case of items (ii) through and including (v) of this subsection (a), the written consent of one hundred percent (100%) of the Holders of the Outstanding Bonds.

(b) If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the purposes under the Indenture, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

(c) Within one year after the date of such notice, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Majority Holders or the Holders of not less than 100%, as the case may be, in aggregate principal amount of the Bonds then Outstanding and (ii) an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture (A) is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms and (B) will not cause the interest on any Series of Bonds to become includable in gross income for federal income tax purposes. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

(d) If the Holders of not less than the percentage of Bonds required by the Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

(e) Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. *(Section 11.03)*

Amendments of Related Security Documents Not Requiring Consent of the Bondholders.

The Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent (if required) to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the

Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (v) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture; (vi) to effect the issuance of Additional Bonds in accordance with the Indenture; (vii) to include the Institution's property located at 130 East 101st Street, New York, New York 10029 in the Project and the Facility for all purposes of the Related Security Documents and (viii) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to the Indenture. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not cause the interest on any of the Bonds to cease to be excluded from gross income for federal income tax purposes under the Code. (*Section 12.02*)

Amendments of Related Security Documents Requiring Consent of Bondholders.

Except as provided in the Indenture, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Majority Holders given and procured as set forth in the Indenture; provided, however, there shall be no amendment, change or modification to (i) the obligation of the Institution to make loan payments with respect to the Bonds under the Loan Agreement or the Promissory Note or (ii) the Tax Regulatory Agreement, without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on any Series of Bonds to become includable in gross income for federal income tax purposes. If at any time the Institution shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders. The Trustee may, but shall not be obligated to, enter into any such amendment, change or modification to a Related Security Document which affects the Trustee's own rights, duties or immunities under such Related Security Document or otherwise. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not cause the interest on any of the Bonds to cease to be excluded from gross income for federal income tax purposes under the Code. (*Section 12.03*)

No Pecuniary Liability of Issuer or Members; No Debt of the State or the City.

Every agreement, covenant and obligation of the Issuer under the Indenture is predicated upon the condition that any obligation for the payment of money incurred by the Issuer shall not create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor but shall be a limited revenue obligation of the Issuer payable by the Issuer solely from the loan payments, revenues and receipts pledged to the payment thereof in the manner and to the extent specified in the Indenture and nothing in the Bonds, in the Loan Agreement, in the Indenture or in any other Security Document shall be considered as pledging any other funds or assets of the Issuer. The Issuer shall not be required under the Indenture or the Loan Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the loan payments, revenues and receipts and other moneys pledged to the payment of the Bonds, (iii) any income or gains therefrom, and (iv) the Net Proceeds with respect to the Facility. No provision, covenant or agreement contained in the Indenture or in the Bonds or any obligations imposed in the Indenture or in the Bonds upon the Issuer or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge upon its general credit.

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, employee or agent of the Issuer in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, or interest on the Bonds or for any claim based thereon or under the Indenture against any member, director, officer, employee or agent of the Issuer or any natural person executing the Bonds. Neither the Bonds, the interest thereon, the Sinking Fund Installments therefor, nor the Redemption Price thereof shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor. *(Section 13.07)*

Priority of Indenture Over Liens.

The Indenture is given in order to secure funds to pay for the Project and by reason thereof, it is intended that the Indenture shall be superior to any laborers', mechanics' or materialmen's liens which may be placed upon the Facility subsequent to the Closing Date. In compliance with Section 13 of the Lien Law, the Issuer will receive the advances secured by the Indenture and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of improvements and that the Issuer will apply the same first to the payment of the costs of improvements before using any part of the total of the same for any other purpose. *(Section 13.08)*

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by The Children’s Aid Society (the “Institution”) and The Bank of New York Mellon (including any successor, the “Dissemination Agent”) in connection with the issuance of \$34,420,000 Build NYC Resource Corporation Revenue Bonds (The Children’s Aid Society Project), Series 2019 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust dated as of August 1, 2019 (the “Indenture”) between the Build NYC Resource Corporation (the “Issuer”) and The Bank of New York Mellon, as Trustee, (the “Trustee”). The proceeds of the Bonds are being loaned by the Issuer to the Institution pursuant to a Loan Agreement, dated as of August 1, 2019 (the “Loan Agreement”) between the Issuer and the Institution. The Institution and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Institution and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Institution and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The Dissemination Agent, except as provided in Section 3(c), has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3(c).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture and the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Institution pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondholder” shall mean the registered owner of a Bond and any beneficial owner thereof, as established to the reasonable satisfaction of the Trustee or the Institution.

“Dissemination Agent” shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Institution and which has filed with the Institution, the Trustee and the Issuer a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon. In the absence of a third-party Dissemination Agent, the Institution shall serve as the Dissemination Agent.

“Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Filing information relating to the MSRB is set forth in Exhibit B hereto.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Dissemination Agent, not later than 210 days after the end of each fiscal year (the “Filing Deadline”), shall provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than five (5) Business Days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited consolidated financial statements of the Institution may be submitted separately from, and at a later date than, the balance of the Annual Report if such audited consolidated financial statements are not available as of the date set forth above. If the Dissemination Agent submits the audited consolidated financial statements of the Institution at a later date, it shall provide unaudited consolidated financial statements by the above-specified deadline and shall provide the audited consolidated financial statements as soon as practicable after the audited consolidated financial statements become available. The Institution shall submit the audited consolidated financial statements to the Dissemination Agent as soon as practicable after they become available and the Dissemination Agent shall submit the audited consolidated financial statements to the MSRB as soon as practicable thereafter. The Institution shall simultaneously provide a copy of the Annual Report to the Issuer and the Trustee.

(b) The Dissemination Agent shall file a report with the Institution, the Issuer and the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided (the “Compliance Certificate”); such report shall include a certification from the Institution that the Annual Report complies with the requirements of this Disclosure Agreement.

(c) If the Dissemination Agent has not received the materials necessary to provide the Compliance Certificate by the Filing Deadline, the Dissemination Agent shall send, and the Institution hereby authorizes and directs the Dissemination Agent to submit on its behalf, a notice to the MSRB in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent has not provided the Annual Report to the MSRB by the Filing Deadline, the Institution shall send, or cause the sending of, a notice substantially in the form of Exhibit A irrespective of whether the Dissemination Agent submits such notice.

SECTION 4. Content of Annual Reports. The Institution's Annual Report shall contain or incorporate by reference the following financial information and operating data as of the most recently completed fiscal year, in each case substantially in the same level of detail as is found in the following referenced tables contained in Appendix A to the Official Statement dated July 24, 2019 pertaining to the Bonds in addition to the Audited Consolidated Financial Statements:

(a) "Consolidated Statements of Financial Position For Years Ended June 30, 2014-2018" under the heading "Financial Matters";

(b) "Consolidated Statements of Activities For Years Ended June 30, 2014-2018" under the heading "Financial Matters";

(c) "Net Assets: 10-year History" under the heading "Financial Matters";

(d) "Cash & Investments: 10-year History" under the heading "Financial Matters";

(e) "Market Value of Endowment & Reserve Funds" under the heading "Long-Term Investments (unrestricted and permanently restricted)";

(f) "Asset Allocation Policy Targets for the Endowment & Reserve Funds" under the heading "Long-Term Investments (unrestricted and permanently restricted)";

(g) "Returns on Endowment & Reserve Funds" under the heading "Long-Term Investments (unrestricted and permanently restricted)";

(h) "Funded Status of Pension and Post-Retirement Benefit Plans" under the heading "Pension Funds"; and

(i) "Pension Market Value" under the heading "Pension Funds".

In the event the Institution's audited consolidated financial statements provided pursuant to Section 3 of this Disclosure Agreement contain any of the information described in clauses (a) and (b) above, the requirement of this Section 4 shall be deemed to be satisfied with respect to including such information in the Borrower's Annual Report.

The consolidated financial statements provided pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Institution is an

“obligated person” (as defined by the Rule), which (i) are available to the public on the MSRB Internet Web site, or (ii) have been filed with the Securities and Exchange Commission. The Institution shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasance of the Bonds or any portion thereof.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Institution.*
13. The consummation of a merger, consolidation, or acquisition involving the Institution or the sale of all or substantially all of the assets of the Institution,

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Institution in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Institution, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Institution.

other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Institution, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Institution, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Institution, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the Institution shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file or cause to be filed a notice of such occurrence with the MSRB. The Institution shall provide a copy of each such notice to the Issuer, the Trustee and the Dissemination Agent. The Dissemination Agent, if other than the Institution, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Institution, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Institution's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Institution and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institution's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the original Institution shall have no further responsibility hereunder.

SECTION 8. Dissemination Agent. The Institution may, from time to time with written notice to the Trustee and the Issuer, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee and the Issuer, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Institution) may resign upon 30 days' written notice to the Institution, the Trustee and the Issuer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Institution and the Dissemination Agent may amend this Disclosure

Agreement (and, subject to the last sentence of this Section 9, the Dissemination Agent shall agree to any amendment so requested by the Institution) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Institution and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Institution and the Dissemination Agent may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Institution or of the type of business conducted by the Institution, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) (i) the Dissemination Agent determines, or the Dissemination Agent receives an opinion of counsel expert in federal securities laws and acceptable to the Dissemination Agent to the effect that, the amendment does not materially impair the interests of the Bondholders or (ii) the amendment is consented to by the Bondholders as though it were an amendment to the Indenture pursuant to Section 11.03 of the Indenture. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. The Dissemination Agent shall not be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Institution from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Institution chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Institution shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Institution or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of Bondholders representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Institution or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. In the event that the Dissemination Agent hereunder also serves as Trustee with respect to the Bonds, the same privileges and protections afforded to the Trustee under Article IX of the Indenture shall be equally applicable to the Dissemination Agent in the performance of its duties hereunder as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Institution) shall have only such duties as are specifically set forth in this Disclosure Agreement, and, in addition to any and all rights of the Dissemination Agent for reimbursement, indemnification and other rights pursuant to the Rule or under law or equity, the Institution agrees to indemnify and save the Dissemination Agent (if other than the Institution), its officers, director, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Institution under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement. The Dissemination Agent (if other than the Institution) shall have no duty to review the Annual Report, nor shall it be deemed to have notice of the contents of such Annual Report or a default based on such content, nor shall it have a duty to verify the accuracy of such Annual Report.

The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Institution, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Institution. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Institution for response. The Institution shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Institution, the Bondholders or any other party.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Institution, the Dissemination Agent, the Underwriter and the Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Institution under this Disclosure Agreement shall obligate the Institution to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Institution or raise any inference that no other material events have occurred with respect to the Institution or the Bonds or that all material information regarding the Institution or the Bonds has been disclosed. The Institution shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 15. Notices. Unless otherwise expressly provided, all notices to the Issuer, the Institution and the Dissemination Agent shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered or sent by facsimile during business hours to such parties at the address specified below or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the party giving notice.

To the Institution:

The Children's Aid Society
711 Third Avenue, Suite 700
New York, New York 10017
Attn: Chief Financial Officer

To the Dissemination Agent:

The Bank of New York Mellon
240 Greenwich Street, Floor 7E
New York, New York 10286
Attn: Corporate Trust Administration

To the Issuer:

Build NYC Resource Corporation
1 Liberty Plaza
165 Broadway
New York New York 10006
Attn: Executive Director

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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SECTION 17. Governing Law. This instrument shall be governed by the laws of the State of New York.

Date: August 1, 2019

THE CHILDREN'S AID SOCIETY

By: _____
Authorized Officer

THE BANK OF NEW YORK MELLON, as
Dissemination Agent

By _____
Authorized Officer

EXHIBIT A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Build NYC Resource Corporation

Name of Bond Issue: Revenue Bonds (The Children's Aid Society Project), Series 2019

Name of Obligated Person: The Children's Aid Society

Date of Issuance: August 1, 2019

NOTICE IS HEREBY GIVEN that The Children's Aid Society (the "Institution") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated August 1, 2019 between the Institution and The Bank of New York Mellon.

Dated: _____

THE BANK OF NEW YORK MELLON. on behalf
of The Children's Aid Society

cc: Institution

EXHIBIT B

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board
<http://emma.msrb.org>

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

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August 1, 2019

Build NYC Resource Corporation
New York, New York

Re: \$34,420,000 Build NYC Resource Corporation
Revenue Bonds (The Children's Aid Society Project), Series 2019

Ladies and Gentlemen:

We have acted as bond counsel to the Build NYC Resource Corporation (New York, New York) (the "**Issuer**"), in connection with the issuance on the date hereof by the Issuer of its Revenue Bonds (The Children's Aid Society Project), Series 2019 in the aggregate principal amount of \$34,420,000 (the "**Bonds**"). The Bonds are authorized to be issued pursuant to:

- (i) Section 1411 of the New York Not-for-Profit Corporation Law (the "**Act**"),
- (ii) the Bond Resolution duly adopted by the Issuer on June 11, 2019 (the "**Resolution**"), and
- (iii) the Indenture of Trust, dated as of August 1, 2019 (the "**Indenture**"), by and between the Issuer and The Bank of New York Mellon, as trustee for the benefit of the Owners of the Bonds (the "**Trustee**"). The Bonds were issued to finance the costs of acquisition, construction, renovating and equipping of a certain facility (collectively, the "**Project**").

The Issuer will loan the proceeds of the Bonds to The Children's Aid Society, a not-for-profit corporation organized and existing under the laws of the State of New York (the "**Institution**") and exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"), pursuant to the terms of a Loan Agreement (the "**Loan Agreement**"), dated as of August 1, 2019, between the Issuer and the Institution. The Institution has evidenced its obligations to make loan payments to the Issuer by the issuance and delivery of a certain Promissory Note, dated August 1, 2019 (the "**Note**"), from the Institution to the Issuer and endorsed by the Issuer to the Trustee.

The Issuer and the Institution have entered into a Tax Regulatory Agreement, dated the date hereof (the "**Tax Regulatory Agreement**"), in which the Issuer and the Institution have made certain representations and covenants, established certain conditions and limitations and

created certain expectations, relating to compliance with the requirements imposed by the Code. J.P. Morgan Securities LLC (the “**Underwriter**”) has agreed to purchase the Bonds from the Issuer pursuant to the terms of a Bond Purchase Agreement, dated July 24, 2019 (the “**Bond Purchase Agreement**”), among the Issuer, the Underwriter and the Institution.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in Section 1.01 of the Indenture.

The Bonds are dated the date hereof, and bear interest from the date thereof pursuant to the respective terms of the Bonds. The Bonds are subject to prepayment or redemption prior to maturity, as a whole or in part, at such time or times, under such circumstances and in such manner as is set forth in the Bonds and the Indenture.

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 Record 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, without having conducted any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

In rendering the opinions set forth below, we have relied upon, among other things, certain representations and covenants made by the parties in this transaction including: (i) the Institution in (a) the Bond Purchase Agreement; (b) the Tax Regulatory Agreement; (c) the Loan Agreement; (d) the Official Statement, dated July 24, 2019 (the “**Official Statement**”); (e) the Continuing Disclosure Agreement, dated the date hereof (the “**Continuing Disclosure Agreement**”) between the Institution and the Trustee; and (f) the Bond Counsel Questionnaire submitted to us by the Institution, as amended and supplemented (the “**Bond Counsel Questionnaire**”); and (ii) the Issuer in (a) the Bond Purchase Agreement; (b) the Indenture; (c) the Tax Regulatory Agreement; (d) the Loan Agreement; (e) the Certificate of Determination, dated the date hereof; and (f) the General Certificate of the Issuer, dated the date hereof. We call your attention to the fact that there are certain requirements with which the Issuer and the Institution must comply after the date of issuance of the Bonds in order for the interest on the Bonds to remain excluded from gross income for Federal income tax purposes. Copies of the aforementioned documents are included in the Record of Proceedings.

In addition, in rendering the opinions set forth below, we have relied upon the opinions of the General Counsel of the Issuer, Meredith J. Jones, Esq., in-house counsel to the Institution and special counsel to the Institution, Ballard Spahr LLP, New York, New York, and counsel to the Trustee, Paparone Law PLLC, New York, New York, all of even date herewith. Copies of the aforementioned opinions are contained in the Record of Proceedings.

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

1. The Issuer is a duly organized and existing corporate entity constituting a local development corporation of the State of New York.

2. The Issuer is duly authorized to issue, execute, sell and deliver the Bonds, for the purpose of paying the costs described above.

3. The Resolution has been duly adopted by the Issuer and is in full force and effect.

4. The Indenture, the Loan Agreement, the Tax Regulatory Agreement and the Bond Purchase Agreement have been duly authorized, executed and delivered by the Issuer, and are legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.

5. The Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding special obligations of the Issuer payable solely from the revenues derived from the Loan Agreement, enforceable against the Issuer in accordance with their respective terms.

6. The Bonds do not constitute a debt of the State of New York or of The City of New York and neither the State of New York nor The City of New York will be liable thereon.

7. The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture, the Loan Agreement, and the Tax Regulatory Agreement, the Issuer and the Institution have covenanted to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code. In addition, the Issuer and the Institution have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Regulatory Agreement. We have not independently verified the accuracy of those certifications and representations. We are also relying on the opinion of special counsel to the Institution, as to all matters concerning the status of the Institution as an organization described in Section 501(c)(3) of the Code and exempt from Federal income tax under Section 501(a) of the Code.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

8. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York), assuming compliance with the tax covenants and the accuracy of the representations and certifications described in paragraph 7 herein.

Except as stated in the paragraphs 7 and 8 above, we express no opinion as to any other Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds, the Bond Purchase Agreement, the Indenture, the Loan Agreement and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency or other laws or enactments now or hereafter enacted by the State of New York or the United States affecting the enforcement of creditors' rights and by restrictions on the availability of equitable remedies and to the extent, if any, that enforceability of the indemnification provisions of such documents may be limited under law. We express no opinion with respect to the availability of any specific remedy provided for in any of the bond documents.

In rendering the foregoing opinions, we are not passing upon and do not assume any responsibility for the accuracy, completeness, sufficiency or fairness of any documents, information or financial data supplied by the Issuer, the Institution, or the Trustee in connection with the Bonds, the Bond Purchase Agreement, the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Official Statement, the Continuing Disclosure Agreement and the Project, and we make no representation that we have independently verified the accuracy, completeness, sufficiency or fairness of any such documents, information or financial data. In addition, we express no opinion herein with respect to the accuracy, completeness, sufficiency or fairness of the Official Statement, with respect to the Bonds.

We express no opinion herein with respect to the registration requirements under the Securities Act of 1933, as amended, the registration or qualification requirements under the Trust Indenture Act of 1939, as amended, the registration, qualification or other requirements of State Securities laws or the availability of exemptions therefrom.

We express no opinion as to the sufficiency of the description of the Facility Realty or the Facility Personalty contained in the Loan Agreement or as to the adequacy, perfection or priority of any security interest in any collateral securing the Bonds.

Furthermore, we express no opinion as to the Continuing Disclosure Agreement. We express no opinion with respect to whether the Issuer and the Institution (i) have complied with environmental laws, (ii) have obtained any or all necessary governmental approvals, consents or permits, or (iii) have complied with the New York Labor Law or other applicable laws, rules,

Build NYC Resource Corporation
August 1, 2019
Page 5

regulations, orders and zoning and building codes, all in connection with the construction, equipping, furnishing and operation of the Facility.

The opinions expressed herein may be relied upon by the addressees and may not be relied upon by any other person without our prior written consent.

Very truly yours,

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Children's Aid

Every step of the way



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