

**NEW ISSUES
BOOK ENTRY ONLY**

In the opinion of Nixon Peabody LLP, New York, New York, 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, the Borrower, the Member and FLACS described herein, interest on the Series 2020 Tax-Exempt 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 interest on the Series 2020 Tax-Exempt Bonds 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 2020 Tax-Exempt Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision of the State of New York (including The City of New York). Interest on the Series 2020 Taxable Bonds is not excluded from gross income for federal income tax purposes and is not exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS—SERIES 2020 TAX-EXEMPT BONDS" and "TAX MATTERS—SERIES 2020 TAXABLE BONDS" herein regarding certain other tax considerations.

NOT RATED

SEE "NOT RATED"



**BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(Family Life Academy Charter School Project)**

**\$69,760,000 Series 2020A-1
\$2,125,000 Series 2020A-2 (Taxable)
Dated: Date of Issuance**

**\$13,085,000 Series 2020B-1
\$340,000 Series 2020B-2 (Taxable)**

**\$38,175,000 Series 2020C-1
\$1,620,000 Series 2020C-2 (Taxable)
Due: June 1, as shown on the inside front cover**

The above-referenced Build NYC Resource Corporation Revenue Bonds (Family Life Academy Charter School Project) (collectively, the "Series 2020 Bonds") are special limited revenue obligations of Build NYC Resource Corporation (the "Issuer") payable exclusively from the trust estate as described in this Limited Offering Memorandum. Undefined capitalized terms on this cover are defined in the text hereof or in APPENDIX F of this Limited Offering Memorandum.

The Series 2020 Bonds are special limited revenue obligations of the Issuer, payable as to principal, Sinking Fund Installments, Redemption Price and interest, from and secured in part by (a) certain unconditional loan payments to be made by the Borrower (as hereinafter defined) pursuant to the Loan Agreement, dated as of December 1, 2020, between the Issuer and Highbridge Facilities, LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Borrower"), (b) a pledge of certain funds and accounts established under the Indenture of Trust, dated as of December 1, 2020, between the Issuer and The Bank of New York Mellon, New York, New York, as trustee (the "Trustee"), (c) Mortgages relating to the Facilities, (d) assignments of Mortgages, leases and rents and (e) a pledge by the Borrower to the Trustee of the Pledged Collateral (as defined herein). Neither the State of New York nor any political subdivision thereof, including The City of New York, shall be obligated to pay the principal or Redemption Price of, Sinking Fund Installments for, or the interest on, the Series 2020 Bonds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, including the City, is pledged to the payment of the Series 2020 Bonds. The Series 2020 Bonds will not be payable out of any funds of the Issuer other than those pledged therefor pursuant to the Indenture. The Series 2020 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, Sinking Fund Installments for, or the interest on, the Series 2020 Bonds against any member, officer, director, employee or agent of the Issuer. The Issuer has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" in this Limited Offering Memorandum.

Proceeds derived from the sale of the Series 2020 Bonds will be used by the Borrower to: (a) finance the acquisition by the Borrower of a parcel of land located at 1400 Cromwell Avenue, Bronx, New York, and the construction, furnishing and equipping of an educational facility thereon (the "FLACS IV Campus"), serving students in kindergarten through grade 8; (b) finance or refinance the acquisition by the Borrower of an existing educational facility located at 370 Gerard Avenue, Bronx, New York (the "FLACS III Campus"), serving students in grades kindergarten through grade 4, (c) finance or refinance the acquisition by the Borrower of an existing educational facility located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street, Bronx, New York (the "FLACS II MS Campus" and together with FLACS IV and FLACS III, the "Facilities"), serving students in grades 5 through 8, (d) fund the initial deposit into the Debt Service Reserve Fund and (e) pay for certain costs related to the issuance of the Series 2020 Bonds. The Facilities will be owned by the Borrower and leased by the Borrower to Family Life Academy Charter School, a New York not-for-profit education corporation (the "Charter School") which lease payments are scheduled to pay at least the scheduled debt service on the Series 2020 Bonds. Lease payments are to be made each July 5, September 5, November 5, January 5, March 5, and May 5, commencing January 5, 2021. See "THE SERIES 2020 PROJECT AND PLAN OF FINANCE" in this Limited Offering Memorandum.

The Series 2020 Bonds will be issued as fully registered bonds initially issued in the minimum authorized denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. Purchases of the Series 2020 Bonds will be made in book-entry form only. Purchasers of beneficial interests will not receive physical certificates. The Series 2020 Bonds are subject to optional and mandatory redemption as described in this Limited Offering Memorandum. Interest on the Series 2020 Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2021. See "THE SERIES 2020 BONDS" in this Limited Offering Memorandum. **An investment in the Series 2020 Bonds is subject to certain risks. See "RISK FACTORS" in this Limited Offering Memorandum. Investors must read the entire Limited Offering Memorandum, including the Appendices hereto.**

THE SERIES 2020 BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO (1) A PERSON CONSTITUTING A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (2) AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT; provided, however, that if the Series 2020 Bonds are rated investment grade by a Rating Agency, then, without the foregoing restrictions. The Indenture contains provisions limiting transfers of the Series 2020 Bonds and beneficial ownership interests in the Series 2020 Bonds only to Qualified Institutional Buyers and Accredited Investors. The initial purchaser or purchasers of the Series 2020 Bonds are required to execute an Investment Certificate prior to the purchase thereof in a form satisfactory to the Issuer.

SEE THE INSIDE FRONT COVER FOR THE MATURITY SCHEDULES FOR THE SERIES 2020 BONDS

The Series 2020 Bonds are offered, subject to prior sale, when, as and if accepted by D.A. Davidson & Co. and subject to an opinion as to the validity of the Series 2020 Bonds and the tax-exempt status of the Series 2020 Tax-Exempt Bonds by Nixon Peabody LLP, New York, New York, Bond Counsel, the approval of certain legal matters for the Issuer by its General Counsel, for the Charter School, the Borrower and the Member by their counsel, Smith Buss & Jacobs LLP, New York, New York, for the Trustee by its counsel, Paparone Law PLLC, New York, New York, and for the Underwriter by its counsel, Ballard Spahr LLP, New York, New York, and certain other conditions. It is expected that delivery of the Series 2020 Bonds will be made on or about December 22, 2020 through the facilities of DTC.

DATED DECEMBER 11, 2020



D.A. DAVIDSON
FIXED INCOME, CAPITAL, MARKETS
D.A. Davidson & Co. member SIPC and CMAA

**BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(FAMILY LIFE ACADEMY CHARTER SCHOOL PROJECT)**

MATURITY SCHEDULE

**\$69,760,000
SERIES 2020A-1**

**\$2,125,000
SERIES 2020A-2 (TAXABLE)**

Series 2020A-1

\$20,370,000 5.250% Term Bond maturing June 1, 2040, Yield: 5.250%, Price: 100.000% CUSIP: 12008K AA0[∘].¹
\$49,390,000 5.500% Term Bond maturing June 1, 2055, Yield: 5.500%, Price: 100.000% CUSIP: 12008K AB8[∘].¹

Series 2020A-2 (Taxable)

\$2,125,000 5.250% Term Bond maturing June 1, 2028, Yield: 5.250%, Price: 100.000% CUSIP: 12008K AC6[∘].¹

**\$13,085,000
SERIES 2020B-1**

**\$340,000
SERIES 2020B-2 (TAXABLE)**

Series 2020B-1

\$4,480,000 5.000% Term Bond maturing June 1, 2040, Yield: 4.500%, Price: 103.969%² CUSIP: 12008K AD4[∘].¹
\$8,605,000 5.000% Term Bond maturing June 1, 2055, Yield: 4.750%, Price: 101.959%² CUSIP: 12008K AE2[∘].¹

Series 2020B-2 (Taxable)

\$340,000 5.250% Term Bond maturing June 1, 2024, Yield: 5.250%, Price: 100.000% CUSIP: 12008K AF9[∘].¹

**\$38,175,000
SERIES 2020C-1**

**\$1,620,000
SERIES 2020C-2 (TAXABLE)**

Series 2020C-1

\$12,665,000 5.000% Term Bond maturing June 1, 2040, Yield: 4.500%, Price: 103.969%² CUSIP: 12008K AG7[∘].¹
\$25,510,000 5.000% Term Bond maturing June 1, 2055, Yield: 4.750%, Price: 101.959%² CUSIP: 12008K AH5[∘].¹

Series 2020C-2 (Taxable)

\$1,620,000 5.250% Term Bond maturing June 1, 2025, Yield: 5.250%, Price: 100.000% CUSIP: 12008K AJ1[∘].¹

[∘] Copyright American Bankers Association, Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

¹ The Issuer, Trustee, and Charter School take no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of owners of the Series 2020 Bonds.

² Priced to the first optional redemption date of December 1, 2030.

**BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(FAMILY LIFE ACADEMY CHARTER SCHOOL PROJECT)**

Issuer

Build NYC Resource Corporation

Bond Counsel to the Issuer

Nixon Peabody LLP
New York, New York

Charter School Board of Trustees

Miguel Peña, Chairperson	Bryan Rivera, Member
Susana Rivera-Leon, Vice Chairperson	Wanda Torres-Mercado, Member
Hilda I. Sanchez, Treasurer	Kelly Nunez, Member
Pedro Alvarez, Secretary	Francisco Lugoviña, Member
Rev. Raymond Rivera, Member	Paula Vega, Member
Joseph Holland, Member	Raphael McDonald, Member
Florence G. Wolpoff, Member	Marina Salazar, Member
Dr. Janet M. Lerner, Member	Jorge Torres, Member
Kevin Kearns, Member	

Charter School Officials

Marilyn Calo Chief Executive Officer	Evelyn Centeno, FLACS I Principal
Scott Quintero, Chief Finance Officer	Kathy Ortiz, FLACS II Principal
Renee Willemsen-Good, Executive Director of Academics	Andrea Hernandez, FLACS III Principal
Evelyn Castro, Chief Operations Officer	Michael Adler, FLACS MS Principal

Borrower's, Member's and Charter School's Counsel

Smith Buss & Jacobs LLP
New York, New York

Underwriter

D.A. Davidson & Co.
Denver, Colorado

Underwriter's Counsel

Ballard Spahr LLP
New York, New York

Trustee, Bond Registrar and Paying Agent

The Bank of New York Mellon
New York, New York

Trustee's Counsel

Paparone Law PLLC
New York, New York

No person has been authorized by the Issuer, the Underwriter, the Borrower, the Charter School or the Member to give any information regarding the Series 2020 Bonds, the Borrower, the Charter School, the Series 2020 Project, the offering contained herein and related matters or to make any representations other than those contained in this Limited Offering Memorandum and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy in any state in which it is unlawful for any person to make such offer or solicitation. The information contained in this Limited Offering Memorandum has been furnished by or on behalf of the Issuer, the Borrower, the Charter School and the Member and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as a part of, the Underwriter's 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.

Neither the Issuer nor any of its members, directors, officers, agents, employees or representatives has reviewed this Limited Offering Memorandum or investigated the statements or representations contained herein, except for those statements relating to the Issuer set forth under the captions "THE ISSUER" and "ABSENCE OF MATERIAL LITIGATION—The Issuer." Except with respect to the information contained under such captions, neither the Issuer nor any of its members, directors, officers, agents, employees or representatives makes any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Limited Offering Memorandum. None of the members, directors, officers, agents, employees or representatives of the Issuer nor any other person executing the Series 2020 Bonds are subject to personal liability by reason of the issuance of the Series 2020 Bonds. Other than the information under the captions "THE ISSUER" and "ABSENCE OF MATERIAL LITIGATION—The Issuer," the Issuer assumes no responsibility for this Limited Offering Memorandum and has not reviewed or undertaken to verify any information contained herein.

The Trustee has not participated in the preparation of this Limited Offering Memorandum or any other disclosure documents relating to the Series 2020 Bonds. Except for information under the heading "THE TRUSTEE," the Trustee has or assumes no responsibility as to the accuracy or completeness of any information contained in this Limited Offering Memorandum or any other such disclosure documents.

References in this Limited Offering Memorandum to New York law, the Series 2020 Bonds, the Indenture, the Loan Agreement, the Borrower DACA, the Borrower Pledge and Security Agreement, the Depositary Agreements, the Charter School DACAs, the Charter School Pledge and Security Agreement, the Covenant Agreement, the Leases, the Mortgages, the Charter School Guaranty, the FLACS IV Guaranty, the Continuing Disclosure Agreement, and other documents do not purport to be complete. Potential investors should refer to such statutes and documents for full and complete details of their provisions. Copies of such documents are on file with the Trustee and the Charter School.

THE SERIES 2020 BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) OR "ACCREDITED INVESTORS" (AS DEFINED IN REGULATION D OF THE SECURITIES ACT). THE INDENTURE CONTAINS PROVISIONS LIMITING TRANSFERS OF

THE SERIES 2020 BONDS AND BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2020 BONDS ONLY TO QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS.

THE SERIES 2020 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, 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 2020 BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2020 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2020 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO, CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET,” OR SIMILAR WORDS. THE BUDGET PROJECTION CONTAINED IN APPENDIX C ATTACHED TO THIS LIMITED OFFERING MEMORANDUM IS NOT A HISTORICAL STATEMENT OF FINANCIAL PERFORMANCE BUT IS A FORWARD LOOKING PROJECTION OF FUTURE, PROJECTED FINANCIAL PERFORMANCE. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS OR IN THE BUDGET PROJECTION INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS OR IN THE BUDGET PROJECTION. THE CHARTER SCHOOL DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS OR TO THE BUDGET PROJECTION IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS OR FORECASTS ARE BASED, OCCUR.

TABLE OF CONTENTS

	Page		Page
INTRODUCTION	1	Changes in Law, Annual Appropriation, Inadequate Education Aid Payments	67
General	1	Construction Risk Relating to the FLACS IV Campus	68
Loan of Series 2020 Bond Proceeds, Mortgages and Other Security	2	Permitting Risk Relating to the FLACS IV Campus	68
Leases	4	Damage or Destruction	68
Guaranties	5	Environmental Risks	69
Continuing Disclosure	6	Environmental Regulations and Permitting	72
Special Covenants of the Charter School, Additional Indebtedness	6	Hazardous Materials	73
Bondholders' Risks	6	Appraisals	73
Miscellaneous	6	No Ratings	74
THE ISSUER	7	Enforcement of Remedies	74
THE BORROWER	7	Failure to Provide Ongoing Disclosure	75
THE CHARTER SCHOOL	7	Private School Vouchers	75
THE SERIES 2020 PROJECT AND PLAN OF FINANCE	8	Redemption Prior to Maturity	75
SOURCES AND USES OF FUNDS	12	Summary	75
DEBT SERVICE SCHEDULE	13	AUDITED FINANCIAL STATEMENTS OF THE CHARTER SCHOOL	75
CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK	16	THE BUDGET PROJECTION	76
General	16	TAX MATTERS – SERIES 2020 TAX-EXEMPT BONDS	76
Facilities Access Payments/Rental Assistance	17	Federal Income Taxes	76
Charter School Basic Tuition	18	State Taxes	77
Federal and State Aid Attributable to a Student with a Disability	20	Original Issue Discount	77
THE SERIES 2020 BONDS	21	Original Issue Premium	77
Interest, Maturity, Payment	21	Ancillary Tax Matters	78
Redemption of Series 2020 Bonds	22	Changes in Law and Post Issuance Events	78
Purchase and Transfer Restrictions on Series 2020 Bonds	31	TAX MATTERS – SERIES 2020 TAXABLE BONDS	78
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS	32	Federal Income Taxes	78
Special Limited Revenue Obligations	32	U.S. Holders	79
General	32	Taxation of Interest Generally	79
Enforcement of Remedies	33	Recognition of Income Generally	80
Leases	34	Original Issue Discount	80
Mortgages; Pledge and Security Agreements	36	Market Discount	81
Covenants of the Charter School, Additional Indebtedness	36	Bond Premium	82
Financial Statements; Reports, Annual Certificate	40	Surtax on Unearned Income	82
Certain Defined Terms	42	Sale or Redemption of Series 2020 Taxable Bonds	82
The Indenture	42	Non-U.S. Holders	83
Revenue Fund	43	Information Reporting and Backup Withholding	84
Bond Fund	44	State Taxes	85
Application of Moneys in the Bond Fund	45	Changes in Law and Post Issuance Events	85
Project Fund Draws	47	CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS	85
Events of Default under the Indenture	49	ENFORCEABILITY OF OBLIGATIONS	87
Events of Default under the Loan Agreement	50	LEGAL MATTERS	88
Acceleration	51	CONTINUING DISCLOSURE	88
Debt Service Reserve Fund	51	NO RATINGS	88
Repair and Replacement Fund	52	RELATIONSHIPS AMONG THE PARTIES	88
Defeasance	54	ABSENCE OF MATERIAL LITIGATION	89
Waivers of Default	54	The Issuer	89
Issuer Approval of Certain Remedies	54	The Borrower	89
FLACS Guaranties	55	The Charter School	89
Developer Guaranty of Mortgage Recovery Tax	55	UNDERWRITING	89
TRANSFER RESTRICTIONS	56	THE TRUSTEE	90
RISK FACTORS	57	MISCELLANEOUS	90
Nature of Special, Limited Obligations	57	No Registration of the Series 2020 Bonds	90
Dependence on Borrower's Ability to Pay Loan Payments, Ability of School to Pay the Lease Rental Payments	57	Interest of Certain Persons Named in this Limited Offering Memorandum	91
Impact of COVID-19 on the Charter School	58	Limited Offering Memorandum Certification	92
No Acceleration of Lease Rental Payments Upon an Acceleration of the Series 2020 Bonds	59	APPENDICES	
No Taxing Authority, Dependence on Education Aid Payments and Facilities Access Payments	60	APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL	
Failure of New York City Department of Education to Make Education Aid Payments or Facilities Access Payments to the Charter School	60	APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW	
Delay in or Termination or Reduction of Education Aid or Facilities Access Payments	60	APPENDIX C—BUDGET PROJECTION	
Budget Projection	61	APPENDIX D—AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REPORTS OF THE CHARTER SCHOOL FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)	
Termination or Revocation of Charter	61	APPENDIX E—AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REPORTS OF THE CHARTER SCHOOL FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)	
No Pledge of Revenues by the Charter School	61	APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES	
Factors Associated with Education	61	APPENDIX G—FORM OF BOND COUNSEL OPINION	
Competition for Students	62	APPENDIX H—FORM OF CONTINUING DISCLOSURE AGREEMENT	
Limitations on Remedies	62	APPENDIX I—BOOK-ENTRY ONLY SYSTEM	
Foreclosure Delays and Deficiency	63		
Effect of Federal Bankruptcy Laws on Security for the Series 2020 Bonds	63		
Reliance on Projections	64		
Key Personnel	64		
Additional Indebtedness	65		
Forward-Looking Statements	65		
Property Tax Exemption	66		
Tax-Exempt Status of the Borrower	66		
Tax-Exempt Status of the Charter School	66		
IRS Compliance Program	67		
Tax-Exempt Status of the Series 2020 Tax-Exempt Bonds	67		
Resale of Series 2020 Bonds/Lack of Secondary Market	67		

SUMMARY INFORMATION

The following is a summary of certain information contained in this Limited Offering Memorandum. The summary is not comprehensive or complete and is qualified in its entirety by reference to the complete Limited Offering Memorandum (including the Appendices hereto). This Limited Offering Memorandum speaks only as of the date shown herein, and the information herein is subject to change. Undefined capitalized terms used below are defined in “APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES” hereto or elsewhere in this Limited Offering Memorandum.

Issuer

Build NYC Resource Corporation (the “**Issuer**”) is a not-for-profit local development corporation created pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York (the “**Act**”), and is authorized by the Act to issue the Series 2020 Bonds. See “THE ISSUER” in this Limited Offering Memorandum.

Borrower

Highbridge Facilities, LLC (the “**Borrower**”), a Delaware limited liability company and a disregarded entity for federal income tax purposes whose sole member is HB Foundation, Inc. (the “**Member**”), a New York not-for-profit corporation and exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”), formed for the sole purpose of furthering the educational and charitable purposes of the Family Life Academy Charter Schools, a New York not-for-profit education corporation (the “**Charter School**” or “**FLACS**”). See “THE BORROWER” and “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL” in this Limited Offering Memorandum.

Charter School

The Charter School is a New York not-for-profit education corporation organized under Article 56 of the New York Education Law, as amended (the “**Charter Schools Act**”), and an organization described in Section 501(c)(3) of the Code. The Charter School currently operates three charter schools within the boundaries of New York City Community School District No. 7 (the “**7th District**”) and Community School District No. 9 (the “**9th District**”) in the Bronx, in the State of New York (the “**State**”), offering kindergarten through grade 8. The Charter School was authorized on May 14, 2001 by the State University of New York Board of Trustees (the “**Authorizer**”), to operate a charter school. The Charter School received a 501(c)(3) determination letter on April 9, 2002 from the Internal Revenue Service. See “THE CHARTER SCHOOL” and “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL” in this Limited Offering Memorandum. See also “CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK” and “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW” in this Limited Offering Memorandum.

The Charter School currently operates three schools out of four campuses. Family Life Academy Charter School I was the Charter School’s first school to open (“**FLACS I**”). FLACS I opened in the fall of 2001 with kindergartners and first graders. FLACS I now serves kindergarten through grade 5 and is currently located at 14 W. 170th Street, Bronx, New York (“**FLACS I Campus**”). Family Life Academy Charter School II was the Charter School’s second school to open (“**FLACS II**”). FLACS II opened in the fall of 2012 with kindergartners and grade 1. FLACS II now serves kindergarten through grade 8 at two separate campuses. FLACS II serves kindergarten through grade 5 at 296 E. 140th Street, Bronx, New York (“**FLACS II Campus**”), and grades 6 through 8 at 316 E. 165th Street, Bronx, New York (“**FLACS**

II MS Campus”). Family Life Academy Charter School III was the Charter School’s third school to open (“**FLACS III**”). FLACS III opened in the fall of 2014 at 370 Gerard Street, Bronx, New York (the “**FLACS III Campus**”). FLACS III currently serves kindergarten through grade 4.

The Borrower is using proceeds from the sale of the Series 2020A Bonds to finance the construction of and to open a fourth school to be known as Family Life Academy Charter School IV (“**FLACS IV**”) in the Bronx, which it anticipates opening in two phases with the first phase scheduled for September 6, 2022 (for floors 1 and 2) and the second phase anticipated on December 29, 2022 for floors 3 through 6, courtyard and site work at a facility to be constructed located at 1400 Cromwell Avenue, Bronx, New York (the “**FLACS IV Campus**” and together with the FLACS II MS Campus and the FLACS III Campus, the “**Facilities**”). FLACS IV is planned to serve kindergarten through grade 8.

Series 2020 Bonds

The Issuer is issuing its (a) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”), in the aggregate principal amount of \$69,760,000; (b) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-2 (Taxable) (the “**Series 2020A-2 Bonds**” and together with the Series 2020A-1 Bonds, the “**Series 2020A Bonds**”), in the aggregate principal amount of \$2,125,000; (c) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”), in the aggregate principal amount of \$13,085,000; (d) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-2 (Taxable) (the “**Series 2020B-2 Bonds**” and together with the Series 2020B-1 Bonds, the “**Series 2020B Bonds**”), in the aggregate principal amount of \$340,000; (e) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), in the aggregate principal amount of \$38,175,000; and (f) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-2 (Taxable) (the “**Series 2020C-2 Bonds**” and together with the Series 2020C-1 Bonds, the “**Series 2020C Bonds**”), in the aggregate principal amount of \$1,620,000.

The Series 2020A-1 Bonds, the Series 2020B-1 Bonds and the Series 2020C-1 Bonds are collectively referred to herein as the “**Series 2020 Tax-Exempt Bonds**”. The Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds are collectively referred to herein as the “**Series 2020 Taxable Bonds**”. The Series 2020 Tax-Exempt Bonds and the Series 2020 Taxable Bonds are collectively referred to herein as the “**Series 2020 Bonds**”.

The Series 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2020 (the “**Indenture**”), by and between the Issuer and The Bank of New York Mellon, as trustee (the “**Trustee**”), including any amendments or supplements thereto. The Series 2020 Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof (“**Authorized Denominations**”); provided, however, that if the Series 2020 Bonds are rated investment grade by each Rating Agency then rating the Series 2020 Bonds, then, upon the Trustee receiving written notice of the occurrence of such event, the Authorized Denominations with respect to the Series 2020 Bonds, will be \$5,000 or any integral multiple thereof. See “THE SERIES 2020 BONDS” in this Limited Offering Memorandum.

Plan of Finance and Use of Proceeds

The Issuer will loan the proceeds derived from the sale of the Series 2020 Bonds to the Borrower pursuant to the terms of a Loan Agreement, dated as of December 1, 2020 (the “**Loan Agreement**”), by and between the Issuer and the Borrower.

Series 2020A Bonds. Proceeds of the Series 2020A Bonds will be used by the Borrower to: (a) finance the acquisition by the Borrower of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement) facility, including parking located on such land, to serve as a new public charter school serving students in kindergarten through grade 8; (b) fund a debt service reserve fund for the benefit of the Series 2020A Bonds; (c) fund capitalized interest on the Series 2020A Bonds; and (d) pay for certain costs related to the issuance of the Series 2020A Bonds (collectively, the “**Series 2020A Project**”). The FLACS IV Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS IV Lease**”).

Series 2020B Bonds. Proceeds of the Series 2020B Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York, which will continue serving as a public charter school operated by the Charter School serving students in kindergarten through grade 4; (b) fund a debt service reserve fund for the benefit of the Series 2020B Bonds; and (c) pay for certain costs related to the issuance of the Series 2020B Bonds (collectively, the “**Series 2020B Project**”). The FLACS III Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS III Lease**”).

Series 2020C Bonds. Proceeds of the Series 2020C Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street, Bronx, New York, which will continue serving as a public charter school operated by the Charter School serving students in grades 5 through 8; (b) fund a debt service reserve fund for the benefit of the Series 2020C Bonds; and (c) pay for certain costs related to the issuance of the Series 2020C Bonds (collectively, the “**Series 2020C Project**” and together with the Series 2020A Project and the Series 2020B Project, the “**Series 2020 Project**”). The FLACS II MS Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS MS Lease**”).

The FLACS IV Lease, the FLACS III Lease and the FLACS MS Lease are collectively referred to herein as the “**Leases**” and will be entered into upon issuance of the Series 2020 Bonds. See “THE SERIES 2020 PROJECT AND PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL” in this Limited Offering Memorandum.

Security for the Series 2020 Bonds

Pursuant to the Indenture, the Series 2020 Bonds will be secured by and payable from an assignment and pledge by the Issuer of (a) all money held in the Funds and Accounts established under the Indenture as set forth therein (but excluding funds in the Rebate Fund), (b) the right, title and interest of the Issuer in the Loan Agreement (except for the Issuer’s Reserved Rights), and (c) Loan payments due from the Borrower under the Loan Agreement and the Promissory Notes (as defined herein).

The Charter School will lease the Facilities from the Borrower pursuant to the Leases. The amounts payable by the Charter School under the Leases (the “**Rents**” or “**Lease Rental Payments**”) will be in amounts totaling not less than the debt service on the Series 2020 Bonds as the same become due and payable, but without acceleration. The Borrower will enter into a Depositary Agreement, dated as of December 22, 2020 (the “**Borrower Depositary Agreement**”), by and between the Borrower and The

Bank of New York Mellon as depository bank (the “**Depository Bank**”) for the creation of a deposit account (the “**Borrower Account**”) for the deposit of certain funds received by the Borrower, including, but not limited to certain Rents under the Leases from the Charter School. The Charter School will enter into a Depository Agreement, dated as of December 22, 2020 (the “**Charter School Depository Agreement**”) and together with the Borrower Depository Agreement, the “**Depository Agreements**”), by and between the Charter School and the Depository Bank for the creation of a deposit account (the “**Charter School Custodial Account**”) for the deposit of certain funds received by the Charter School.

Pursuant to the terms of the Deposit Account Control Agreement (the “**Borrower DACA**”) dated as of December 1, 2020, by and among the Trustee, as secured party thereunder, the Borrower and the Depository Bank, the Borrower will grant a security interest in the Borrower Account to the Trustee and authorize the Trustee to transfer the amounts required under the Indenture and the Loan Agreement to the Revenue Fund established under the Indenture. Additionally, the Charter School has agreed pursuant to the Covenant Agreement to deposit its State Payments generated from the operations of FLACS II MS Campus, FLACS III Campus, and FLACS IV Campus (the “**Obligated Group**”) directly to the Charter School Custodial Account. Rents are to be paid from the Charter School Custodial Account into the Revenue Fund created under the Indenture. Following the payment of such Rents, the Charter School may transfer funds on deposit in the Charter School Custodial Account to its operating accounts subject to: (i) a Deposit Account Control Agreement (the “**Charter School DACA I**”) dated December 1, 2020, by and among the Trustee, as secured party thereunder, the Charter School and Ponce Bank, a federally chartered bank, as depository bank (“**DACA Bank**”) and (ii) a Deposit Account Control Agreement (the “**Charter School DACA II**”) and together with the Charter School DACA I, the “**Charter School DACAs**”) dated December 1, 2020, by and among the Trustee, as secured party thereunder, the Charter School and Depository Bank, to which the Charter School Custodial Account is subject. Upon an Event of Default, the Trustee may exercise control of and have the right to make withdrawals from the Borrower Account and the Charter School Custodial Account subject to the Borrower DACA and the Charter School DACAs pursuant to the terms thereof. In the event that the deposits in the Revenue Fund are insufficient to satisfy the Borrower’s obligation to make all payments due under the Loan Agreement on each Loan Payment Date, the Trustee shall be entitled to immediately direct the Depository Bank to transfer from the Charter School Custodial Account the amount of such shortfall. In addition, upon an Event of Default under the Security Documents, the Trustee may exercise control of and have the right to make withdrawals from the operating accounts subject to the Charter School DACAs pursuant to the terms thereof.

All obligations of the Charter School due under the Leases are obligations of the Obligated Group payable from Pledged Revenues, State Payments relating to the Obligated Group and amounts held in the Charter School Custodial Account or in accounts subject to the Charter School DACAs. Pledged Revenue is defined in the Covenant Agreement as the Gross Revenues of the Charter School generated from the Obligated Group and deposited into the Charter School Custodial Account, excepting therefrom Gross Revenues received that are directly allocable to enrollment at the FLACS I Facility and FLACS II Facility, provided that, beginning with Fiscal Year ending June 30, 2023 and ending when no students from the FLACS I Facility are resident at the FLACS IV Facility, all Gross Revenues allocable to the FLACS I students shall be deposited into the Charter School Custodial Account (collectively, “**Pledged Revenues**”). State Payments are not pledged under the Covenant Agreement or the Leases.

The Series 2020 Bonds will also be secured by (a) a Mortgage lien on and security interests in the Borrower’s fee title interest in the Facilities pursuant to (i) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan), a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan), and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), recorded against the FLACS IV Campus (collectively, the “**FLACS IV Mortgages**”); (ii) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and a Mortgage, Assignment of Leases and Rents,

Security Agreement and Fixture Filing (Indirect Loan), recorded against the FLACS III Campus (collectively, the **“FLACS III Mortgage”**); and (iii) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), recorded against the FLACS II MS Campus (collectively, the **“FLACS MS Mortgage”** and together with the FLACS IV Mortgages and the FLACS III Mortgage, the **“Mortgages”**); each dated as of December 1, 2020 and each from the Borrower to the Issuer and the Trustee; as assigned by the Issuer to the Trustee under the terms of (b) (i) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan), an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS IV Mortgages; (ii) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS III Mortgage; and (iii) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS MS Mortgage; each dated as of December 1, 2020 (collectively, the **“Assignment of Mortgages, Leases and Rents”**).

The Series 2020 Bonds are further secured by a lien and security interest in all assets of the Borrower pursuant to, and as defined in a certain Pledge and Security Agreement, dated as of December 1, 2020 (the **“Borrower Pledge and Security Agreement”**) from the Borrower to the Trustee. The Series 2020 Bonds are further secured by a lien and security interest in the Pledged Collateral pursuant to, and as defined in a certain Pledge and Security Agreement, dated as of December 1, 2020 (the **“Charter School Pledge and Security Agreement”** and together with the Borrower Pledge and Security Agreement, the **“Pledge and Security Agreements”**) from the Charter School to the Trustee.

The Charter Schools Act prohibits the Charter School from pledging or assigning Education Aid, Facilities Access Payments, and other amounts payable by the New York State Department of Education (the **“Department of Education”**) to the Charter School in connection with the construction, acquisition, reconstruction, rehabilitation, or improvement of a school facility. Upon an Event of Default, the Trustee may exercise control of and have the right to make withdrawals from the Borrower Account and the Charter School Custodial Account subject to the Borrower DACA and the Charter School DACAs pursuant to the terms thereof.

Pursuant to the FLACS IV Guaranty Agreement, dated as of December 1, 2020 (the **“FLACS IV Guaranty Agreement”**), by the Charter School, as a condition to issue the Series 2020 Bonds and to loan the proceeds thereof to the Charter School, and to mitigate the construction risk for the FLACS IV Facility, the Charter School absolutely and unconditionally guarantees to the Trustee, for benefit of the Beneficial Owners from time to time of the Series 2020 Bonds, the full and prompt payment of: (i) principal of the Promissory Notes and the premium (if any) payable upon redemption thereof, as and when the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise; (ii) the interest on the Promissory Notes, as and when the same shall become due; and (iii) any and all other amounts due and payable by the Borrower under the Loan Agreement or any other document, including without limitation, all amounts which may be payable pursuant to the Loan Agreement. The obligation of the Charter School to make payments under the FLACS IV Guaranty Agreement are payable from any and all assets of the Charter School without limitation as to source. Pursuant to the Obligated Group Guaranty Agreement, dated as of December 1, 2020 (the **“Obligated Group Guaranty Agreement”** and together with the FLACS IV Guaranty Agreement, the **“Guaranties”**), by the Charter School, as a condition to issue the Series 2020 Bonds and to loan the proceeds thereof to the Borrower, the Charter School absolutely and unconditionally guarantees to the Trustee, for benefit of the Beneficial Owners from time to time of the

Series 2020 Bonds, the full and prompt payment of: (i) (ii) and (iii) described above, provided that the obligation of the Charter School to make payments under the Obligated Group Guaranty Agreement are payable solely from the pledged revenues of the Obligated Group and any State Payments of the Charter School from the Obligated Group. The obligations of the Charter School shall attach absolutely and unconditionally when the Series 2020 Bonds will have been sold and delivered to the original purchasers thereof.

Pursuant to a Covenant Agreement, dated as of December 1, 2020 (the “**Covenant Agreement**”), by the Charter School for the benefit of the Trustee, the Charter School will fulfill certain covenants and agreements in order to provide additional security for timely payment of amounts due under the Leases, for the benefit of the holders of the Series 2020 Bonds and any Additional Bonds issued under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS” in this Limited Offering Memorandum.

Special, Limited Obligations

THE SERIES 2020 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE AS TO PRINCIPAL, SINKING FUND INSTALLMENTS, REDEMPTION PRICE AND INTEREST SOLELY FROM THE TRUST ESTATE AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE. 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, SINKING FUND INSTALLMENTS FOR, OR INTEREST ON, THE SERIES 2020 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 2020 BONDS. THE SERIES 2020 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2020 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, SINKING FUND INSTALLMENTS FOR, OR INTEREST ON, THE SERIES 2020 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE, REPRESENTATIVE OR AGENT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

Risk Factors

Purchase of the Series 2020 Bonds involves a degree of risk. A prospective purchaser of the Series 2020 Bonds is advised to read this entire Limited Offering Memorandum including the Appendices attached hereto in their entirety, particularly the section entitled “RISK FACTORS” in this Limited Offering Memorandum, for a discussion of certain risk factors, which should be considered in connection with an investment in the Series 2020 Bonds.

Purchase and Transfer Restrictions

The Series 2020 Bonds may be purchased only by (a) a “Qualified Institutional Buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”), or (b) an “Accredited Investor” as defined in Rule 501 of Regulation D promulgated under the Securities Act. The purchase restrictions described in this paragraph apply to initial purchases of the Series 2020 Bonds and to all subsequent sales or transfers of the Series 2020 Bonds. See “THE SERIES 2020 BONDS—Purchase

and Transfer Restrictions on Series 2020 Bonds” and “TRANSFER RESTRICTIONS” in this Limited Offering Memorandum.

Optional and Mandatory Redemption

See “THE SERIES 2020 BONDS—Redemption of Series 2020 Bonds” in this Limited Offering Memorandum.

Exchange and Transfer

While the Series 2020 Bonds remain in book-entry only form, transfer of ownership by Beneficial Owners may be made as described in “THE SERIES 2020 BONDS” and “APPENDIX I—BOOK-ENTRY ONLY SYSTEM” in this Limited Offering Memorandum.

Payment

Interest accrues on the Series 2020 Bonds at the rates set forth on the inside front cover of this Limited Offering Memorandum from their date of issuance and is payable on June 1 and December 1 of each year, commencing June 1, 2021 (each an “**Interest Payment Date**”). The Series 2020 Bonds mature as set forth on the inside front cover of this Limited Offering Memorandum. Interest on and the principal of the Series 2020 Bonds is payable as described under the heading “THE SERIES 2020 BONDS” in this Limited Offering Memorandum.

Trustee, Bond Registrar and Paying Agent

The Bank of New York Mellon in New York, New York, is acting as Trustee, Bond Registrar and Paying Agent. See “THE TRUSTEE” in this Limited Offering Memorandum.

Form

The Series 2020 Bonds will be registered under a book-entry system in the name of The Depository Trust Company (“**DTC**”) or its nominees. See “THE SERIES 2020 BONDS” in this Limited Offering Memorandum.

Tax Status

In the opinion of Nixon Peabody LLP, New York, New York, 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, the Borrower, the Member and FLACS described herein, interest on the Series 2020 Tax-Exempt 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 interest on the Series 2020 Tax-Exempt Bonds 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 2020 Tax-Exempt Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision of the State of New York (including The City of New York). Interest on the Series 2020 Taxable Bonds is not excluded from gross income for federal income tax purposes and is not exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “TAX MATTERS – SERIES 2020 TAX-EXEMPT BONDS” and “TAX MATTERS – SERIES 2020 TAXABLE BONDS” herein regarding certain other tax considerations.

Continuing Disclosure Agreement

Pursuant to the requirements of Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the “**Rule**”), the Borrower and the Charter School have agreed for the benefit of the Registered Owners and Beneficial Owners of the Series 2020 Bonds to provide certain financial information, other operating data and notices of material events. Neither the Borrower nor the Charter School has been subject to any prior continuing disclosure undertaking under the Rule. See “CONTINUING DISCLOSURE,” and “APPENDIX H—FORM OF CONTINUING DISCLOSURE AGREEMENT” in this Limited Offering Memorandum.

No Rating

There is no rating assigned to the Series 2020 Bonds.

Delivery Information

The Series 2020 Bonds are offered when, as, and if issued by the Issuer and accepted by the Underwriter, subject to prior sale and the approving legal opinion of Bond Counsel and certain other conditions. It is expected that delivery of the Series 2020 Bonds will be made on or about December 22, 2020 through the facilities of DTC in New York, New York, against payment therefor.

Bond Counsel and Other Counsels; Underwriter

Nixon Peabody LLP, New York, New York, is acting as Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Borrower, the Member and the Charter School by their counsel, Smith Buss & Jacobs LLP, New York, New York. Certain legal matters will be passed upon for the Trustee by its counsel, Paparone Law PLLC, New York, New York and for the Underwriter by its counsel, Ballard Spahr LLP, New York, New York. D.A. Davidson & Co., Denver, Colorado will serve as the Underwriter for the Series 2020 Bonds. See “UNDERWRITING” in this Limited Offering Memorandum.

Additional Information

The summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Limited Offering Memorandum do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the Underwriter, 1550 Market Street, Suite 300, Denver, Colorado 80202 or the Trustee, 240 Greenwich Street, Floor 7W, New York, New York 10286, Attention: Corporate Trust Administration.

Audited Financial Statements

The audited financial statements of the Charter School for the fiscal years ended June 30, 2019 and June 30, 2020 are included in this Limited Offering Memorandum as APPENDIX D and APPENDIX E, respectively. The financial statements in APPENDIX D and APPENDIX E were audited by Mengel Metzger Barr & Co. LLP. See “AUDITED FINANCIAL STATEMENTS OF THE CHARTER SCHOOL” and “APPENDIX D—AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT AUDITOR’S REPORTS OF THE CHARTER SCHOOL FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)” and “APPENDIX E—AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT

AUDITOR'S REPORTS OF THE CHARTER SCHOOL FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)" in this Limited Offering Memorandum. The financial statements for the fiscal year ended June 30, 2020 are the most recent audited financial statements available for the Charter School.

Budget Projection

The Budget Projection (the "**Budget Projection**") attached hereto in APPENDIX C is a projection of the future financial performance of the Charter School based upon certain assumptions made by the Charter School and contained therein. NO ASSURANCES CAN BE GIVEN THAT THE OPERATIONS OF THE CHARTER SCHOOL WILL EQUAL OR EXCEED THE SERIES 2020 PROJECTED FUTURE FINANCIAL PERFORMANCE SET FORTH IN THE BUDGET PROJECTION. The Budget Projection is for the eight fiscal years of the Charter School ending June 30, 2021 through June 30, 2028.

THE BORROWER AND THE CHARTER SCHOOL HAVE PROVIDED THE INFORMATION SET FORTH IN APPENDICES A, C, D AND E, AND NEITHER THE ISSUER NOR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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LIMITED OFFERING MEMORANDUM

\$125,105,000

BUILD NYC RESOURCE CORPORATION REVENUE BONDS (FAMILY LIFE ACADEMY CHARTER SCHOOL PROJECT)

INTRODUCTION

The following is a brief introduction as to certain matters discussed elsewhere in this Limited Offering Memorandum and is qualified in its entirety as to such matters by such discussion and the text of the actual documents described or referenced. Capitalized terms not defined herein have the meanings assigned in APPENDIX F or in any other document with respect to which the term is used. Definitions contained in the text hereof are for ease of reference only, and are qualified in their entirety by the definitions in APPENDIX F or the documents with respect to which such terms relate. The Appendices to this Limited Offering Memorandum are an integral part of this Limited Offering Memorandum and each potential investor should review the Appendices in their entirety.

General

Build NYC Resource Corporation, a not-for-profit local development corporation created pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York (the “**Issuer**”), will issue its (a) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”), in the aggregate principal amount of \$69,760,000; (b) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-2 (Taxable) (the “**Series 2020A-2 Bonds**” and together with the Series 2020A-1 Bonds, the “**Series 2020A Bonds**”), in the aggregate principal amount of \$2,125,000; (c) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”), in the aggregate principal amount of \$13,085,000; (d) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-2 (Taxable) (the “**Series 2020B-2 Bonds**” and together with the Series 2020B-1 Bonds, the “**Series 2020B Bonds**”), in the aggregate principal amount of \$340,000; (e) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), in the aggregate principal amount of \$38,175,000; and (f) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-2 (Taxable) (the “**Series 2020C-2 Bonds**” and together with the Series 2020C-1 Bonds, the “**Series 2020C Bonds**”), in the aggregate principal amount of \$1,620,000.

The Series 2020 Bonds will be issued pursuant to an Indenture of Trust, dated as of December 1, 2020 (the “**Indenture**”), by and between the Issuer and The Bank of New York Mellon, as trustee (the “**Trustee**”), including any amendments or supplements thereto. The Issuer will loan the proceeds of the Series 2020 Bonds (the “**Loan**”) to Highbridge Facilities, LLC (the “**Borrower**”), a Delaware limited liability company and a disregarded entity for federal income tax purposes whose sole member is HB Foundation, Inc. (the “**Member**”), a New York not-for-profit corporation and exempt from federal taxation pursuant to section 501(c)(3) of the Code, pursuant to a Loan Agreement, dated as of December 1, 2020 (the “**Loan Agreement**”), between the Issuer and the Borrower. The Borrower is a disregarded entity of the Member for federal tax purposes. See “APPENDIX F— FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES—Form of Loan Agreement” in this Limited Offering Memorandum.

Proceeds of each series of the Series 2020 Bonds will be used by the Borrower pursuant to the terms of the Loan Agreement as follows:

Series 2020A Bonds. Proceeds of the Series 2020A Bonds will be used by the Borrower to: (a) finance the acquisition by the Borrower of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement) facility, including parking (the “**FLACS IV Campus**”) located on such land, to serve as a new public charter school serving students in kindergarten through grade 8; (b) fund a debt service reserve fund for the benefit of the Series 2020A Bonds; (c) fund capitalized interest on the Series 2020A Bonds; and (d) pay for certain costs related to the issuance of the Series 2020A Bonds (collectively, the “**Series 2020A Project**”). The FLACS IV Campus will be owned by the Borrower and leased by the Borrower to Family Life Academy Charter School, a New York not-for-profit education corporation (the “**Charter School**” or “**FLACS**”) and also an organization described in Section 501(c)(3) of the Code for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS IV Lease**”).

Series 2020B Bonds. Proceeds of the Series 2020B Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York (the “**FLACS III Campus**”), which will continue serving as a public charter school operated by the Charter School serving students in kindergarten through grade 4; (b) fund a debt service reserve fund for the benefit of the Series 2020B Bonds; and (c) pay for certain costs related to the issuance of the Series 2020B Bonds (collectively, the “**Series 2020B Project**”). The FLACS III Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS III Lease**”).

Series 2020C Bonds. Proceeds of the Series 2020C Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street, Bronx, New York (the “**FLACS II MS Campus**” and together with FLACS IV and FLACS III, the “**Facilities**”), which will continue serving as a public charter school operated by the Charter School serving students in grades 5 through 8; (b) fund a debt service reserve fund for the benefit of the Series 2020C Bonds; and (c) pay for certain costs related to the issuance of the Series 2020C Bonds (collectively, the “**Series 2020C Project**” and together with the Series 2020A Project and the Series 2020B Project, the “**Series 2020 Project**”). The FLACS II MS Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS MS Lease**”).

The FLACS IV Lease, the FLACS III Lease and the FLACS MS Lease are collectively referred to herein as the “**Leases**” and will be entered into upon issuance of the Series 2020 Bonds. “THE SERIES 2020 PROJECT AND PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL” in this Limited Offering Memorandum.

Loan of Series 2020 Bond Proceeds; Mortgages and Other Security

Proceeds of the Series 2020 Bonds will be loaned by the Issuer to the Borrower pursuant to the Loan Agreement, and the Series 2020 Bonds will be payable primarily from and secured by a pledge of payments to be made by the Borrower (the “**Loan Payments**”) under the Loan Agreement and six certain Promissory Notes (one with respect to each subseries of Series 2020 Bonds) from the Borrower to the Issuer including the endorsement thereof from the Issuer to the Trustee (collectively, the “**Promissory Notes**”), which are required to be sufficient to pay when due the scheduled principal of, Sinking Fund Installments for, and interest on the Series 2020 Bonds and any Additional Bonds (collectively, the “**Bonds**”).

The Series 2020 Bonds will also be secured by (a) a Mortgage lien on and security interests in the Borrower's fee title interest in the Facilities pursuant to (i) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan), a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan), and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), recorded against the FLACS IV Campus (collectively, the **"FLACS IV Mortgages"**); (ii) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) recorded against the FLACS III Campus (collectively, the **"FLACS III Mortgages"**); and (iii) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) recorded against the FLACS II MS Campus (collectively, the **"FLACS MS Mortgages"**) and together with the FLACS IV Mortgages and the FLACS III Mortgages, the **"Mortgages"**; each dated as of December 1, 2020 and each from the Borrower to the Issuer and the Trustee; as assigned by the Issuer to the Trustee under the terms of (b) (i) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan), an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS IV Mortgages; (ii) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS III Mortgages; and (iii) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS MS Mortgages; each dated as of December 1, 2020 (collectively, the **"Assignment of Mortgages, Leases and Rents"**). See **"APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES"** in this Limited Offering Memorandum.

The Series 2020 Bonds are further secured by a lien and security interest in all assets of the Borrower pursuant to, and as defined in a certain Pledge and Security Agreement, dated as of December 1, 2020 (the **"Borrower Pledge and Security Agreement"**) from the Borrower to the Trustee. The Series 2020 Bonds are further secured by a lien and security interest in the Pledged Collateral pursuant to, and as defined in a certain Pledge and Security Agreement, dated as of December 1, 2020 (the **"Charter School Pledge and Security Agreement"**) and together with the Borrower Pledge and Security Agreement, the **"Pledge and Security Agreements"**) from the Charter School to the Trustee.

The Charter School will lease the Facilities from the Borrower pursuant to the Leases. The amounts payable by the Charter School under the Leases (the **"Rents"** or **"Lease Rental Payments"**) will be in amounts totaling not less than the debt service on the Series 2020 Bonds as the same become due and payable, but without acceleration. The Borrower will enter into a Depositary Agreement, dated as of December 22, 2020 (the **"Borrower Depositary Agreement"**), by and between the Borrower and The Bank of New York Mellon as depository bank (the **"Depositary Bank"**) for the creation of a deposit account (the **"Borrower Account"**) for the deposit of certain funds received by the Borrower, including but not limited to Rents under the Leases from the Charter School. The Charter School will enter into a Depositary Agreement, dated as of December 22, 2020 (the **"Charter School Depositary Agreement"**) and together with the Borrower Depositary Agreement, the **"Depositary Agreements"**), by and between the Charter School and the Depositary Bank for the creation of a deposit account (the **"Charter School Custodial Account"**) for the deposit of certain funds received by the Charter School.

Pursuant to the terms of the Deposit Account Control Agreement (the **"Borrower DACA"**) dated as of December 1, 2020, by and among the Trustee, as secured party thereunder, the Borrower and the

Depository Bank, the Borrower will grant a security interest in the Borrower Account to the Trustee and authorize the Trustee to transfer the amounts required under the Indenture and the Loan Agreement to the Revenue Fund established under the Indenture. Additionally, the Charter School has agreed pursuant to the Covenant Agreement to deposit its State Payments generated from the operations of FLACS II MS Campus, FLACS III Campus, and FLACS IV Campus (the “**Obligated Group**”) directly to Charter School Custodial Account. Rents are to be paid from the Charter School Custodial Account into the Revenue Fund created under the Indenture. Following the payment of such Rent, the Charter School may transfer funds on deposit in the Charter School Custodial Account to its operating accounts subject to: (i) a Deposit Account Control Agreement (the “**Charter School DACA I**”) dated December 1, 2020, by and among the Trustee, as secured party thereunder, the Charter School and Ponce Bank, a federally chartered bank, as depository bank (“**DACA Bank**”) and (ii) a Deposit Account Control Agreement (the “**Charter School DACA II**”) and together with the Charter School DACA I, the “**Charter School DACAs**”) dated December 1, 2020, by and among the Trustee, as secured party thereunder, the Charter School and Depository Bank, to which the Charter School Custodial Account is subject. Upon an Event of Default, the Trustee may exercise control of and have the right to make withdrawals from the Borrower Account and the Charter School Custodial Account subject to the Borrower DACA and the Charter School DACAs pursuant to the terms thereof. In the event that the deposits in the Revenue Fund are insufficient to satisfy the Borrower’s obligation to make all payments due under the Loan Agreement on each Loan Payment Date, the Trustee shall be entitled to immediately direct the Depository Bank to transfer from the Charter School Custodial Account the amount of such shortfall. In addition, upon an Event of Default under the Security Documents, the Trustee may exercise control of and have the right to make withdrawals from the operating accounts subject to the Charter School DACAs pursuant to the terms thereof.

All obligations of the Charter School due under the Leases are obligations of the Obligated Group payable from Pledged Revenues, State Payments relating to the Obligated Group and amounts held in the Charter School Custodial Account or in accounts subject to the Charter School DACAs. Pledged Revenue is defined in the Covenant Agreement as the Gross Revenues of the Charter School generated from the Obligated Group and deposited into the Charter School Custodial Account, excepting therefrom Gross Revenues received that are directly allocable to enrollment at the FLACS I Facility and FLACS II Facility, provided that, beginning with Fiscal Year ending June 30, 2023 and ending when no students from the FLACS I Facility are resident at the FLACS IV Facility, all Gross Revenues allocable to the FLACS I students shall be deposited into the Charter School Custodial Account (collectively, “**Pledged Revenues**”). State Payments are not pledged under the Covenant Agreement or the Leases.

Pursuant to the Indenture, the Issuer will pledge to the Trustee, for the benefit of the holders of the Series 2020 Bonds, all of its interest in the Promissory Notes and all of its right, title and interest in and to the Loan Agreement and the amounts payable thereunder (other than the Issuer’s Reserved Rights) to secure payment of the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the Series 2020 Bonds. The obligation of the Borrower to make Loan Payments under the Loan Agreement and the Promissory Notes is an absolute and unconditional obligation of the Borrower. However, the Borrower will not have any other sources of revenue to make its Loan Payments other than the Lease Rental Payments received from the Charter School under the Leases, and the ability of the Borrower to generate additional revenues is limited in the event that the Education Aid payments and Facilities Access Payments (as defined herein) received by the Charter School are not sufficient to make the required payments of Lease Rental Payments under the Leases. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS” in this Limited Offering Memorandum.

Leases

Pursuant to the Leases, the Borrower, upon purchase of the Leased Property on the Closing Date, using proceeds of the Series 2020 Bonds, will lease each of the Facilities to the Charter School. Upon

construction of the FLACS IV Campus, which is currently scheduled to be completed in two phases with the first phase scheduled for September 6, 2022 (for floors 1 and 2) and the second phase schedule for December 29, 2022 (for the completion of the remainder of floors 3 through 6, courtyard and site work), the Charter School will operate its kindergarten through grade 8 public charter school at the FLACS IV Campus. The Charter School will continue to operate its public schools at the FLACS III Campus and the FLACS II MS Campus. The Lease Rental Payments due from the Charter School to the Borrower under the Leases will be in amounts anticipated to be sufficient to make Loan Payments under the Loan Agreement on each July 5, September 5, November 5, January 5, March 5, and May 5, commencing January 5, 2021. Each Lease contains a fixed rent payment schedule which provides for Lease Rental Payments in an amount and at such times to pay the required debt service on the Series 2020 Bonds. Interest will be capitalized on the Series 2020A Bonds during construction from the Closing Date until December 1, 2023, in part.

Lease Rental Payments include Base Rents and Additional Rents. Pursuant to the Leases, Base Rent means the fixed amounts set forth in an Exhibit attached thereto (the **“Base Rent”**). The Borrower directs the Charter School to pay all Base Rent in immediately available funds directly to the Trustee on behalf of the Borrower by electronic transfer as set forth in the Covenant Agreement and all other Rent due to Borrower under the Lease shall be timely paid to the Borrower by electronic transfer to an account designated by Borrower pursuant to written instructions provided in advance by Borrower to Charter School or by check. The Base Rent has been calculated to provide amounts which will be sufficient to pay scheduled payments on the Bonds as the same matures and comes due. If on any Interest Payment Date the amount on deposit in the Bond Fund under the Indenture is not sufficient to pay debt service on the Bonds due and payable on such Interest Payment Date, the Charter School shall immediately deposit the amount of such deficiency in the Bond Fund. The Leases are a triple net lease, and the Charter School is to pay on or before the date when same shall be due as additional rent all amounts owed in connection with the operation of the Facilities including, but not limited to the cost of all taxes; insurance premiums; reasonable expenses and fees of the Issuer, the Trustee and the Borrower (including, but not limited to, filing fees, licenses, permits, any legal expenses incurred by the Borrower, or its officers or directors in their official or personal capacity, and other expenses of the Borrower incurred in the performance of its obligations under the Loan Agreement, including payment of the Default Rate); any fees of an Independent Consultant; utility charges; costs of maintenance, upkeep, repair, restoration, modification, improvement and replacement; Rebate Fund payments; payments into the Repair and Replacement Fund required under the Covenant Agreement in excess of amounts paid as Base Rent; costs and expenses incurred by the Borrower or by its directors or officers in connection with any investigation, claim, demand, suit, action or proceeding relating to the activities of the Borrower or such directors or officers in their capacity as such, in respect of the Leased Property, the Bonds, the Lease, the Loan Agreement, the Indenture or any matter related thereto; the fees of any Rating Agency then maintaining a rating on the Bonds; and all other charges and costs, including reasonable attorneys’ fees, which the Charter School assumes or agrees to pay under the Leases with respect to the Leased Property, the Bonds, the Lease, the Loan Agreement, the Indenture or any matter related thereto (collectively **“Additional Rent”**). Additional Rent does not include the Base Rent.

Guaranties

Pursuant to the FLACS IV Guaranty Agreement, dated as of December 1, 2020 (the **“FLACS IV Guaranty Agreement”**), by the Charter School, as a condition to issue the Series 2020 Bonds and to loan the proceeds thereof to the Borrower, and to mitigate the construction risk for the FLACS IV Facility, the Charter School absolutely and unconditionally guarantees to the Trustee, for benefit of the Beneficial Owners from time to time of the Series 2020 Bonds, the full and prompt payment of: (a) principal of the Promissory Notes and the premium (if any) payable upon redemption thereof, as and when the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise; (b) the interest on the Promissory Notes, as and when the same shall become due; and (c) any and all other

amounts due and payable by the Borrower under the Loan Agreement or any other document, including without limitation, all amounts which may be payable pursuant to the Loan Agreement. The obligation of the Charter School to make payments under the FLACS IV Guaranty Agreement are payable from any and all assets of the Charter School without limitation as to source. Pursuant to the Obligated Group Guaranty Agreement, dated as of December 1, 2020 (the “**Obligated Group Guaranty Agreement**” and together with the FLACS IV Guaranty, the “**Guaranties**”), by the Charter School, as a condition to issue the Series 2020 Bonds and to loan the proceeds thereof to the Borrower, the Charter School absolutely and unconditionally guarantees to the Trustee, for benefit of the Beneficial Owners from time to time of the Series 2020 Bonds, the full and prompt payment of: (a) (b) and (c) described above, provided that the obligation of the Charter School to make payments under the Obligated Group Guaranty Agreement are payable solely from the pledged revenues of the charter schools operating at the FLACS IV Campus, FLACS III Campus, and FLACS II MS Campus (the “**Obligated Group**”) and any State Payments of the Charter School from the Obligated Group. The obligations of the Charter School shall attach absolutely and unconditionally when the Series 2020 Bonds will have been sold and delivered to the original purchasers thereof.

Continuing Disclosure

The Borrower and the Charter School will agree in the Continuing Disclosure Agreement to provide certain annual financial reports, quarterly financial reports and notices of certain other events with respect to the Series 2020 Bonds. See “CONTINUING DISCLOSURE” in this Limited Offering Memorandum.

Special Covenants of the Charter School; Additional Indebtedness

Pursuant to the Covenant Agreement, the Charter School will make certain covenants for the benefit of the Trustee, including that the Charter School will comply with the terms of the Leases, for the benefit of the holders of the Series 2020 Bonds and any Additional Bonds issued under the Indenture. The Covenant Agreement requires the Charter School to comply with certain financial covenants and places certain restrictions on the incurrence of indebtedness by the Charter School. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS” in this Limited Offering Memorandum.

Bondholders’ Risks

Certain risks associated with an investment in the Series 2020 Bonds are discussed under “RISK FACTORS” in this Limited Offering Memorandum. Other risks may exist which are not discussed within “RISK FACTORS”.

Miscellaneous

This Limited Offering Memorandum (including the Appendices hereto) contains descriptions of, among other matters, the Indenture, the Loan Agreement, the Mortgages, the Leases, the Assignment of Mortgages, Leases and Rents, the Pledge and Security Agreements, the Charter School DACAs, the Covenant Agreement, the Continuing Disclosure Agreement, the Issuer, the Facilities, the Series 2020 Project, the Borrower, the Charter School, the Member and the Series 2020 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references to documents described herein are qualified in their entirety by reference to such documents, copies of which are available for inspection at the designated corporate trust office of the Trustee.

THE ISSUER

The Issuer, created in 2011, is a not-for-profit local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law 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 authorized by the Not-For-Profit Corporation Law of the State and the Issuer’s Certificate of Incorporation to promote community and economic development, and the creation of jobs in the non-profit and profit sectors for residents of the City by developing and providing programs for not-for-profit borrowers, manufacturing and industrial businesses and other entities to access low interest tax-exempt and non-tax-exempt financing for their eligible projects.

The Issuer has offered and plans to offer other obligations from time to time to finance projects for other not-for-profit borrowers and, under certain circumstances, manufacturing and industrial businesses, with respect to facilities located in the City. Such obligations have been and will be issued pursuant to and secured by instruments separate and apart from the Indenture.

The Issuer has not prepared or assisted in the preparation of this Limited Offering Memorandum, except for statements under the sections captioned “THE ISSUER” and “ABSENCE OF MATERIAL LITIGATION—The Issuer” and, except as aforesaid, the Issuer is not responsible for any statements made in this Limited Offering Memorandum. Except for the execution and delivery of documents required to effect the issuance of the Series 2020 Bonds, the Issuer has not otherwise assisted in the public offer, sale or distribution of the Series 2020 Bonds. Accordingly, except as aforesaid, the Issuer disclaims responsibility for the disclosures set forth in this Limited Offering Memorandum or otherwise made in connection with the offer, sale and distribution of the Series 2020 Bonds.

The Series 2020 Bonds are special limited revenue obligations of the Issuer payable solely from the payments made by the Borrower under the Loan Agreement and the Promissory Notes and from the Trust Estate as described in the Indenture. The Issuer has no taxing power. Neither the Issuer nor its members, directors, officers, agents, employees or representatives are personally liable with respect to the Series 2020 Bonds. Accordingly, no financial information with respect to the Issuer or its members, directors, officers, agents, employees or representatives has been included in this Limited Offering Memorandum.

THE BORROWER

The Borrower is a limited liability company whose sole member is the Member. The Member is a New York not-for-profit corporation formed in 2020. The Member is an organization described in Section 501(c)(3) of the Code which is exempt from federal income taxation under Section 501(a) of the Code (except with respect to “unrelated business taxable income” within the meaning of Section 512(a) of the Code) and which is not a “private foundation” as defined in Section 509(a) of the Code. The Borrower is a disregarded entity of the Member for federal tax purposes.

THE CHARTER SCHOOL

The Charter School is a New York not-for-profit education corporation organized under Article 56 of the New York Education Law, as amended (the “**Charter Schools Act**”), and an organization described in Section 501(c)(3) of the Code. The Charter School currently operates three charter schools within the boundaries of New York City Community School District No. 7 (the “**7th District**”) and Community School District No. 9 (the “**9th District**”) in the Bronx, in the State of New York (the “**State**”), offering kindergarten through grade 8. The Charter School was authorized on May 14, 2001 by the State University of New York Board of Trustees (the “**Authorizer**”) to operate a charter school.

The Charter School is an organization described in Section 501(c)(3) of the Code which is exempt from federal income taxation under Section 501(a) of the Code (except with respect to “unrelated business taxable income” within the meaning of Section 512(a) of the Code) and which is not a “private foundation” as defined in Section 509(a) of the Code. The Charter School operates as a New York not-for-profit education corporation and as such is governed by the law applicable to such entities and its Charter and bylaws. The Charter School’s bylaws provide that the Charter School is managed and controlled by a Board of Trustees. For more information with respect to the Charter School and its history and operations, see “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL” in this Limited Offering Memorandum. The Charter School will have no obligations under the Loan Agreement or under the Promissory Notes to make Loan Payments under the Loan Agreement or pay debt service on the Series 2020 Bonds.

See “THE CHARTER SCHOOL” and “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL” in this Limited Offering Memorandum. See also “CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK” and “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW” in this Limited Offering Memorandum.

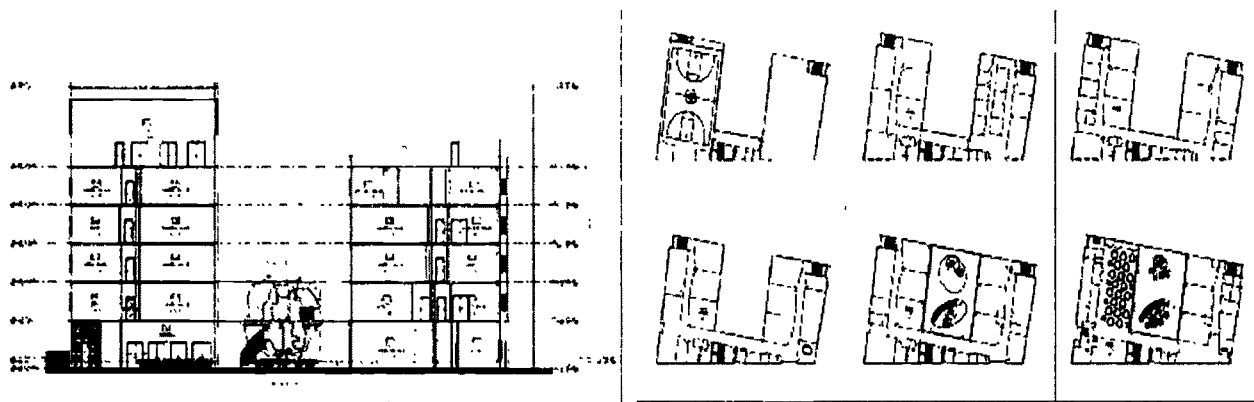
THE SERIES 2020 PROJECT AND PLAN OF FINANCE

Use of Proceeds of the Series 2020A Bonds. Proceeds of the Series 2020A Bonds will be used by the Borrower to: (a) finance the acquisition by the Borrower of an approximately 18,000 square foot parcel of land located (the “**FLACS IV Campus Site**”) at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement) facility, including parking located on such land, to serve as a new public charter school serving students in kindergarten through grade 8; (b) fund a debt service reserve fund for the benefit of the Series 2020A Bonds; (c) fund capitalized interest on the Series 2020A Bonds; and (d) pay for certain costs related to the issuance of the Series 2020A Bonds.

On March 4, 2020, the Borrower entered into a Purchase and Sale Agreement and Joint Escrow Instructions with 1926 Elmsmere Inc. (the “**Seller**”), which has been amended from time to time, for the acquisition of the FLACS IV Campus Site, for a purchase price, as amended, equal to \$13,000,000.

Following the acquisition of the FLACS IV Campus Site, the existing parking lot will be demolished and the existing shed and asphalt removed, and the FLACS IV Campus will be constructed thereon. As currently planned, the FLACS IV Campus will consist of approximately 70,000 square feet containing six floors above grade and a courtyard playground area. The FLACS IV Campus is currently planned to include 27 classrooms and accommodate approximately 756 students. Additionally, the FLACS IV Campus is planned to include a main entry with security, a cafetorium with stage and a full-service kitchen, elective specialty classrooms, special education/ESL, and administrative and guidance offices, an enclosed gym and the opportunity for a future roof playground area as the student population grows. Additionally, the FLACS IV Campus will include the implementation of a Remedial Action Work Plan with the New York City Office of Environmental Remediation including the installation of an active vapor detection system. SEE “RISK FACTORS—Hazardous Materials” in this Limited Offering Memorandum.

The following is a rendering of the FLACS IV Campus.



See “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL—PLAN OF FINANCE—The Facilities” in this Limited Offering Memorandum. The approximate budget for the FLACS IV Campus is set forth below:

Project Budget

Site Acquisition	\$12,985,694.43
Guaranteed Maximum Price	34,050,530.00
Other Project Costs, Including Soft Costs	2,816,119.79
Developer Fee	<u>4,200,000.00</u>
Total	<u>\$54,052,344.22</u>

FLACS IV Project Development, LLC (the “Developer”), a Utah limited liability company, will be the developer of the FLACS IV Campus, and Gilbane Building Company, a Rhode Island business corporation, will be the design-builder that will construct the Facilities for an amount not to exceed \$34,050,530, pursuant to a guaranteed maximum price contract (i.e., ConsensusDocs 410 Standard Design-Build Agreement and General Conditions Between Owner and Design-Builder (Cost of the Work Plus a Fee with a GMP)), subject to any change orders and terms and provisions contained therein, and anticipated to be executed on or before the Closing Date. Construction of the FLACS IV Campus is planned to be completed in phases pursuant to the GMP. The GMP provides that the date of substantial completion for the work to be September 6, 2022 for the Temporary Certificate of Occupancy (“TCO”) for Floors 1 and 2 of the FLACS IV Campus, including all sign-offs and approvals on all life safety systems, elevator, and other systems required for issuance of such TCO, and December 29, 2022 for all other work, including TCO for Floors 3 through 6, roof areas, courtyard, site work, etc. Pursuant to the Loan Agreement, the completion deadline for the FLACS IV Campus will be December 17, 2023. Failure to meet the Completion Deadline may lead to a default or Event of Default under the Security Documents. Enforcement of certain remedies will be limited for certain defaults until the earlier to occur of (i) December 31, 2024 or (ii) the Project Completion Date of the FLACS IV Campus as evidenced by the completion certificate and other documents required by the Loan Agreement (the “**Limited Enforcement Period**”). For more information, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – Enforcement of Remedies.”

The 1st and 2nd floors are planned to contain 9 typical classrooms for grades kindergarten through second, a cafeteria, an art and music room, restrooms and office space and will accommodate approximately 230 students.

Additionally, the Developer and the Borrower have entered into a Construction Disbursement and Monitoring Agreement (the “**Construction Monitoring Agreement**”) dated as of December 1, 2020, with Anser Advisory LLC (the “**Construction Monitor**”) in order to monitor the construction of the FLACS IV Campus.

Use of Proceeds of the Series 2020B Bonds. Proceeds of the Series 2020B Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York, which will continue serving as a public charter school operated by the Charter School serving students in kindergarten through grade 4; (b) fund a debt service reserve fund for the benefit of the Series 2020B Bonds; and (c) pay for certain costs related to the issuance of the Series 2020B Bonds. The Charter School has been operating in the FLACS III Campus pursuant to a lease agreement with RM FLACS III NY LLC (the “**Seller**”). The Charter School and the Seller have agreed to a purchase price of \$12,292,086 for the FLACS III Campus, which is subject to adjustment.

The FLACS III Campus was renovated in 2016 prior to opening in the fall and consists of an approximately 20,000 square foot building containing 4-stories. The FLACS III Campus includes a reception area and a security check point at the entry lobby, a multipurpose room, which serves as dining and physical education space, office space, space for special education services, a nurse station, and 12 classrooms. The FLACS III Campus can accommodate approximately 340 students.

Below is a rendering of the FLACS III Campus.



Use of proceeds of the Series 2020C Bonds. Proceeds of the Series 2020C Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street, Bronx, New York, which will continue serving as a public charter school operated by the Charter School serving students in grades 5 through 8; (b) fund a debt service reserve fund for the benefit of the Series 2020C Bonds; and (c) pay for certain costs related to the issuance of the Series 2020C Bonds. The FLACS II MS Campus was constructed in 2019 and consists of a 55,000 square foot building containing 4-stories with cellar, network, office and a mechanical penthouse. The FLACS II MS Campus includes regulation sized gym that also serves as an auditorium with a full stage where music and visual arts are performed, a cafeteria, full kitchen, nursing and other

auxiliary support area, 26 classrooms, 2 dedicated art rooms, 2 dedicated science rooms, special education/ESL and administration on each floor. The FLACS II MS Campus can accommodate 728 students.

Below is a rendering of the FLACS II MS Campus.



The Charter School has been operating in the FLACS II MS Campus pursuant to a project loan agreement with RM FLACS II MS NY LLC (the “**FLACS II MS Seller**”). The Charter School and the FLACS II MS Seller have agreed to a purchase price of \$36,451,215, plus seller costs, for the FLACS III Campus.

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SOURCES AND USES OF FUNDS

Following are the estimated sources and uses for funds (excluding investment income) associated with the Series 2020 Project and the issuance of the Series 2020 Bonds:

Sources of Funds

Series 2020A Bond Proceeds	\$ 71,885,000.00
Series 2020B Bond Proceeds	13,425,000.00
Series 2020C Bond Proceeds	39,795,000.00
Net Original Issue Premium	<u>1,348,797.90</u>
Total Sources of Funds	<u>\$126,453,797.90</u>

Uses of Funds

Acquisition of the FLACS IV Campus Land	\$ 12,985,694.43
Construction of FLACS IV Campus	36,866,649.79
Developer Fee – FLACS IV Campus	4,200,000.00
Acquisition of FLACS III Campus	12,300,986.00
Acquisition of FLACS II MS Campus	36,460,865.00
Deposit to the Series 2020A Capitalized Interest Account	10,028,791.61
Deposit to Debt Service Reserve Fund	8,212,125.00
Costs of Issuance and Real Estate Closing Costs ¹	<u>5,398,686.07</u>
Total Uses of Funds	<u>\$126,453,797.90</u>

¹ Includes Underwriter's compensation, legal fees and expenses, printing, title insurance, Trustee fees, Issuer fees, accountant fees, real estate costs and other expenses associated with the issuance of the Series 2020 Bonds.

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DEBT SERVICE SCHEDULE

The tables below set forth the amounts required to be paid with respect to each of the Series 2020A Bonds, the Series 2020B Bonds and the Series 2020C Bonds, as well as a combined table, setting forth aggregate debt service on the Series 2020 Bonds, assuming no prepayments or redemption prior to maturity. All amounts shown in the table below are gross debt service prior to the application of any earnings on amounts deposited in the Funds and Accounts established under the Indenture. Interest on the Series 2020 Bonds will be paid on June 1 and December 1 of each year, commencing June 1, 2021. Principal of the Series 2020 Bonds will be paid on June 1 of each year, commencing June 1, 2022.

Year Ending (June 30)	Series 2020A-1 Bonds		Series 2020A-2 Bonds		Total Debt Service
	Principal Amount	Interest Amount	Principal Amount	Interest Amount	
2021	--	\$ 1,672,095	--	\$ 49,273	\$ 1,721,368
2022	--	3,785,875	--	111,563	3,897,438
2023	--	3,785,875	--	111,562	3,897,437
2024	--	3,785,875	--	111,563	3,897,438
2025	--	3,785,875	--	111,562	3,897,437
2026	--	3,785,875	\$1,025,000	111,563	4,922,438
2027	--	3,785,875	1,080,000	57,750	4,923,625
2028	\$ 1,115,000	3,785,875	20,000	1,050	4,921,925
2029	1,190,000	3,727,337	--	--	4,917,337
2030	1,255,000	3,664,863	--	--	4,919,863
2031	1,320,000	3,598,975	--	--	4,918,975
2032	1,390,000	3,529,675	--	--	4,919,675
2033	1,465,000	3,456,700	--	--	4,921,700
2034	1,540,000	3,379,787	--	--	4,919,787
2035	1,620,000	3,298,938	--	--	4,918,938
2036	1,705,000	3,213,887	--	--	4,918,887
2037	1,795,000	3,124,375	--	--	4,919,375
2038	1,890,000	3,030,138	--	--	4,920,138
2039	1,990,000	2,930,912	--	--	4,920,912
2040	2,095,000	2,826,438	--	--	4,921,438
2041	2,205,000	2,716,450	--	--	4,921,450
2042	2,325,000	2,595,175	--	--	4,920,175
2043	2,455,000	2,467,300	--	--	4,922,300
2044	2,590,000	2,332,275	--	--	4,922,275
2045	2,730,000	2,189,825	--	--	4,919,825
2046	2,880,000	2,039,675	--	--	4,919,675
2047	3,040,000	1,881,275	--	--	4,921,275
2048	3,205,000	1,714,075	--	--	4,919,075
2049	3,380,000	1,537,800	--	--	4,917,800
2050	3,570,000	1,351,900	--	--	4,921,900
2051	3,765,000	1,155,550	--	--	4,920,550
2052	3,970,000	948,475	--	--	4,918,475
2053	4,190,000	730,125	--	--	4,920,125
2054	4,420,000	499,675	--	--	4,919,675
2055	<u>4,665,000</u>	<u>256,575</u>	--	--	<u>4,921,575</u>
Total	<u>\$69,760,000</u>	<u>\$92,371,395</u>	<u>\$2,125,000</u>	<u>\$665,886</u>	<u>\$164,922,281</u>

Year Ending (June 30)	Series 2020B-1 Bonds		Series 2020B-2 Bonds		Total Debt Service
	Principal Amount	Interest Amount	Principal Amount	Interest Amount	
2021	--	\$ 288,960	--	\$ 7,884	\$ 296,844
2022	--	654,250	\$155,000	17,850	827,100
2023	--	654,250	165,000	9,712	828,962
2024	\$ 155,000	654,250	20,000	1,050	830,300
2025	185,000	646,500	--	--	831,500
2026	190,000	637,250	--	--	827,250
2027	200,000	627,750	--	--	827,750
2028	210,000	617,750	--	--	827,750
2029	220,000	607,250	--	--	827,250
2030	235,000	596,250	--	--	831,250
2031	245,000	584,500	--	--	829,500
2032	255,000	572,250	--	--	827,250
2033	270,000	559,500	--	--	829,500
2034	285,000	546,000	--	--	831,000
2035	300,000	531,750	--	--	831,750
2036	315,000	516,750	--	--	831,750
2037	330,000	501,000	--	--	831,000
2038	345,000	484,500	--	--	829,500
2039	360,000	467,250	--	--	827,250
2040	380,000	449,250	--	--	829,250
2041	400,000	430,250	--	--	830,250
2042	420,000	410,250	--	--	830,250
2043	440,000	389,250	--	--	829,250
2044	460,000	367,250	--	--	827,250
2045	485,000	344,250	--	--	829,250
2046	510,000	320,000	--	--	830,000
2047	535,000	294,500	--	--	829,500
2048	560,000	267,750	--	--	827,750
2049	590,000	239,750	--	--	829,750
2050	620,000	210,250	--	--	830,250
2051	650,000	179,250	--	--	829,250
2052	680,000	146,750	--	--	826,750
2053	715,000	112,750	--	--	827,750
2054	750,000	77,000	--	--	827,000
2055	790,000	39,500	--	--	829,500
Total	<u>\$13,085,000</u>	<u>\$15,025,960</u>	<u>\$340,000</u>	<u>\$36,496</u>	<u>\$28,487,456</u>

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Year Ending (June 30)	Series 2020C-1 Bonds		Series 2020C-2 Bonds		Total Debt Service
	Principal Amount	Interest Amount	Principal Amount	Interest Amount	
2021	--	\$ 843,031	--	\$ 37,564	\$ 880,595
2022	--	1,908,750	\$ 465,000	85,050	2,458,800
2023	--	1,908,750	490,000	60,637	2,459,387
2024	--	1,908,750	515,000	34,912	2,458,662
2025	\$ 390,000	1,908,750	150,000	7,875	2,456,625
2026	570,000	1,889,250	--	--	2,459,250
2027	600,000	1,860,750	--	--	2,460,750
2028	630,000	1,830,750	--	--	2,460,750
2029	660,000	1,799,250	--	--	2,459,250
2030	690,000	1,766,250	--	--	2,456,250
2031	725,000	1,731,750	--	--	2,456,750
2032	760,000	1,695,500	--	--	2,455,500
2033	800,000	1,657,500	--	--	2,457,500
2034	840,000	1,617,500	--	--	2,457,500
2035	885,000	1,575,500	--	--	2,460,500
2036	925,000	1,531,250	--	--	2,456,250
2037	975,000	1,485,000	--	--	2,460,000
2038	1,020,000	1,436,250	--	--	2,456,250
2039	1,070,000	1,385,250	--	--	2,455,250
2040	1,125,000	1,331,750	--	--	2,456,750
2041	1,180,000	1,275,500	--	--	2,455,500
2042	1,240,000	1,216,500	--	--	2,456,500
2043	1,305,000	1,154,500	--	--	2,459,500
2044	1,370,000	1,089,250	--	--	2,459,250
2045	1,435,000	1,020,750	--	--	2,455,750
2046	1,510,000	949,000	--	--	2,459,000
2047	1,585,000	873,500	--	--	2,458,500
2048	1,665,000	794,250	--	--	2,459,250
2049	1,745,000	711,000	--	--	2,456,000
2050	1,835,000	623,750	--	--	2,458,750
2051	1,925,000	532,000	--	--	2,457,000
2052	2,020,000	435,750	--	--	2,455,750
2053	2,125,000	334,750	--	--	2,459,750
2054	2,230,000	228,500	--	--	2,458,500
2055	<u>2,340,000</u>	<u>117,000</u>	<u>--</u>	<u>--</u>	<u>2,457,000</u>
Total	<u>\$38,175,000</u>	<u>\$44,427,531</u>	<u>\$1,620,000</u>	<u>\$226,039</u>	<u>\$84,448,569</u>

Year Ending (June 30)	Series 2020 Bonds		Total Debt Service
	Principal Amount	Interest Amount	
2021	--	\$ 2,898,807	\$ 2,898,807
2022	\$ 620,000	6,563,337	7,183,337
2023	655,000	6,530,787	7,185,788
2024	690,000	6,496,400	7,186,400
2025	725,000	6,460,563	7,185,563
2026	1,785,000	6,423,937	8,208,937
2027	1,880,000	6,332,125	8,212,125
2028	1,975,000	6,235,425	8,210,425
2029	2,070,000	6,133,838	8,203,838
2030	2,180,000	6,027,362	8,207,362
2031	2,290,000	5,915,225	8,205,225
2032	2,405,000	5,797,425	8,202,425
2033	2,535,000	5,673,700	8,208,700
2034	2,665,000	5,543,288	8,208,288
2035	2,805,000	5,406,187	8,211,187
2036	2,945,000	5,261,888	8,206,888
2037	3,100,000	5,110,375	8,210,375
2038	3,255,000	4,950,887	8,205,887
2039	3,420,000	4,783,413	8,203,413
2040	3,600,000	4,607,437	8,207,437
2041	3,785,000	4,422,200	8,207,200
2042	3,985,000	4,221,925	8,206,925
2043	4,200,000	4,011,050	8,211,050
2044	4,420,000	3,788,775	8,208,775
2045	4,650,000	3,554,825	8,204,825
2046	4,900,000	3,308,675	8,208,675
2047	5,160,000	3,049,275	8,209,275
2048	5,430,000	2,776,075	8,206,075
2049	5,715,000	2,488,550	8,203,550
2050	6,025,000	2,185,900	8,210,900
2051	6,340,000	1,866,800	8,206,800
2052	6,670,000	1,530,975	8,200,975
2053	7,030,000	1,177,625	8,207,625
2054	7,400,000	805,175	8,205,175
2055	7,795,000	413,075	8,208,075
TOTALS	<u>\$125,105,000</u>	<u>\$152,753,307</u>	<u>\$277,858,307</u>

CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK

This section provides a brief overview of New York’s current system for funding charter schools. Prospective purchasers of the Series 2020 Bonds should note that the overview contained below and the summary of relevant New York state law provisions contained in APPENDIX B hereto are provided for the convenience of prospective purchasers but are not and do not purport to be comprehensive. Potential purchasers should note that the law applicable to charter schools in New York has developed over time and is subject to further changes in the future. See “RISK FACTORS—Changes in Law; Annual Appropriation; Inadequate Education Aid Payments” in this Limited Offering Memorandum.

General

Charter schools in New York are eligible to receive funds from State, federal and private sources. The principal source of charter school funding in New York is “Charter School Basic Tuition” which is

paid directly to a charter school by the school district of residence of each student enrolled in the charter school. The enrollment of students attending charter schools is included in the enrollment, attendance, membership and, if applicable, count of students with disabilities of the school district in which the pupil resides. The amount of Charter School Basic Tuition for a particular school year paid by a school district is derived from formulas based on the school district's "Expense Per Pupil" as defined in the State Education Law. See "Charter School Basic Tuition" below for a more detailed description. In addition, the school district of residence of a student with a disability attending a charter school is required to pay directly to such charter school any federal or state aid attributable to such student in proportion to the level of services for such student with a disability that the charter school provides directly or indirectly. Such amounts may be reduced pursuant to an agreement between the school and the charter entity as set forth in the charter. See "Federal and State Aid Attributable to a Student with a Disability" below for further detail. In the event a school district fails to make the payments described above, the State comptroller is directed to deduct from any State funds which become due to such school district an amount equal to the unpaid obligation, which the State comptroller will then pay to the charter school. In 2014, the Charter Schools Act was amended to provide for facilities assistance to charter schools under certain circumstances. Such assistance may be in the form of co-located space within a school district facility, alternative private space or, under certain circumstances, rental subsidy payments in an amount determined pursuant to the Charter Schools Act. See "Facilities Access Payments/Rental Assistance" below for a more detailed description. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW" in this Limited Offering Memorandum.

Facilities Access Payments/Rental Assistance

In March 2014, Section 2853 of the Charter Schools Act was amended to grant a subset of New York charter schools a new statutory right to request access to facilities. Charter schools in New York City that commenced instruction or added grade levels in the 2014-2015 school year or thereafter are eligible to request co-location within a public school building. Upon such request, such charter school must be provided access to facilities pursuant to the Charter Schools Act, either in co-located space in a school district building, alternative private space provided by the school district at no cost to the charter school, or, upon a successful appeal by the charter school, in the form of rental assistance payments from the school district ("**Facilities Access Payments**"). For eligible charter schools that have expanded grade levels during the 2014-2015 school year or thereafter, the Facilities Access Payments are calculated, as described below, based on increases in enrollment from the school year prior to the first year of the expansion to the current school year.

FLACS is eligible to receive certain rental assistance payments from the NYC school district. FLACS receives Facilities Access Payments in the yearly amount of approximately \$4,830 per student for use of the FLACS III Campus and FLACS II MS Campus. FLACS is budgeting to receive Facilities Access Payments in the yearly amount of approximately \$3,772,080 for the 2020-2021 school year for FLACS III Campus and FLACS II MS Campus.

The amount of Facilities Access Payments is determined pursuant to a formula set forth in the Charter Schools Act. The maximum amount of Facilities Access Payments available to eligible New York City charter schools for the 2020-2021 school year is 30% of the per pupil funding (approximately \$4,836), to the extent such amount does not exceed actual rental costs. See "CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK—Facilities Access Payments/Rental Assistance," "APPENDIX C—BUDGET PROJECTION," and "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW" in this Limited Offering Memorandum for a more detailed discussion of Facilities Access Payments.

The amount of Facilities Access Payments is determined pursuant to a formula set forth in the Charter Schools Act. If an appeal of a school district's offer or failure to offer a co-location site in response to a charter school's request results in a determination in favor of the charter school, the city school district will pay the charter school an amount attributable to the grade level expansion or the formation of the new charter school that is equal to the lesser of:

- (a) the actual rental cost of an alternative privately owned site selected by the charter school, or
- (b) 30% of the product of the Charter School Basic Tuition for the current school year and (i) for a new charter school that first commences instruction on or after July 1, 2014, the charter school's current year enrollment; or (ii) for a charter school which expands its grade level, pursuant to the Charter Schools Act, the positive difference of the charter school's enrollment in the current school year minus the charter school's enrollment in the school year prior to the first year of the expansion.

A 2017 amendment to the Charter Schools Act increased the percentage in (b) above from 20% to 30%. Further, pursuant to the Charter Schools Act, there have been annual adjustments to the calculation of Charter School Basic Tuition, which have resulted in increases to the amount of Facilities Access Payments available to eligible New York City charter schools, to the extent such amount does not exceed a charter school's actual rental costs. Such available amounts of Facilities Access Payments have been as follows: (a) 2017-2018 school year, approximately \$4,350 per pupil; (b) 2018-2019 school year, approximately \$4,590 per pupil; (c) 2019-2020 school year, approximately \$4,836 per pupil; and (d) 2020-2021 school year, is currently estimated to be approximately \$4,833 per pupil. Facilities Access Payments are paid by a city school district to a charter school in the same manner as federal or state aid attributable to a student with a disability is paid pursuant to the Charter Schools Act (i.e., in six substantially equal bi-monthly installments each year beginning on the first business day of July and every two months thereafter). See also "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW" in this Limited Offering Memorandum.

Charter School Basic Tuition

Charter School Basic Tuition is calculated according to a series of statutory formulas, which are detailed and complicated. By way of overview, a description of the Charter School Basic Tuition formula is provided in this section. Pursuant to Section 2856 of the Charter Schools Act, Charter School Basic Tuition is equal to the school district's "Expense Per Pupil" for the year prior to the "Base Year" (i.e., the school year immediately preceding the current year) increased by the percentage change in the state total "Approved Operating Expense" from two years prior to the Base Year to the Base Year, with certain adjustments set forth for each school year. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW—Financing of Charter Schools" in this Limited Offering Memorandum for a detailed description of the Charter School Basic Tuition for each school year. The calculation for Expense Per Pupil is a function of Approved Operating Expense for the year prior to the Base Year divided by the sum, computed using year prior to the Base Year pupil counts, of: (a) "Total Aidable Pupil Units" and (b) "Weighted Pupils With Disabilities." See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW—Charter School Basic Tuition" in this Limited Offering Memorandum for a detailed discussion of the Charter School Basic Tuition formula and applicable definitions, including "Approved Operating Expense."

For this purpose, "Total Aidable Pupil Units" is the sum of: (a) the school district's "Adjusted Average Daily Attendance" for the year prior to the Base Year multiplied by the "Enrollment Index" for the Base Year, plus (b) the "Additional Aidable Pupil Units" for the year prior to the Base Year.

Adjusted Average Daily Attendance. For purposes of computing Adjusted Average Daily Attendance, the average daily attendance of public school pupils in a full-day kindergarten and grades 1-12 is counted as the basic unit, with the attendance of such pupils in one-half day kindergartens counted as one-half of such basic unit. The sum of all such units of attendance is the Adjusted Average Daily Attendance. Adjusted Average Daily Attendance is calculated by: (a) determining the number of religious holidays which fall on a school day within a school year according to regulations established by the Commissioner; (b) deducting the aggregate attendance on such religious holidays from the total aggregate attendance, by grade level; (c) deducting such religious holidays from the total number of days of session, by grade level; and (d) computing the adjusted average daily attendance for the school year.

Enrollment Index. Enrollment Index is computed by dividing the public school enrollment for the current year by public school enrollment for the Base Year, with the result carried to three decimal places without rounding. "Enrollment" means the unduplicated count of all children registered to receive educational services in grades K-12, including children in ungraded programs, as registered on the date prior to November 1 that is specified by the Commissioner as the enrollment reporting date. "Public School District Enrollment" means the sum of: (a) the number of children on a regular enrollment register of a public school district on such date; (b) the number of children eligible to receive home instruction in the school district on such date; (c) the number of children for whom Equivalent Attendance must be computed on such date; (d) the number of children with disabilities who are residents of such district who are registered on such date to attend certain programs under the New York Education Law; (e) the number of children eligible to receive educational services on such date but not claimed for aid; and (f) the number of children registered on such date to attend certain programs pursuant to the New York Education Law.

Additional Aidable Pupil Units. Additional Aidable Pupil Units is the sum of: (a) the attendance of summer session pupils multiplied by 12%, and (b) the "Weighted Pupils With Special Educational Needs." Weighted Pupils With Special Educational Needs is calculated by multiplying pupils with special educational needs by 25%, with the result rounded up to the next whole number.

Weighted Pupils With Disabilities. Weighted Pupils With Disabilities is calculated as the attendance of pupils with disabilities who have been determined by a school district committee on special education to require any of the following types and levels of programs or services, and who receive such programs and services from the school district of attendance during the Base Year, multiplied by a special services weighting determined as follows:

(a) for placement for 60% or more of the school day in a special class, or home or hospital instruction for a period of more than 60 days, or special services or programs for more than 60% of the school day, the special services weighting is 170%;

(b) for placement for 30% or more of the school week in a resource room or special services or programs including related services required for 30% or more of the school week, or in the case of pupils in grades 7-12 or a multi-level middle school program or in the case of pupils in grades 4-6 in an elementary school operating on a period basis, the equivalent of five periods per week, but not less than the equivalent of 180 minutes in a resource room or in other special services or programs including related services, or for at least two hours per week of direct or indirect consultant teacher services, the special services weighting is 90%.

The Charter School Basic Tuition is set annually in June. School districts (in the case of the Charter School, the NYC DOE on behalf of the New York City Community School District 9) are required to pay no later than the first business day of July, September, November, January, March and May the appropriate payment amounts as specified in the New York Education Law relating to the Charter School Basic Tuition. The payments are made in equal installments, adjusted for any supplemental payments due or overpayments

to be recovered for the prior school year. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW—Financial Obligations of Charter Schools, Public School Districts and Education Department” in this Limited Offering Memorandum.

Federal and State Aid Attributable to a Student with a Disability

In addition to the Charter School Basic Tuition, school districts are required to pay directly to charter schools any federal or state aid attributable to a student with a disability attending the charter school in proportion to the level of services for such student with a disability that the charter school provides directly or indirectly. Such amounts may be reduced pursuant to an agreement between the school and the charter entity set forth in the charter. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW—Financing of Charter Schools” and “—Public School District Payments to Charter Schools” in this Limited Offering Memorandum.

State aid attributable to a student with a disability attending a charter school is calculated as the sum of: (a) “Excess Cost Aid” payable to a public school district pursuant to the New York Education Law based on the resident weighted enrollment in the charter school of pupils with disabilities receiving special services or programs provided directly or indirectly by the charter school in the current school year; and (b) any apportionment payable to such public school district pursuant to the New York Education Law that is based on the cost of special services or programs provided directly or indirectly by the charter school to such pupil in the current school year. Excess Cost Aid is calculated as the product of: (a) excess cost aid per pupil calculated pursuant to the New York Education Law; (b) the proportion of the weighting attributable to the student’s level of service provided directly or indirectly by the charter school pursuant to the New York Education Law; and (c) the student’s enrollment in such charter school in the current school year.

Federal aid attributable to a student with a disability attending a charter school, and receiving special education services or programs provided directly or indirectly by the charter school, is calculated as follows:

(a) for the first year of operation of the charter school, the allocation that would be attributable to the charter school pursuant to 20 U.S.C. 1411 and 1419 for a pupil who is identified as a student with a disability, who is included in a report to the Commissioner of pupils so identified as of December 1st of the current school year, or for such other pupil count as specified by the federal government for the current school year, provided that the enrollment of such students in the charter school during the current school year is used for this purpose until such report, or a report of such other pupil count, has been received by the Commissioner; and

(b) for the second year of operation of the charter school and thereafter, the allocation that would be attributable to the charter school pursuant to 20 U.S.C. 1411 and 1419 for a pupil who is identified as a student with a disability, who is included in a report to the Commissioner of pupils so identified as of December 1st of the Base Year, or for such other pupil count as specified by the federal government.

Payments for federal or state aid attributable to a student with a disability to charter schools must be made by the school district in six substantially equal installments each year beginning on the first business day of July and every two months thereafter. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW—Financing of Charter Schools” in this Limited Offering Memorandum.

THE SERIES 2020 BONDS

Interest; Maturity; Payment

Generally. The Series 2020 Bonds will bear interest from their date, all as set forth on the inside front cover hereof. Interest on the Series 2020 Bonds will be payable semi-annually on June 1 and December 1 (each an “**Interest Payment Date**”) of each year, commencing on June 1, 2021. Interest on the Series 2020 Bonds will be calculated on the basis of a 360-day year with twelve (12) months of 30 days.

The Series 2020 Bonds will be issued in the form of fully registered bonds without coupons in Authorized Denominations. The principal of, Sinking Fund Installments for, interest on, and redemption premium, if any, on the Series 2020 Bonds will be payable when due by wire of the Trustee to The Depository Trust Company, New York, New York (“**DTC**”), which will in turn remit such principal, Sinking Fund Installments, interest and redemption premium, if any, to Participants, which Participants will in turn remit such principal, Sinking Fund Installments, interest and redemption premium, if any, to the Beneficial Owners of the Series 2020 Bonds as described in this Limited Offering Memorandum. See “APPENDIX I—BOOK-ENTRY ONLY SYSTEM” in this Limited Offering Memorandum.

In the event the Series 2020 Bonds are not registered in the name of Cede & Co., as nominee of DTC, or another eligible depository as described below, the principal of, Sinking Fund Installments for, and the Redemption Price of the Series 2020 Bonds will be payable by check or draft or wire transfer to the persons in whose names such Bonds are registered on the registration books maintained by the Trustee as Bond Registrar at the maturity or redemption thereof, or with respect to any payment in full of any Series 2020 Bond either at final maturity or upon redemption in whole, only at the designated corporate trust office of the Trustee, as described in the Indenture. Interest payable on each Series 2020 Bond on any Interest Payment Date will be paid by the Trustee to the registered owner of such Series 2020 Bond as shown on the bond registration books of the Trustee at the close of business on the regular Record Date for such interest, 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 if such Series 2020 Bonds are held by a Securities Depository or, at the written request addressed to the Trustee by any registered owner of Series 2020 Bonds in the aggregate principal amount of at least \$1,000,000, 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 Business Days before an Interest Payment Date, but no later than a Regular Record Date for any interest payment.

Payment Default. Interest on any Series 2020 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 2020 Bond on the relevant regular Record Date and shall be payable to the owner in whose name such Series 2020 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.

Taxable Rate Following a Determination of Taxability. Upon the occurrence of a Determination of Taxability, for any Series of the Series 2020 Tax-Exempt Bonds, then such Series of Series 2020 Tax-Exempt Bonds will be redeemed prior to maturity on any date within 120 days following such Determination of Taxability, at a Redemption Price equal to 105% of the principal amount thereof, together with accrued interest at the Taxable Rate from the occurrence of the Event of Taxability to the date of redemption.

Redemption of Series 2020 Bonds

General Optional Redemption. The Series 2020 Tax-Exempt Bonds are subject to optional redemption, on or after December 1, 2030, in whole or in part on any date (but if in part, in Authorized Denominations only), at the option of the Issuer (which option shall be exercised only upon the giving of notice by the Borrower of its intention to prepay Loan Payments due under the Loan Agreement with respect to the Series 2020 Tax-Exempt Bonds), at the Redemption Price of 100% of the principal amount of the Series 2020 Tax-Exempt Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption.

The Series 2020 Taxable Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Installment Redemption.

Series 2020A Bonds. The Series 2020A-1 Bonds maturing on June 1, 2040 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2028	\$1,115,000
2029	1,190,000
2030	1,255,000
2031	1,320,000
2032	1,390,000
2033	1,465,000
2034	1,540,000
2035	1,620,000
2036	1,705,000
2037	1,795,000
2038	1,890,000
2039	1,990,000
2040 ¹	2,095,000

¹ Final maturity.

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The Series 2020A-1 Bonds maturing on June 1, 2055 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2041	\$2,205,000
2042	2,325,000
2043	2,455,000
2044	2,590,000
2045	2,730,000
2046	2,880,000
2047	3,040,000
2048	3,205,000
2049	3,380,000
2050	3,570,000
2051	3,765,000
2052	3,970,000
2053	4,190,000
2054	4,420,000
2055 ¹	4,665,000

¹ Final maturity

The Series 2020A-2 Bonds maturing on June 1, 2028 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2026	\$1,025,000
2027	1,080,000
2028 ¹	20,000

¹ Final maturity.

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Series 2020B Bonds. The Series 2020B-1 Bonds maturing on June 1, 2040 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2024	\$155,000
2025	185,000
2026	190,000
2027	200,000
2028	210,000
2029	220,000
2030	235,000
2031	245,000
2032	255,000
2033	270,000
2034	285,000
2035	300,000
2036	315,000
2037	330,000
2038	345,000
2039	360,000
2040 ¹	380,000

¹ Final maturity

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The Series 2020B-1 Bonds maturing on June 1, 2055 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2041	\$400,000
2042	420,000
2043	440,000
2044	460,000
2045	485,000
2046	510,000
2047	535,000
2048	560,000
2049	590,000
2050	620,000
2051	650,000
2052	680,000
2053	715,000
2054	750,000
2055 ¹	790,000

¹ Final maturity

The Series 2020B-2 Bonds maturing on June 1, 2024 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2022	\$155,000
2023	165,000
2024 ¹	20,000

¹ Final maturity.

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Series 2020C Bonds. The Series 2020C-1 Bonds maturing on June 1, 2040 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2025	\$ 390,000
2026	570,000
2027	600,000
2028	630,000
2029	660,000
2030	690,000
2031	725,000
2032	760,000
2033	800,000
2034	840,000
2035	885,000
2036	925,000
2037	975,000
2038	1,020,000
2039	1,070,000
2040 ¹	1,125,000

¹ Final maturity

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The Series 2020C-1 Bonds maturing on June 1, 2055 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2041	\$1,180,000
2042	1,240,000
2043	1,305,000
2044	1,370,000
2045	1,435,000
2046	1,510,000
2047	1,585,000
2048	1,665,000
2049	1,745,000
2050	1,835,000
2051	1,925,000
2052	2,020,000
2053	2,125,000
2054	2,230,000
2055 ¹	2,340,000

¹ Final maturity.

The Series 2020C-2 Bonds maturing on June 1, 2025 are subject to mandatory sinking fund redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 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:

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2022	\$ 465,000
2023	490,000
2024	515,000
2025 ¹	150,000

¹ Final maturity.

Extraordinary Optional Redemption. Each Series of the Series 2020 Bonds corresponding to the respective Facility are subject to redemption prior to maturity, at the option of the Issuer exercised at the direction of the Borrower (which option shall be exercised only upon the giving of notice by the Borrower 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 a Redemption Price equal to 100% of the unpaid principal amount thereof plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

- (a) The FLACS IV Campus, the FLACS II MS Campus or the FLACS III Campus 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, (i) the FLACS IV Campus, the FLACS II MS Campus or the FLACS III Campus 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, (ii) the Borrower is thereby prevented or likely to be prevented from carrying on its normal operation at the FLACS IV Campus, the FLACS II MS Campus or the FLACS III Campus respectively, for a period of one year from the date of such damage or destruction, or (iii) the restoration cost of the FLACS IV Campus, the FLACS II MS Campus or the FLACS III Campus would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction;

(b) Title to, or the temporary use of, all or substantially all of the FLACS IV Campus, the FLACS II MS Campus or the FLACS III Campus shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in the Borrower being thereby prevented or likely to be prevented from carrying on its normal operation at the FLACS IV Campus, the FLACS II MS Campus or the FLACS III Campus 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

(c) 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 Borrower, 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 Borrower by reason of the operation of the Facilities.

If any Series of the Series 2020 Bonds are to be redeemed in whole as a result of the occurrence of any of the events described above, the Borrower shall deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Borrower stating that, as a result of the occurrence of the event giving rise to such redemption, the Borrower has discontinued, or at the earliest practicable date will discontinue, its operation of the Facilities corresponding to such Series of the Series 2020 Bonds for its intended purposes.

Mandatory Redemption upon Failure to Operate the Facilities for the Approved Project Operations, Material Violation of Material Legal Requirements, False Representation or Failure to Maintain Liability Insurance. The Series 2020 Bonds are subject to mandatory redemption prior to maturity, at the option of the Issuer, as a whole only, in the event (a) the Issuer shall determine that (i) the Borrower is operating the Facilities or any portion thereof, or is allowing the Facilities or any portion thereof to be operated, not for the Approved Project Operations, (ii) the Borrower, any Principal of the Borrower or any Person that directly or indirectly Controls, is Controlled by or is under common Control with the Borrower has committed a material violation of a material Legal Requirement, (iii) 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, or (b) the Borrower shall fail to obtain or maintain the liability insurance with respect to the Facilities required under the Loan Agreement, and, in the case of clause (a) or (b) above, the Borrower shall fail to cure any such default or failure within the applicable time periods set forth in the Loan Agreement following the receipt by the Borrower of written notice of such default or failure from the Issuer and a demand by the Issuer on the Borrower to cure the same. Any such redemption shall be made upon notice or waiver of notice to the Bondholders as provided in the Indenture, at the Redemption Price of 100% of the unpaid principal amount of the Series 2020 Bonds, together with interest accrued thereon to the date of redemption.

Purchase in Lieu of Optional Redemption Series 2020 Tax-Exempt Bonds. In lieu of calling the Series 2020 Tax-Exempt Bonds for optional redemption, the Series 2020 Tax-Exempt Bonds are subject to mandatory tender for purchase at the direction of the Issuer, upon the direction of the Borrower, in whole or in part (and, if in part, in such manner as determined by the Borrower) on any date on or after December 1, 2030, at a Purchase Price equal to the applicable Redemption Price for any optional redemption of such Series 2020 Tax-Exempt Bonds as provided in the Indenture, plus accrued interest to the purchase date. Purchases of tendered Series 2020 Tax-Exempt Bonds may be made without regard to any provision of the Indenture relating to the selection of Series 2020 Tax-Exempt Bonds in a partial optional redemption. The Series 2020 Tax-Exempt 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 Borrower, 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 the Series 2020 Tax-Exempt Bonds in a partial redemption.

Purchases in lieu of an optional redemption are permitted in the Indenture, with the consent of the Issuer, upon the delivery to the Issuer and the Trustee of (a) an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee substantially to the effect that (i) such purchases in lieu of optional redemption comply with the provisions of the Indenture and (ii) 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 2020 Tax-Exempt Bonds for purposes of federal income taxation, and (b) such other opinions, certificates or documentation as the Issuer or the Trustee (acting with the advice of its counsel) may require.

Mandatory Redemption from Excess Proceeds and Certain Other Amounts. The Series 2020 Bonds shall be redeemed at any time in whole or in part by lot prior to maturity in the event and to the extent (a) excess Series 2020A Bond proceeds shall remain after the completion of the FLACS IV Campus, (b) excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the Loan Agreement and the Indenture, or (c) excess proceeds shall remain after the release or substitution of Facility Realty or Facility Personalty that was financed with Bond proceeds, unless the Issuer and the Trustee shall receive (i) an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee substantially to the effect that such release or substitution of Facility Realty or Facility Personalty that was financed with Bond proceeds nor any transaction directly related thereto will adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for purposes of federal income taxation, and (ii) such other opinions, certificates or documentation as the Issuer or the Trustee (acting with the advice of its counsel) may require; in each case at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2020 Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

Notice of Redemption. When redemption of any Series 2020 Bonds 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, CUSIP number, Series 2020 Bond numbers, the date of original issue of such Series, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2020 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 2020 Bonds or portions thereof to be payable and, if less than all of the Series 2020 Bonds of any maturity are to be redeemed, the numbers of such Series 2020 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 2020 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, (a) shall mail a copy of such notice by first class mail, postage prepaid, not more than sixty (60) nor less than 30 days prior to the Redemption Date, to the registered owners of any Series 2020 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 2020 Bonds with respect to which proper mailing was effected; and (b) provide such notice to DTC and to the national information service that disseminates redemption notices, currently the Electronic Municipal Market Access (“EMMA”). Any notice mailed as described in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion. If any Series 2020 Bond shall not be presented for payment of the Redemption Price within 60 days of the Redemption Date, the Trustee shall mail a second notice of redemption to such Holder by first class mail, postage prepaid. Any amounts held by the Trustee due to non-presentment of Series 2020 Bonds for payments on or after any Redemption Date shall be retained by the Trustee for a period of at least one year after the final maturity date of such Series 2020 Bonds.

If notice of redemption shall have been given as aforesaid, the Series 2020 Bonds of such Series called for redemption shall become due and payable on the Redemption Date, provided, however, that with respect to any optional redemption of the Series 2020 Bonds of a Series, such notice 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 2020 Bonds of such Series 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 2020 Bonds of such Series. 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 2020 Bonds of such Series so called for redemption at the place or places of payment, such Series of Series 2020 Bonds shall be redeemed.

Under no circumstances shall the Trustee be required to expend any of its own funds for any purpose for which funds are to be disbursed under the Indenture.

So long as the Securities Depository is affecting book entry transfers of the Series 2020 Bonds, the Trustee shall provide the notices specified above only to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2020 Bond (having been mailed notice from the Trustee, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Series 2020 Bond so affected, shall not affect the validity of the redemption of such Series 2020 Bond.

Payment of Redeemed Series 2020 Bonds. Notice having been given in the manner provided in the Indenture, the Series 2020 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 2020 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, (a) interest on the Series 2020 Bonds or portions thereof so called for redemption shall cease to accrue and become payable, (b) the Series 2020 Bonds or portions thereof so called for redemption shall cease to be entitled to any lien, benefit or security

under the Indenture, and (c) the Holders of the Series 2020 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 2020 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.

Payment of the Redemption Price plus interest accrued to the Redemption Date shall be made to or upon the order of the registered owner only upon presentation of such Series 2020 Bonds for cancellation and exchange as provided in the Indenture; provided, however, that any Holder of at least \$1,000,000 in original aggregate principal amount of the Series 2020 Bonds may, by written request to the Trustee no later than five days prior to the Redemption Date, direct that payments of Redemption Price and accrued interest to the Redemption Date be made by wire transfer as soon as practicable after tender of the Series 2020 Bonds in federal funds at such wire transfer address as the owner shall specify to the Trustee in such written request.

Selection of Series 2020 Bonds for Redemption. In the event of redemption of less than all the Outstanding Series 2020 Bonds of the same Series and maturity, the particular Series 2020 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that (a) the Series 2020 Bonds to be redeemed from Sinking Fund Installments shall be redeemed by lot, and (b) to the extent practicable, the Trustee shall select the Series 2020 Bonds for redemption such that no Series 2020 Bond shall be of a denomination of less than the Authorized Denomination for such Series 2020 Bonds. In the event of redemption of less than all the Outstanding Series 2020 Bonds of the same Series stated to mature on different dates, the principal amount of such Series of Series 2020 Bonds to be redeemed shall be applied ratably by maturity and then by lot within a maturity. The portion of the Series 2020 Bonds to be redeemed in part shall be in the principal amount of the minimum Authorized Denomination thereof or some integral multiple thereof and, in selecting Series 2020 Bonds for redemption, the Trustee shall treat each such Series 2020 Bond as representing that number of Series 2020 Bonds of such Series which is obtained by dividing the principal amount of such registered Series 2020 Bond by the minimum Authorized Denomination thereof (referred to below as a “unit”) then issuable rounded down to the integral multiple of such minimum Authorized Denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2020 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Series 2020 Bond shall forthwith surrender such Series 2020 Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Series 2020 Bond or Series 2020 Bonds in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Series 2020 Bond. New Series 2020 Bonds of a maturity representing the unredeemed balance of the principal amount of such Series 2020 Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Series 2020 Bond of a denomination greater than a unit shall fail to present such Series 2020 Bond to the Trustee for payment and exchange as aforesaid, such Series 2020 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Purchase and Transfer Restrictions on Series 2020 Bonds

THE SERIES 2020 BONDS ARE BEING OFFERED ONLY TO, AND MAY BE TRANSFERRED ONLY TO A PERSON CONSTITUTING A “QUALIFIED INSTITUTIONAL BUYER” WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, OR (2) TO AN “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT; provided, however, that if the Series 2020 Bonds are rated investment grade by a Rating Agency, then, upon the Issuer and the Trustee receiving written notice of the occurrence of such

event, the foregoing limitation on resale of the Series 2020 Bonds to only Qualified Institutional Buyers or Accredited Investors shall no longer apply.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

Special Limited Revenue Obligations

THE SERIES 2020 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE AS TO PRINCIPAL, SINKING FUND INSTALLMENTS, REDEMPTION PRICE AND INTEREST, SOLELY FROM THE TRUST ESTATE AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, SINKING FUND INSTALLMENTS FOR, OR INTEREST ON, THE SERIES 2020 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 2020 BONDS. THE SERIES 2020 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2020 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, SINKING FUND INSTALLMENTS FOR, OR INTEREST ON, THE SERIES 2020 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE, AGENT OR REPRESENTATIVE OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

General

Under the Loan Agreement, the Issuer agrees to issue the Series 2020 Bonds and to lend the proceeds thereof to the Borrower to finance the Series 2020 Project, and the Borrower is obligated unconditionally to repay the Loan in amounts sufficient, together with available funds held under the Indenture, to provide for the timely payment of the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the Series 2020 Bonds when due (whether by maturity, mandatory sinking fund redemption or acceleration) and to perform certain other obligations set forth therein. Among other things, the Borrower will covenant not to grant any liens (other than the lien effected by the Loan Agreement and Permitted Encumbrances) on all or any portion of the Facilities. The obligation of the Borrower to make Loan Payments under the Loan Agreement and the Promissory Notes sufficient to pay the Series 2020 Bonds is an absolute and unconditional obligation of the Borrower; provided, however, that the ability of the Borrower to generate additional revenues is limited in the event payments of the Lease Rental Payments by the Charter School under the Leases are insufficient for the Borrower to make Loan Payments. Under the Loan Agreement, Loan Payment Dates are each January 5, March 5, May 5, July 5, September 5 and November 5. See "APPENDIX F— FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES —Form of Loan Agreement" in this Limited Offering Memorandum.

Pursuant to the terms of the Mortgages, the Borrower will grant to the Issuer and the Trustee Mortgages liens on and security interests in the Facilities, subject to Permitted Encumbrances, which Mortgages will be assigned by the Issuer to the Trustee pursuant to the terms of the Assignment of Mortgages, Leases and Rents. Except during the Limited Enforcement Period (defined below), the liens and security interests created by the Indenture and the Mortgages are for the equal and ratable benefit of the owners of the Series 2020 Bonds. The Loan Agreement and the Mortgages contain the general liability insurance and property insurance requirements for the Borrower. See "RISK FACTORS" in this Limited

Offering Memorandum for a discussion of certain limitations on the enforceability of the security for the Series 2020 Bonds.

Enforcement of Remedies

The Trustee's enforcement of remedies shall be limited during the Limited Enforcement Period. During the Limited Enforcement Period:

(a) any occurrence and continuance of an Event of Default caused by (i)(A) the failure of the Cromwell Facility to satisfy the Project Completion Date conditions by the Completion Deadline, (B) the stopping of construction of the Cromwell Facility for more than 90 consecutive days, or (C) the abandonment of the construction of the Cromwell Facility, or (ii) any other Event of Default under any Security Document or the Construction Contract related to the construction of the Cromwell Facility, including any covenant default or Event of Default caused by the failure of the Borrower to occupy the Cromwell Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon (w) the Cromwell Facility collateral, (x) the FLACS IV Guaranty, (y) all Funds and Accounts related to the Series 2020A Bonds, and (z) a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020A Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date). For the avoidance of doubt, during the Limited Enforcement Period and during the occurrence and continuance of an Event of Default under subsection (i) or (ii) above, the Trustee shall not be entitled to pursue any remedies or enforce against the Gerard Avenue Facility collateral or the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds (including the subaccounts for such Series of Bonds in the Bond Fund, the Debt Service Reserve Fund and the Renewal Fund), except as specifically authorized in subparagraph (b) below;

(b) any occurrence and continuance of an Event of Default under any Security Document related to the Series 2020B Bonds, the Series 2020C Bonds, the Gerard Avenue Facility or the 165th Street Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon the Gerard Avenue Facility collateral or the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds and a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020B Bonds and the Series 2020C Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date);

(c) upon the expiration of the Limited Enforcement Period, then upon the occurrence and continuance of any Event of Default under the Indenture or under any other Security Document, then and in every case the Trustee may proceed, and upon the written request of the Holders of over 25% in aggregate principal amount the Trustee 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.

Leases

The Charter School will lease the Facilities from the Borrower pursuant to the Leases. The amounts payable by the Charter School under the Leases (the “**Rents**” or “**Lease Rental Payments**”) will be in amounts totaling not less than the debt service on the Series 2020 Bonds as the same become due and payable, but without acceleration. The Borrower will enter into a Depositary Agreement, dated as of December 22, 2020 (the “**Borrower Depositary Agreement**”), by and between the Borrower and The Bank of New York Mellon as depository bank (the “**Depository Bank**”) for the creation of a deposit account (the “**Borrower Account**”) for the deposit of certain funds received by the Borrower, including but not limited to Rents under the Leases from the Charter School. The Charter School will enter into a Depositary Agreement, dated as of December 22, 2020 (the “**Charter School Depositary Agreement**” and together with the Borrower Depositary Agreement, the “**Depository Agreements**”), by and between the Charter School and the Depository Bank for the creation of a deposit account (the “**Charter School Custodial Account**”) for the deposit of certain funds received by the Charter School.

Pursuant to the terms of the Deposit Account Control Agreement (the “**Borrower DACA**”) dated as of December 1, 2020, by and among the Trustee, as secured party thereunder, the Borrower and the Depository Bank, the Borrower will grant a security interest in the Borrower Account to the Trustee and authorize the Trustee to transfer the amounts required under the Indenture and the Loan Agreement to the Revenue Fund established under the Indenture. Additionally, the Charter School has agreed pursuant to the Covenant Agreement to deposit its State Payments generated from the operations of FLACS II MS Campus, FLACS III Campus, and FLACS IV Campus (the “**Obligated Group**”) directly to the Charter School Custodial Account. Rents are to be paid from the Charter School Custodial Account into the Revenue Fund created under the Indenture. Following the payment of such Rent, the Charter School may transfer funds on deposit in the Charter School Custodial Account to its operating accounts subject to: (i) a Deposit Account Control Agreement (the “**Charter School DACA I**”) dated December 1, 2020, by and among the Trustee, as secured party thereunder, the Charter School and Ponce Bank, a federally chartered bank, as depository bank (“**DACA Bank**”) and (ii) a Deposit Account Control Agreement (the “**Charter School DACA II**”) and together with the Charter School DACA I, the “**Charter School DACAs**”) dated December 1, 2020, by and among the Trustee, as secured party thereunder, the Charter School and Depository Bank, to which the Charter School Custodial Account is subject. Upon an Event of Default, the Trustee may exercise control of and have the right to make withdrawals from the Borrower Account and the Charter School Custodial Account subject to the Borrower DACA and the Charter School DACAs pursuant to the terms thereof. In the event that the deposits in the Revenue Fund are insufficient to satisfy the Borrower’s obligation to make all payments due under the Loan Agreement on each Loan Payment Date, the Trustee shall be entitled to immediately direct the Depository Bank to transfer from the Charter School Custodial Account the amount of such shortfall. In addition, upon an Event of Default under the Security Documents, the Trustee may exercise control of and have the right to make withdrawals from the operating accounts subject to the Charter School DACAs pursuant to the terms thereof.

All obligations of the Charter School due under the Leases are obligations of the Obligated Group payable from Pledged Revenues, State Payments relating to the Obligated Group and amounts held in the Charter School Custodial Account or in accounts subject to the Charter School DACAs. Pledged Revenue is defined in the Covenant Agreement as the Gross Revenues of the Charter School generated from the Obligated Group and deposited into the Charter School Custodial Account, excepting therefrom Gross Revenues received that are directly allocable to enrollment at the FLACS I Facility and FLACS II Facility, provided that, beginning with Fiscal Year ending June 30, 2023 and ending when no students from the FLACS I Facility are resident at the FLACS IV Facility, all Gross Revenues allocable to the FLACS I students shall be deposited into the Charter School Custodial Account (collectively, “**Pledged Revenues**”). State Payments are not pledged under the Covenant Agreement or the Leases.

The Lease Rental Payments due from the Charter School to the Borrower under the Leases will be in amounts anticipated to be sufficient to make Loan Payments under the Loan Agreement on each July 5, September 5, November 5, January 5, March 5, and May 5, commencing January 5, 2021. Each Lease contains a fixed rent payment schedule which provides for Lease Rental Payments in an amount and at such times to pay the required debt service on the Series 2020 Bonds. Interest will be capitalized on the Series 2020A Bonds during construction from the Closing Date until December 1, 2023, in part.

Lease Rental Payments include Base Rents and Additional Rents. Pursuant to the Leases, Base Rent means the fixed amounts set forth in an Exhibit attached thereto (the “**Base Rent**”). The Borrower directs the Charter School to pay all Base Rent in immediately available funds directly to the Trustee on behalf of the Borrower by electronic transfer as set forth in the Covenant Agreement and all other Rent due to Borrower under the Lease shall be timely paid to the Borrower by electronic transfer to an account designated by Borrower pursuant to written instructions provided in advance by Borrower to Charter School or by check. The Base Rent has been calculated to provide amounts which will be sufficient to pay scheduled payments on the Bonds as the same matures and comes due. If on any Interest Payment Date the amount on deposit in the Bond Fund under the Indenture is not sufficient to pay debt service on the Bonds due and payable on such Interest Payment Date, the Charter School shall immediately deposit the amount of such deficiency in the Bond Fund. The Leases are a triple net lease, and the Charter School is to pay on or before the date when same shall be due as additional rent all amounts owed in connection with the operation of the Facilities including, but not limited to the cost of all taxes; insurance premiums; reasonable expenses and fees of the Issuer, the Trustee and the Borrower (including, but not limited to, filing fees, licenses, permits, any legal expenses incurred by the Borrower, or its officers or directors in their official or personal capacity, and other expenses of the Borrower incurred in the performance of its obligations under the Loan Agreement, including payment of the Default Rate); any fees of an Independent Consultant; utility charges; costs of maintenance, upkeep, repair, restoration, modification, improvement and replacement; Rebate Fund payments; payments into the Repair and Replacement Fund required under the Covenant Agreement in excess of amounts paid as Base Rent; costs and expenses incurred by the Borrower or by its directors or officers in connection with any investigation, claim, demand, suit, action or proceeding relating to the activities of the Borrower or such directors or officers in their capacity as such, in respect of the Leased Property, the Bonds, the Lease, the Loan Agreement, the Indenture or any matter related thereto; the fees of any Rating Agency then maintaining a rating on the Bonds; and all other charges and costs, including reasonable attorneys’ fees, which the Charter School assumes or agrees to pay under the Leases with respect to the Leased Property, the Bonds, the Lease, the Loan Agreement, the Indenture or any matter related thereto (collectively “**Additional Rent**”). Additional Rent does not include the Base Rent.

Except as provided to the contrary in the Leases, the obligations of the Charter School under the Leases shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee, the Borrower or any other Financing Participant. Except as provided to the contrary in the Leases, the Charter School will not suspend or discontinue any such payment or terminate the Leases (other than in the manner provided for thereunder) for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, failure of title, or commercial frustration of purpose, or any damage to or destruction of the Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Facilities, or any change in the tax or other laws of the United States, the State of New York or any political subdivision of either thereof, or any failure of the Borrower to pay, perform and observe any payment, agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Leases.

The Charter Schools Act prohibits the Charter School from pledging or assigning Education Aid, Facilities Access Payments, and other amounts payable by the New York State Department of Education (the “**Department of Education**”) to the Charter School in connection with the construction, acquisition,

reconstruction, rehabilitation, or improvement of a school facility. Upon an Event of Default, the Trustee may exercise control of and have the right to make withdrawals from the Borrower Account and the Charter School Custodial Account subject to the Borrower DACA and the Charter School DACAs pursuant to the terms thereof.

Mortgages; Pledge and Security Agreements

The Series 2020 Bonds will also be secured by (a) a Mortgage lien on and security interests in the Borrower's fee title interest in the Facilities pursuant to (i) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan), a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan), and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), recorded against the FLACS IV Campus (collectively, the "**FLACS IV Mortgages**"); (ii) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), recorded against the FLACS III Campus (collectively, the "**FLACS III Mortgage**"); and (iii) a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), recorded against the FLACS II MS Campus (collectively, the "**FLACS MS Mortgage**" and together with the FLACS IV Mortgages and the FLACS III Mortgage, the "**Mortgages**"); each dated as of December 1, 2020 and each from the Borrower to the Issuer and the Trustee; as assigned by the Issuer to the Trustee under the terms of (b) (i) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan), an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS IV Mortgages; (ii) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS III Mortgage; and (iii) an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) and an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan), with respect to the FLACS MS Mortgage; each dated as of December 1, 2020 (collectively, the "**Assignment of Mortgages, Leases and Rents**").

The Series 2020 Bonds are further secured by a lien and security interest in all assets of the Borrower pursuant to, and as defined in a certain Pledge and Security Agreement, dated as of December 1, 2020 (the "**Borrower Pledge and Security Agreement**") from the Borrower to the Trustee. The Series 2020 Bonds are further secured by a lien and security interest in the Pledged Collateral pursuant to, and as defined in a certain Pledge and Security Agreement, dated as of December 1, 2020 (the "**Charter School Pledge and Security Agreement**") and together with the Borrower Pledge and Security Agreement, the "**Pledge and Security Agreements**") from the Charter School to the Trustee.

Covenants of the Charter School; Additional Indebtedness

Debt Service Coverage Ratio. For the Fiscal Year, commencing on July 1, 2021 and continuing thereafter, the Charter School shall covenant in the Covenant Agreement to maintain Net Income Available for Debt Service for the Obligated Group in an amount equal to at least 1.1 times the Maximum Annual Debt Service on all Indebtedness for the Obligated Group then outstanding. The Covenant shall be calculated annually by the Accountant based upon the results included in the annual audited financial statements of the Charter School for the Obligated Group as of June 30 of each year.

In the event the Charter School's Net Income Available for Debt Service for the Obligated Group is less than 1.1 times the Maximum Annual Debt Service on all Indebtedness for the Obligated Group then outstanding on any testing date as set forth above, the Charter School shall engage, at the Charter School's expense, a Management Consultant, which shall deliver a written report within 90 days of engagement to the Trustee, the Beneficial Owners, and the Charter School containing the recommendations concerning the Obligated Group's:

- (a) operations;
- (b) financing practices and activities, including lease financing, and investment activities;
- (c) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Charter School's financial condition;
- (d) governance and administration practices; and
- (e) other factors relevant to maintaining such compliance.

Upon submission of the Management Consultant's report, the Charter School is required to arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee and the Issuer indicating its acceptance of the recommendations of the consultant within 30 days of receiving the report of the Management Consultant. The Charter School shall adopt and carry out such recommendations for the Obligated Group.

If, however, the Charter School's Net Income Available for Debt Service for the Obligated Group is less than 1.10 but greater than or equal to 1.0 times the Maximum Annual Debt Service on all Indebtedness for the Obligated Group then outstanding on any two consecutive testing dates, or if the Charter School's Net Income Available for Debt Service for the Obligated Group is less than 1.0 times the Maximum Annual Debt Service on all Indebtedness for the Obligated Group then outstanding on any testing date, an Event of Default shall be deemed to have occurred under the Covenant Agreement.

Incurrence of Indebtedness. Except as otherwise set forth in the Covenant Agreement, the Charter School shall not incur, assume, or otherwise become liable for any capital lease obligations or cause any additional Indebtedness secured in whole or in part by the Facilities or the Pledged Revenues, to be issued for its benefit, other than:

- (a) Indebtedness issued upon satisfaction of the following:
 - (i) No Default: Delivery of a certificate signed by an Authorized Representative of the Charter School stating that no Event of Default is then existing under the Security Documents or any debt outstanding or any agreement entered into by the Charter School in conjunction with such debt;
 - (ii) Historical Coverage on Outstanding Debt - Delivery of a certificate signed by the Independent Accountant of the Charter School for the applicable Fiscal Year stating that, for the most recent Fiscal Year immediately preceding the issuance of the Indebtedness, Net Income Available for Debt Service of the Obligated Group was equal to at least 1.10 times that Fiscal Year's Maximum Annual Debt Service on all Indebtedness of the Obligated Group then outstanding for such period together with the Indebtedness proposed to be issued; and

(iii) Projected Coverage for Additional Debt - A Management Consultant selected in the Covenant agreement provides a written report setting forth projections which indicate that the estimated Net Income Available for Debt Service of the Obligated Group for the Fiscal Year beginning on the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Indebtedness, based upon a certificate of a Management Consultant, is equal to at least 1.20 times Maximum Annual Debt Service on all Indebtedness of the Obligated Group then outstanding during such Fiscal Year plus the additional Annual Debt Service Requirements for the Indebtedness to be issued.

(b) The Charter School may incur, assume, or otherwise become liable for Indebtedness for the purpose of acquiring equipment for the Obligated Group (such as copiers, laptops and Chromebooks) in an amount that does not exceed an outstanding principal amount of \$750,000.00.

(c) The Charter School may maintain a credit line in the maximum amount of \$1,000,000 for the purpose of funding costs of operation of the school facilities provided that such credit line provides for the repayment of all outstanding principal and interest for a period of at least thirty (30) consecutive days during each Fiscal Year and further provided that if such a credit line is secured by a pledge of any of the assets of the Charter School, the Trustee is provided with an agreement by the lender that the pledge to the lender is subordinate to the lien of the Trustee under the Covenant Agreement and the Pledge and Security Agreement.

(d) The School may undertake other subordinate Indebtedness or unsecured Indebtedness only with Majority Holder approval.

The Trustee shall have no duty regarding such information delivered in accordance with the Covenant Agreement other than to retain any such information that it receives and transmit the same in accordance with the Covenant Agreement.

Notwithstanding any provision of the Covenant Agreement to the contrary, the Charter School may not incur additional Indebtedness pursuant to this subsection if an Event of Default shall have occurred and be continuing and, if the Bonds are subject to a rating from a Rating Agency, written confirmation from the Rating Agency that the issuance of the additional Indebtedness will not cause the Rating Agency to lower or withdraw its rating on the Bonds.

Days' Cash on Hand. The Charter School covenants in the Covenant Agreement that it maintain 45 Days Cash on Hand for the Obligated Group. The Obligated Group's Days Cash on Hand shall be tested on June 30 of each year, commencing June 30, 2021. This covenant shall be calculated annually by the Accountant based upon the results included in the annual audited financial statements of the Charter School for the Obligated Group as of June 30 of each year.

If the Days Cash on Hand of the Obligated Group for any testing date is less than 45 days, then the Charter School will promptly employ a Management Consultant, which shall deliver a written report within 90 days of engagement to the Trustee, the Beneficial Owners, and the Charter School containing the recommendations concerning the Obligated Group's:

- (a) operations;
- (b) financing practices and activities, including lease financing, and investment activities;

- (c) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Charter School's financial condition;
- (d) governance and administration practices; and
- (e) other factors relevant to maintaining such compliance.

Upon submission of the Management Consultant's report, the Charter School is required to arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance of the recommendations of the consultant within 30 days of receiving the report of the Management Consultant. The Charter School shall adopt and carry out such recommendations.

So long as the Charter School is otherwise in full compliance with its obligations under the Covenant Agreement and the Leases, including following the recommendations of the Management Consultant, it shall not constitute an Event of Default, if the Obligated Group's Days Cash on Hand for any testing date is less than 45 days for the prior Fiscal Year.

Enrollment Covenant. The Charter School shall maintain enrollment within the Obligated Group, commencing October 15, 2021 and tested annually on each October 15 thereafter, as follows:

<u>Testing Date</u>	<u>Enrollment</u>
October 15, 2022	700
October 15, 2023	1220
October 15, 2024	1430
October 15, 2025	1170
October 15, 2026 and thereafter	1430

In the event the Charter School's enrollment at the Obligated Group is less than the amounts set forth above on any testing date as set forth above, the Charter School shall engage, at the Charter School's expense, a Management Consultant, which shall deliver a written report within 90 days of engagement to the Trustee, the Beneficial Owners, and the Charter School containing the recommendations concerning the Charter School's:

- (a) operations;
- (b) financing practices and activities, including Short-Term Indebtedness, lease financing, and investment activities;
- (c) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Charter School's financial condition;
- (d) governance and administration practices; and
- (e) other factors relevant to maintaining such compliance.

Upon submission of the Management Consultant's report, the Charter School is required to arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance of the recommendations of the consultant within 30 days of receiving the report of the Management Consultant. The Charter School shall adopt and carry out such recommendations.

If, however, the Charter School's enrollment at the Obligated Group is less than the required levels set forth above but greater than or equal to 75% of the enrollment requirements set forth above on any two consecutive testing dates, or if the School's enrollment at the Obligated Group is less than 75% of the enrollment requirements set forth above on any testing date, an Event of Default shall be deemed to have occurred under the Covenant Agreement.

Financial Statements; Reports; Annual Certificate.

Budgets

The Charter School agrees in the Covenant Agreement to annually budget sufficient expenditures to provide for all Rent and other amounts due under the Leases or under the Covenant Agreement.

Audits; Financial Statements; Reports; Annual Certificate

Pursuant to the terms of the Covenant Agreement, the Charter School agrees as follows:

Audits. It will have its books and records audited annually, including separate statements for the Obligated Group, commencing with the Fiscal Year ending June 30, 2021, in accordance with GAAP as soon as practicable but no later than 150 days after the close of such Fiscal Year, and shall furnish its audited financial statements to the Issuer, the Trustee and the Digital Assurance Certification, as dissemination agent (the "**Dissemination Agent**") within 150 days after the end of each Fiscal Year. The Charter School shall cause its Accountants to include in each audit a calculation of the Obligated Group's Days Cash on Hand and Debt Service Coverage Ratio for the applicable Fiscal Year as of the June 30 testing date. The Charter School will notify the Issuer, the Dissemination Agent and the Trustee in writing of a change in its Accountant stating the reasons for such change.

Maintenance of Books and Accounts. It will maintain and make available to the Beneficial Owners, the Issuer and the Trustee proper books of records and accounts of all of its operations with full, true and correct entries of all of its dealings in accordance with GAAP, consistently applied, and such other data and information as may reasonably be requested by the Issuer, the Beneficial Owners and the Trustee from time to time. The Charter School shall allocate revenues and expenses to the Obligated Group in good faith and consistently with the allocation of State Payments actually received each Fiscal Year. The Charter School will maintain separate operating bank accounts for each of the Facilities; provided, that the Charter School need not create a separate operating bank account for the FLACS IV Facility until the Construction Window ends.

Financial Reports. It will provide to the Issuer, the Dissemination Agent and the Trustee the information in subsections (a) and (e) below on an Charter School and Obligated Group basis as follows (which may be sent electronically): (a) a copy of the Charter School's adopted annual operating budget and capital budget for the Charter School and the Obligated Group's present Fiscal Year within 30 days of its adoption by the governing board; (b) a copy of revisions, if any, to the Charter School's annual budgets or capital budgets for the Charter School and the Obligated Group as approved by its governing board within 30 days of adoption by the governing board; (c) a copy of the allotment memo sent to the Charter School each month on or before the last day of every other month by New York City indicating the amount of the Charter School's State Payment for the Charter School and the Obligated Group for such period in a format that shows the portions of such payments attributable to the Obligated Group; (d) within 45 days following the end of each calendar quarter, unaudited financial statements for the previous quarter and Fiscal Year to date reflecting revenues and expenses in comparative form with the Charter School's then current operating budget for the Charter School and the Obligated Group (e.g. actual to budget); and (e) during the occurrence and continuance of an Event of Default, the Charter School shall provide the information within 15 days

following the end of each calendar month, unaudited financial statements for the previous month and Fiscal Year to date reflecting revenues and expenses in comparative form with the Charter School's and the Obligated Group's then current operating budget.

Enrollment Reports. No later than August 31 of each Fiscal Year, it will provide the Dissemination Agent and the Trustee with a copy (which may be sent electronically) of each of the following reports: (a) Three years' current enrollment history, broken down by grade and totaled for each of the schools comprising the Obligated Group; (b) An updated waiting list for enrollment by grade, with each student on such waiting list updated and confirmed electronically or in writing for each of the Obligated Group; (c) Three years' current re-enrollment data by grade level for each of the Obligated Group; (d) Attendance data for each school included in the Obligated Group based on the average enrollment for the prior school year; (e) In addition to the annual reporting set forth above, the Charter School shall provide quarterly enrollment by school within the Obligated Group, and by grade within each school in the Obligated Group, together with waitlist information; and (f) Any other similar reports as reasonably requested.

Academic Reports. No later than August 31 of each year, it will provide the Dissemination Agent and the Trustee with a report (which may be sent electronically) describing the academic ratings to the extent available for each of the schools included in the Obligated Group.

Charter School Report. It will deliver to the Trustee and the Dissemination Agent within 150 days after the end of the Charter School's Fiscal Year a certificate executed by the Charter School's president or chief financial officer stating that: (a) A review of the activities of the Charter School during such Fiscal Year and of performance thereunder has been made under his/her supervision; and (b) He/She is familiar with the provisions of the Security Documents and to the best of his/her knowledge, based on such review and familiarity, the Charter School has fulfilled all of its obligations thereunder throughout the Fiscal Year, and there have been no defaults under the Security Documents or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to him/her and the nature and status thereof and the actions taken or being taken to correct such default.

Charter Contract Report. Within 10 Business Days of receipt from the Authorizer, the Charter School will deliver to Trustee and the Issuer any notice or report with respect to charter compliance, including (a) copies of all written complaint notifications or other material correspondence from its Authorizer and copies of any and all of the Charter School's responses to such complaint notifications; (b) notices of any meeting at which the Charter School is before the Authorizer for issues of non-compliance; and (c) copies of the minutes of any meeting of the Authorizer referenced in (b) above.

Educational Testing Report. Simultaneously with delivery to the Authorizer or the State, and in any event within 30 days of receipt by the State, it will deliver to the Dissemination Agent and the Trustee the result of any educational testing relating to the schools in the Obligated Group required by State or federal law.

Board Meeting Minutes. It will deliver to the Trustee copies of the meeting minutes of the Board of Directors of the Charter School within 30 days of approval by the Charter School. Such meeting minutes shall include updates regarding the construction of the FLACS IV Facility until the FLACS IV Facility is placed in service.

Repair and Replacement Fund Withdrawals. Together with any request for withdrawal from the Repair and Replacement Fund to pay all or a portion of the capital expenditures related to the maintenance and replacements which may be required to keep each of the Facilities in sound condition, including but not limited to the repair or replacement of equipment, repair or replacement of any roof or other structural component, painting, carpeting, flooring, and the repair or replacement of heating, air conditioning,

plumbing and electrical equipment, for any month, the Charter School will deliver to the Trustee and the Dissemination Agent notice of such withdrawal and the reason(s) therefor.

Compliance Certificate. It will, not later than June 30 of each year hereafter, beginning June 30, 2021, file with the Trustee, the Issuer and the Dissemination Agent, a compliance certificate stating that Charter School is in compliance with the Security Documents, in the form attached to the Covenant Agreement.

Construction Reports. It will cause all reports of the Construction Monitor to be prepared and delivered to the Trustee and the Dissemination Agent by the fifteenth day of each month during the construction period for the FLACS IV Facility pursuant to the terms of the Construction Monitoring Agreement. Such reports shall contain the following information: (a) brief description of construction activity for applicable reporting period, including: (i) construction work performed on site during reporting period, (ii) status of procurement of equipment, (iii) material issues with vendor performance (including delivery issues, performance problems or material cost overruns); (b) adherence to expected construction timeline (including estimated number of days ahead or behind); (c) adherence to expected construction budget (including material work order, dollar or percentage deviation from budget); and (d) if applicable, brief narrative description of the reasons behind any material delays indicated in the Covenant Agreement; and (e) promptly upon sending or receipt, copies of any material correspondence between the Borrower and any governmental entity regarding compliance with Environmental Regulations, potential material violations of state or local law, or other material correspondence relating to the Borrower's construction of or operations of the Facility.

Neither the Trustee nor the Dissemination Agent shall have any duty regarding such information delivered in accordance with this subsection other than to retain any such information that it receives and transmit same in accordance herewith.

Certain Defined Terms

See "APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES" for certain definitions used in this Limited Offering Memorandum relating to the Covenant Agreement, the Indenture, the Leases, the Loan Agreement, and the Pledge and Security Agreements.

The Indenture

The Series 2020 Bonds are to be issued pursuant to the Indenture and will be equally and ratably secured thereby. As security for the Series 2020 Bonds, the Issuer has pledged and assigned to the Trustee the Trust Estate, which includes: (a) all right, title and interest of the Issuer in and to the Loan Agreement, including all loan payments, revenues and receipts payable or receivable thereunder (other than the Issuer's Reserved Rights); (b) all right, title and interest of the Issuer in and to the Promissory Notes; and (c) all moneys and securities from time to time held by the Trustee under the Indenture (other than the Rebate Fund). The Indenture provides that all Series 2020 Bonds issued thereunder shall be special limited revenue obligations of the Issuer, payable solely from and secured solely by the Trust Estate. Pursuant to the Mortgages, the Borrower will grant Mortgages liens on and security interests in the Facilities to the Trustee and the Issuer, and the Issuer will assign its interest in the Mortgages to the Trustee. In the Loan Agreement, the Borrower will covenant not to further encumber the Facilities other than for certain Permitted Encumbrances without the prior written consent of the Issuer and the Trustee. See "APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES—Form of Indenture of Trust" in this Limited Offering Memorandum.

Revenue Fund

Pursuant to the terms of the Indenture, there is created a Revenue Fund. Unless otherwise provided in the Indenture, the Trustee shall promptly deposit all amounts received from the Charter School or the Borrower, or transferred pursuant to the Account Control Agreement, the Lease Agreements or the Loan Agreement into the Revenue Fund.

Amounts in the Revenue Fund shall be transferred by the Trustee on each Loan Payment Date commencing on the January 5, 2021 Loan Payment Date, to the following Funds and Accounts in the following manner and in the order of priority indicated, provided that in the event funds in on any Loan Payment Date are insufficient to make any one or more of such transfers, any and all of such deficiencies will be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future Loan Payment Date:

- (a) First, to the Bond Fund:
 - (i) For deposit into the Interest Account of the Bond Fund, an amount equal (i) to one-third ($1/3$) (or such other pro-rated amount, adjusted as necessary) of the amount of interest that will become due on the Bonds on the next Interest Payment Date, including default interest (after taking into account any amounts on deposit in the Interest Account of the Bond Fund, and as shall be available to pay interest on the Bonds on such next succeeding Interest Payment Date); and
 - (ii) commencing on that Loan Payment Date as shall precede the first principal payment date (including such principal as shall become due as a mandatory Sinking Fund Installment payment) by six (6) Loan Payment Dates, for deposit into the Principal Account of the Bond Fund, an amount equal to at least one sixth ($1/6$) (or such other pro-rated amount, adjusted as necessary) of the amount of the principal payment or Sinking Fund Installment of the Bonds Outstanding becoming due;
- (b) Second, an amount equal to replenish any deficiencies in the Debt Service Reserve Fund, if any;
- (c) Third, to the Rebate Fund to pay any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement;
- (d) Fourth, to the Repair and Replacement Reserve Fund (a) beginning on the Closing Date until January 1, 2028, an amount required to fund the annual amount of the Repair and Replacement Fund Requirement (or such other pro-rated amount, adjusted as necessary) of the amount equal to the Repair and Replacement Fund Requirement, and (b) beginning on January 1, 2028, one-thirtieth ($1/30$) (or such other pro-rated amount, adjusted as necessary) of the amount equal to the Repair and Replacement Fund Requirement; and
- (e) Fifth, all remaining funds shall be paid to the Borrower and used for any authorized purpose.

Bond Fund

Pursuant to the terms of the Indenture, there is created a Bond Fund, including the following subaccounts within such Bond Fund:

(a) a Principal Account, and within such Principal Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount;

(b) an Interest Account, and within such Interest Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount;

(c) a Sinking Fund Installment Account, and within such Sinking Fund Installment Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount; and

(d) a Redemption Account, and within such Redemption Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount.

The Trustee is required under the Indenture to 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 respective 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 Series 2020A-1 Bonds Subaccount of the Interest Account of the Bond Fund and applied to the payment of interest on the Series 2020A-1 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, or to the Debt Service Reserve Fund to the extent of any deficiency therein) (i) in the applicable subaccount of the Redemption Account of the Bond Fund, which shall be kept segregated from any other moneys within such Account, or (ii) in the applicable subaccounts of the accounts of the Bond Fund.

(d) Loan payments received by the Trustee pursuant to the Loan Agreement or transfers from the Revenue Fund, which shall be deposited in and credited, to the extent necessary pro rata, first to the subaccounts of the Interest Account, second to the subaccounts of the Principal Account, and third to the subaccounts of 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 applicable subaccounts of 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 pro rata to the applicable subaccounts of the Interest Account of the Bond Fund.

(g) The excess amounts referred to in Redemption Account, 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 applicable subaccounts of 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 by the Indenture or by the Mortgage 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 or to the Debt Service Reserve Fund to the extent of any deficiency therein) to the applicable subaccounts of the Redemption Account of the Bond Fund.

(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 to the Redemption Account of the Bond Fund.

(k) Any amounts transferred from the accounts of the Debt Service Reserve Fund pursuant to the Indenture, which shall be deposited in and credited to the respective subaccounts of the Interest Account, the Principal Account, the Sinking Fund Installment Account or the Redemption Account, as the case may be, of the Bond Fund.

Application of Moneys in the Bond Fund.

Moneys in the Bond Fund shall be applied as follows pursuant to the terms of the Indenture:

The Trustee shall (a) on each Interest Payment Date pay or cause to be paid out of the applicable subaccount of the Interest Account in the Bond Fund the interest due on the Bonds, and (b) further pay out of the applicable subaccounts 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.

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 applicable subaccounts 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.

There shall be paid from the applicable subaccounts of 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 applicable subaccounts of 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 Article VI, 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.

Amounts in the subaccounts of the Redemption Account of the Bond Fund shall be applied, at the written direction of the Borrower, 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 subaccounts of the Redemption Account not so applied to the purchase of Bonds by 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 subaccounts of the Redemption Account and not applied within 12 months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with Article X) shall be transferred to the applicable subaccount of 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 subaccounts of 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. Notwithstanding the foregoing, to the extent there has been a "deliberate action" (as defined in Section 1.141-2 of the Income Tax Regulations) which results in the deposit of amounts in the subaccounts of the Redemption Account of the Bond Fund for the Tax-Exempt Bonds, then such amounts shall only be applied to redeem or defease Tax-Exempt Bonds in such manner as required by Nationally Recognized Bond Counsel to preserve the exclusion from gross income of interest on the Tax-Exempt Bonds for purposes of federal income taxation.

In connection with purchases of Bonds out of the Bond Fund as provided in the Indenture, the Borrower 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 Borrower. The payment of the purchase price shall be made out of the moneys deposited in the related subaccount of the Redemption Account of the Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the related subaccount of the Interest Account of the Bond Fund.

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 Borrower to the Trustee on or before the 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 the Indenture or otherwise). Each Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee at 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 subaccounts 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.

The Borrower shall on or before the 45th day next preceding each Sinking Fund Installment payment date furnish the Trustee with the certificate of an Authorized Representative of the Borrower indicating whether or not and to what extent the provisions of the Indenture 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.

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.

Project Fund Draws

Pursuant to the terms of the Indenture, the Trustee is to apply the amounts on deposit in the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the Borrower or the Issuer, of Project Costs (excluding interest on the Bonds during the period of Project construction and renovation) to the extent requisitioned under paragraph (b) below. The Trustee is required to automatically transfer amounts on deposit in the Series 2020A-1 Bonds Capitalized Interest Account of the Project Fund to the Series 2020A-1 subaccount of the Interest Account of the Bond Fund in an amount up to the amount of interest due and payable on the Series 2020A-1 Bonds on the next succeeding Interest Payment Date on or prior to such Interest Payment Date.

The Trustee is authorized to disburse from 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 Borrower, make wire transfers) for each disbursement from the Project Fund for the Project Costs, upon a requisition submitted to the Trustee, signed by an Authorized Representative of the Borrower and approved by the Construction Monitor; provided, however, that the Trustee is to retain in the Project Fund an amount equal to the lesser of (a) 1% of the original principal amount of the Series 2020A-1 Bonds or (b) \$500,000, until an Authorized Representative of the Borrower is to have delivered the completion certificate and other documents required by the Loan Agreement.

Except with respect to the initial purchase of the FLACS II MS Campus and the FLACS III Campus and the purchase of the land for the FLACS IV Campus by the Borrower on the date of issuance of the Series 2020 Bonds and the disbursement of a portion of the proceeds of the Series 2020 Bonds on such date, the requisition from the Project Fund is to 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 Borrower), including evidence that the bill, invoice or other evidence was not incurred on a date prior to 60 days prior to the date of adoption by the Issuer or the Borrower of the Reimbursement Resolution for the Project. Such requisition is to be as set forth in Exhibit D — "Form of Requisition from the Project Fund" attached to the Indenture and is to be submitted to the Trustee. The Trustee is to disburse amounts from the Project Fund not later than five 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 is to have disbursements made by the Trustee on such Closing Date. The Trustee is to be entitled to conclusively rely on the correctness and accuracy of such requisition as well as the propriety of the signature thereon.

In addition to the foregoing, any requisition submitted to the Trustee for costs of construction, improving and/or renovating the Facility Realty is to be accompanied by a notice of title continuation or an endorsement to the title insurance policies theretofore delivered pursuant to the Loan Agreement, indicating that since the last preceding disbursement of any amounts held in the Project Fund, there has been no change

in the state of title and no exceptions not theretofore approved by the Issuer and the Trustee, which notice or endorsement is to contain no exception for inchoate mechanic's liens (and such affirmative insurance relating thereto as the Issuer and/or the Trustee is to require) and is to have the effect of redating such policies to the date of the disbursement then being made and increasing the coverage of the policies by an amount equal to the disbursement then being made if the policies do not by their terms provide for such an increase.

The Trustee is to keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom and is to furnish copies of same to the Issuer or the Borrower upon reasonable written request.

The Trustee is to on written request furnish to the Issuer and the Borrower 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.

The completion of the FLACS IV Campus is to be evidenced as set forth in the Loan Agreement including the filing of the certificate of an Authorized Representative of the Borrower referred to therein. 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, is to, 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 Redemption Account of the Bond Fund for the Tax-Exempt Bonds, pro rata. Upon payment of all the costs and expenses incident to the completion of the FLACS IV Campus, 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, is to, after making any such transfer to the Rebate Fund, and after depositing in the Series 2020A Account of the Debt Service Reserve Fund an amount equal to any deficiency therein, be deposited in the Redemption Account of the Bond Fund to be applied to the redemption of Series 2020A Bonds, pro rata, at the earliest practicable date. Unless the Borrower files a certificate with the Trustee indicating that amounts remaining in the Costs of Issuance subaccounts of the Project Fund, if any, are needed or expected to be needed to pay Costs of Issuance, then any amounts remaining in any Costs of Issuance subaccounts of the Project Fund remaining six (6) months after the Closing Date, if any, shall be deposited in the applicable subaccount of the Interest Account of the Bond Fund to be applied to pay interest on the Series 2020 Bonds, at the earliest practicable date. The Trustee is to promptly notify the Borrower of any amounts so deposited in the Redemption Account of the Bond Fund pursuant to Indenture as described under this heading.

In the event the Borrower is to be required to or is to 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 Section 4.6 of the Tax Regulatory Agreement and the Indenture) and in the subaccounts of the Debt Service Reserve Fund is to be deposited in the Redemption Account of the Bond Fund for each Series of Bonds. In the event the unpaid principal amount of the Bonds is to be accelerated upon the occurrence of an Event of Default in the Indenture, the balance in the Series 2020A 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) and in the subaccounts of the Debt Service Reserve Fund is to be deposited in the Bond Fund as provided in the Indenture.

Except as otherwise provided in the Indenture, all earnings on amounts held in the Project Fund is to be transferred by the Trustee and deposited in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund is to first be drawn by the Trustee from the Earnings Fund prior to drawing any amounts from the Project Fund.

Events of Default under the Indenture

Each of the following events constitutes an “Event of Default” under the Indenture:

- (a) Failure in the payment of the interest on any Bond when the same shall become due and payable;
- (b) 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;
- (c) 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 (a) or (b) above) and (i) continuance of such failure for more than 30 days after written notice of such failure has been given to the Issuer and the Borrower specifying the nature of same from the Trustee or the Holders of more than 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 30 days, the Issuer or the Borrower 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 60 days of delivery of said notice; or
- (d) The occurrence of an “Event of Default” under the Loan Agreement (as described below under the heading “—Events of Default under the Loan Agreement” or any other Security Document.

Upon the happening and continuance of any Event of Default, 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 Borrower) or the Holders of over a majority (50%) in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Issuer, the Borrower 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.

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.

The right of the Trustee or of the Holders of over a majority (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 and of 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 Article VIII of 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.

Pursuant to the Loan Agreement, the Issuer has granted to the Borrower 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 Borrower 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 Borrower as performance by the Issuer.

Pursuant to the Charter School DACAs, the Trustee as secured party, may withdraw any funds on deposit in the Charter School Custodial Account which are required to pay, and such funds shall be applied to pay, principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on the Bonds.

Events of Default under the Loan Agreement

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

- (a) Failure of the Borrower to pay any loan payment that has become due and payable by the terms of the Loan Agreement;
- (b) Failure of the Borrower to pay any amount (except as set forth in the Loan Agreement) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under the Loan Agreement and continuance of such failure for more than 30 days after written notice of such failure has been given to the Borrower specifying the nature of such failure by the Issuer or the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding;
- (c) Failure of the Borrower to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be performed (except as set forth in the Loan Agreement and (i) continuance of such failure for more than 30 days after written notice of such failure has been given to the Borrower specifying the nature of same by the Issuer or the Trustee or the Holders of more than 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 30 days, the Borrower 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 60 days of delivery of said notice;
- (d) The Borrower 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 Borrower, 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 Borrower 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 90 days; or any order for relief against the Borrower shall be entered in an involuntary case under such Bankruptcy Code; the terms “dissolution” or “liquidation” of the Borrower 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 Borrower (i) in the application and related materials submitted to the Issuer or the Underwriter of the Bonds for approval of the Project or its financing, or (ii) herein 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 Bonds, or (iv) in the Tax Regulatory Agreement, or (v) by or on behalf of the Borrower or any other Person in any Required Disclosure Statement, or (vi) in any report, certificate, financial statement or other instrument furnished pursuant hereto 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 including the Mortgage;

(h) An “Event of Default” under the Indenture as described above under the heading “—Events of Default under the Indenture” or under any other Security Document shall occur and be continuing;

(i) The occurrence of an LW Event of Default.

Acceleration

Upon the occurrence of certain events, on the conditions, in the manner and with the effect set forth in the Indenture and the Loan Agreement, payment of the principal of and accrued interest on the Series 2020 Bonds and Additional Bonds may be accelerated under the Indenture and the Loan Agreement. See “RISK FACTORS,” “APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES—Form of Loan Agreement—*Events of Default*,” and “—Remedies on Default,” and “APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES—Form of Indenture of Trust—*Events of Default; Acceleration of Due Date*” and “—Enforcement of Remedies” in this Limited Offering Memorandum.

Debt Service Reserve Fund

The Indenture creates the Debt Service Reserve Fund and a subaccount for each subseries of the Series 2020 Bonds for the benefit of each subseries of the Series 2020 Bonds. The Debt Service Reserve Fund Requirement for the Debt Service Reserve Fund is computed as follows:

(a) with respect to the Series 2020 Bonds, an amount (which amount may take the form of cash, Qualified Investments or any combination thereof) equal to the lesser of:

(i) 10% of the Stated Principal Amount (as defined in the Tax Regulatory Agreement) of the Series 2020 Bonds;

(ii) 100% of the greatest amount required to pay the sum of the scheduled principal and interest payable on the Series 2020 Bonds; or

(ii) 125% of the Borrower's average annual debt service on the Series 2020 Bonds;

provided, that the amount to be deposited into each subaccount of the Debt Service Reserve Fund for the Series 2020 Bonds shall be a proportionate amount of the total amount based on the relative par amounts of each Series of the Series 2020 Bonds.

(b) with respect to any Series of Additional Bonds, such amount as shall be set forth in the Supplemental Indenture entered into in connection with the issuance of such Additional Bonds.

If on any Interest Payment Date or Redemption Date on the Series 2020 Bonds, the amount in the applicable subaccount of the Interest Account of the Bond Fund (after taking into account amounts available to be transferred to such subaccount of the Interest Account of the Bond Fund from the Series 2020 Project Fund) shall be less than the amount of interest then due and payable on the Series 2020 Bonds, or if on any Principal Payment Date on the Series 2020 Bonds the amount in the applicable subaccount of the Principal Account of the Bond Fund shall be less than the amount of principal of the Series 2020 Bonds then due and payable, or if on any Sinking Fund Installment payment date for the Series 2020 Bonds the amount in the applicable subaccount of the Sinking Fund Installment Account of the Bond Fund shall be less than the amount of the Sinking Fund Installment then due and payable on the Series 2020 Bonds of the related Series, in each case, after giving effect to all payments received by the Trustee in immediately available funds by 10:00 a.m. (New York City time) on such date from or on behalf of the Borrower or the Issuer on account of such interest, principal or Sinking Fund Installment, the Trustee may, and upon the written request of the Majority Holders, shall, proceed to transfer moneys from the applicable subaccount of the Debt Service Reserve Fund, first, to such Interest Account, second, to such Principal Account, and third, to such Sinking Fund Installment Account, all to the extent necessary to make good any such deficiency.

In the event that the Borrower shall deliver written notice to the Trustee of its intention to redeem the Series 2020 Tax-Exempt Bonds, the Borrower may direct the Trustee to apply such amounts in the Debt Service Reserve Fund to effect such redemption such that the amount remaining in the Debt Service Reserve Fund upon such redemption shall not be less than the reduced Debt Service Reserve Fund Requirement as will be applicable to the remainder of the Series 2020 Bonds Outstanding.

Notwithstanding any provision of the Indenture to the contrary, during the occurrence and continuance of an Event of Default, the Trustee may use any moneys on deposit in the Debt Service Reserve Fund for payment of its fees and expenses as provided in the Indenture.

Repair and Replacement Fund

The Repair and Replacement Fund is a special trust fund so designated, established pursuant to the Indenture. The Repair and Replacement Fund Requirement, means an amount equal to (a) \$115,500 per annum commencing with the Fiscal Year ending June 30, 2021 through the Fiscal Year ending June 30, 2023, and (b) \$211,500 per annum commencing with the Fiscal Year ending June 30, 2024, such amount is subject to change pursuant to the Covenant Agreement, the Loan Agreement and the Indenture, provided that such amount shall not be decreased so long as the Bonds are Outstanding.

There shall be deposited into the Repair and Replacement Fund as and when received (a) all payments by the Charter School pursuant to the Loan Agreement and all transfers received pursuant to the Indenture, (b) all other moneys deposited into the Repair and Replacement Fund pursuant to the Loan Agreement or the Indenture, and (c) all other moneys received by the Trustee when accompanied by

directions not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into the Repair and Replacement Fund. There shall also be retained in the Repair and Replacement Fund, interest and other income received on investment of moneys in the Repair and Replacement Fund to the extent provided in the Indenture.

The Repair and Replacement Fund shall be in the custody of the Trustee, and, absent an Event of Default under the Indenture, the Trustee is authorized and directed to make each disbursement authorized or required by the provisions of the Indenture and to issue its checks therefor. The Trustee shall keep and maintain adequate records pertaining to the Repair and Replacement Fund and all disbursements therefrom and shall annually file an accounting thereof with the Issuer and the Charter School.

Payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of a written requisition from an Authorized Representative of the Borrower setting forth the amount and the payee for the purpose of paying the cost of maintenance and replacements which may be required to keep each Facility in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment.

Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Repair and Replacement Fund shall be credited to the Repair and Replacement Fund.

Notwithstanding any provision of the Indenture to the contrary, during the occurrence and continuance of an Event of Default, the Trustee may use any moneys on deposit in the Repair and Replacement Fund for payment of its fees and expenses as provided in the Indenture.

In the Covenant Agreement, The Charter School agrees to cause a Facilities Consultant to complete a capital needs assessment of the Charter School projecting the Charter School's capital needs for the Facilities and the total cost thereof for the five year period commencing on the immediately following January 1 (each a "**Capital Needs Assessment**") no later than December 1, 2027, and every fifth anniversary thereafter as long as the Bonds are Outstanding. The total cost set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Funds, divided by 30, shall be the "**Repair and Replacement Fund Requirement**" for such five year period. The Repair and Replacement Requirement for each future period shall be at least the amount provided for in the definition of Repair and Replacement Fund Requirement for the Facilities.

The Charter School hereby covenants to deposit into the Repair and Replacement Fund, a portion of the Base Rents due under the FLACS II MS Lease, the FLACS III Lease and the FLACS IV Lease to fund the Repair and Replacement Fund on the dates set forth therein, until the annual amount of such deposits total the Repair and Replacement Fund Requirement for such year. In addition, commencing January 1, 2028, the Charter School shall deposit with the Trustee an amount equal to 1/30th of the Repair and Replacement Fund Requirement bi-monthly under the FLACS II MS Lease, the FLACS III Lease and the FLACS IV Lease, subject to the provisions of Section 5(Q) above. The Charter School shall replenish any draws made on the Repair and Replacement Fund by paying or causing to be paid to the Trustee for deposit in the Repair and Replacement Fund in thirty (30) equal bi-monthly amounts as required by the Indenture and Loan Agreement until the Repair and Replacement Fund Requirement is met; provided, however, if amounts on deposit in the Repair and Replacement Fund are in excess of the Repair and Replacement Fund Requirement, the Charter School shall not be required to replenish draws on the Repair and Replacement Fund; and, provided, further, however, nothing contained herein, shall prohibit the Charter School from depositing amounts into the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement. Additionally, if amounts on deposit in the Repair and Replacement Fund paid from Base Rents are in excess of the Repair and Replacement Fund Requirement on each fifth year

anniversary commencing January 1, 2028, the Charter School shall use such excess amounts to pay capital expenses necessary to update, repair or maintain the Facilities during such Fiscal Year.

Defeasance

Upon certain terms and conditions specified in the Indenture, including provision for the payment of such Bonds, the Series 2020 Bonds or portions thereof will be deemed to be paid and the security provided in the Indenture, the Mortgages and the other Security Documents may be discharged prior to maturity or redemption of the Series 2020 Bonds. In that case, the Series 2020 Bonds will be secured solely by the cash and securities deposited with the Trustee for such purpose. See “APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES—Form of Indenture of Trust” in this Limited Offering Memorandum.

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 75% of the Series 2020 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 Series 2020 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 Borrower, 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.

Issuer Approval of Certain Remedies

Notwithstanding any provision of the Indenture or of any other Security Document, upon the occurrence of an Event of Default, no such remedy or other action (whether exercised by the Trustee, the Majority Holders or the Holders of the Bonds) shall have the effect of (a) continuing the exemption from the mortgage recording tax of the Mortgages upon any restructuring of the underlying indebtedness secured by the Mortgages (a “**Mortgages Restructuring**”), (b) amending or terminating any Security Document (other than through a forbearance) to which the Issuer is a party (a “**Security Document Action**”) or (c) substituting for the Borrower and/or the Charter School, as applicable, a new Entity to either be a counterparty to the Issuer under the Loan Agreement or as a user or lessee of all or a portion of the Facility (a “**Substitute Entity**”), unless, in either case, a reasonable description of such Mortgage Restructuring, Security Document Action and/or Substitute Entity shall have been set forth in a writing delivered to the Issuer together with a request for approval (the “**Notice**”) and (a) the Mortgage Restructuring, Security Document Action and/or Substitute Entity shall be approved in writing by the Issuer, such approval not to be unreasonably withheld or delayed (and which approval may, in the sole discretion of the Issuer, be subject to action by the Issuer’s Board of Directors), and (b) there shall be delivered to the Issuer and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such Mortgage Restructuring, Security Document Action and/or Substitute Entity is authorized by the Indenture and complies with its terms, and such amendment, change, or modification shall not cause the interest on any Outstanding Tax-Exempt Bonds to become subject to federal income taxation by reason of any such Mortgage Restructuring, Security Document Action and/or Substitute Entity. For the avoidance of doubt, except during the Limited Enforcement Period, no Issuer consent is required by this provision for the entry into a

forbearance agreement by the Trustee, the commencement of a foreclosure action under the Mortgages or the appointment of a receiver over the Borrower or the Charter School or any collateral for the Bonds. Failure of the Issuer to respond on any Notice required under this section within 60 calendar days shall constitute approval thereof. In connection with the retirement or surrender for cancellation of all of the Outstanding Bonds (other than as a result of the payment in full of all Outstanding Bonds), the Trustee agrees to provide written notice to the Issuer of such retirement or cancellation no later than 14 Business Days after the occurrence of the earlier of: (a) the Trustee's receipt of direction to effectuate such retirement or cancellation, and (b) the Trustee's receipt of surrendered Bonds for cancellation.

FLACS Guaranties

Pursuant to the FLACS IV Guaranty Agreement, dated as of December 1, 2020 (the "**FLACS IV Guaranty Agreement**"), by the Charter School, as a condition to issue the Series 2020 Bonds and to loan the proceeds thereof to the Charter School, and to mitigate the construction risk for the FLACS IV Facility, the Charter School absolutely and unconditionally guarantees to the Trustee, for benefit of the Beneficial Owners from time to time of the Series 2020 Bonds, the full and prompt payment of: (a) principal of the Promissory Notes and the premium (if any) payable upon redemption thereof, as and when the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise; (b) the interest on the Promissory Notes, as and when the same shall become due; and (c) any and all other amounts due and payable by the Borrower under the Loan Agreement or any other document, including without limitation, all amounts which may be payable pursuant to the Loan Agreement. The obligation of the Charter School to make payments under the FLACS IV Guaranty Agreement are payable from any and all assets of the Charter School without limitation as to source. Pursuant to the Obligated Group Guaranty Agreement, dated as of December 1, 2020 (the "**Obligated Group Guaranty Agreement**" and together with the FLACS IV Guaranty Agreement, the "**Guaranties**"), by the Charter School, as a condition to issue the Series 2020 Bonds and to loan the proceeds thereof to the Borrower, the Charter School absolutely and unconditionally guarantees to the Trustee, for benefit of the Beneficial Owners from time to time of the Series 2020 Bonds, the full and prompt payment of: (a) (b) and (c) described above, provided that the obligation of the Charter School to make payments under the Obligated Group Guaranty Agreement are payable solely from the pledged revenues of the charter schools operating at the FLACS IV Campus, FLACS III Campus, and FLACS II MS Campus (the "**Obligated Group**") and any State Payments of the Charter School from the Obligated Group. The obligations of the Charter School shall attach absolutely and unconditionally when the Series 2020 Bonds will have been sold and delivered to the original purchasers thereof.

Developer Guaranty of Mortgage Recovery Tax

Pursuant to the Guaranty Agreement, dated as of December 1, 2020 (the "**MRT Guaranty Agreement**"), by Highmark School Development, LLC (the "**Guarantor**"), in favor of the Issuer, for the benefit of the Borrower and the Charter School, the Issuer will execute one or more affidavits seeking an exemption from City and State mortgage recording taxes that would otherwise be due in connection with the recording of the Mortgages for the FLACS IV Campus and the Assignments of Mortgage, calculated on the effective date of the Guaranty Agreement, in accordance with the statutory amount of 2.8% of the aggregate amount of the Mortgages for the FLACS IV Campus for a total of \$2,012,780 ("**Exempted MRT**"). For the avoidance of doubt, the term Exempted MRT shall not include any mortgage recording taxes associated with any property other than the FLACS IV Campus. The Issuer and Guarantor acknowledge and agree that the right of the Issuer to collect, and the obligation of the Guarantor to pay, recapture of Exempted MRT pursuant to the terms and conditions set forth in the MRT Guaranty Agreement is outside of, and not a substitute for, any obligations or covenants the Borrower has undertaken to the Issuer to repay Exempted MRT upon the occurrence of a "Recapture Event" pursuant to the terms and conditions set forth in the Loan Agreement. The Issuer may elect to pursue the remedy of recapture of

Exempted MRT under the Loan Agreement and/or the MRT Guaranty Agreement; however, the Issuer agrees that it will not collect recapture of the same Exempted MRT with respect to the FLACS IV Campus or the Project from both the Guarantor under the MRT Guaranty Agreement and the Borrower under the Loan Agreement. On or before December 31, 2024 (the “**Outside Completion Date**”), the Guarantor hereby agrees to repay the Exempted MRT to the Issuer on the first to occur of the following (defined as the “**Payment Deadline**”): (a) the Outside Completion Date, if the Second Substantial Completion (as defined in the Design-Build Contract) does not occur prior to the Outside Completion Date; (b) the Loan Agreement termination date, if the Loan Agreement is terminated in whole or in part in accordance with its terms with respect to the Project prior to the Outside Completion Date, (c) the date of a voluntary or involuntary transfer of the membership interests of the Borrower, if such event occurs prior to the Outside Completion Date, or (d) the date of a voluntary or involuntary transfer of the ownership of the FLACS IV Campus, if such event occurs prior to the Outside Completion Date.

Notwithstanding anything in the foregoing to the contrary, the Guarantor is excused from repaying the Exempted MRT to the Issuer on the Payment Deadline if repayment is otherwise due, if there has been an uncured Borrower Event of Default under the Loan Agreement which in and of itself prevents the Developer or Design-Builder from completing the Project by the Payment Deadline, which shall be reasonably determined by the Issuer (“**Delivery Default**”). To constitute a Delivery Default, the nature of the Delivery Default must not be attributed to or due to: (a) any bona fide dispute as shall be determined by the Issuer (other than a claimed delay under Section 6.3.1 of the Design Build Contract) between Borrower and Developer and/or Design-Builder relating to the design or the construction of the Project, or the “Work” as defined in the Development Agreement, which leads to a Borrower default under the Loan Agreement or which causes the Borrower to abandon the Project at some point before Second Substantial Completion (as defined in the Design-Build Contract); (b) any claim for delay which would extend the (A) Contract Time (as defined in the Design-Build Contract), or (B) the Second Substantial Completion Date beyond the Outside Completion Date, or (c) any uncured default by the Developer or the Design-Builder or their respective successors or assigns under their respective agreements with the Borrower or under the Design-Build Contract, or (d) due to the occurrence of an event described in Section 3(i), (ii) or 3(ii) hereof, (A) the Borrower terminates the Loan Agreement in whole or in part with respect to the Project, (B) a voluntary or involuntary transfer of the membership interests of the Borrower occurs, or (C) a voluntary or involuntary transfer of the ownership of the Property occurs.

The Guarantor is to provide, or cause the Developer to provide to the Issuer with such information reasonably requested by the Issuer, including all supporting documentation and access to management personnel to discuss the circumstances of any Delivery Default.

TRANSFER RESTRICTIONS

The Series 2020 Bonds are to be offered and sold (including in secondary market transactions) ONLY (1) SO LONG AS THIS BOND IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A OF THE SECURITIES ACT, TO A PERSON CONSTITUTING A “QUALIFIED INSTITUTIONAL BUYER” WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (2) TO AN “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT; provided, however, that if the Series 2020 Bonds are rated investment grade by a Rating Agency, then, upon the Issuer and the Trustee receiving written notice of the occurrence of such event, such restrictions are no longer in effect.

RISK FACTORS

No person should purchase any Series 2020 Bonds without carefully reviewing the following information, which summarizes some, but not all, factors that should be carefully considered before such purchase.

Nature of Special, Limited Obligations

THE SERIES 2020 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE AS TO PRINCIPAL, SINKING FUND INSTALLMENTS, REDEMPTION PRICE AND INTEREST, SOLELY FROM THE TRUST ESTATE AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, SINKING FUND INSTALLMENTS FOR, OR INTEREST ON, THE SERIES 2020 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 2020 BONDS. THE SERIES 2020 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2020 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, SINKING FUND INSTALLMENTS FOR, OR INTEREST ON, THE SERIES 2020 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE, AGENT OR REPRESENTATIVE OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

Dependence on Borrower's Ability to Pay Loan Payments; Ability of School to Pay the Lease Rental Payments

Payment of principal of, redemption premium, if any, and interest on, the Series 2020 Bonds is intended to be made from Loan Payments made by the Borrower under the Loan Agreement and the Promissory Notes, except to the extent payment is intended to be made from other amounts held under the Indenture such as Series 2020 Bond proceeds or investment earnings. The Borrower has no significant assets or business other than the assets and business related to the Facilities. The ability of the Borrower to make Loan Payments will depend on the Borrower's ability to generate revenues sufficient to pay the Loan Payments, which will primarily depend on the ability of the Charter School to make payments under the Leases. See "APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL" and "APPENDIX C—BUDGET PROJECTION" in this Limited Offering Memorandum.

The Charter School's general revenues are a combination of state payments provided under several State and federal programs, including the Education Aid payments and Facilities Access Payments. See "CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK" in this Limited Offering Memorandum. Facilities Access Payments alone will likely be insufficient to make the total payments due under the Leases. Prior enrollment history of the Charter School is no guaranty of future enrollment and revenues. See "APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL" and "APPENDIX C—BUDGET PROJECTION" in this Limited Offering Memorandum.

The amounts and the timing of future revenues of the Charter School cannot be determined with assurance. Prior revenues and expenditures of the Charter School are no guaranty as to future revenues and expenditures of the Charter School. Any event that would cause a delay, reduction or elimination of Education Aid or Facilities Access Payments would have a material adverse effect on the ability of the

Charter School to pay the Lease Rental Payments under the Leases and therefore on the ability of the Borrower to make payments under the Loan Agreement and the Promissory Notes representing debt service on the Series 2020 Bonds.

Impact of COVID-19 on the Charter School

In late 2019, a novel strain of coronavirus (“COVID-19”) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. On March 1, 2020, the first case of COVID-19 was confirmed in the State. In response, New York Governor Andrew M. Cuomo declared a State of Emergency due to the COVID-19 pandemic on March 7, 2020. On March 16, 2020, Governor Cuomo issued Executive Order 202.4, which required all K-12 schools to temporarily close. Subsequent Executive Orders 202.11, 202.14, 202.18, and 202.28 extended such closure and ordered schools to remain in a remote learning stance for the remainder of the 2019-2020 academic school year. On June 5, 2020, Governor Cuomo issued Executive Order 202.37, allowing in-person special education services and instruction during the summer term, provided that any district offering such services follow state and federal guidance.

In September 2020, the New York State Education Department’s (“NYSED” or the “Department”) released reopening guidance entitled “*Recovering, Rebuilding, and Renewing: The Spirit of New York’s Schools*,” which required the Boards of Cooperative Education Services (“BOCES”), school districts, and charter schools to create comprehensive reopening plans with a schedule that includes in-person instruction, remote instruction or a hybrid of both in-person and remote. For the 2020-2021 school year FLACS has moved to 100% remote learning program through the end of February 2021. FLACS is supporting online learning by providing chrome books and hot spots to students. The Charter School will continue to operate in adherence to guidance from the State Department of Education.

The Charter School presently has in place an emergency school-wide closure and distance learning plan which includes teachers meeting virtually to collaborate, plan and prepare either packets to send home for elementary students or the use of virtual classrooms for secondary students.

The New York Forward Micro-Cluster Strategy identifies clusters and the areas around them and categorizes them into one or more color-coded zones with corresponding levels of restrictions based on severity. For schools: Red Zones (closed; remote only), Orange Zones (closed; remote only), and Yellow Zones (20% weekly testing of in-person students and faculty). New rules and restrictions directly target areas with the highest transmission of COVID-19 cases and surrounding communities. Schools may reopen if they follow guidelines that require mass testing in schools before they reopen followed by vigilant symptom and exposure screening conducted daily. For more information, see <https://forward.ny.gov/cluster-action-initiative>. On October 9, 2020, the NYSDOH issued Interim Guidance on Mandatory COVID-19 Testing in Public and Non-Public Schools Located in Areas Designated as “Yellow Zones” Under the New York State Cluster Action Initiative, which was amended on November 12 and 14, 2020 (“**Interim Guidance**”). In accordance with the Interim Guidance, effective November 16, 2020, schools in yellow zones must test 20% of in-person students, faculty and staff over the two-week period immediately following the announcement of a yellow zone designation. If the results of the testing reveal that the positivity rate among the 20% of those tested is lower than the yellow zone’s current 7-day positivity rate, testing at that school will no longer be required to continue. A positivity rate in a school that is lower than in the yellow zone is a sufficient demonstration that in-person instruction is not a significant driver of local viral spread. The current positivity rate for zones can be found at, <https://forward.ny.gov/percentage-positive-results-county-dashboards>. If the results of the testing over the first two weeks reveal that the positivity rate among in-person student, staff and faculty is higher than the Yellow Zone’s current 7-day positivity rate, the school will be required to continue to test 20% of the in-

person population on a bi-weekly basis. Overall, the NYSDOH believes that the positivity rates within school settings have remained low to date due to school settings adhering to the in-person instruction requirements.

On October 14, 2020, Governor Cuomo issued Executive Order 202.68 and 202.69, which required that the local Department of Health direct closure of all schools for in-person instruction through November 5, 2020, and authorized the director of the budget to withhold any funds appropriated in the FY2020 Enacted Budget to or for, directly or indirectly, a public or nonpublic school or school district and/or to a locality for the period of time that such school district, school or locality is found to have been in violation of Executive Order 202.68, or for the period of time that such school district, school, or locality is in violation of any order of the department of health issued pursuant to Executive Order 202.68. Public and private schools in Red Zones that have been identified as violating the closure order will be served with a notice mandating a close and informing them that the state will begin withholding funding from them until the matter is resolved to the State's satisfaction. On December 7, 2020, New York City's public elementary schools reopened for in-person learning for students whose parents agree to a weekly testing regimen for COVID-19.

The Charter School is not anticipating a reduction in revenue from the State of New York for the 2020-2021 school year and has received the full funding. Nevertheless, COVID-19 has caused significant disruptions to the global, national and State economies. The extent to which COVID-19 impacts the Charter School and its financial condition moving forward will depend on future developments, which are highly uncertain and cannot be predicted by the Charter School or the Borrower, including the duration of the outbreak and measures taken to address the outbreak. The degree of any such impact to the Charter School's or the Borrower's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (a) duration, (b) severity and (c) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. Nonetheless, there can be no assurances that the spread of COVID-19 will not materially adversely impact the financial condition of the Charter School or the Borrower.

Material adverse effects to the State's finances due to the continued spread of COVID-19 could affect the amount or timing of State aid appropriated to school districts, including charter schools such as the Charter School. In addition, while highly unlikely given the Charter School's high market demand, the spread of COVID-19 could have an adverse effect on future enrollment. For example, if it is perceived that competitors of the Charter School, including traditional public schools or other charter schools, are better equipped to handle the spread of COVID-19 or similar future outbreaks or to provide virtual learning, it could lead to lower enrollment in the future.

The Charter School's Board recently voted to remain on a 100% remote learning educational plan through the end of February 2021. The Charter School is not required to adhere to the decisions made by the New York City Board of Education regarding its education platform during the COVID-19 pandemic.

No Acceleration of Lease Rental Payments Upon an Acceleration of the Series 2020 Bonds

The Lease Rental Payments payable by the Charter School under the Leases are scheduled to pay amounts due under the Loan Agreement with respect to the regularly scheduled principal of and interest on the Series 2020 Bonds, but the Lease Rental Payments are not subject to acceleration even if there has been an acceleration of the principal of the Series 2020 Bonds.

No Taxing Authority; Dependence on Education Aid Payments and Facilities Access Payments

The Borrower and the Charter School do not possess any taxing authority and the Charter School is substantially dependent upon the State to continue to provide funding for public charter schools. The obligation of the State under the Charter and State law to fund the Charter School is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. In the event the State were to withhold the payment of money from the Charter School for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely that the Charter School would be forced to cease operations.

Failure of New York City Department of Education to Make Education Aid Payments or Facilities Access Payments to the Charter School

The regulations adopted by the New York State Commissioner of Education (the “**Commissioner**”) provide that a charter school shall notify the Commissioner in the event that a school district (the NYC DOE on behalf of the New York City Community School District No. 7 (the “**7th District**”) and New York City Community School District No. 9 (the “**9th District**”) with respect to the Charter School) fails to make a required bi-monthly payment of Education Aid to a charter school such as the Charter School. Such notice shall be given subsequent to the date a bi-monthly payment is due, but in no event later than May 31 of the school year in which such payments are due. Upon receipt of such notice, the Commissioner must certify to the State Comptroller (the “**Comptroller**”) the amount of the unpaid obligation of the school district, which said amount shall be deducted from any Education Aid payment due to such school district (the NYC DOE on behalf of the 7th District and the 9th District with respect to the Charter School) and instead will be paid directly by the Comptroller to the Charter School. There can be no assurance of the timing of receipt of any such amounts so paid by the Comptroller. The regulations that refer to payments required by Section 2856 of the Charter Schools Act (Charter School Basic Tuition and federal/state aid attributable to students with disabilities) do not directly address Facilities Access Payments that are described in Section 2853 of the Charter Schools Act. The NYC DOE letter notifying the Charter School that it will receive Facilities Access Payments stated that the Facilities Access Payments will be paid consistently with the bi-monthly basis outlined in Section 2856(1)(b) of the Charter Schools Act.

Delay in or Termination or Reduction of Education Aid or Facilities Access Payments

Even though New York State is obligated under its Constitution to provide for the maintenance and support of a system of free common schools, it is not obligated either to continue to authorize the operation of charter schools or to continue its current system of Education Aid or Facilities Access Payments. Any change in the Charter Schools Act or in the provisions of the New York State Education Law relating to the appropriation of Education Aid or Facilities Access Payments or failure by the State Legislature to appropriate funds sufficient to fund the operation of charter schools could have a material adverse effect on the ability of the Charter School to make the Lease Rental Payments required under the Leases.

Although State law prescribes a detailed process applicable to the adoption by the State of its annual budget, the annual budgetary process has resulted in recent years in the adoption of annual budgets later, and in some instances substantially later, than April 1, which is the start of the State’s fiscal year. No assurance can be given as to the date of adoption of future annual budgets or as to the availability of funds for public education purposes while the annual budget is pending. In addition, the State has had well publicized budget issues and deficits, and such State budgetary pressures could continue and cause revisions to the funding of charter schools in the State.

Budget Projection

The Budget Projection prepared by the Charter School and contained in “APPENDIX C—BUDGET PROJECTION” is based upon certain assumptions made by the Charter School. No assurance can be given that the results described in the Budget Projection will be achieved. The Charter School does not intend to issue an additional Budget Projection and, accordingly, there are risks inherent in using the Budget Projection in the future as the Budget Projection becomes outdated. The Budget Projection is only for fiscal years ending June 30, 2021 through June 30, 2028, and does not cover the entire period during which the Series 2020 Bonds may be outstanding. See “APPENDIX C—BUDGET PROJECTION” in this Limited Offering Memorandum.

No guaranty can be made that the Budget Projection will correspond with the results actually achieved in the future by the Charter School because there is no assurance that actual events will correspond with the assumptions made by the Charter School. For example, the Budget Projection makes certain assumptions as to continued demand for educational facilities such as the Charter School and future enrollment at the Charter School. Actual operating results of the Charter School may be affected by many factors, including, but not limited to, increased costs, lower than anticipated enrollment, reduced State funding, changes in demographic trends, and local and general economic conditions. The Budget Projection, which appears in “APPENDIX C—BUDGET PROJECTION” in this Limited Offering Memorandum, should be read in its entirety.

Termination or Revocation of Charter

The Charter may be terminated by the Board of Regents or the Authorizer for the grounds set forth in the Charter Schools Act. The Charter also provides that it may be terminated and revoked by mutual agreement of the parties. For more information regarding conditions under which the Charter may be revoked, the revocation procedure, and other information regarding the Charter and the Charter Schools Act, see “CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK,” “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL—INTRODUCTION—The Charter Contract,” and “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW” in this Limited Offering Memorandum.

While the Charter School believes that it is in good standing with the Authorizer and is in material compliance with the Charter, no assurance can be given that the Charter School will be able to maintain such good standing in the future. In addition, even though the Charter School does not anticipate any non-renewal or revocation of its Charter, there can be no assurance that the Authorizer or the Board of Regents will not revoke the Charter in the future.

No Pledge of Revenues by the Charter School

Under New York law, the Charter School may not legally assign or pledge any interest in public education aid payable to the Charter School pursuant to the Charter Schools Act to secure its obligations under the Leases.

Factors Associated with Education

There are a number of factors affecting schools in general, including the Charter School, that could have an adverse effect on the Charter School’s financial position and its ability to make the payments required under the Leases, and therefore on the ability of the Borrower to make Loan Payments under the Loan Agreement. These factors include, but are not limited to (a) the ability to attract a sufficient number of students; (b) future legislation and regulations affecting charter schools and the educational system in

general; (c) increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; (d) increased costs of attracting and retaining or a decreased availability of a sufficient number of teachers, including as related to any unionization of the Charter School's work force with consequent impact on wage scales and operating costs of the Charter School; (e) cost and availability of insurance for charter schools in the State; and (f) changes in existing statutes pertaining to the powers of the Charter School and legislation or regulations which may affect program funding. The Charter School cannot assess or predict the ultimate effect of these factors on its operations or the financial results of operations.

Competition for Students

The Charter School competes for students primarily within the geographic area of the 7th District the 9th District and other surrounding districts, and with other public schools and charter schools within the Bronx, New York area. The Charter Schools compete for students primarily within the geographic area of the 7th District and the 9th District, and other surrounding districts, and with other public schools and charter schools within the Bronx, New York area. There are currently approximately 40 charter schools serving grades K-8 within the 7th District and 9th District. Charter schools within a close proximity to the Facilities are in competition with the Charter School for students, including, but not limited to Zeta Charter School and Success Academy. In the view of the Charter School, these schools are representative of the schools with which the Charter School competes for students. See "APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL—Service Area" and "—Competing Schools" in this Limited Offering Memorandum. No assurance can be given that the Charter School will attract and retain the number of students that are needed to produce revenue necessary to pay the principal of and interest on the Series 2020 Bonds, or that additional schools will not be created in or near the Charter School's service area.

Limitations on Remedies

The Trustee's enforcement of remedies shall be limited during the period of time beginning on the Closing Date until the earlier of (a) December 31, 2024 or (b) the Project Completion Date of the Cromwell Facility as evidenced by the completion certificate and other documents required by the Loan Agreement (the "**Limited Enforcement Period**"). During the Limited Enforcement Period:

(a) any occurrence and continuance of an Event of Default caused by (i)(A) the failure of the Cromwell Facility to satisfy the Project Completion Date conditions by the Completion Deadline, (B) the stopping of construction of the Cromwell Facility for more than 90 consecutive days, or (C) the abandonment of the construction of the Cromwell Facility, or (ii) any other Event of Default under any Security Document or the Construction Contract related to the construction of the Cromwell Facility, including any covenant default or Event of Default caused by the failure of the Borrower to occupy the Cromwell Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon (w) the Cromwell Facility collateral, (x) the FLACS IV Guaranty, (y) all Funds and Accounts related to the Series 2020A Bonds, and (z) a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020A Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date). For the avoidance of doubt, during the Limited Enforcement Period and during the occurrence and continuance of an Event of Default under subsection (i) or (ii) above, the Trustee shall not be entitled to pursue any remedies or enforce against the Gerard Avenue Facility collateral or the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds (including the subaccounts for such Series of Bonds in the Bond Fund, the Debt Service Reserve Fund and the Renewal Fund), except as specifically authorized in subparagraph (b) below;

(b) any occurrence and continuance of an Event of Default under any Security Document related to the Series 2020B Bonds, the Series 2020C Bonds, the Gerard Avenue Facility or the 165th Street Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon the Gerard Avenue Facility collateral or the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds and a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020B Bonds and the Series 2020C Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date);

(c) upon the expiration of the Limited Enforcement Period, then upon the occurrence and continuance of any Event of Default under the Indenture or under any other Security Document, then and in every case the Trustee may proceed, and upon the written request of the Holders of over 25% in aggregate principal amount the Trustee 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.

Foreclosure Delays and Deficiency

Subject to the provisions set forth above under “—Limitations on Remedies,” should Loan Payments be insufficient to pay the principal of and interest on the Series 2020 Bonds, the Trustee may seek to foreclose each of the Mortgages as provided in the Indenture and subject to the provisions set forth above, and sell the Facilities securing the Series 2020 Bonds. However, no assurance can be given that the value of the Facilities at the time of such foreclosure or sale would be sufficient to meet all remaining principal and interest payments on the Series 2020 Bonds. In addition, the time necessary to institute and complete such proceedings could substantially delay receipt of funds from a foreclosure or sale. There could also be delays in regaining possession of the Facilities from the Borrower and the Charter School in the event of any default or dispute under the Loan Agreement.

Effect of Federal Bankruptcy Laws on Security for the Series 2020 Bonds

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of Bondholders’ rights in the property granted as security for the Series 2020 Bonds. Furthermore, if the security for the Series 2020 Bonds is inadequate for payment in full of the Series 2020 Bonds, bankruptcy proceedings and equity principles may also limit any attempt by the Trustee to seek payment from other property of the Borrower, if any. See “ENFORCEABILITY OF OBLIGATIONS” in this Limited Offering Memorandum. Also, federal bankruptcy law permits adoption of a reorganization plan, even though it has not been accepted by the holders of a majority in the aggregate principal amount of the Series 2020 Bonds, if the Bondholders are provided with the benefit of their original lien or the “indubitable equivalent.” In addition, if the bankruptcy court concludes that the Bondholders have “adequate protection,” it may (a) substitute other security subject to the lien of the Bondholders, and (b) subordinate the lien of the Bondholders (i) to claims by persons supplying goods and services to the Borrower after bankruptcy and (ii) to the administrative expenses of the bankruptcy proceeding. The bankruptcy court may also have the power to invalidate certain provisions of the Mortgages that make bankruptcy and related proceedings by the Borrower an event of default thereunder.

Reliance on Projections

The Charter School's projections of revenue and expenditures for the fiscal year ending June 30, 2021 and the projections of future revenues and expenses contained in "APPENDIX C—BUDGET PROJECTION" herein were prepared by the Charter School and have not been independently verified by any other party. The projections are forward-looking statements and are subject to the general qualifications and limitations described under "INTRODUCTION" above. Neither the Underwriter nor the Issuer has independently verified such projections, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to the Charter School's fiscal years through 2028, and consequently do not cover the entire period that the Series 2020 Bonds will be outstanding.

The projections are derived from the Charter School's assumptions about future student enrollment, revenues and expenses. There can be no assurance that the actual enrollment and revenues and expenses for the Charter School will be consistent with the assumptions underlying such projections. Further, no guarantee can be made that such projections of revenues and expenses will correspond with the results actually achieved in the future, because there is no assurance that actual events will correspond with the assumptions made by the Charter School, and the ongoing effects of the COVID-19 pandemic have added greater uncertainties about future prospects. Actual operating results may be affected by many factors, including, but not limited to, the inability of the Charter School to complete construction of the FLACS IV Campus, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State of New York funding, or otherwise), employee relations, changes in applicable government regulation, changes in demographic trends, changes in education competition, changes in State or local economic conditions, and other effects of the COVID-19 pandemic that cannot be predicted or guaranteed at this time. Refer to "APPENDIX C—BUDGET PROJECTION" to review certain information relevant to the projections and to consider the various factors that could cause actual results to differ significantly from projected results. Refer to "INTRODUCTION," above, for qualifications and limitations applicable to forward-looking statements.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION CONTAINED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, CHANGES IN THE STATE'S FUNDING SYSTEM, UNANTICIPATED INCREASES IN COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), THE COVID-19 PANDEMIC, EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

Key Personnel

The Charter School's creation, curriculum, educational philosophy, and day-to-day operations reflect the vision and commitment of the individuals who serve on the Charter School's Board of Trustees and as the Charter School's administrators (the "**Key Personnel**"). The loss of any Key Personnel could adversely affect the Charter School's operations, its ability to attract and retain students and ultimately its financial results. For more information regarding the Charter School's Key Personnel, see "APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL—Charter School Governance and Administration" in this Limited Offering Memorandum.

Additional Indebtedness

In the Covenant Agreement the Charter School will covenant that it will only incur Indebtedness in accordance with the restrictions imposed by the Covenant Agreement. In the Loan Agreement, prior to the issuance of Additional Bonds the Borrower is required to obtain the prior written consent of sixty-six and two-thirds percent of the Outstanding Bondholders. No assurance can be given that the Issuer will not issue Additional Bonds for the benefit of the Borrower or the Charter School will not incur Additional Indebtedness in the future. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—Covenants of the Charter School; Additional Indebtedness” and “APPENDIX F—FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES—Form of Indenture of Trust” in this Limited Offering Memorandum.

Forward-Looking Statements

This Limited Offering Memorandum contains certain statements that are “forward-looking” statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Limited Offering Memorandum, including, without limitation, statements that use terminology such as “estimate,” “plan,” “budget,” “expect,” “intend,” “anticipate,” “believe,” “may,” “will,” “continue,” and similar expressions, are forward-looking statements. These forward-looking statements include, among other things, the discussions related to the Charter School’s operations and expectations regarding student enrollment, future operations, revenues, capital resources, and expenditures for capital projects. Although the Borrower and the Charter School believe that the assumptions upon which the forward-looking statements contained in this Limited Offering Memorandum are based are reasonable, any of the assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions also could be incorrect. All phases of the operations of the Borrower and the Charter School involve risks and uncertainties, many of which are outside the control of the Borrower and the Charter School and any one of which, or a combination of which, could materially affect the results of the Borrower’s or the Charter School’s operations and whether the forward-looking statements ultimately prove to be correct. Factors that could cause actual results to differ from those expected include, but are not limited to, general economic conditions such as inflation and interest rates, both nationally and in New York where the Facilities are located; the willingness of the State to fund charter school operations at present or increased levels; competitive conditions within the Charter School’s market, including the acceptance of the education services offered by the Charter School; lower enrollments than projected; unanticipated expenses; the capabilities of the Charter School’s management; changes in government regulation of the education industry; future claims for accidents at the Facilities and the extent of insurance coverage for such claims; and other risks discussed in this Limited Offering Memorandum. **THE BUDGET PROJECTION CONTAINED IN APPENDIX C ATTACHED TO THIS LIMITED OFFERING MEMORANDUM IS NOT A HISTORICAL STATEMENT OF FINANCIAL PERFORMANCE OF THE CHARTER SCHOOL, BUT IS A FORWARD LOOKING FORECAST OF FUTURE, PROJECTED FINANCIAL PERFORMANCE OF THE CHARTER SCHOOL.**

No representation or assurance can be given that the Charter School will realize revenues in an amount sufficient to make the required payments under the Leases or, therefore, that the Borrower will realize revenues in amounts sufficient to make the required payments under the Loan Agreement. No market study or demand analysis has been prepared for the Charter School to analyze the existing or future demand for the Charter School’s charter school educational services. The realization of future revenues is dependent upon, among other things, the matters described in the foregoing paragraphs and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. Neither the Issuer nor the Underwriter make any representation as to the accuracy of the Series 2020 Projections contained herein or as to the assumptions on which the Series 2020 Projections are based.

Property Tax Exemption

Under present State law and rulings, property used for charter school purposes is exempt from property taxes levied by political subdivisions of the State so long as such property is used for the exempt purpose of the Charter School. The Charter School is required to pay property taxes under the Leases. After acquiring the Site, the Borrower must file an application for exemption from real property taxes based on the fact that it is a charitable organization using the property in connection with its charitable purposes. Assuming such exemption is granted, such property tax exemption will be retroactive to the date the Borrower acquired the Site. Therefore, it is anticipated that from and after the date of acquisition of the Site, the Borrower will be exempt from property taxes with respect to the Site. Nevertheless, such laws, regulations and rulings are subject to change, and no assurance can be given that any future change in exempt status would not have a material adverse effect on the Borrower and the Charter School. If the Borrower or the Charter School is required to pay property taxes with respect to the Facilities in the future, it would have a negative impact on the cashflow of the Borrower and the Charter School. The Charter School has assumed for purposes of the Budget Projection that the Borrower and School will be exempt from property taxes with respect to the Facilities; however, no assurance can be given that such exemption will be granted.

Tax-Exempt Status of the Borrower

The Borrower is a Delaware limited liability company whose sole member is the Member. The Member is a New York not-for-profit corporation. The Member has been determined by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Code. Under present federal law, regulations and rulings, the income and revenue of not-for-profit, 501(c)(3) qualified exempt organizations are exempt from federal income tax, except for any unrelated business income as defined in the Code, and their revenues are exempt from the State sales tax except for certain services. If the Member fails to meet the requirements necessary to preserve its status as a not-for-profit corporation and a tax-exempt charitable organization under Section 501(c)(3) of the Code, the Borrower, as a disregarded entity of the Member for federal and state tax purposes, could experience expenses which are greater than those projected in “APPENDIX C—BUDGET PROJECTION” and revenues which are lower than those projected in “APPENDIX C—BUDGET PROJECTION”, which would adversely affect the Borrower’s ability in the future to pay the Loan Payments due under the Loan Agreement and the Promissory Notes. In addition, if the Member were to lose its status as a not-for-profit corporation and a tax-exempt organization, the tax-exempt status of the Series 2020 Tax-Exempt Bonds would also be adversely affected. The Member will covenant in the Tax Regulatory Agreement that it will not take any actions or fail to take any actions, the result of which would adversely affect the Member’s status as a not-for-profit corporation and its status as a tax-exempt charitable organization under Section 501(c)(3) of the Code.

Tax-Exempt Status of the Charter School

The Charter School is a public charter school and a New York not-for-profit education corporation. The Charter School has been determined by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Code. Under present federal law, regulations and rulings, the income and revenue of not-for-profit, 501(c)(3) qualified exempt organizations are exempt from federal income tax, except for any unrelated business income as defined in the Code, and their revenues are exempt from the State sales tax except for certain services. If the Charter School fails to meet the requirements necessary to preserve its status as a not-for-profit education corporation and a tax-exempt charitable organization under Section 501(c)(3) of the Code, the Charter School could experience expenses which are greater than those projected in “APPENDIX C—BUDGET PROJECTION” and revenues which are lower than those projected in “APPENDIX C—BUDGET PROJECTION”, which would adversely affect the Charter School’s ability in the future to pay the Lease Rental Payments due under the Leases with respect to Series 2020 Bonds. In

addition, if the Charter School were to lose its status as a not-for-profit education corporation and a tax-exempt organization, the tax-exempt status of the Series 2020 Tax-Exempt Bonds would also be adversely affected. The Charter School will covenant in the Loan Agreement that it will not take any actions or fail to take any actions, the result of which would adversely affect the Charter School's status as a not-for-profit corporation and its status as a tax-exempt charitable organization under Section 501(c)(3) of the Code.

IRS Compliance Program

The Internal Revenue Service has an active program of conducting examinations of tax-exempt bonds through its Tax-Exempt and Government Entities Division. Bond Counsel will render an opinion with respect to the tax-exempt status of interest on the Series 2020 Tax-Exempt Bonds, as described under the caption "TAX MATTERS—SERIES 2020 TAX-EXEMPT BONDS" in this Limited Offering Memorandum. However, neither the Borrower nor the Charter School has sought and neither is expected to seek, a ruling from the Internal Revenue Service with respect to the tax-exempt status of the Series 2020 Tax-Exempt Bonds. No assurance can be given that the Internal Revenue Service will not examine the Series 2020 Tax-Exempt Bonds. If the Internal Revenue Service examines the Series 2020 Tax-Exempt Bonds, such examination may have an adverse impact on the marketability and price of the Series 2020 Tax-Exempt Bonds. See "TAX MATTERS – SERIES 2020 TAX-EXEMPT BONDS" in this Limited Offering Memorandum.

Tax-Exempt Status of the Series 2020 Tax-Exempt Bonds

The tax-exempt status of the interest on the Series 2020 Tax-Exempt Bonds is conditioned upon the Charter School, the Borrower and the Member complying with the requirements of the Code and applicable Treasury Regulations as they relate to the Series 2020 Tax-Exempt Bonds. Failure of the Borrower, the Charter School or the Member to comply with the terms and conditions of the Loan Agreement, the Tax Regulatory Agreement, the Indenture, the Leases and other documents as described herein may result in the loss of the tax-exempt status of the interest on the Series 2020 Tax-Exempt Bonds retroactive to the date of issuance of the Series 2020 Tax-Exempt Bonds. If interest on the Series 2020 Tax-Exempt Bonds should become includable in gross income for purposes of federal income taxation, the market for and value of the Series 2020 Tax-Exempt Bonds would be adversely affected. See "TAX MATTERS – SERIES 2020 TAX-EXEMPT BONDS" in this Limited Offering Memorandum.

Resale of Series 2020 Bonds/Lack of Secondary Market

There is no guarantee that a secondary trading market will develop for the Series 2020 Bonds. The Series 2020 Bonds may only be bought by or transferred to Accredited Investors or Qualified Institutional Buyers and must be sold to a broker-dealer of securities to be transferable only to Accredited Investors or Qualified Institutional Buyers. See "TRANSFER RESTRICTIONS" in this Limited Offering Memorandum. Consequently, prospective bond purchasers should be prepared to hold their Series 2020 Bonds to maturity or prior redemption.

Changes in Law; Annual Appropriation; Inadequate Education Aid Payments

Future changes to the Charter Schools Act by the State Legislature could be adverse to the financial interests of the Charter School and the Borrower and could adversely affect the security and sources of payment for the Series 2020 Bonds. There can be no assurance given that the State Legislature will not in the future amend the Charter Schools Act in a manner which is adverse to the interests of the owners of the Series 2020 Bonds.

Like in many states, lawsuits are occasionally filed in New York challenging the State's system of funding public schools. The outcome of any such public school funding cases in the State in the future cannot be known.

New York may experience downturns in its economy and tax revenues in the future. The provisions of the Charter Schools Act are subject to amendment by the State Legislature, including the reduction of State funding, which could adversely affect the Charter School. STATE BUDGET CONSIDERATIONS MAY ALSO ADVERSELY AFFECT APPROPRIATIONS FOR CHARTER SCHOOL FUNDING.

Construction Risk Relating to the FLACS IV Campus

Construction, equipping and furnishing of a new building such as the FLACS IV Campus are subject to the risks of cost overruns and delays due to a variety of factors. Any delay in completion of the FLACS IV Campus could have an adverse effect on the Charter School and the Charter School's operations at the FLACS IV Campus.

The FLACS IV Campus is expected to be completed by the start of the 2022-2023 school year. Whether the FLACS IV Campus will be completed on schedule depends upon a large number of factors, many of which may be beyond the control of the Borrower and the Charter School for the FLACS IV Campus. These include, but are not limited to, financial difficulties of the general contractor and subcontractors, adverse weather, strikes, delays in the delivery of or shortages of materials, delays in the issuance of required building permits, environmental restrictions or similar unknown or unforeseeable contingencies. Although construction work will be inspected periodically, there can be no assurance that the FLACS IV Campus will conform to construction specifications or state or local regulations. The occurrence of any of the foregoing could result in increases in construction costs or considerable delays, in, or the complete impossibility of, the completion of the FLACS IV Campus.

Permitting Risk Relating to the FLACS IV Campus

Prior to the issuance of the Series 2020A Bonds, the Borrower will not yet have obtained all requisite permits required for the construction of the FLACS IV Campus. There can be no assurances that the Borrower will receive all requisite permits to construct the FLACS IV Campus or that such permits will be issued in the timeline required for opening of the FLACS IV Campus in the fall of 2022. Significant delays in the permitting process could cause the FLACS IV Campus cost increases. If the Borrower is unable to obtain permits for construction of the FLACS IV Campus as planned, the FLACS IV Campus may not be built to final construction or altered significantly.

Damage or Destruction

The Loan Agreement, the Mortgages and the Leases require that the Facilities are insured against certain risks. There can be no assurance that the amount of insurance required to be obtained with respect to the Facilities will be adequate or that the cause of any damage or destruction to the Facilities will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies from which the Borrower and the Charter School obtain insurance policies. The Borrower and the Charter School each believe that the risks associated with its properties and its operations are adequately provided for through the insurance policies it maintains. The Borrower and the Charter School will provide property insurance on the Facilities through a standard commercial insurance policy.

Environmental Risks

The Facilities are subject to various federal, State and local laws and regulations relating to human health and safety and the environment. In general, these laws and regulations could require the Borrower as owner of the Facilities to implement mitigation to reduce the environmental impacts of the Facilities or to remediate adverse environmental conditions on or relating to the Facilities, regardless of whether arising from preexisting conditions or arising because of the activities conducted in connection with the ownership and operation of the Facilities. Moreover, these laws and regulations can and often do change through legislative, judicial, or regulatory activities.

FLACS II MS Campus

NV5, formerly known as Bock & Clark (“NV5”) was retained by Highmark School Development, LLC to conduct a Phase I Environmental Site Assessment, dated October 19, 2020 (the “**FLACS MS Phase I**”). The subject property includes the FLACS II MS Campus. NV5 found no evidence of recognized environmental conditions (“**RECs**”) except for the soil exceedances discovered in the Phase I completed by PVE, LLC, dated June 5, 2017:

The first REC, reported by PVE, indicated that, “at the time of the site visit, auto repair work was conducted by a parking lot patron. In addition, miscellaneous mechanical car parts were observed throughout the southerly lot. The usage of the southerly lot for auto repair purposes and the miscellaneous mechanical car parts represent a REC. The mishandling or release of chemicals utilized in auto repair work have the potential to impact the soil and/or groundwater and ultimately soil vapor quality at the subject property”.

The second REC, reported by PVE, indicated that, “the subject property was occupied with residential structures between 1951 and 1980, but are currently vacant. Underground storage tanks may have been used for the storage of home heating oil, and may potentially remain in the subsurface.”

The third REC, reported by PVE, indicated that, “the historical and current uses of the properties adjoining and nearby to the subject property as dry cleaner/cleaning facilities, historic cleaners, auto repair garages, painting/finishing facilities, and manufacturing uses is considered a REC. The mishandling or release of chemicals used in facilities such as this have the potential to impact the soil and/or groundwater and ultimately soil vapor quality at the subject property”.

A prior Limited Subsurface Investigation (“**LSI**”), completed by PVE was provided for review. The report dated, June 19, 2017. The LSI was reported to have been conducted due to the RECs at the subject property previously described above. Between May 10, 2017 and May 20, 2017, PVE conducted soil boring and sampling work. Twelve soil borings were installed throughout the subject property with soils sampled for Volatile Organic Compounds (“**VOCs**”), Semi- Volatile Organic Compounds (“**SVOCs**”) and RCRA Metals. On May 31, 2017, PVE installed five subsurface vapor sampling points were installed on the southern portion of the subject property. The analytical results of the soil sampling indicate that no VOCs were detected at concentrations exceeding Unrestricted Use Soil Cleanup Objectives (“**UUSCOs**”) in any of the soil samples collected. SVOCs were detected in 16 of the 22 of the soil samples collected. SVOCs were detected above the UUSCOs in five soil samples and above Restricted Residential Soil Cleanup Objectives (“**RRSCO**s”) in six soil samples. New York State currently does not have any standards, criteria or guidance values (“**SCGs**”) for a majority of the VOCs detected in the soil vapor samples on the subject property.

PVE indicated that “no evidence of impacts to local soil or soil vapor from on-site or off-site uses were identified during the completion of the LSI; impacts to the subject property from the RECs identified

in the Phase I ESA are unlikely. Historical fill is present on the subject property and will require special handling and off-site disposal. This material cannot be reused during site redevelopment. Although their presence cannot be ruled out, considering the limited geophysical survey, evidence of remaining fuel storage tanks was not observed during this investigation. Due to the presence of VOCs in the soil and soil vapor samples, we recommend including a vapor barrier in the design of any future foundations for site redevelopment to mitigate any potential vapor intrusion condition". While there is minimal threat for human exposure, the documented impact is a REC. It was reported by the owner that a vapor barrier was installed during the construction of the building.

The southern portion of the property has been capped with the development of the current building. NV5 recommended that soil samples should be collected and impact delineated prior any soil disturbance on the northern parcels.

No Historical Recognized Environmental Conditions ("HRECs") or Controlled Recognized Environmental Conditions ("CRECs"), were found to be associated with the subject property.

At Highmark School Development LLC's request NV5 also performed a cursory evaluation for suspect asbestos-containing materials, lead-based paint, mold and radon.

A lead-based paint survey was beyond the scope of this assessment. However, based on date of construction, 2019, it is unlikely that lead-based paint exists on the FLACS II MS Campus. The building on the southern parcel was recently built in 2019 with the painted surfaces observed to be in good condition with no chipping or peeling.

An asbestos survey was beyond the scope of this assessment. However, based on date of construction, 2019, there is a possibility that asbestos containing building materials ("ACBMs") are located on the FLACS II MS Campus. The FLACS II MS Campus building contained suspect ACBMs, such as wallboard, joint compound, floor coverings and associated mastic (glue), caulking, roofing materials and other suspect ACBMs. The building on the southern parcel was recently built in 2019 with the suspect ACBMs observed to be in good condition.

According to the EPA Map of Radon Zones, the area of the FLACS II MS Campus is located in Radon Zone 1, defined as areas for a high potential for radon. Given the high potential for radon, a site specific radon survey is recommended.

It is recommended that federal, state and local asbestos and lead-based paint regulations be reviewed for compliance prior to any renovation or demolition activities.

National Emission Standards for Hazardous Air Pollutants regulations require sampling potential ACBM prior to demolition or extensive renovation, regardless of the date of construction; therefore, if such activities are planned, it may be required to conduct a survey of the entire facility, or that portion slated for renovation or demolition, before initiating such destructive activities. That survey should include an assessment of all subject building materials, including those in areas which are normally inaccessible. Any material found to be ACBM should be handled in accordance with applicable regulations.

FLACS III Campus

NV5, formerly known as Bock & Clark, ("NV5") was retained by Highmark School Development, LLC to conduct a Phase I Environmental Site Assessment (the "FLACS III Phase I"), dated October 19, 2020. The subject property is located at 370 Gerard Avenue, Bronx County, Bronx, New York 10451 (the "FLACS III Property").

A prior Environmental Phase I was completed by PVE Sheffler (“PVE”) and reviewed by NV5. The report, dated December 15, 2015, identified evidence of recognized environmental conditions (“RECs”) in connection with the FLACS III Property, as listed below.

PVE identified the adjacent property at 385 Gerard Avenue as the location of a closed in place fuel storage tank and is listed for two closed petroleum spills in the NY Spills database. The adjacent property to the south at 350 Gerard Avenue was identified as the location of a closed in place 10,000-gallon #6 fuel oil UST and one UST of unreported volume and contents. Additionally, the property located at 368 Walton Avenue, was the location of a closed petroleum spill in the NY Spills database. PVE indicated that information included in the database report suggested soil and/or groundwater contamination may remain in these areas, which have a potential to adversely impact the FLACS III Property. PVE deemed these sites as RECs associated with the FLACS III Property. NV5 confirmed the information provided by the prior report and concur that the RECs are present.

PVE additionally indicated that the FLACS III Property and surrounding lots have been historically operated as industrial and light industrial facilities. The FLACS III Property is listed with the NYCDEP as having an E-Designation for “hazardous materials”. This listing implies that environmental conditions may exist on the FLACS III Property, which would need to be addressed to the satisfaction of the NYCDEP prior to issuing a building permit. This condition requires the regulatory involvement of appropriate agencies. Building permits have been issued by the NCYDOB, suggesting NYCDEP has approved renovation work.

A prior Vapor Intrusion Evaluation report (“VIE”) was completed by PVE and reviewed by NV5. The report, dated December 17, 2015, was prepared as a result of the prior Environmental Phase I report completed by PVE. The analytical results of the soil vapor testing indicated that several Volatile Organic Compounds (“VOCs”) were detected within the samples. VOCs were detected at concentrations exceeding applicable NYSDOH guidelines in all sub-slab locations. PVE indicated that the historical operations at the FLACS III Property may have resulted in the release of hazardous or regulated materials and adversely impacted soil and/or groundwater quality. Petroleum hydrocarbons were also detected in sub-slab soil vapor samples, suggesting the closed in place USTs and nearby spills may have also impacted the FLACS III Property. PVE recommended that a vapor intrusion plan should be prepared to mitigate contaminated vapors and prevent a vapor intrusion condition. Such plans would include the installation of sub-slab depressurization system and/or retrofitting the slab with a sealant to prevent contaminated vapors from entering the building. Other options may exist for mitigation. PVE additionally recommended that if future development involves the demolition of the existing structure, contaminated soil may be encountered which would require excavation, handling and disposal in accordance with applicable rules and regulations.

A prior Vapor Intrusion Mitigation Plan (“VIMP”) was completed by PVE and reviewed by NV5. The report, dated January 8, 2016 was prepared in response to the VIE report. The VIMP report recommended that a surface applied concrete sealant vapor mitigation system be applied to prevent contaminated vapors from entering the building and impacting the future occupants of the FLACS III Property. It was reported that a vapor barrier was installed during the construction of the building. This is considered a Controlled Recognized Environmental Conditions (“CREC”).

No Historical Recognized Environmental Conditions (“HRECs”) were found to be associated with the FLACS III Property.

A prior Limited XRF Lead Inspection report prepared by Lawrence Environmental Group, LLC (“LEG”) was provided for review. The report dated, November 16, 2015 indicates that LEG took a total of 24 measurements and 12 calibration readings on November 16, 2015. The analytical results indicate that ten of the 24 coatings were measured at or above the action level for New York State. The components

were identified in the form of painted metal handrails and balusters within the fourth floor staircase; painted metal waste lines, elevator door case and elevator button plate on the fourth floor; and painted metal door, door case and window mullion/sash on the roof, elevator bulkhead. LEG recommended that lead safe work practices, performed by an EPA certified Lead Abatement contractor, should be followed when disturbing the paint on any components that tested positive for lead based paint.

A prior Bulk Asbestos Survey report prepared by LEG was reviewed by NV5. The report dated, November 20, 2015, indicates that LEG performed a limited asbestos bulk survey of the second and fourth floor roofs and the elevator machine room at the FLACS III Property on November 20, 2015. LEG concluded indicating that a licensed New York State asbestos abatement contractor must be retained to remove any ACM which will be disturbed. If embedded or other materials not listed within the report are uncovered during any work, all new material shall be treated as ACM until the new suspect materials can be sampled and analyzed to determine their asbestos content.

At Highmark School Development LLC's request NV5 also performed a cursory evaluation for suspect asbestos-containing materials, lead-based paint, mold and radon.

A lead-based paint survey was beyond the scope of this assessment. However, based on date of construction, 1931, it is possible that lead-based paint ("**LBP**") exists on the FLACS III Property. The painted surfaces, located within the building only, were observed to be in good condition with no observed peeling or chipping of the painted surfaces. Given the potential presence of LBP at the property, an LBP Operations and Maintenance (O&M) Program may be warranted.

An asbestos survey was beyond the scope of this assessment. However, based on date of construction, 1931, there is a possibility that asbestos containing building materials ("**ACBMs**") are located on the property. The FLACS III Property building contained suspect ACBMs, such as wallboard, joint compound, floor coverings and associated mastic (glue), caulking, roofing materials and other suspect ACBMs. Although no renovation information was provided, the suspect ACBMs were observed to have been replaced fairly recently. Given the potential presence of ACBMs at the property, an Asbestos Operations and Maintenance (O&M) Program may be warranted until such time as renovation or demolition activities necessitate their removal.

FLACS IV Campus

See "—Hazardous Materials" below.

Environmental Regulations and Permitting

Federal, state, and local environmental and health and safety laws, regulations, and standards regulate the Facilities. Conditions or mitigation as required by these laws and regulations can be imposed either through permitting or by audit, any of which could result in increased costs to the Charter School. While the Charter School believes that it is in material compliance with applicable environmental laws for the Facilities, there is no assurance that the Charter School, either under construction or in operation as currently contemplated, is now or will always be in compliance with these regulations or be able to obtain all required construction or operating permits. In addition, the costs incurred by the Borrower with respect to compliance with human health and safety and environmental laws and regulations could adversely affect its financial condition and its ability to own and operate the Facilities.

Hazardous Materials

The FLACS IV Campus has received a hazardous materials and noise (E) Designation, which requires that a subsurface testing protocol be submitted to, approved by and completed to the satisfaction New York City Office of Environmental Remediation before the issuance of any building permits associated with subsurface disturbance. The Developer will conduct a pre-submission meeting with the cooperation of the Seller regarding the Draft of the Remedial Action Work Plan (“RAWP”). The cost related to the environmental conditions of FLACS IV Campus are contemplated in the cost of the Series 2020A Project. The New York City Office of Environmental Remediation will require appropriate remedial measures to be conducted prior to or as part of redevelopment (or renovation) involving subsurface disturbance or change to a more sensitive use.

Based on the Environmental Survey Assessment Phase 1 and Phase 2 for the FLACS IV Campus site, there are 2 conditions the RAWP must address: (a) Noise – Highway and some elevated subway sections; and (b) Environment subsurface conditions (Soil, vapor and ground water).

The following work is anticipated (included in the project cost) as being required by the New York City Office of Environmental Remediation: (a) confirm there were no underground storage tanks (USTs) discovered that need to be removed; (b) confirm historic fill can be left in place as part of the building design; (c) confirm the residual contaminants are at a depth of approximately 24’ below grade ad soils do not need to be removed; (d) install a vapor detection system.

Additionally, Noise concerns will be mitigated via building sound batt insulation. Windows installed at the FLACS IV Campus will be required to meet not only the energy code but also sound buffering properties, which is accomplished with triple-pane glass.

Hazardous materials laws, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, can and will impose joint and several liability, without regard to fault, for investigation and clean-up costs on persons who have disposed of or released hazardous substances into the environment and on current and former owners and operators of real property (and to any beneficiary of Mortgages on the Facilities, particularly following any sale or foreclosure proceeding). The Borrower may also be liable for such claims contractually, as the Borrower indemnified the Seller for any and all claims related to hazardous materials as part of the Borrower’s acquisition of the Facilities.

Claims for material costs associated with hazardous materials may arise during the term of the Series 2020 Bonds and could adversely affect the Borrower’s financial condition and its ability to own and operate the Facilities. Furthermore, any such claims could result in the imposition of use limitations, such as restrictive covenants, that could impair the ability of the Charter School to operate the Facilities.

Appraisals

FLACS II MS Campus

The Charter School engaged BBG, Inc. (the “Appraiser”) to conduct an appraisal of the FLACS II MS Campus (the “**FLACS II MS Appraisal**”). The Appraisal for the FLACS II MS Campus states that it is the opinion of the Appraiser that the market value of the “as is” leased fee in the subject property as of October 7, 2020 was \$36,000,000. The estimated value was determined using the sales comparison approach and the income capitalization approach.

The value of the FLACS II MS Campus at any given time will be directly affected by market and financial conditions that are not in the control of the parties involved in this transaction. The FLACS II MS

Campus is designed for use as an educational facility, and there is nothing associated with the FLACS II MS Campus that would suggest that their value would remain stable or would increase if the general values of property in the Charter School's service areas were to decline. The FLACS II MS Campus will also require ongoing capital repairs and improvements and, although the Charter School intends to maintain the FLACS II MS Campus in good condition, no assurance can be given that the Charter School will have sufficient revenue to maintain a regular capital improvements program for the FLACS II MS Campus in the future. Potential purchasers of the Series 2020 Bonds should refer to the complete Appraisal for additional information. Copies of the Appraisal are available as described under "SUMMARY INFORMATION—Additional Information."

FLACS III Campus

The Charter School engaged the Appraiser to conduct an appraisal of the FLACS III Campus (the "FLACS III Appraisal"). The FLACS III Appraisal for the FLACS III Campus states that it is the opinion of the Appraiser that the market value of the "as is" leased fee in the subject property as of October 7, 2020 was \$13,000,000. The estimated value was determined using the sales comparison approach and the income capitalization approach.

The value of the FLACS III Campus at any given time will be directly affected by market and financial conditions that are not in the control of the parties involved in this transaction. The FLACS III Campus is designed for use as an educational facility, and there is nothing associated with the FLACS III Campus that would suggest that their value would remain stable or would increase if the general values of Campus in the Charter School's service areas were to decline. The FLACS III Campus will also require ongoing capital repairs and improvements and, although the Charter School intends to maintain the FLACS III Campus in good condition, no assurance can be given that the Charter School will have sufficient revenue to maintain a regular capital improvements program for the FLACS III Campus in the future. Potential purchasers of the Series 2020 Bonds should refer to the complete FLACS III Appraisal for additional information. Copies of the FLACS III Appraisal are available as described under "SUMMARY INFORMATION—Additional Information."

FLACS IV Campus

No appraisal of the FLACS IV Campus was conducted.

No Ratings

No recognized credit ratings for the Series 2020 Bonds have been applied for and there can be no assurance that one or more credit ratings will ever be applied for or would be obtained if applied for. Typically, unrated bonds lack liquidity in the secondary market in comparison with rated bonds. As a result of the foregoing, the Series 2020 Bonds are believed to bear interest at higher rates than would prevail for bonds with comparable maturities and redemption provisions that have investment grade credit ratings. Consequently, the Series 2020 Bonds should not be purchased by any investor who, because of financial condition, investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inherent in an investment in the Series 2020 Bonds.

Enforcement of Remedies

The remedies available to the Trustee or the owners of the Series 2020 Bonds upon an Event of Default under the Indenture or the Loan Agreement 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, the remedies provided in the Indenture and the Loan Agreement may not be readily available or

may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the sovereign powers of the State and the constitutional powers of the United States of America, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Failure to Provide Ongoing Disclosure

The Borrower and the Charter School will enter into the Continuing Disclosure Agreement pursuant to Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”). Neither the Borrower nor the Charter School has previously been subject to a continuing disclosure undertaking under the Rule. Failure by the Borrower or the Charter School to comply with the Continuing Disclosure Agreement and the Rule may adversely affect the liquidity of the Series 2020 Bonds and their market price in the secondary market. See “CONTINUING DISCLOSURE” and “APPENDIX H—FORM OF CONTINUING DISCLOSURE AGREEMENT” in this Limited Offering Memorandum.

Private School Vouchers

Various proposals offering private school vouchers to families to assist with the cost of private schools have been considered by the State Legislature and will likely be introduced again in the future. Such programs may have an impact on enrollment at the Charter School.

Redemption Prior to Maturity

The Series 2020 Bonds are subject to redemption at the option of the Borrower and in the event of certain occurrences. See “THE SERIES 2020 BONDS—Redemption of Series 2020 Bonds” in this Limited Offering Memorandum.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2020 Bonds. In order for potential investors to identify risk factors and make an informed decision, potential investors should be thoroughly familiar with this entire Limited Offering Memorandum including the appendices hereto.

AUDITED FINANCIAL STATEMENTS OF THE CHARTER SCHOOL

The audited financial statements of the Charter School as of and for the fiscal years ended June 30, 2019 (including June 30, 2018 comparative information) and June 30, 2020 (including June 30, 2019 comparative information) (the “**Audited Financial Statements**”), are included in APPENDIX D and APPENDIX E, respectively, to this Limited Offering Memorandum. The Audited Financial Statements were audited by Mengel Metzger Barr & Co. LLP independent auditors, as stated in their report thereon. See “APPENDIX D—AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT AUDITOR’S REPORTS OF THE CHARTER SCHOOL FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)” and “APPENDIX E—AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT AUDITOR’S REPORTS OF THE CHARTER SCHOOL FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)” in this Limited Offering Memorandum.

THE BUDGET PROJECTION

The Charter School has prepared the Budget Projection and related assumptions included in APPENDIX C to this Limited Offering Memorandum. The Budget Projection is based on the assumptions made by management of the Charter School as to, among other things, future enrollment levels, future costs and future revenues. The Budget Projection is for the eight fiscal years of the Charter School ending June 30, 2021 through June 30, 2028. **The Budget Projection (including the notes thereto) should be read in its entirety.**

The Budget Projection is based on various assumptions that represent only the beliefs of the Charter School's management as to the most probable future events and are subject to material uncertainties. No assurances can be given that the Charter School will, in fact, be able to generate sufficient revenue and attain the enrollment levels as stated in the Budget Projection, and variations from the Budget Projection for each of such matters should be expected to occur. Accordingly, the operations and financial condition of the Charter School in the future will inevitably vary from those set forth in the Budget Projection, and such variance may be material and adverse. See "RISK FACTORS—Budget Projection" in this Limited Offering Memorandum.

The Charter School has not assumed any responsibility to update the Budget Projection or to provide any financial forecasts or projections in the future. The Underwriter and the Issuer have made no independent inquiry as to the assumptions on which the Budget Projection is based and assume no responsibility therefor.

Mengel Metzger Barr & Co. LLP has not performed any procedures relating to the Charter School's Budget Projection.

TAX MATTERS – SERIES 2020 TAX-EXEMPT BONDS

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2020 Tax-Exempt 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 2020 Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2020 Tax-Exempt Bonds. Pursuant to the Indenture, the Loan Agreement and the Tax Regulatory Agreement, by and among the Issuer, the Borrower, the Member and the Charter School (the "Tax Certificate"), the Issuer, the Borrower, the Member and the Charter School have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2020 Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Issuer, the Borrower, the Member and the Charter School have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Certificate. Bond Counsel will also rely on the opinion of counsel to the Borrower, the Member and the Charter School as to all matters concerning the status of the Member and the Charter School as organizations described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code, the treatment of the Borrower as a disregarded entity for federal income tax purposes and that the intended use of the facilities financed or refinanced with proceeds of Series 2020 Tax-Exempt Bonds will not constitute an "unrelated trade or business" (within the meaning of Section 513(a) of the Code) of the Member or the Charter School. Bond Counsel will not independently verify the accuracy of those representations and certifications or those opinions.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Issuer, the Borrower, the Member and the Charter School described above, interest on the Series 2020 Tax-Exempt 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, under existing law, interest on the Series 2020 Tax-Exempt Bonds is exempt from personal income taxation 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 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 State of New York or local tax consequences arising with respect to the Series 2020 Tax-Exempt Bonds nor as to the taxability of the Series 2020 Tax-Exempt Bonds or the income therefrom under the laws of any state other than the State of New York.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Series 2020 Tax-Exempt Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Series 2020 Tax-Exempt 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 2020 Tax-Exempt 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 2020 Tax-Exempt 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 2020 Tax-Exempt 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 2020 Tax-Exempt 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 2020 Tax-Exempt Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2020 Tax-Exempt Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2020 Tax-Exempt 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 opinions attached as APPENDIX E. Prospective investors, 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 2020 Tax-Exempt 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 2020 Tax-Exempt Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2020 Tax-Exempt 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 2020 Tax-Exempt 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 2020 Tax-Exempt Bonds may occur. Prospective purchasers of the Series 2020 Tax-Exempt Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2020 Tax-Exempt Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2020 Tax-Exempt Bonds may affect the tax status of interest on the Series 2020 Tax-Exempt Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2020 Tax-Exempt Bonds, or the interest thereon, if any action is taken with respect to the Series 2020 Tax-Exempt Bonds or the proceeds thereof upon the advice or approval of other counsel.

TAX MATTERS – SERIES 2020 TAXABLE BONDS

Federal Income Taxes

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2020 Taxable Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and

administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Series 2020 Taxable Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2020 Taxable Bonds as a hedge against currency risks or as a position in a “straddle,” “hedge,” “constructive sale transaction” or “conversion transaction” for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Series 2020 Taxable Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Series 2020 Taxable Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Series 2020 Taxable Bonds.

The Issuer has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of Series 2020 Taxable Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Series 2020 Taxable Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Series 2020 Taxable Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Series 2020 Taxable Bonds.

Taxation of Interest Generally

Interest on the Series 2020 Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2020 Taxable Bonds. In general, interest paid on the Series 2020 Taxable Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder’s adjusted tax basis in the Series 2020 Taxable Bonds and capital gain to the extent of any excess received over such basis.

Recognition of Income Generally

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, the IRS issued proposed regulations which provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Series 2020 Taxable Bonds should consult their own tax advisors regarding the potential applicability of these rules and their impact on the timing of the recognition of income related to the Series 2020 Taxable Bonds under the Code.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2020 Taxable Bonds issued with original issue discount (“**Taxable Discount Bonds**”). A Bond will be treated as having been issued with an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 2020 Taxable Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2020 Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Series 2020 Taxable Bond’s “stated redemption price at maturity” is the total of all payments provided by the Series 2020 Taxable Bond that are not payments of “qualified stated interest.” Generally, the term “qualified stated interest” includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Taxable Discount Bond is the sum of the “daily portions” of original issue discount with respect to such Taxable Discount Bond for each day during the taxable year in which such holder held such Series 2020 Taxable Bond. The daily portion of original issue discount on any Taxable Discount Bond is determined by allocating to each day in any “accrual period” a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Taxable Discount Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (a) the product of the Taxable Discount Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (b) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Taxable Discount Bond at the beginning of any accrual period is the sum of the issue price of the Taxable Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Taxable Discount Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis

original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Series 2020 Taxable Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “Recognition of Income Generally” above. Prospective purchasers of the Series 2020 Taxable Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series 2020 Taxable Bonds under the Code.

Market Discount

A holder who purchases a Series 2020 Taxable Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2020 Taxable Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Series 2020 Taxable Bond who acquires such Series 2020 Taxable Bond at a market discount also may be required to defer, until the maturity date of such Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2020 Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder’s gross income for the taxable year with respect to such Series 2020 Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2020 Taxable Bond for the days during the taxable year on which the holder held the Series 2020 Taxable Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2020 Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “Recognition of Income Generally” above. Prospective purchasers of the Series 2020 Taxable Bonds should consult their own tax advisors regarding the potential applicability of this rule and

its impact on the timing of the recognition of income related to the Series 2020 Taxable Bonds under the Code.

Bond Premium

A holder of a Series 2020 Taxable Bond who purchases such Series 2020 Taxable Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Series 2020 Taxable Bonds held by the holder on the first day of the taxable year to which the election applies and to all Series 2020 Taxable Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Series 2020 Taxable Bonds who acquire such Series 2020 Taxable Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Series 2020 Taxable Bonds.

Surtax on Unearned Income

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

Sale or Redemption of Series 2020 Taxable Bonds

A bondholder's adjusted tax basis for a Series 2020 Taxable Bond is the price such holder pays for the Series 2020 Taxable Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Series 2020 Taxable Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2020 Taxable Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Series 2020 Taxable Bond is held as a capital asset (except in the case of Series 2020 Taxable Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Series 2020 Taxable Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued", or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Series 2020 Taxable Bond under the defeasance provisions of the Indenture could result in a deemed sale or exchange of such Series 2020 Taxable Bond.

EACH POTENTIAL HOLDER OF SERIES 2020 TAXABLE BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (A) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE SERIES 2020 TAXABLE BONDS, AND (B) THE CIRCUMSTANCES IN WHICH SERIES 2020 TAXABLE BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series 2020 Taxable Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a “**Non-U.S. Holder**”).

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act (“**FATCA**”), payments of principal by the Issuer or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (a) does not own (actually or constructively) 10 percent or more of the voting equity interests of the Issuer, (b) is not a controlled foreign corporation for United States tax purposes that is related to the Issuer (directly or indirectly) through stock ownership, and (c) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (a) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Issuer, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (b) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business and that also holds the Series 2020 Taxable Bonds must certify to the Issuer or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Issuer or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Series 2020 Taxable Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Series 2020 Taxable Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Series 2020 Taxable Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (a) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (b) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183

days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Series 2020 Taxable Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Series 2020 Taxable Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Series 2020 Taxable Bonds shall have no recourse against the Issuer, nor will the Issuer be obligated to pay any additional amounts to “gross up” payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Series 2020 Taxable Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of “withholdable payment” for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Series 2020 Taxable Bonds.

Information Reporting and Backup Withholding

For each calendar year in which the Series 2020 Taxable Bonds are outstanding, the Issuer, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder’s name, address and taxpayer identification number (either the holder’s Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Issuer, its agents or paying agents or a broker may be required to make “backup” withholding of tax on each payment of interest or principal on the Series 2020 Taxable Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder’s federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Issuer, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under “Non-U.S. Holders” above), or has otherwise established an exemption (provided that neither the Issuer nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Series 2020 Taxable Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following: (a) a U.S. person; (b) a controlled foreign corporation for U.S. tax purposes; (c) a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or (d) a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Series 2020 Taxable Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Series 2020 Taxable Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

State Taxes

Interest on the Series 2020 Taxable Bonds is not exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York. Bond Counsel expresses no opinion as to other state or local tax law consequences arising with respect to the Series 2020 Taxable Bonds nor as to the taxability of the Series 2020 Taxable Bonds or the income derived therefrom under the laws of any jurisdiction other than the State of New York.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Series 2020 Taxable Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2020 Taxable 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), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Series 2020 Taxable Bonds. Prospective purchasers of the Series 2020 Taxable Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Series 2020 Taxable Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2020 TAXABLE BONDS.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("**ERISA Plans**"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("**Qualified Retirement Plans**"), and on Individual Retirement Accounts ("**IRAs**") described in Section 408(b) of the Code (collectively, "**Tax-Favored Plans**"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("**Governmental Plans**"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("**Church Plans**"), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law ("**Similar Laws**") which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the

Series 2020 Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "**Benefit Plans**") and persons who have certain specified relationships to the Benefit Plans ("**Parties In Interest**" or "**Disqualified Persons**"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (a) fiduciary with respect to a plan; (b) a person providing services to a plan; (c) an employer or employee organization any of whose employees or members are covered by the plan; and (d) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Series 2020 Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "**Plan Assets Regulation**"), the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an "equity interest" in the Issuer and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Series 2020 Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Series 2020 Bonds, including the reasonable expectation of purchasers of Series 2020 Bonds that the Series 2020 Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Series 2020 Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Series 2020 Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Borrower, the Member, the Charter School, the Underwriter or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Series 2020 Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2020 Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Further, the statutory exemption in Section 408(b)(17) of ERISA and Section

4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Series 2020 Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Series 2020 Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (a) it is not acquiring the Series 2020 Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (b) the acquisition and holding of the Series 2020 Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Series 2020 Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the Issuer, the Borrower, the Member, the Charter School, the Underwriter or the Trustee or any of their respective affiliates may receive certain benefits in connection with the sale of the Series 2020 Bonds, the purchase of the Series 2020 Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Series 2020 Bonds using plan assets of a Benefit Plan should consult with its counsel if the Issuer, the Borrower, the Member, the Charter School, the Underwriter or the Trustee or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Series 2020 Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

ENFORCEABILITY OF OBLIGATIONS

On the date of delivery of the Series 2020 Bonds, Nixon Peabody LLP, New York, New York, Bond Counsel to the Issuer, will deliver its opinion, dated the date of delivery, that the Series 2020 Bonds, the Loan Agreement, the Bond Purchase Agreement and the Indenture are valid and legally binding obligations of the Issuer. Smith Buss & Jacobs LLP, New York, New York, as counsel to the Borrower, the Member and the Charter School, will deliver its opinion that the various documents to which the Borrower, the Member or the Charter School is a party are valid and legally binding agreements of the Borrower, the Member and the Charter School, each enforceable in accordance with its respective terms. Papparone Law PLLC as counsel for the Trustee, will deliver its opinion that the various documents to which the Trustee is a party are valid and legally binding agreements of the Trustee, each enforceable in accordance with its respective terms. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by laws, decisions and equitable principles affecting remedies and by bankruptcy or insolvency or other laws, decisions and equitable principles affecting creditors’ rights generally.

While the Series 2020 Bonds are secured or payable pursuant to the Leases, the Loan Agreement, the Promissory Notes, the Pledge and Security Agreements, the Indenture, the Charter School DACAs, the Assignment of Development Agreement, the Assignment of Construction Contract, the Assignment of Project Agreements, the Environmental Indemnity Agreement, the Guaranty Agreements, the Design Builder's Consent and Agreement, the Covenant Agreement, the Construction Monitoring Agreement, the Tax Regulatory Agreement, the Building Loan Agreement, the Mortgages and the Assignment of Mortgages, Leases and Rents, the practical realization of payment from any security will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly, the remedies specified in the above documents may not be readily available or may be limited.

LEGAL MATTERS

Certain legal matters incident to the issuance and sale of the Series 2020 Bonds and with regard to the tax-exempt status of interest on Series 2020 Tax-Exempt Bonds under existing laws are subject to the legal opinion of Nixon Peabody LLP, New York, New York, as Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its General Counsel, for the Charter School, the Borrower and the Member by their counsel, Smith Buss & Jacobs LLP, New York, New York, and for the Trustee by its counsel Paparone Law PLLC, New York, New York. Ballard Spahr LLP, New York, New York, represents the Underwriter in this transaction.

CONTINUING DISCLOSURE

The Rule imposes continuing disclosure obligations on the issuers of certain state and municipal securities to permit participating underwriters to offer and sell the issuer's securities. In order to comply with the requirements of the Rule, the Borrower and the Charter School have entered into a Continuing Disclosure Agreement, dated the Closing Date, between the Borrower, the Charter School, and Dissemination Agent. Neither the Borrower nor the Charter School has been subject to any prior continuing disclosure undertakings under Rule 15c2-12. See "APPENDIX H—FORM OF CONTINUING DISCLOSURE AGREEMENT" in this Limited Offering Memorandum.

The Issuer does not have any obligation with respect to the Continuing Disclosure Agreement because the Issuer is not an "obligated party" under the terms of Rule 15c2-12. The Issuer will not monitor the compliance by the Borrower or the Charter School with the terms of the Continuing Disclosure Agreement.

NO RATINGS

No ratings have been applied for with respect to the Series 2020 Bonds. No representation can be made that ratings with respect to the Series 2020 Bonds, if applied for, could be obtained.

RELATIONSHIPS AMONG THE PARTIES

In connection with the issuance of the Series 2020 Bonds, the Issuer, the Borrower, the Member, the Charter School and the Underwriter are being represented by the attorneys or law firms identified above under the heading "LEGAL MATTERS." In other transactions not related to the Series 2020 Bonds, each of these attorneys or law firms may have acted as bond counsel or represented the Issuer, the Borrower, the Member, the Charter School or the Underwriter or their affiliates, in capacities different from those described under "LEGAL MATTERS," and there will be no limitations imposed as a result of the issuance of the Series 2020 Bonds on the ability of any of these firms or attorneys to act as bond counsel or represent any of these parties in any future transactions. Potential purchasers of the Series 2020 Bonds should not

assume that the Issuer, the Borrower, the Member, the Charter School and the Underwriter or their respective counsel or Bond Counsel have not previously engaged in or will not after the issuance of the Series 2020 Bonds engage in, other transactions with each other or with any affiliates of any of them, and no assurances can be given that there are or will be no past or future relationship or transactions between or among any of these parties or these attorneys or law firms.

ABSENCE OF MATERIAL 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 the Indenture or the Loan Agreement.

The Borrower

No litigation, investigations or proceedings are now pending or, to the best knowledge of the Borrower, are any threatened against the Borrower or the Member which would have a materially adverse effect on the financial condition or operations of the Borrower or the Member or in any manner challenge or adversely affect the existence or power of the Borrower or the Member to enter into and carry out the transactions described in or contemplated by, or the execution, delivery, validity or performance by the Borrower or the Member under the Loan Agreement, the Mortgages, the Pledge and Security Agreements, the Assignment of Mortgages, Leases and Rents, the Leases, the Continuing Disclosure Agreement, the Tax Regulatory Agreement, the Covenant Agreement, or the Bond Purchase Agreement, or any other Project Document to which the Borrower is a party.

The Charter School

No litigation, investigations or proceedings are now pending or, to the best knowledge of the Charter School, are any threatened against the Charter School which would have a materially adverse effect on the financial condition or operations of the Charter School or in any manner challenge or adversely affect the existence or power of the Charter School to enter into and carry out the transactions described in or contemplated by, or the execution, delivery, validity or performance by the Charter School under the Leases, the Continuing Disclosure Agreement, the Tax Regulatory Agreement, the Covenant Agreement or any other Project Document to which the Charter School is a party.

UNDERWRITING

D.A. Davidson & Co. (the “**Underwriter**”) intends to offer the Series 2020 Bonds in a limited offering at the offering prices set forth on the inside cover page of this Limited Offering Memorandum, less an underwriter's discount of \$1,876,575, which offering prices may be subsequently changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter will receive no fee (other than the underwriter's discount described in the preceding sentence) from the Issuer, the Borrower or the Charter School for underwriting the Series 2020 Bonds. The Underwriter has reserved the right to permit other securities dealers who are members of the Financial Industry Regulatory Authority to assist in selling the Series 2020 Bonds. The Underwriter may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing Series 2020 Bonds into investment trusts) at prices lower than the public offering prices set forth on the inside cover page of this Limited Offering Memorandum or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts or commissions

that may be received by such dealers in connection with the sale of the Series 2020 Bonds will be deducted from the Underwriter's underwriting discount.

THE TRUSTEE

The Issuer has appointed The Bank of New York Mellon to serve as Trustee, Bond Registrar and Paying Agent. The Trustee is a banking corporation organized and existing under the laws of the State of New York, having all of the powers of a bank, including fiduciary powers, and is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System. The Trustee is to carry out those duties assignable to it under the Indenture and the other Security Documents. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the nature, contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Series 2020 Bonds (other than the Trustee's certificate of authentication), or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Issuer of any of the Series 2020 Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Series 2020 Bonds by the Borrower. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series 2020 Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Series 2020 Bonds, or the investment quality of the Series 2020 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

The mailing address of the Trustee is 240 Greenwich Street, Floor 7W, New York, New York 10286, Attention: Corporate Trust Administration. Additional information about the Trustee may be found at its website at <http://www.bnymellon.com>. The Bank of New York Mellon website is not incorporated into this Limited Offering Memorandum by such reference and is not a part hereof.

MISCELLANEOUS

The foregoing does not purport to be comprehensive or definitive, and all references to any document herein are qualified in their entirety by reference to each such document. All references to the Series 2020 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the period of the offering at the offices of the Underwriter in New York, New York and thereafter at the principal corporate trust office of the Trustee. In addition to certain information provided herein, all information contained in APPENDICES A, B, C, D, and E, along with information regarding the Forecast and projected debt service coverage under the caption "SUMMARY INFORMATION," has been provided by the Borrower or the Charter School or been derived from information provided by the Borrower or the Charter School. Neither the Issuer nor the Underwriter make any representations or warranties as to the accuracy or completeness of the information in any of the Appendices.

No Registration of the Series 2020 Bonds

Registration or qualification of the offer and sale of the Series 2020 Bonds (as distinguished from registration of the ownership of the Series 2020 Bonds) is not required under the Securities Act. THE ISSUER ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE SERIES 2020 BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN

WHICH THE SERIES 2020 BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

Interest of Certain Persons Named in this Limited Offering Memorandum

The fees to be paid to counsels to the Borrower, the Member and the Charter School, counsel to the Underwriter, the Trustee, counsel to the Trustee, and the Underwriter are contingent upon the sale and delivery of the Series 2020 Bonds.

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Limited Offering Memorandum Certification

The Borrower, the Charter School and the Issuer (but only with respect to the information under the caption “THE ISSUER” and “ABSENCE OF MATERIAL LITIGATION—The Issuer” in this Limited Offering Memorandum) have authorized and approved the use and distribution of this Limited Offering Memorandum. The Issuer has not reviewed or approved any matters herein and assumes no responsibility for the accuracy or completeness of the information herein except for the information under the caption “THE ISSUER” and “ABSENCE OF MATERIAL LITIGATION—The Issuer” in this Limited Offering Memorandum.

The preparation of this Limited Offering Memorandum and its distribution has been authorized by the Borrower and the Charter School. This Limited Offering Memorandum is not to be construed as an agreement or contract between the Borrower or the Charter School and any purchaser, owner or holder of any Series 2020 Bond.

HIGHBRIDGE FACILITIES, LLC,
a Delaware limited liability company

By: /s/ Kevin Kearns

Name: Kevin Kearns

Title: Chief Finance Officer

FAMILY LIFE ACADEMY CHARTER SCHOOL,
a New York not-for-profit and education corporation

By: /s/ Scott Quintero

Name: Scott Quintero

Title: Chief Finance Officer

APPENDIX A

FAMILY LIFE ACADEMY CHARTER SCHOOL

INTRODUCTION

Capitalized terms used but not otherwise defined in this APPENDIX A shall have the meanings set forth in the Limited Offering Memorandum to which this APPENDIX A is appended.

General

Family Life Academy Charter School (the “**Charter School**” or “**FLACS**”) is a charter school with locations within the boundaries of New York City Community School District No. 7 (the “**7th District**”) and New York City Community School District No. 9 (the “**9th District**”), both in the Bronx, in the State of New York (the “**State**”), and currently offering kindergarten through 8th grades. Authorized on May 14, 2001 by the State University of New York Board of Trustees (the “**Authorizer**”), the Charter School is organized pursuant to Article 56 of New York Education Law (the “**Charter Schools Act**”) as a public charter school and a not-for-profit education corporation. The Charter School received a 501(c)(3) determination letter on April 9, 2002 from the Internal Revenue Service. The Charter School was originally founded by the Latino Pastoral Action Center (“**LPAC**”). FLACS was founded with the specific vision to create opportunities for success for all students, no matter their primary language, ethnicity, or socioeconomic status. The Charter School is located in the poorest U.S. Congressional District in the nation, with 40% of the population living below poverty. The Bronx has the highest concentration of English Language Learners (ELL) in New York City. The area surrounding the Charter School contains several NYC public schools on the State Education Commissioner’s list of failing schools.

The Charter School currently operates three schools out of four campuses. Family Life Academy Charter School I was the Charter School’s first school to open (“**FLACS I**”). FLACS I opened in the fall of 2001 with kindergartners and first graders. FLACS I now serves grades kindergarten through fifth and is currently located at 14 W. 170th Street, Bronx, New York (“**FLACS I Campus**”). Family Life Academy Charter School II was the Charter School’s second school to open (“**FLACS II**”). FLACS II opened in the fall of 2012 with kindergartners and first graders. FLACS II now serves grades kindergarten through eight at two separate campuses. FLACS II serves kindergarten through grade 5 at 296 E. 140th Street, Bronx, New York (“**FLACS II Campus**”), and grades 6 through 8 at 316 E. 165th Street, Bronx, New York (“**FLACS II MS Campus**”). Family Life Academy Charter School III was the Charter School’s third school to open (“**FLACS III**”). FLACS III opened in the fall of 2014 at 370 Gerard Street, Bronx, New York (the “**FLACS III Campus**”). FLACS III currently serves kindergarten through grade 4.

The Borrower is using proceeds from the sale of the Series 2020A Bonds to finance the construction of and to open a fourth school to be known as Family Life Academy Charter School IV (“**FLACS IV**”) in the Bronx, which it anticipates opening in two phases with the first phase scheduled for September 6, 2022 (for floors 1 and 2) and the second phase anticipated on December 29, 2022 for floors 3 through 6, courtyard and site work at a facility to be constructed located at 1400 Cromwell Avenue, Bronx, New York (the “**FLACS IV Campus**”). FLACS IV is planned to serve kindergarten through grade 8.

ONLY THE FLACS IV CAMPUS, FLACS III AND THE FLACS II MS CAMPUS AND THE REVENUES GENERATED THEREFROM ARE PLEDGED FOR THE REPAYMENT OF THE SERIES 2020 BONDS. INFORMATION REGARDING THE CHARTER SCHOOL’S FINANCIAL INFORMATION AND OPERATIONAL DATA RELATING TO THE FLACS I CAMPUS AND FLACS II CAMPUS IS FOR INFORMATIONAL PURPOSES ONLY. FLACS IV

CAMPUS, FLACS III CAMPUS AND THE FLACS II MS CAMPUS ARE COLLECTIVELY REFERRED TO HEREIN AS THE “PLEDGED FACILITIES” OR “PLEDGED CAMPUSES”.

The FLACS I Campus, the FLACS II Campus, FLACS II MS Campus, FLACS III Campus, and FLACS IV Campus are referred to collectively herein as the “FLACS Schools” or “FLACS Campuses”. Certain information on the FLACS Schools is set forth in the following table.

TABLE I Family Life Academy Charter Schools							
	Campus	Grades	2019-20 Student Count	2020-21 Student Count ¹	2020-21 Wait List	Pledged Facility	Year Open
<i>Pledged</i>	FLACS II MS	6-8	348	520	130	Yes	2012 ¹
	FLACS III	K-4	253	260	568	Yes	2014
	FLACS IV	K-8	--	--	--	Yes	2022 ²
<i>Non-Pledged</i>	FLACS I	K-5	410	416	1,107	No	2001
	FLACS II	K-5	389	364	708	No	2012
Total			<u>1,400</u>	<u>1,560</u>	<u>2,513</u>		

¹ FLACS II opened to 6th – 8th grades in 2017-18 school year.

² FLACS IV is anticipated to open in the fall of 2022 in two phases.

The Charter School will not be a borrower under the Loan Agreement or the Promissory Notes and will not be obligated to make payments under the Loan Agreement with respect to debt service on the Series 2020 Bonds. However, the Charter School will lease the Facilities from Highbridge Facilities, LLC, a Delaware Limited Liability Company (the “**Borrower**”), the sole member of which is HB Foundation, Inc. (the “**Member**”) under the terms of the Leases and amounts payable by the Charter School to the Borrower under the Leases are scheduled to be sufficient to pay all scheduled debt service on the Series 2020 Bonds.

The Borrower

The Borrower is a Delaware Limited Liability Company the sole member of which, the Member, is a New York not-for-profit that was organized pursuant to Section 803 of the New York State Not-for-Profit Corporation Law, and is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”). The Borrower was formed for the purposes of benefiting, performing the functions of, or to carry out one or more of the purposes of the Charter School. The Borrower will use proceeds of the Series 2020 Bonds to purchase and/or construct the Facilities and will lease the Facilities to the Charter School pursuant to the Leases.

The Charter Contract

The Charter School operates pursuant to a charter agreement with the Authorizer for and on behalf of the Education Department of the State of New York (the “**Charter**”). The Charter governs such matters as the Charter School’s authority to operate, student performance, financial management, governance and operations. Pursuant to the Charter Schools Act, the term of a charter cannot exceed five years and therefore must be renewed periodically while the Series 2020 Bonds are outstanding. The Charter School was granted its first Charter in 2001, which has been subsequently renewed and amended. Most recently, the Authorizer and the Charter School entered into the Fifth Renewal Charter in December of 2018 pursuant to

which the Charter School is authorized to operate FLACS I through June 30, 2023, FLACS II through July 31, 2022, and FLACS III through July 31, 2024.

Mission, Vision and Academic Program

Mission: The Charter School, in partnership with LPAC and the parents, seeks to empower all students in grades K-8 to achieve high standards, help them take responsibility for their own learning, and encourage them to explore and affirm human values.

Vision: The Charter School's network has emerged as high performing elementary and middle schools. The Charter School has shown consistent growth from year to year and the Charter School scholars achieve at rates that outpace those of students in their local community school district. The results are the embodiment of the Charter School's mission and vision – to demonstrate that all students, including students of color and English language learners, can achieve at high levels.

Academic Program: The elementary school scholars will develop a thirst for knowledge and a lifetime love of learning in a variety of subject areas. Students are encouraged to take ownership for their own learning while gaining a solid foundation in literacy, mathematics, science, and social studies. Teachers encourage the development of the whole child through teaching health and wellness, including physical education, art education, including visual arts and music, and character education. The Charter School teachers believe in helping all students to succeed and develop individualized programming to help every child achieve high standards. All curricula at the Charter School are aligned with the rigorous New York State common core learning standards and with research-based best practices.

PLAN OF FINANCE

Series 2020 Bonds

The Issuer is issuing its (a) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”), in the aggregate principal amount of \$69,760,000; (b) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-2 (Taxable) (the “**Series 2020A-2 Bonds**”) and together with the Series 2020A-1 Bonds, the “**Series 2020A Bonds**”), in the aggregate principal amount of \$2,125,000; (c) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”), in the aggregate principal amount of \$13,085,000; (d) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-2 (Taxable) (the “**Series 2020B-2 Bonds**”) and together with the Series 2020B-1 Bonds, the “**Series 2020B Bonds**”), in the aggregate principal amount of \$340,000; (e) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), in the aggregate principal amount of \$38,175,000; and (f) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-2 (Taxable) (the “**Series 2020C-2 Bonds**”) and together with the Series 2020C-1 Bonds, the “**Series 2020C Bonds**”), in the aggregate principal amount of \$1,620,000.

The Series 2020A-1 Bonds, the Series 2020B-1 Bonds and the Series 2020C-1 Bonds are collectively referred to herein as the “**Series 2020 Tax-Exempt Bonds**”. The Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds are collectively referred to herein as the “**Series 2020 Taxable Bonds**”. The Series 2020 Tax-Exempt Bonds and the Series 2020 Taxable Bonds are collectively referred to herein as the “**Series 2020 Bonds**”.

Plan of Finance and Use of Proceeds

The Issuer will loan the proceeds derived from the sale of the Series 2020 Bonds to the Borrower pursuant to the terms of a Loan Agreement, dated as of December 1, 2020 (the “**Loan Agreement**”), by and between the Issuer and each of the Borrower and the Charter School.

Series 2020A Bonds. Proceeds of the Series 2020A Bonds will be used by the Borrower to: (a) finance the acquisition by the Borrower of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement) facility, including parking (the “**FLACS IV Campus**”) located on such land, to serve as a new public charter school serving students in kindergarten through eighth grade; (b) fund a debt service reserve fund for the benefit of the Series 2020A Bonds; (c) fund capitalized interest on the Series 2020A Bonds; and (d) pay for certain costs related to the issuance of the Series 2020A Bonds (collectively, the “**Series 2020A Project**”). The FLACS IV Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS IV Lease**”).

Series 2020B Bonds. Proceeds of the Series 2020B Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York (the “**FLACS III Campus**”), which will continue serving as a public charter school operated by the Charter School serving students in grades kindergarten through grade 4; (b) fund a debt service reserve fund for the benefit of the Series 2020B Bonds; and (c) pay for certain costs related to the issuance of the Series 2020B Bonds (collectively, the “**Series 2020B Project**”). The FLACS III Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS III Lease**”).

Series 2020C Bonds. Proceeds of the Series 2020C Bonds will be used by the Borrower to: (a) finance or refinance the acquisition by the Borrower of an existing approximately 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street, Bronx, New York (the “**FLACS II MS Campus**” and together with FLACS IV and FLACS III, the “**Facilities**”), which will continue serving as a public charter school operated by the Charter School serving students in grades 5 through 8; (b) fund a debt service reserve fund for the benefit of the Series 2020C Bonds; and (c) pay for certain costs related to the issuance of the Series 2020C Bonds (collectively, the “**Series 2020C Project**” and together with the Series 2020A Project and the Series 2020B Project, the “**Series 2020 Project**”). The FLACS II MS Campus will be owned by the Borrower and leased by the Borrower to the Charter School for use as a public charter school pursuant to a Lease Agreement, dated as of December 1, 2020 (the “**FLACS MS Lease**”).

The FLACS IV Lease, the FLACS III Lease and the FLACS MS Lease are collectively referred to herein as the “**Leases**” and will be entered into upon issuance of the Series 2020 Bonds. See “THE SERIES 2020 PROJECT AND PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and this “APPENDIX A—FAMILY LIFE ACADEMY CHARTER SCHOOL” in this Limited Offering Memorandum.

Charter School Facilities and Access Payments/Rental Assistance

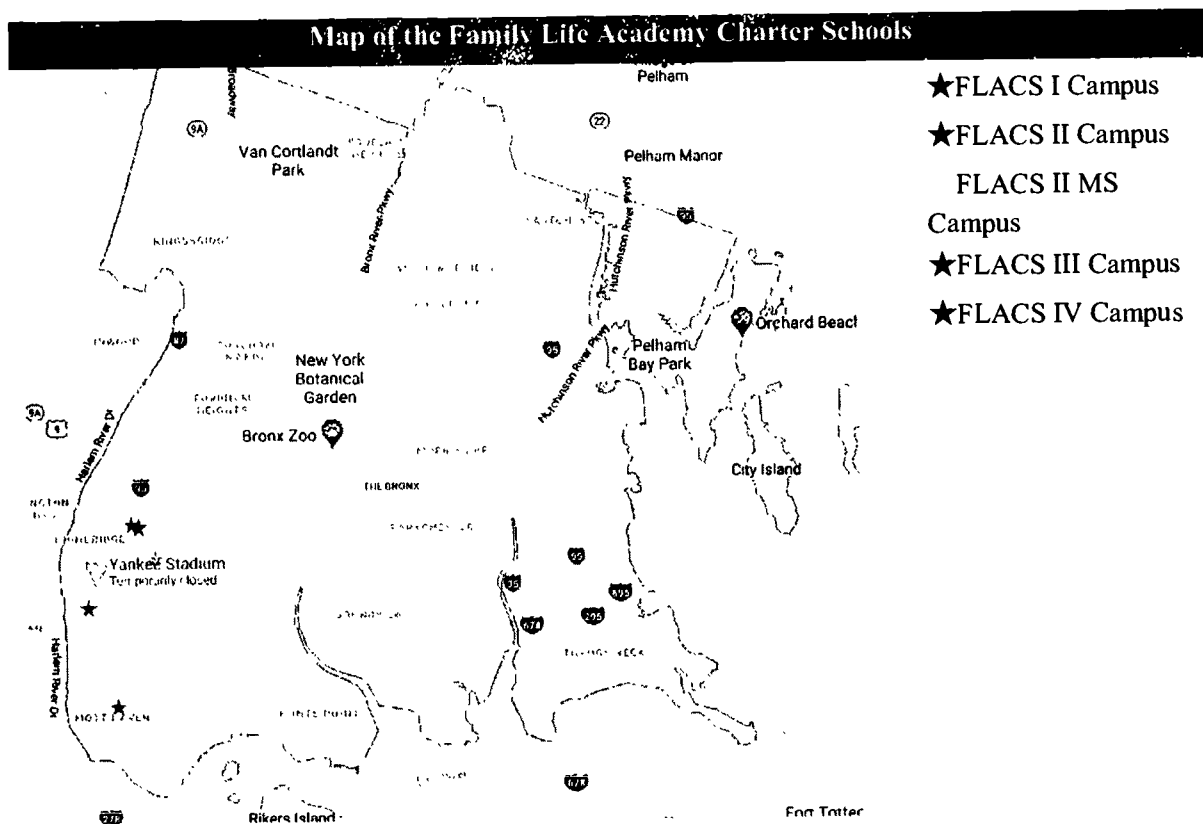
FLACS is eligible to receive certain rental assistance payments from the school district. FLACS received Facilities Access Payments in the annual amount of approximately \$3,772,080 for the 2020-2021 for use of the FLACS III Campus and FLACS II MS Campus. The Charter School is eligible to receive

Facilities Access Payments for all of its students at both the FLACS II MS Campus and FLACS III Campus. Additionally, the charter school anticipates it will receive Facilities Access Payments for all of its students at the FLACS IV Campus once open. The Charter School does not receive Facilities Access Payments for any of its students at the FLACS I Campus and only its students in grades 3, 4 and 5 at the FLACS II Campus.

The amount of Facilities Access Payments is determined pursuant to a formula set forth in the Charter Schools Act. The maximum amount of Facilities Access Payments available to eligible New York City charter schools for the 2020-2021 school year was 30% of the per pupil funding (approximately \$4,836), to the extent such amount does not exceed actual rental costs. See “CHARTER SCHOOL FUNDING IN THE STATE OF NEW YORK—Facilities Access Payments/Rental Assistance,” “APPENDIX C—BUDGET PROJECTION,” and “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW” in this Limited Offering Memorandum for a more detailed discussion of Facilities Access Payments.

The Facilities

The map below depicts the Charter School locations. Only the FLACS IV Campus, FLACS III Campus and FLACS II MS Campus are pledged for the repayment of the Series 2020 Bonds.

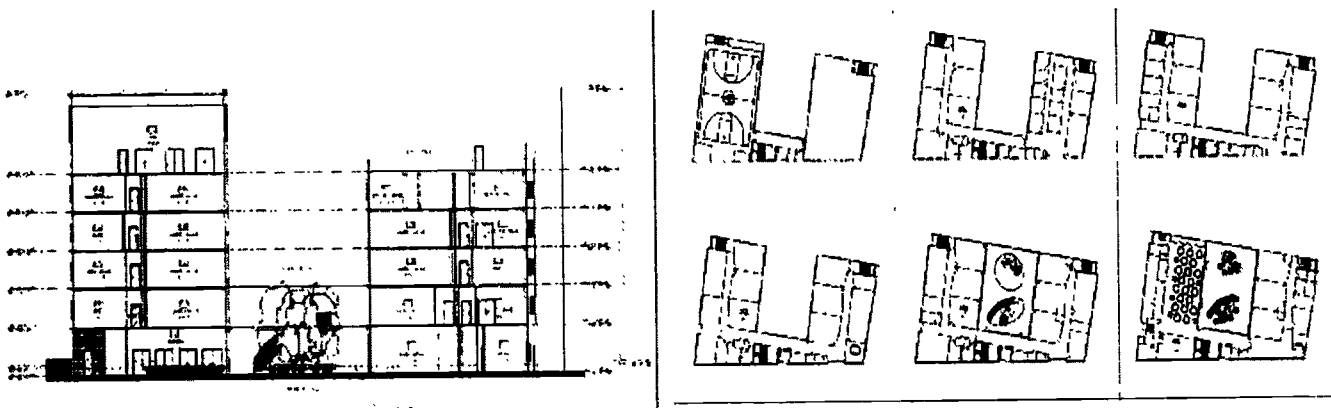


FLACS IV Campus

Following the acquisition of the FLACS IV Campus Site, the existing parking lot will be demolished and the existing shed and asphalt removed, and the FLACS IV Campus will be constructed

thereon. As currently planned, the FLACS IV Campus will consist of approximately 70,000 square feet containing six floors above grade and a courtyard playground area. The FLACS IV Campus is currently planned to include 27 classrooms and accommodate approximately 756 students. Additionally, the FLACS IV Campus is planned to include a main entry with security, a cafeteria with stage and a full-service kitchen, elective specialty classrooms, special education/ESL, and administrative and guidance offices, an enclosed gym and the opportunity for a future roof playground area as the student population grows. Additionally, the FLACS IV Campus Project will include the implementation of a Remedial Action Work Plan with the New York City Office of Environmental Remediation including the installation of an active vapor detection system. SEE "RISK FACTORS—Hazardous Materials" in this Limited Offering Memorandum.

The following is a rendering of the FLACS IV Campus.



Below is the Budget for the FLACS IV Campus.

Project Budget

Site Acquisition	\$12,985,694.43
Guaranteed Maximum Price Construction	34,050,530.00
Other Project Costs, Including Soft Costs	2,816,119.79
Developer Fee	<u>4,200,000.00</u>
Total	<u>\$54,052,344.22</u>

FLACS IV Project Development, LLC (the "**Developer**"), a Utah limited liability company, will be the developer of the FLACS IV Campus, and Gilbane Building Company, a Rhode Island business corporation, will be the design-builder that will construct the Facilities for an amount not to exceed \$34,050,530, pursuant to a guaranteed maximum price contract (i.e., ConsensusDocs 410 Standard Design-Build Agreement and General Conditions Between Owner and Design-Builder (Cost of the Work Plus a Fee with a GMP)), subject to any change orders and terms and provisions contained therein, and anticipated to be executed on or before the Closing Date. Construction of the Series 2020A Project is planned to be completed in phases pursuant to the GMP. The GMP provides that the date of substantial completion for the work to be September 6, 2022 for the Temporary Certificate of Occupancy ("**TCO**") for Floors 1 and 2 of the FLACS IV Campus, including all sign-offs and approvals on all life safety systems, elevator, and other systems required for issuance of such TCO, and December 29, 2022 for all other work, including TCO for Floors 3 through 6, roof areas, courtyard, site work, etc. Pursuant to the Loan Agreement, the completion deadline for the FLACS IV Campus will be December 17, 2023. Failure to meet the Completion Deadline may lead to a default or Event of Default under the Security Documents. Enforcement of certain

remedies will be limited for certain defaults until the earlier to occur of (i) December 31, 2024 or (ii) the Project Completion Date of the FLACS IV Campus as evidenced by the completion certificate and other documents required by the Loan Agreement (the “**Limited Enforcement Period**”). For more information, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – Enforcement of Remedies.”

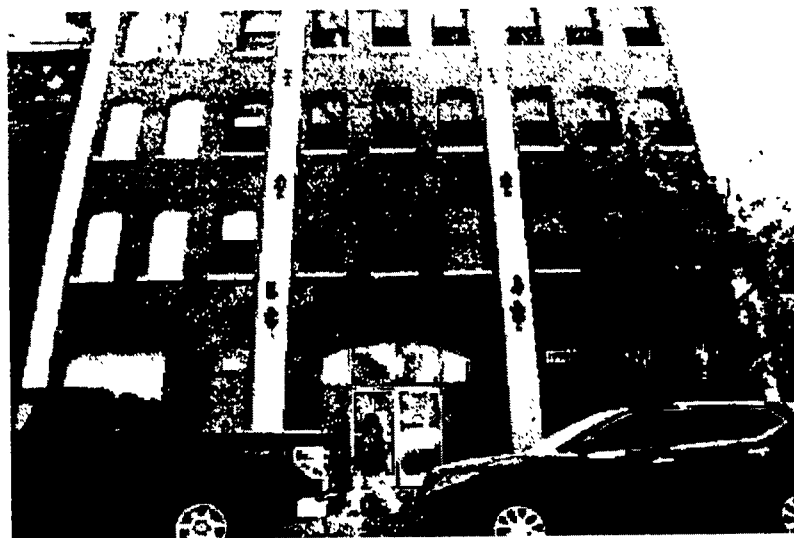
The 1st and 2nd floors are planned to contain 9 typical classrooms for grades kindergarten through second, a cafeteria, an art and music room, restrooms and office space and will accommodate approximately 230 students.

Additionally, the Developer and the Borrower have entered into a Construction Disbursement and Monitoring Agreement (the “**Construction Monitoring Agreement**”) dated as of December 1, 2020, with Anser Advisory LLC (the “**Construction Monitor**”) in order to monitor the construction of the FLACS IV Campus.

FLACS III Campus

The FLACS III Campus was renovated in 2016 prior to opening in the fall and consists of an approximately 20,000 square foot building containing 4-stories. The FLACS III Campus includes a reception area and a security check point at the entry lobby, a multipurpose room, which serves as dining and physical education space, office space, space for special education services, a nurse station, and 12 classrooms. The FLACS III Campus can accommodate approximately 340 students.

Below is a rendering of the FLACS III Campus.



The Charter School has been operating in the FLACS III Campus pursuant to a lease agreement with RM FLACS III NY LLC (the “**Seller**”). The Charter School and the Seller have agreed to a purchase price of \$12,292,086, plus seller costs, for the FLACS III Campus. FLACS III is located at 370 Gerard Avenue, Bronx, New York 10451.

FLACS II MS CAMPUS

The FLACS II MS Campus contains an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street, Bronx, New York serving students in grades 5 through 8. The FLACS II MS Campus was constructed in 2019 and contains a cellar, network, office and a mechanical penthouse, a regulation sized gym that also serves as an auditorium with a full stage where music and visual arts are performed, a cafeteria, full kitchen, nursing and other auxiliary support area, 26 classrooms, 2 dedicated art rooms, 2 dedicated science rooms, special education/ESL and administration on each floor. The FLACS II MS Campus can accommodate 728 students.

Below is a rendering of the FLACS II MS Campus.



The Charter School has been operating in the FLACS II MS Campus pursuant to a project loan agreement with RM FLACS II MS NY LLC (the “FLACS II MS Seller”). The Charter School and the Seller have agreed to a purchase price of \$36,451,215, plus seller costs, for the FLACS III Campus.

Environmental Reports

See “RISK FACTORS—Environmental Risks” for a description of the environmental site assessments on the Facilities, which are hereby incorporated into this Appendix A.

Appraisals

FLACS II MS Campus

The Charter School engaged BBG, Inc. (the “Appraiser”) to conduct an appraisal of the FLACS II MS Campus (the “FLACS II MS Appraisal”). The Appraisal for the FLACS II MS Campus states that it is the opinion of the Appraiser that the market value of the “as is” leased fee in the subject property as of

October 7, 2020 was \$36,000,000. The estimated value was determined using the sales comparison approach and the income capitalization approach.

The value of the FLACS II MS Campus at any given time will be directly affected by market and financial conditions that are not in the control of the parties involved in this transaction. The FLACS II MS Campus is designed for use as an educational facility, and there is nothing associated with the FLACS II MS Campus that would suggest that their value would remain stable or would increase if the general values of property in the Charter School's service areas were to decline. The FLACS II MS Campus will also require ongoing capital repairs and improvements and, although the Charter School intends to maintain the FLACS II MS Campus in good condition, no assurance can be given that the Charter School will have sufficient revenue to maintain a regular capital improvements program for the FLACS II MS Campus in the future. Potential purchasers of the Series 2020 Bonds should refer to the complete Appraisal for additional information. Copies of the Appraisal are available as described under "SUMMARY INFORMATION—Additional Information."

FLACS III Campus

The Charter School engaged the Appraiser to conduct an appraisal of the FLACS III Campus (the "FLACS III Appraisal"). The FLACS III Appraisal for the FLACS III Campus states that it is the opinion of the Appraiser that the market value of the "as is" leased fee in the subject property as of October 7, 2020 was \$13,000,000. The estimated value was determined using the sales comparison approach and the income capitalization approach.

The value of the FLACS III Campus at any given time will be directly affected by market and financial conditions that are not in the control of the parties involved in this transaction. The FLACS III Campus is designed for use as an educational facility, and there is nothing associated with the FLACS III Campus that would suggest that their value would remain stable or would increase if the general values of Campus in the Charter School's service areas were to decline. The FLACS III Campus will also require ongoing capital repairs and improvements and, although the Charter School intends to maintain the FLACS III Campus in good condition, no assurance can be given that the Charter School will have sufficient revenue to maintain a regular capital improvements program for the FLACS III Campus in the future. Potential purchasers of the Series 2020 Bonds should refer to the complete FLACS III Appraisal for additional information. Copies of the FLACS III Appraisal are available as described under "SUMMARY INFORMATION—Additional Information."

FLACS IV Campus

No appraisal of the FLACS IV Campus was conducted.

FAMILY LIFE ACADEMY CHARTER SCHOOL

Charter School Governance and Administration

Board of Trustees

The Charter is a not-for-profit education corporation and has no members. The Charter School is managed by a Board of Trustees (the "Board"). Trustees have no power as individuals and only act through the Board. Under the Charter School's Bylaws, the Board consists of not less than seven nor more than twenty-one trustees. Currently, there are currently 17 trustees who are elected to three-year terms. Trustees may be elected for successive terms.

The individuals who currently serve as trustees and officers of the Board are as follows:

Name	Position	Initial Start Date	Current Term Expiration (July)
Miguel Peña	Chairman	2014	2021
Susana Rivera-Leon	Vice Chairman	2014	2021
Hilda I. Sanchez	Secretary	2014	2021
Pedro Alvarez	Treasurer	2014	2021
Kevin Kearns	Trustee	2014	2022
Joseph Holland	Trustee	2018	2021
Dr. Janet M. Lerner	Trustee	2014	2021
	Chairman Emeritus		
Francisco Lugoviña	(non-voting member)	2014	Non-Voting Member
Bryan Rivera	Trustee	2017	2021
Rev. Raymond Rivera	Trustee	2014	2021
Wanda Torres-Mercado	Trustee	2014	2021
Florence G. Wolpoff	Trustee	2014	2021
Kelly Nuñez	Trustee	2018	2021
Paula Vega	Trustee	2019	2023
Raphael McDonald	Trustee	2018	2023
Marina Salazar	Trustee	2018	2023
Jorge Torres	Trustee	2018	2023

Below are biographies of the board members.

Miguel Peña, Chairman. Mr. Peña was PTA President and founding member of the Board of Trustees for Family Life Academy Charter School I, which opened in the fall of 2001. He later served as secretary of the Board of Trustees from 2010 to 2012 and served as treasurer to the consolidated Board for the FLACS network from 2014 to 2016. Mr. Peña serves as chair of the Board development committee. In his second year at Baruch College, Mr. Peña enlisted in the United States Marine Corps. After his tour of duty was completed, Mr. Peña entered the private sector in the field of customer service. He has held positions as manager and later sales representative for Amway, JDC Corp., and Easy Connection from 1994 through 2004. Mr. Peña is currently a courier for FedEx where his responsibilities include staff training, evaluation and role of floor supervisor.

Susana Rivera-Leon, Vice Chairman. Ms. Rivera-Leon joined the Family Life Academy Charter School I (FLACS I) Board of Trustees in 2012. Ms. Rivera-Leon transitioned to the consolidated Board for the FLACS network of schools in July of 2014, and served as Board secretary through 2016. She is currently serving as chair for the Board nomination committee. Ms. Rivera-Leon held the position of Beacon School Director for Aspira of New York, Inc. from 1993 through 1998. She was responsible for the overall implementation, supervision and evaluation of programs. She served as community liaison for the organization and conducted all community outreach efforts. As the AmeriCorps State Director for the Latino Pastoral Action Center (LPAC) from 1998 through 2004, Ms. Rivera-Leon directed the AmeriCorps National Urban Ministry Project, which included program monitoring, supervision, training and reporting. Her current position as of 2006 is vice president of LPAC, after having served as director of community programs from 2004 through 2006. Ms. Rivera-Leon oversees the day-to-day program operations, including contract management, program administration and partnerships and sub-contracts. She provides professional development for staff and technical assistance to organizational partners and service recipients on program administration and monitoring. She is responsible for maintaining partnerships with various community and faith-based organizations, churches, government agencies, and foundations.

Hilda I. Sanchez, Secretary. Ms. Sanchez was a founding member of the Board of Trustees for Family Life Academy Charter School II, which opened in the fall of 2012, and transitioned to the consolidated Board for the FLACS network of schools in July of 2014. Ms. Sanchez has been an educator for over 29 years, including working with the Department of Education in New York City and Bridgeport School District in Connecticut. Ms. Sanchez received her Master's Degree in Teaching English as a Second Language from Hunter College as well as obtaining a Certificate in Administration and Supervision. Ms. Sanchez served as a mathematics and computer science teacher from 1973 to 1986, providing bilingual instruction in various schools in District 4. Ms. Sanchez was later appointed director of funded programs in 1995 for District 4. She was responsible for the design, implementation and supervision of all programs supported by reimbursable funds, serving approximately 14,000 eligible students that attended 22 district schools. Ms. Sanchez was later appointed to the position of director of program development and school restructuring for District 4, overseeing the districts efforts on behalf of No Child Left Behind ("NCLB"), Schools Under Registration Review ("SURR"), Corrective Action and School Improvement schools. Since 2004, Ms. Sanchez has served as a director of special projects and consultant for the Department of Education for New York City, New York State and Bridgeport School District Connecticut. Her responsibilities have included analysis and review of school, district, and regional budgets and expenditure data to monitoring appropriate use of funded programs resources; to providing school quality reviews of instructional programs, school facilities and operational processes in schools that are in year 1 of identification as in need of improvement under the NCLB Law.

Pedro Alvarez, Treasurer. Mr. Alvarez joined the Family Life Academy Charter School I (FLACS I) Board of Trustees in 2006. He later served as chairman of the Board of Trustees from 2010 to 2014 and served as chairman to the consolidated Board for the FLACS network from 2014 to 2016. Mr. Alvarez has been a resident of the Bronx since 1992. He is a successful entrepreneur and community activist. Mr. Alvarez received his Bachelor's Degree in Accounting at Monroe College. He later attended Fordham University where he continued taking additional classes in accounting. Mr. Alvarez has founded and supported various not-for-profit organizations in the Bronx. He was a founding member of the Latin Association of New York (ALANY), the 170th St. Merchant Association and the Domenico-Americano Senior Center. Mr. Alvarez served as a member of Community Board 4, as well as president of the Neighborhood Advisory Board for District 4. Mr. Alvarez founded the company P. Alvarez & Associates in 2000, which now serves over 7,000 clients throughout the Bronx. He provides consulting and tax services to individuals and local small community businesses. His company provides pro-bono tax advice to community based organizations. Mr. Alvarez is a prominent member of the Latin Association of Tax Preparers (LATAX). Mr. Alvarez currently owns commercial and low-income residential property in the South Bronx.

Kevin Kearns, Trustee. Mr. Kearns joined the Family Life Academy Charter School I (FLACS I) Board of Trustees in 2011 and transitioned to the consolidated Board for the FLACS network of schools in July of 2014. Mr. Kearns currently holds the position of CFO for the Latino Pastoral Action Center, Inc. (LPAC), and community sponsor for the FLACS network. On a day-to-day basis, he also leads the activities of CG Education Holding Group, Inc., a joint venture established by LPAC and FLACS I to purchase properties to house the FLACS schools' expanding network. Prior to joining LPAC in 2008, Mr. Kearns held a number of positions in the finance industry. He held a position of investment banker and director at Wertheim Schroder & Co. Inc. from 1988 through 1996, which included managing a full spectrum of financial transactions for US and foreign clients, including public and private capital raisings, IPOs, mergers and acquisitions, valuations and restructurings. While at Wertheim Schroder & Co. Inc. he spent a significant portion of his time working abroad overseeing activities in London, Buenos Aires, Toronto, and Istanbul. He also launched the firm's automotive practice. He was co-founder and former CFO of JewelryOnly.com. He raised over \$10 million in venture capital to launch this early stage online jewelry retailer. He was also actively involved in raising over \$250 million in multiple stage venture funding for kozmo.com. Between 2005 and 2007 Mr. Kearns ran an independent merger and acquisitions advisory firm

working with two corporations pursuing roll-up opportunities in the web security and jewelry and gemstone distribution industries.

Mr. Kearns received a Bachelor's of Arts Degree (summa cum laude, Phi Beta Kappa) in Economics from Yale University. He also received an MBA, with Distinction, in Finance from the Wharton School of the University of Pennsylvania, as well as an MA in International Studies from the University of Pennsylvania Graduate School of Arts and Sciences. He is a fellow of the school's Joseph H. Lauder Institute of International Management. He speaks Russian, French, Spanish and German comfortably and has a reading knowledge of several other languages. In addition to his work with FLACS, Mr. Kearns is also the member of the Board of Trustees of the Bronx Academy of Promise, a successful, independent K-8 charter school also located in the South Bronx.

Joseph Holland, Trustee. Mr. Holland joined the Family Life Academy Charter Schools Board of Trustees in 2018. He graduated from Harvard Law School in 1982. From 1982 to 1984 he served as Housing Director at D. Parker & Sons, where he executed rehabilitation projects. He served as Chief Counsel and Legislative Director for the NYS Senate Committee on Housing and Community Development, advising state senators on new housing legislation from 1985 to 1987. Mr. Holland had a real estate law practice from 1988 to 1994, and then transitioned to the position of Commissioner of the NYS Division of Housing and Community Renewal, overseeing a 1500 employee agency in the development management of affordable housing from 1995 to 1997. As a Partner at Wilson, Elser Moskowitz, Edelman and Dicker from 1998 to 2003, he managed the expansion of the real estate law practice at this insurance defense firm. From 2004 to 2014, Mr. Holland was Managing Member of Uptown Partners Group, LLC, a real estate group. Presently, he is CEO of Kingdom Partners Group, Inc., founding a real estate development company targeting church-owned properties in New York City. Mr. Holland has served as a Board Member of Harlem Community Development Corporation (from 1995 to 1999), Empire State Development Corporation (from 1998 to 2005), and NYC Municipal Assistance Corporation (from 1999 to 2004), and has been a member of the Cornell University Board of Trustees since 1988.

Dr. Janet M. Lerner, Trustee. Dr. Lerner joined the Family Life Academy Charter School I (FLACS I) Board of Trustees in 2010, later serving as secretary of the Board of Trustees from 2012 to 2014. Dr. Lerner transitioned to the consolidated Board for the FLACS network of schools in July of 2014. Dr. Lerner received her Bachelor's Degree in Social Welfare from Ohio State University College of Social Work, and later her Master of Arts Degree in Interdisciplinary Research, Counseling, Psychological Anthropology and Performing Arts, Office of Graduate Studies. Dr. Lerner went on to receive her Post-Doctoral Degree in Social Work from Columbia University, School of Social Work in New York City. Dr. Lerner has held various positions in the field of mental health for over 38 years. She began her career as a drug abuse prevention coordinator for the State of Ohio, Office of Mental Health in 1997, later transitioning to the position of drug education coordinator for Carline, Inc. and drug counselor/social worker for Project Linden, Inc. through 1981. Dr. Lerner served as research assistant, College of Education at Ohio State College from 1981 to 1983. Dr. Lerner developed curriculum for a graduate program at Ohio State University that included innovative, culturally adapted counseling techniques. Since 1999, Dr. Lerner has been on the faculty of Columbia University as an assistant clinical professor of social work in psychiatry, Department of Psychiatry. She participates as an executive committee member with NIDA Clinical Trials Network ("CTN"), Long Island/NYC Code, and local principal investigator for CTN research projects. Dr. Lerner has served as an adjunct faculty member for the Alliance Graduate School of Counseling in Nyack, New York since 2001. She is the ministry founder and director for Restoration and Healing Ministry Inc., which opened in 1993. Through this organization Dr. Lerner provides training and assistance to churches who want to implement a 'wounded healer' ministry to victims of sexual abuse, family violence, addiction, and other traumas. For the past 27 years Dr. Lerner has been an administrator for Narco Freedom Inc. where she develops, implements and manages comprehensive care programs for substance abusers and their families including drug treatment, mental health, primary care, HIV related services and case management.

Dr. Lerner has held the position of executive director of Damon House New York since 2003 where she is responsible for oversight of day-to-day operations, clinical provision, administrative activities and community outreach.

Francisco Lugoviña, Chairman Emeritus. Mr. Lugoviña has been committed to the Charter School movement for the past decade as founding member of the Board of Trustees of Family Life Academy Charter School I and the John Lavelle Preparatory Academy Charter School. He has served in the capacity of chairman for both institutions. He has guided the development of various charter schools, assisting in Board development, fundraising, and initiating state of the art greening and nutrition programs. An entrepreneur, he has launched several successful businesses since 1968. As chief operating officer of LRF Developers, Inc., he was successful in the development of 161 housing units with a total construction cost of \$9 million, and a \$39 million Battery Park City Residential tower. Mr. Lugoviña also founded Principle Centered Associates, a full-service training and development company. He has an extensive and wide-range of experience as a human resources trainer and facilitator in the public and private sector, where he has conducted organizational development and training. He is a strong advocate for self-development and has actively lent his talents to help young people obtain a better life through career development. Mr. Lugoviña is certified in various programs, including Seven Habits of Highly Effective People, Quadrant II Time Management programs, and in New Line Consulting's Leonardo Process. Since 2013, he has run a Westchester 'social venture enterprise' for a not-for-profit organization from the Bronx. Mr. Lugoviña has served as chairman of the State New York Mortgage Agency under Governor Hugh Carey, was a bank regulator on the New York State Banking Board for nine years, and was chairman of the National Hispanic Housing Coalition. He is a founder of the Bronx Museum of the Arts, and served on that board for 20 years, has served on the executive committee of the Phelps-Stokes Fund Board for 15 years, served on the business development committee of the National Hispanic Business Group, and is a Board member of the Greyston Foundation, where he sits on the Housing Development Committee and is chairman of the Spiritual Pathways Committee. He has a long history as a community organizer and civil rights activist. Mr. Lugoviña received NYC's highest mayoral award for arts contribution and an award from the Jewish Community Relations Council. Mr. Lugoviña is chairman emeritus for the consolidated FLACS Network Board of Trustees. He holds a Bachelor's Degree in Business Administration and Finance from Iona College.

Bryan Rivera, Trustee. Mr. Rivera, joined the Family Life Academy Charter Schools Board of Trustees in in the spring of 2017. Mr. Rivera has over 25 years of management experience in the public and private sector. After graduating from Siena College he took on the role of Program Director for Aspira Beacon School in 1995. He oversaw a multi-program community center that served 1,350 members annually. He supervised 50+ staff and 100+ volunteers and was responsible for facility management and program services contracted under the Department of Youth and Community Development. In 2006, Mr. Rivera transitioned into the role of Business Community Liaison/Student Government Association Advisor, for the Department of Labor South Bronx Jobs Corps Academy. He was responsible for all media, community, and programmatic outreach as well as serving as senior advisor to the student government association. He was successful in organizing 20+ community service projects which included: Certificate of Appreciation by NYS Governor, New York Blood Center Essential Piece Award, New York Blood Center HS Blood Donor Champions, NYBC Gold Star Award, and ResCare Community Service Award - twice. In 2011, as Senior Sales Manager for Empire Today, LLC he recruited, trained and managed a sales force team composed of 25 CEO partners. He supervised a sales force that was responsible for \$25 million in annual revenue. He led the company in the strategic restructuring and improvement in the home sales process which resulted in exceeding quarterly goals by \$100,000. He was responsible for implementing a market specific performance improvement plan, facilitating weekly motivational information share seminars to providing guidance and shared best practices with other sales managers. Mr. Rivera is currently the president of LEARN Enterprise, LLC which provides consultant services in home design, social media marketing, staff development and sales training.

Rev. Raymond Rivera, Trustee. Rev. Dr. Raymond Rivera was co-founder and chairperson of the Sunset Park Re-development Housing Initiatives in Brooklyn from the late 1960s through the 1970s. He was community coordinator of the Lutheran Medical Center and developed community outreach programs for clergy and community-based organizations. In the mid-1970s through the early 1980s, he was president and founder of the R.A.P. Foundation, which provided services to youth and children in Sunset Park, Brooklyn, including employment training, recreational programs, and group homes for delinquents, and an after-school and evening center for children and youth. From 1975 to 1984 he was national executive for the Hispanic Council of the Reformed Church in America. In this position he empowered churches to serve as a catalyst for change in communities throughout the United States and Latin America. During this time he also served on the Board of Trustees of the New York Theological Seminary and helped develop training programs for the Latino and Black clergy and laity that helped equip and empower them to better serve the community. In the mid-1980s through the early 1990s he worked as an educational advocate and trainer in District 1 and 4 in Manhattan, empowering parents to become partners in the educational process.

In 1992, he founded the Latino Pastoral Action Center (LPAC), which started as a division of the Manhattan-based NYC Mission Society, the City's oldest and largest social service agency. His vision was to develop an organization that dealt with social justice issues from a holistic perspective, thus merging the two. Over the years, he has provided leadership development and technical assistance to hundreds of churches, faith-based and secular organizations around the country, and dozens have developed holistic community-based ministries, including spiritual care, after-school, youth development, and adult education programs. In 1999, Rev. Dr. Rivera led a team of community and education leaders to plan and develop a school with a special focus on working with English Language Learners. This school would serve the District 9 Highbridge community whose residents are mainly immigrants from Mexico, Dominican Republic, Africa, the Caribbean and other countries. In 2001, Family Life Academy Charter School I opened its doors to 100 K-1st first graders. In 2009, FLACS I was approved to expand to eighth grade. Rev. Dr. Rivera transitioned to the consolidated Board for the FLACS network of schools in July of 2014.

Wanda Torres-Mercado, Trustee. Ms. Torres-Mercado was a founding member of the Board of Trustees for Family Life Academy Charter School II (FLACS II), which opened in the fall of 2012, and transitioned to the consolidated Board for the FLACS network of schools in July of 2014, serving as vice-chairman. Ms. Torres-Mercado received her Bachelor of Arts Degree in Sociology from Union College, Schenectady, New York and Professional Certificate from the Institute for Nonprofit management, Columbia Graduate School of Business. Ms. Torres-Mercado has over 27 years of experience in management and supervision of educational programs for youth that met DOE standard. She held the position of Assistant Director and later Director of Aspect Oriented Programing/Higher Education Opportunity Program at Union College from 1984 to 1989. She developed and implemented the academic enrichment program, provided counseling support services, facilitated student outreach /recruitment, and coordinated annual summer school program. In 1989-90, as project manager for the Hunts Point Local Development Corporation. Ms. Torres-Mercado facilitated trainings for instructors of the Hunts Point Computer Training & Staff Development Facility. Her responsibilities included recruitment, advertisement, and matriculation for the local businesses and companies.

Ms. Torres-Mercado held various positions at the Community Association of Progressive Dominicans from 1998 to 2006. She began as coordinator/case manager, moving on to director of youth programs and finally as program director of the CPAS program. As program director she managed and supervised eight Community Achievement Project in the Schools Programs (CAPS); a Trio Dissemination College and Career Project, and a BEACON Summer camp. She was responsible for fiscal planning for programs (included budgets, reports, vouchers.) and the supervision, training and evaluation of 25 to 30 professional and administrative staff. In 2006, Ms. Torres-Mercado was promoted to Deputy Director, Education Department at the Community Association of Progressive Dominicans. In this role, she oversaw daily operations to ensure contractual compliance for five school based Community Achievement Project

in the Schools Programs (CAPS), and four 21st Century After-school Community Learning Programs. In 2007, Ms. Torres-Mercado took on the role of director of education for the United Way of New York. She was responsible for the overall management of a budget of \$14.5 million, under the Attendance Improvement and Dropout Prevention program at 77 NYC public schools. She oversaw contract compliance including fiscal management and programmatic monitoring. Ms. Torres-Mercado served as spokesperson for United Way New York City (“UWNYC”) at corporate, government, private and media events. She served as co-chair of the UWNYC ‘09 internal campaign. Ms. Torres-Mercado is currently the Director of Programs and Grants Management for NYC Community Learning Schools (a United Federation Initiative “UFT”). She joined UFT in 2016 and her responsibilities include identifying and securing funding for agency projects, monitoring and tracking all projects and special initiatives funded by the public and private sector, project evaluation/quality control and reporting requirements set by the funder and Board of Trustees. Ms. Torres assists the finance department in preparing and analyzing budgets, along with training staff on grants management and reporting requirements.

Florence G. Wolpoff, Trustee. Ms. Wolpoff was a founding member of the Board of Trustees for Family Life Academy Charter School II (FLACS II), which opened in the fall of 2012, and transitioned to the consolidated Board for the FLACS network of schools in July of 2014, and currently serves as a chair for the Board accountability committee. Ms. Wolpoff has been an educator for 54 years, which includes positions in the Department of Education for New York City, Manhattan College, Reading is Fundamental (‘RIF’) and Fordham University Graduate School of Education. She received her Bachelor of Arts Degree in Sociology from Hunter College of the City of New York. She also received a Master of Arts Degree in Administration and Supervision from Manhattan College. Ms. Wolpoff began her career as a classroom teacher of Social Studies and intervention guidance counselor at JHS 98 (1961 to 1969) and later at JHS 141 (1970 to 1994). During this time she developed and implemented the ‘SUM UP’ (Students Utilizing Mentoring to Upgrade Performance) program for which a competitive grant was obtained from Metropolitan Life Insurance Company. Ms. Wolpoff was later appointed assistant principal at PS 122 in 1992, where she was responsible for supervision/administration of all grades. As assistant principal at PS 46 from 1994 to 2003, Ms. Wolpoff was in charge of grades 1-5, general, bilingual and special education classes. She was responsible for supervision of teachers, staff developers and support staff, which included the sharing of ‘best practices’ through walkthroughs, inter-visitations, study groups and grade and mini-school conferences. She and her school leadership team facilitated the redesign process which earned PS 46’s removal from State SURR list.

Since retiring from the Department of Education for New York City in 2003, Ms. Wolpoff has provided consultant services for various educational organizations and institutions which include RIF (2003 to 2006), MS 308/Bronx Dance Academy (2003 to 2006), PS 163 (2006 to 12), MS 296 (2012 to 2013), and Fordham University Graduate School of Education (2013 to present). She worked with school administrators, staff and district personnel in organizing full administration of the Federal, State and City assessments to coordinating RIF representatives from Washington DC and the DOE in the implementation of RIF activities. Currently, Ms. Wolpoff provides technical assistance at support for Teach for America students in pursuing Masters Degrees in Education at Fordham University Graduate School of Education.

Kelly Nuñez, Trustee. Ms. Nunez joined the FLACS Board of Trustees in 2018 as the Parent Association president of FLACS I. She was an Administrative Assistant and Receptionist at Century 21 Department Store. Since 2008, she has been an Executive Assistant/Office Manager at the Karvy Group. In 2017, she started working as an administrative assistant at SunTrust bank.

Paula Vega, Trustee. Ms. Vega joined the FLACS Board of Trustees in 2019 as the Parent Association president of FLACS I. She is a homemaker and long-time resident of the South Bronx.

Raphael McDonald, Trustee. Mr. McDonald joined the FLACS Board of Trustees in 2018 as the Parent Association president of FLACS II. Mr. McDonald received his Bachelor of Arts Degree in Criminal Justice from John Jay College of Criminal Justice in New York. He also received a Certificate of Mediation in Counseling. Mr. McDonald has worked in the restaurant industry since 2004. He has held various positions from floor service manager to general manager for Houlihan's, TGI Friday's, and Guys American Kitchen & Bar. He began his current position of general manager at Junior's Restaurant in Manhattan in 2017.

Marina Salazar, Trustee. Ms. Salazar joined the FLACS Board of Trustees in 2018 as the Parent Association president of FLACS II (MS). She is a self-employed housekeeper and cook and a long-time resident of the South Bronx.

Jorge Torres, Trustee. Mr. Torres joined the FLACS Board of Trustees in 2018 as the Parent Association president of FLACS III. Mr. Torres received his Bachelor of Arts Degree in Cultural Anthropology and Latin Studies from Temple University. Mr. Torres started his career as an investigative assistant for the Legal Aid Society in 2013 before transitioning to investigator for Innovative Claims Investigators Inc. in 2014. His responsibilities included surveillance and observation for criminal fraud cases, client and witness interviews to testing in court for the New York State Workers Compensation and Disability Board. In 2015, he took on the role of paralegal/intake specialist for the Law Offices of Joseph A. Romano. He advised clients on worker's compensation, social security and disability claims to preparing statements and court documents for court hearings. In 2016 Mr. Torres took on his current position of senior investigator for Claims Verifications, Inc. He conducts surveillance and investigations for claims under the automobile insurance industry.

Administration

Marilyn Calo Chief Executive Officer
 Scott Quintero, Chief Finance Officer
 Renee Willemsen-Good, Executive Director of Academics
 Evelyn Castro, Chief Operations Officer

Evelyn Centeno, FLACS I Campus Principal
 Kathy Ortiz, FLACS II Campus Principal
 Andrea Hernandez, FLACS III Campus Principal
 Michael Adler, FLACS II MS Campus Principal

FLACS will conduct an internal and external search for its principal at the FLACS IV Campus and anticipates hiring such position at least 6 months prior to the fall of 2022 opening of the FLACS IV Campus.

The Charter School employs the following key administrators: Chief Executive Officer, Chief Financial Officer, Director of Development, Chief Operations Officer, FLACS I Principal, FLACS II Principal, FLACS III Principal, and FLACS II MS Principal.

The individuals who currently hold administrative positions at the Charter School are as follows:

Marilyn Calo, Chief Executive Officer. Ms. Calo joined FLACS I in September of 2003 in the role of Principal until 2011. She has been an educator for over 40 years, receiving her Bachelor of Science Degree and Masters of Science Degree in Reading Difficulties. Ms. Calo is certified in Administration and Supervision Degree from Hunter College. She is also a member of various professional organizations such as; Association for Supervision and Curriculum Development, The Principals' Center at Harvard University, and National Association of Elementary School Principals. Since July 2013, she has been serving as the Chief Executive Office for the FLACS Network. She is responsible for driving educational excellence across all network schools, establishing a clear vision and strategic direction for instructional leadership, school culture and school improvement initiatives, with the goal of creating a high-performing learning organization that ensures students will graduate ready for success in high school, college, and career and in life. From 2011 - 2014, Ms. Calo worked in collaboration with the principals and assistant

principals of FLACS II and III during each school's planning phase in providing oversight in the creation of curriculum maps using the curriculum frameworks provided in each charter, providing guidelines and criteria in the recruitment and hiring of staff as well as the implementation of a network mentoring program that would transition experienced teachers from FLACS to FLACS II and III in an effort to influence and strengthen the effectiveness of new teachers. She also provided guidelines and criteria for the principals and assistant principals in creating and implementing systems for staff evaluation, teacher development, student recruitment, evaluation and monitoring of ELLs. Ms. Calo taught at the Schomburg School in PS 108 for 11 years and then served as Director for eight years. She also mentored teachers for District 4 for two years in addition to being a Facilitator for the Attendance Improvement Dropout Prevention (AIDP) program. Ms. Calo has held the position of interim acting principal at JHS 45 and as a Director of Support Services/Family and Community Involvement, until the Superintendent of District 4 appointed her principal for the Jackie Robinson Educational Complex that houses pre-K through 12th grade. Ms. Calo has over 30 years of experience as an educator for the NYC DOE.

Scott Quintero, Chief Finance Officer. Mr. Quintero joined FLACS I in 2009 as Director of Finance with 21 years in business administration and finance management and is currently the Chief Financial Officer for the network. Mr. Quintero held various positions in the field of finance for Merrill Lynch & Co. for account assets of over \$100 million. Mr. Quintero has served as executive with the Merrill Lynch Hispanic Professional Network representing Hispanics on internal diversity committees, liaison between Merrill Lynch and the Association of Latino Professionals in Finance and Accounting (ALPFA), and represented Merrill Lynch at various college and professional career fairs throughout the United States. At the FLACS network level, Mr. Quintero provides business management support and technical assistance in implementing effective and efficient organizational, financial and operational practices. This includes best practices as they relate to purchasing products and services, entering related invoices into their accounting systems, disbursing checks, managing accounts receivable, posting deposits, completing bank reconciliations and filing all related documentation. Mr. Quintero oversees a finance team of three (finance controller, staff accountant and compliance coordinator). Mr. Quintero has a Master of Business Administration: Management from Iona College and a Bachelor of Business Administration: Finance from Baruch College.

Renee Willemsen-Goode, Executive Director of Academics. Ms. Willemsen-Goode joined FLACS I in the fall of 2005 as a 5th grade lead teacher in core subject areas as well as leading a grade level collaborative team for three years. Ms. Willemsen-Goode received her Bachelor of Arts Degree in Art History from Swarthmore College, Swarthmore PA, and a Master of Arts Degree in Curriculum from Teachers College, Columbia University, New York City. In 2008, Ms. Willemsen-Goode took on the position of data specialist and middle school special specialist for FLACS I. She served on the instructional leadership team, facilitated monthly data meetings to analyze student data to improve classroom instruction, supervised the design and implementation and analysis of in-house interim assessments and developed school-wide curriculum maps for grade K-8 across all subject and special content areas. Ms. Willemsen-Goode transitioned to the role of director of assessment and data in the fall of 2016 for the FLACS network, working in collaboration with the director of professional learning in providing teachers training in how to effectively use a variety of "data points" to inform their instructional practices and its subsequent impact on educational policy, instructional planning, curriculum design and development for all three schools. As member of the data team, she worked in collaboration with the special projects data specialist in organizing, imputing, analyzing assessment data formal and informal in the school's data base for the network. She met with teacher's bi-weekly (data meetings) to discuss trends and patterns/ make recommendations to the instructional team based upon findings; and collaborated with the testing-coordinator around marking period grades and interim assessments. Ms. Willemsen-Goode was promoted to Executive Director of Academics in March 2017 and oversees the network academics staff which includes, network literacy specialists, network data specialist, special education coordinator, director of development, digital marketing and communications manager and IT manager. Ms. Willemsen-Goode various responsibilities

include but are not limited to leading in the selection, adoption, evaluation, and revision of curriculum, assessments, and programming across the network; oversight on the coordination, compliance and administration of school-developed, network-mandated, and state assessments; lead the planning, oversight and implementation of relevant K-8 professional development to monitoring the rigor of the curriculum, instruction, assessment, and programming in all schools to ensure all students are prepared for college and/or career success.

Evelyn Castro, Chief Operations Officer. Ms. Castro joined the FLACS I Board of Directors in 2011. She also served as an educational consultant for the planning team of FLACS II, which opened in the fall of 2012 and currently serves grades K-3. Ms. Castro stepped down from FLACS I Board of Directors to become the Chief Operating Officer for the Network in July of 2013. She oversees all network administrative staff in ensuring that administrative support and technical assistance is provided to all schools. Ms. Castro has been an educator for over 39 years for the Department of Education in New York City. Ms. Castro received her Bachelor of Science Degree from City University of New York and Master's Degree in Reading from Manhattan College. She also obtained a Master's Degree in Education, Administration and Supervision from Teachers College, Columbia University. In 1997, Ms. Castro served as a teacher, providing bilingual instruction at PS101 and the Schomburg Bilingual /Bicultural Mini School in a District 4, for grades K-3. Ms. Castro was later appointed assistant director in 1976 and then director in 1980 for the Schomburg School, in Community School District 4. Ms. Castro held the positions of director of funded and external programs to director of operations for Community School District 4 spanning 10 years. In 1995, Ms. Castro was appointed Superintendent for Community School District 4. She was responsible for the instructional and administrative functions for 43 schools while overseeing a budget in excess of \$200 million. Prior to retiring from the Department of Education in 2008, Ms. Castro's final position was that of executive director for the Office of Early Childhood Education. In this position Ms. Castro oversaw instruction and operations for central and borough offices serving 54,000 four-year-olds enrolled in 548 schools and more than 700 contracted community based organization sites.

Evelyn Centeno, FLACS I Campus Principal. Ms. Centeno joined the FLACS Network in the fall of 2014 as the Executive Director of Curriculum, and transitioned into the position of Principal for FLACS I in 2016. Ms. Centeno has been an educator for over 37 years. She received her Bachelor of Arts Degree in Speech Pathology and Audiology from Lehman College, and a Master of Arts Degree in Teaching English as a Second Language from Hunter College. In 1979, Ms. Centeno began her career as an ESL teacher in the New York City public school system for Community School District 10. During this time Ms. Centeno also taught a graduate level course entitled "Teaching Reading in a Bilingual/Bicultural Setting" at Teacher's College Columbia University from 1988 to 1991. She took on the role of District Coordinator – English as a Second Language in 1986, providing professional development services to administrative personnel as it pertained to State and City regulations, policy and compliance mandates regarding the testing of English Language Learners. Ms. Centeno was appointed as principal at PS 91, Chancellor's District-Professional Development Region in 1002, which served as a laboratory site for visiting elementary schools within and outside US territory. She served as Director of Curriculum and Instruction at Alternate Learning Centers – Office of Safety and Youth Development in 2007.

Kathy Ortiz, FLACS II Campus Principal. Ms. Ortiz has been an educator for over 20 years. She has worked within the New York City Department of Education both as a classroom teacher and assistant principal. As a classroom teacher she taught grades 3 through 6, specializing in project based learning for gifted students. As a teacher she also worked as a mentor to new teachers, inquiry team chairperson, Academic Intervention Service provided and testing coordinator. Ms. Ortiz also worked closely with El Museo del Barrio, the Guggenheim Museum, and Ballet Hispanico through Project Arts. She also worked with The Rennert International Language School as a curriculum writer and ESL specialist, instructing top students from Russia, Istanbul, Japan, Korea, Germany, Italy, and more. In 2012 Ms. Ortiz left the New York City Department of Education to become a founding member of FLACS II.

Andrea Hernandez, FLACS III Campus Principal. Ms. Hernandez joined FLACS III as principal in 2014 and has been an educator for 33 years. Ms. Hernandez graduated from the State University of New Paltz with a bachelor of science in elementary bilingual education. She became a New York State certified teacher in 1982 and joined the New York City Public School System in 1983. Ms. Hernandez began her career as a bilingual licensed teacher, transition to assistant director and then principal, at the Bilingual Bicultural Mini School in District 4. She was selected to joining 60 other aspiring administrators in a competitive Administration and Supervision State Certification Program at the City University of New York. Ms. Hernandez retired from the New York City Department of education after 31 dedicated years. She has also served as an adjunct lecturer at Hunter College, and took on the role of CSA Union chair for District 4 principals and assistant principals.

Michael Adler, FLACS II MS Campus Principal. Mr. Adler has been a public educator for 16 years. He grew up in southern Westchester, about ten minutes from the Bronx, and comes from a family of public servants; mostly teachers. While in high school he was able to coach adolescence in summer youth programs and went on to teach drums to elementary school students in the Bronx. In addition to these experiences, his love of traveling helped him to develop an appreciation for what it means to be a global citizen. Mr. Adler completed his undergraduate studies at S.U.N.Y. New Paltz, where he received a BA in Jazz Drumming and Performance. Upon completing university, he was a “gigging” jazz musician, hip-hop lyricist, and a bellhop.

At 22, he came to the realization that he could still make music while reconnecting with his passion for service, and was accepted to the New York City Teaching Fellowship, receiving a M.S.Ed at Mercy College in the Bronx. He went on to teach 5th and 6th grades for 12 years in the South Bronx in both the public and charter sectors. For the first 9 years of his career, he was able to keep a few toes in the world of music, using his summers and vacations as an opportunity to perform and tour, but his innate desire to lead in a greater capacity than on a stage propelled him into school leadership.

In 2014, he graduated from Lehman with a M.S.Ed in Leadership. His journey as an educator brought him to FLACS as the Assistant Principal for the Middle School, and transitioned to principal of FLACS II MS.

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Teachers and Staff

The figures in the following table represents employees at all FLACS Schools. Information for the 2020-2021 school year is not currently available.

TABLE 2 Charter School Employees					
	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020
Administration	6	7	7	8	8
Teachers	45	52	63	62	78
Advisors	2	3	4	5	6
Other	--	--	4	4	6

The Charter School's student teacher ratio is targeted to be 26:1 each year.

The following table shows the level of experience and education for teachers and teacher aides/assistants for the 2019-2020 school year.

TABLE 3 Teacher Experience and Education	
	2019-2020
0-5 Years' Experience	66
5-10 Years' Experience	7
Over 10 Years' Experience	<u>5</u>
Total	<u>78</u>

The following table shows teacher and associate teacher retention rates for the previous five school years.

TABLE 4 FLACS II MS Campus Historical Teacher Retention Rates ¹	
Year	Percent Retained
From 2017 to 2018	67%
From 2018 to 2019	66
From 2019 to 2020	91
From 2020 to 2021	88

¹ Included FLACS II Campus and FLACS II MS Campus

TABLE 5
FLACS III Campus
Historical Teacher Retention Rates

Year	Percent Retained
From 2017 to 2018	92%
From 2018 to 2019	100
From 2019 to 2020	93
From 2020 to 2021	100

Professional Development. Prior to the start of each school year, the Charter School hosts professional development for its teachers for two weeks. Additionally, throughout the school year the Charter School plans student half days for teacher professional development in the afternoons.

Charter Contract for the Charter School

General. New York Education Law, specifically Article 56, the New York Charter Schools Act of 1998, as amended, provides for the creation of public charter schools to provide educational opportunities for students, teachers, parents, and community members, and to establish and maintain schools that operate independently of existing schools and school districts in order to: (a) improve student learning and achievement; (b) increase learning opportunities for all students, with special emphasis on expanded learning experiences for students who are at-risk of academic failure; (c) encourage the use of different and innovative teaching methods; (d) create new professional opportunities for teachers, school administrators and other school personnel; (e) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; and (f) provide schools with a method to change from rule-based to performance-based accountability systems by holding charter schools accountable for meeting measurable student achievement results.

Annual Reports. As part of the Charter, the Charter School is required to submit to the Authorizer and State Board of Regents (the “**Regents**”) an annual accountability plan progress report (the “**Annual Report**”) to ensure that each campus is in compliance with the terms of the Charter. An Annual Report is to be submitted no later than August 1 succeeding a school year in which any campus provided instruction or received funding under Education Law § 2856. The Annual Report provides information about each campus’s academic and fiscal standing, as well as operational information (i.e., student and teacher retention, progress to goals and measures of the accountability plan, school calendar for the current year, including days and hours of operations, any changes to the education program or mission, and progress to meeting enrollment and retention targets, etc.). The Charter School also submits financial and operating data to the New York State Education Department pursuant to the Charter.

Charter Renewal. Under the terms of the Charter Schools Act, charters may be renewed, upon application for renewal, for a term of up to five years. In connection with charter renewal, the Charter Schools Act requires applicants such as the Charter School to submit: (a) a report of progress in achieving the educational objectives set forth in the charter; (b) a detailed financial statement that discloses the cost of administration, instruction and other spending categories for the charter school that will allow a comparison of such costs to other schools, both public and private; (c) copies of each of the annual reports of the charter school required by the Charter and the Charter Schools Act, including charter school report cards and certified financial statements; (d) evidence of parent and student satisfaction; (e) the means by which each school will meet or exceed enrollment and retention targets; (f) a summary of the current status of any school’s probationary status, closure plan, or corrective action plan, and (g) such other material and information as required by the Authorizer.

The Charter Schools Act requires that charter renewal applications be submitted to the charter entity, which in the case of the Charter School is the Authorizer, no later than August 1 of the calendar year prior to the expiration of a charter; provided, however, that the Authorizer may waive the August 1 date restriction upon written request from the Charter School. The Charter states that if the Authorizer does not approve a renewal application, the parties to the Charter shall fulfill their respective obligations through the full term of the Charter. Most recently, the Authorizer and the Charter School entered into the Fifth Renewal Charter in December of 2018 pursuant to which the Charter School is authorized to operate FLACS I through June 30, 2023, FLACS II through July 31, 2022, and FLACS III through July 31, 2024.

Charter Revocation. A charter may be terminated by the charter entity or the Authorizer or Regents upon any of the following statutory grounds: (a) if the charter school's outcome on student assessment measures adopted by the Board of Regents falls below the level that would allow the Commissioner of Education to revoke the registration of another public school, and student achievement on such measures has not shown improvement over the preceding three school years; (b) serious violations of law; (c) material and substantial violation of the charter, including fiscal mismanagement; or (d) if the New York Public Employment Relations Board makes a determination that the charter school demonstrates a practice and pattern of egregious and intentional violations of subdivision one of § 209-A of the New York Civil Service Law involving interference with or discrimination against employee rights under Article 14 of the New York Civil Service Law.

In addition to the statutory revocation provisions, the Charter provides that it may be terminated and revoked by mutual agreement of the parties.

The Charter Schools Act provides that notice of intent to revoke a charter must be provided to the board of trustees of a charter school at least 30 days prior to the effective date of the proposed revocation. Such notice must include a statement of reasons for the proposed revocation. The charter school must be given at least 30 days to correct the problems associated with the proposed revocation. Prior to revocation of the charter, a charter school must be provided an opportunity to be heard, consistent with the requirements of due process. Upon the termination of a charter, the charter school is required to proceed with dissolution pursuant to the procedures of the charter and direction of the authorizing entity and the Board of Regents.

In addition, the charter entity or the Board of Regents may develop and require the Charter School to implement a corrective plan if a charter school falls within the provisions of (a) through (d) above. The failure of a charter school to comply with the terms and conditions of a remedial action plan may result in summary revocation of the school's charter.

School Year and School Day Length

The following information reflects Charter School programming prior to the COVID-19 pandemic. Currently, the Charter School has implemented a 100% remote learning plan through February of 2021 and anticipates return to the following educational programming following the COVID-19 pandemic, but is subject to revision at any time.

FLACS I Campus. Breakfast is available in the cafeteria for all students from 7:30 a.m. to 8:00 a.m. each school day. The school day starts at 8:00 a.m. and ends at 3:30 p.m. There are at least 180 instructional school days. The school year begins in early September and ends at the end of June.

FLACS II Campus. Breakfast is available in the classrooms for all students from 7:45 a.m. to 8:00 a.m. each school day. The school day starts at 8:00 a.m. and ends at 3:30 p.m. There are at least 180 instructional school days. The school year begins in early September and ends at the end of June.

FLACS III Campus. Breakfast is available in the classrooms for all students from 7:30 a.m. to 8:00 a.m. each school day. The school day starts at 8:00 a.m. and ends at 3:30 p.m. There are at least 180 instructional school days. The school year begins in early September and ends at the end of June.

FLACS II MS Campus. Breakfast is available in the cafeteria for all students from 7:45 a.m. to 8:30 a.m. each school day. The school day starts at 8:30 a.m. and ends at 4:00 p.m. There are at least 180 instructional school days. The school year begins in early September and ends at the end of June.

COVID-19 Related Changes. For the 2020-2021 school year, FLACS has moved to 100% remote learning program through February 2021. FLACS is supporting online learning by providing chrome books and hot spots to students.

Transportation

The following tables outline the transportation options available to all students. Determinations are made by the New York City Department of Education. The MetroCards are provided by the New York City Department of Education.

Grade	Distance Less than 0.5 miles	Distance .5 miles or more, but less than 1 mile	Distance 1 mile or more, but less than 1.5 miles	Distance 1.5 miles or more
K		School bus or MetroCard	School bus or MetroCard	School bus or MetroCard
1 st		School bus or MetroCard	School bus or MetroCard	School bus or MetroCard
2 nd		School bus or MetroCard	School bus or MetroCard	School bus or MetroCard
3 rd	Not eligible for bus or MetroCard	MetroCard only	School bus or MetroCard	School bus or MetroCard
4 th			School bus or MetroCard	School bus or MetroCard
5 th		MetroCard only	School bus or MetroCard	School bus or MetroCard
6 th			School bus or MetroCard	School bus or MetroCard
7 th			School bus or MetroCard	School bus or MetroCard
8 th		MetroCard only	MetroCard only	MetroCard only

Curriculum

The Charter School scholars develop a thirst for knowledge and a lifetime love of learning in a variety of subject areas. Students are encouraged to take ownership for their own learning to build a solid foundation in literacy, mathematics, science, and social studies to ensure success in high school, college, and career. The Charter School teachers encourage the development of the whole child by teaching health and wellness, physical education, arts education, literacy through visual arts and music, and character education. The students develop the needed skills to enable them to be thoughtful, participatory citizens in their local communities, city, state, and country. The Charter School believes in helping all students to succeed and develop individualized programming to help every child achieve high standards. All curricula at the Charter School is aligned with the rigorous New York State common core learning standard and with research-based best practices.

Literacy. The Charter School utilizes a balanced literacy approach which exposes students to a variety of reading experiences. Teachers model reading strategies through reading aloud, teach explicit reading skills through shared texts, work with students in small groups organized by reading level, and provide opportunities for independent readings. Teachers also encourage students to engage in critical thinking and close reading of texts and emphasize responding to literature and informational texts with evidence. At the elementary level, the five pillars of reading – phonemic awareness, phonics, fluency, vocabulary, and comprehension – are emphasized.

Students in the elementary school and middle school develop their writing skills through writing workshop models. Teachers model writing skills and strategies and students then apply these to their own writing. Students learn how to generate and organize their ideas into drafts, to revise and edit these drafts, and to publish and evaluate their own writing. Explicit phonics, grammar and spelling skills and strategies are also taught to students in the context of engaging in authentic writing experiences.

Math. Students gain a deep conceptual understanding of mathematic concepts. As important as being able to arrive at a correct solution is the understanding of how to arrive at that solution. Problem solving is the center of math learning at the Charter School. Concepts are taught with a learning progression through real-world, hands-on experiences, balancing conceptual understanding, visual learning, and problem solving. Students acquire the requisite skills to meet and exceed the mathematical practice and content standards.

Elementary students work on problems with a multifaceted approach and express their mathematical understanding, gaining a solid foundation for future learning. Middle school students continue to build on their knowledge base to deepen their conceptual understanding of mathematics. Problem solving along with mathematical practice standards are the center of math learning at the Charter School. The middle school curriculum focuses on a deeper understanding of algebraic thinking, equations, functions, data analysis and statistics, and geometry. The Charter School emphasizes the interconnection between mathematics and real work applications, science and technology.

Science. The Charter School curriculum focuses on giving students the opportunity to practice scientific inquiry methods that expand human understanding of the physical elements of the world and the universe. Life science, physical science, and earth science content are taught with a focus on investigation of scientific theories and their applications in both classroom and laboratory based experiences.

The elementary school science program places a strong emphasis on scientific thinking and developing the process skills of observation, measurement, classification and data analysis. Teachers infuse literacy standards into the sciences as students read information texts and write about scientific phenomena. Middle school students build on their base scientific knowledge to deepen their understanding of the physical and natural world. Students will build scientific literacy, learning that science has direct application to everyday living, is interconnected with mathematics and technology, impacts on the individual and society, and being able to interpret and evaluate the scientific claims. Eighth grade students will be prepared for the New York State Science Regents Examinations for Living Environment.

Social Studies. The social studies curriculum integrates elements of history, geography, political science, civics, economics, and sociology. The Charter School focuses on understanding multiple perspectives and looking at historical documents and artifacts to gain more understanding about social studies concepts. Literacy skills are infused through the social studies curriculum and are aligned to the New York State Common Core Learning Standards.

Elementary students first learn to understand about their own families and local communities. As students move through the school, they learn about expanding circles of communities, including their state,

country, and the world. Students learn about how humans have lived throughout a variety of communities and at different periods of history. Middle school students investigate world civilizations and United State history by examining multiple perspectives and looking at historical documents. Students learn to think critically about world events, current and past, understand various causes and effects of these events and their impacts on our world today. Students will build a sense of the interrelated aspects of the world and ultimately be prepared to be informed, participatory, citizens of our country.

Arts Education. Elementary students are given interdisciplinary art projects to explore core content areas in literacy, mathematics, social studies and science. Middle school students create their own art and music compositions while also learning about art, and music theory and history.

Physical Education, Health and Wellness. The Charter School provides physical education programs at every grade level, and health and wellness classes where students learn the skills essential for a lifetime of fitness and health. Topics include healthy eating and living, strategies for stress managements, disease and disorders, and navigating the changes of adolescence. All students take physical education classes in which they learn basic fitness skills, and middle school students can join after-school team sports, which in the past have included volleyball, basketball, and soccer.

Character Education. All students take responsibility for their learning and affirm human values. The Charter School wants the students to be lifelong learners, and thoughtful citizens of the global society who make choices to make this world a better place.

Enrollment

Set forth below is a history of the Charter School's approximate enrollment each year.

TABLE 6 Enrollment – FLACS I Campus						
Grade	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
K	55	54	55	51	27	116
1 st	54	54	53	49	55	53
2 nd	51	54	54	51	48	79
3 rd	52	51	54	53	48	56
4 th	52	53	53	50	48	54
5 th	52	51	52	51	47	52
6 th	52	52	50	--	--	--
7 th	49	50	51	--	--	--
8 th	51	48	45	--	--	--
Total	<u>468</u>	<u>467</u>	<u>467</u>	<u>305</u>	<u>273</u>	<u>410</u>

TABLE 7
Enrollment – FLACS II Campus and FLACS II MS Campus

Grade	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
K	51	54	51	45	50	58
1 st	53	52	55	52	48	74
2 nd	76	56	51	51	51	53
3 rd	27	69	49	49	52	53
4 th	--	28	66	50	52	56
5 th	--	--	25	69	93	95
6 th	--	--	--	75	117	145
7 th	--	--	--	48	73	129
8 th	--	--	--	50	47	74
Total	<u>207</u>	<u>259</u>	<u>297</u>	<u>489</u>	<u>583</u>	<u>737</u>

TABLE 8
Enrollment – FLACS III Campus

Grade	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
K	52	46	53	47	55	39
1 st	39	58	49	53	50	53
2 nd	--	47	56	55	52	50
3 rd	--	--	44	51	57	54
4 th	--	--	--	45	46	57
Total	<u>91</u>	<u>151</u>	<u>202</u>	<u>251</u>	<u>260</u>	<u>253</u>

TABLE 9
Enrollment – FLACS II MS Campus

Grade	2019-20
5 th	47
6 th	145
7 th	129
8 th	74
Total	<u>395</u>

The following tables show projected student enrollment numbers by grade level for the next five school years.

TABLE 10 Projected Enrollment by Grade Level – FLACS I					
Grade	2020-21	2021-22	2022-23	2023-24	2024-25
K	52	52	52	78	52
1 st	130	52	52	52	78
2 nd	52	130	130	52	52
3 rd	78	52	52	52	52
4 th	52	78	78	130	52
5 th	52	52	52	52	130
6 th	--	--	--	52	52
7 th	--	--	--	--	52
8 th	--	--	--	--	--
Total Enrollment	<u>416</u>	<u>416</u>	<u>416</u>	<u>468</u>	<u>520</u>

Source: The Charter School.

TABLE 11 Projected Enrollment by Grade Level – FLACS II					
Grade	2020-21	2021-22	2022-23	2023-24	2024-25
K	52	52	52	52	78
1 st	78	52	52	52	52
2 nd	78	78	52	52	52
3 rd	52	78	78	52	52
4 th	52	52	78	78	52
5 th	52	52	52	78	78
Total Enrollment	<u>364</u>	<u>364</u>	<u>364</u>	<u>364</u>	<u>364</u>

Source: The Charter School.

TABLE 12 Projected Enrollment by Grade Level – FLACS III					
Grade	2020-21	2021-22	2022-23	2023-24	2024-25
K	52	52	52	52	52
1 st	52	52	52	52	52
2 nd	52	52	52	52	52
3 rd	52	52	52	52	52
4 th	52	52	52	52	52
Total Enrollment	<u>260</u>	<u>260</u>	<u>260</u>	<u>260</u>	<u>260</u>

Source: The Charter School.

TABLE 13
Projected Enrollment by Grade Level – FLACS II MS

Grade	2020-21	2021-22	2022-23	2023-24	2024-25
5 th	52	52	52	52	52
6 th	156	156	156	182	182
7 th	156	156	156	156	182
8 th	<u>156</u>	<u>156</u>	<u>156</u>	<u>156</u>	<u>156</u>
Total Enrollment	<u>520</u>	<u>520</u>	<u>520</u>	<u>546</u>	<u>572</u>

Source: The Charter School

TABLE 14
Projected Enrollment by Grade Level – FLACS IV

Grade	2020-21	2021-22	2022-23¹	2023-24¹	2024-25
K	--	--	130	130	78
1 st	--	--	130	130	78
2 nd	--	--	130	130	78
3 rd	--	--	52	130	78
4 th	--	--	78	52	--
5 th	--	--	52	78	--
6 th	--	--	--	78	78
7 th	--	--	--	--	<u>78</u>
Total Enrollment	<u>--</u>	<u>--</u>	<u>572</u>	<u>728</u>	<u>468</u>

¹ FLACS IV is planned to open the FLACS IV Campus in the fall of 2022 in two phases. For the first two years of operation of FLACS IV, FLACS I will co-locate in the FLACS IV Campus while the FLACS I Campus is demolished and rebuilt into affordable housing and school space. The foregoing numbers include FLACS I and FLACS IV students.

Source: The Charter School.

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Student Retention

Listed below is the historical student enrollment retention at Charter School for the prior five years.

TABLE 15
Retention Rate by School Year — FLACS I

School Year	Percent Retention from Previous School Year
From 2014 to 2015	88.01%
From 2015 to 2016	89.87
From 2016 to 2017	88.51
From 2017 to 2018	90.10
From 2018 to 2019	94.36

TABLE 16
Retention Rate by School Year — FLACS II

School Year	Percent Retention from Previous School Year
From 2014 to 2015	70.73%
From 2015 to 2016	79.77
From 2016 to 2017	88.32
From 2017 to 2018	92.90
From 2018 to 2019	92.10
From 2019 to 2020	92.40

TABLE 17
Retention Rate by School Year — FLACS III

School Year	Percent Retention from Previous School Year
From 2014 to 2015	--
From 2015 to 2016	53.25%
From 2016 to 2017	78.17
From 2017 to 2018	92.90
From 2018 to 2019	87.30

Lottery Admission Process

Under the Charter Schools Act, admission into charter schools is determined by a lottery process. Each Charter School location will admit an eligible child who is interested in becoming a student and submits a timely application by the first day of April, unless the number of applications exceeds the chartered capacity of the grade level. Admission will not be restricted to kindergarten; any grade with available spots will be filled with students from the lottery. Students who are already enrolled at a Charter School location will be automatically re-enrolled. If the number of timely applications to the Charter School location exceeds capacity, students will be accepted by a lottery where students will be assigned a number using a random selection process. Once all spots are filled, a waitlist will be compiled of all remaining applicants in order of their selection in the lottery. For the 2019-2020 school year, there were a combined total of 4,429 applications for grades K through 8th at all of the FLACS Schools; however, there were only

263 openings for new students. Admission preference is granted in the following manner: first, to returning students; second, to siblings of students already enrolled at the Charter School; third, to children of current Charter School employees; and fourth, to students indicating on the admissions application that they speak a language other than English at home or are currently receiving English Language Learner services who live in the home district of the Charter School location. Students whose names are not chosen from the lottery are placed on a waiting list, which is maintained until the end of the school year, at which point a new waitlist, created at the April lottery will be in effect. Only a small percentage of Charter School students reside outside of the 7th District or 9th District.

Application and Wait List

Set forth below is the Charter School's historical application and waitlist summary, listed by grade level.

TABLE 18 Historical Wait List Summary – FLACS I ¹				
Grade	2017-18	2018-19	2019-20	2020-21
K	789	918	864	570
1 st	247	203	183	93
2 nd	251	174	208	109
3 rd	246	208	225	116
4 th	230	169	222	110
5 th	213	142	187	109
Total	<u>1,976</u>	<u>1,814</u>	<u>1,889</u>	<u>1,107</u>

¹ As of April 1, 2020.
Source: Charter School

TABLE 19 Historical Wait List Summary – FLACS II ¹				
Grade	2017-18	2018-19	2019-20	2020-21
K	697	625	559	352
1 st	210	143	135	67
2 nd	206	130	135	56
3 rd	211	150	155	75
4 th	170	120	155	80
5 th	124	115	126	78
Total	<u>1,618</u>	<u>1,283</u>	<u>1,265</u>	<u>708</u>

¹ As of April 1, 2020.
Source: Charter School

TABLE 20
Historical Wait List Summary – FLACS III¹

Grade	2017-18	2018-19	2019-20	2020-21
K	475	480	518	327
1 st	158	93	125	63
2 nd	148	74	121	53
3 rd	152	103	130	53
4 th	<u>122</u>	<u>81</u>	<u>146</u>	<u>72</u>
Total	<u>1,055</u>	<u>831</u>	<u>1,040</u>	<u>568</u>

¹ As of April 1, 2020.
Source: Charter School

TABLE 21
Historical Wait List Summary – FLACS II MS¹

Grade	2017-18	2018-19	2019-20	2020-21
5 th	213	42	1	--
6 th	350	111	155	91
7 th	131	45	52	29
8 th	<u>115</u>	<u>23</u>	<u>27</u>	<u>10</u>
Total	<u>809</u>	<u>221</u>	<u>235</u>	<u>130</u>

¹ As of April 1, 2020.
Source: Charter School

The Charter School does not have a defined cut-off date to accept additional students. Vacancies are generally filled immediately from the waitlist according to the lottery process; however, the Charter School takes into consideration the timing of the acceptance of new students during the school year as it may affect the potential success of said students.

Academic Achievement Indicators

The Charter School's assessment system for formative, diagnostic and summative assessments is mission aligned and reflective of the Charter School's commitment to ongoing curriculum review, data analysis and progress monitoring. The series of diagnostic assessments provide the Charter School instructional leadership team with the data baseline for targeting resources and support to students. The Charter School's continuous formative assessments comprise items such as exit tickets and a rubric-based grading system developed by teachers in close collaboration with one another and with department chairs. Summative assessments allow the Charter School to measure the extent to which students achieve mastery or proficiency in a given academic area.

Assessments. Students are given several assessments every academic school year. These include:

New York State English Language Arts and Math Exam. The tests are designed to measure how well students are mastering the learning standards that guide classroom instruction and help to ensure that students are on track to graduate from high school with the critical thinking, problem solving, and reasoning skills needed for success in college and the workplace. The tests also show how schools and districts are progressing with the learning standards and can be used to support professional development for teachers.

Scholastic Reading Inventory (SRI) Lexile Framework. The Scholastic Reading Inventory (SRI) is a criterion-referenced test intended to measure reading comprehension and match students to text so they can read with confidence and control. Results from SRI are reported as scale scores (Lexile® measures).

NYSESLAT. The NYSESLAT is given to all students who are identified as ELL/MLL by the New York State Identification Test for English Language Learners (NYSITELL). The purpose of the NYSESLAT is to annually assess the English language proficiency level of ELLs/MLLs enrolled in Grades K-12 in New York State schools. The test gives the State, schools, parents, and teachers important information about the English language development of ELLs/MLLs.

LAS Links Placement Test. The LAS Links exam is designed to measure students' language proficiency in correspondence with the goals of the Common Core State Standards (CCSS), and with the Council of Chief State School Officers' (CCSSO) Framework for English Language Proficiency Development Standards. These standards reflect general language abilities that are associated with language proficiency, rather than the knowledge and skills that are associated with a specific curriculum.

New York State Spanish Regents Exam. English (or Language Other Than English or “**LOTE**”) Equivalency Exam is a tool to help schools determine if a student in grades 8-12 has the proficiency in Spanish, French, Mandarin, Arabic, and Korean to be placed in its course sequence and be validated to meet the minimum requirement for languages other than English for graduation. The exam consists of reading comprehension and writing composition. Students who pass both parts of the exam have satisfied the minimum requirement for languages other than English for graduation.

Scholastic Math Inventory. Scholastic Math Inventory (SMI), developed by Scholastic Inc., is an objective assessment of a student's readiness for mathematics instruction. SMI quantifies a student's path to and through Algebra I (or a High School Integrated Math I course) and can be administered to students in Grades 2-12.

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State Testing Performance. The following is a summary of student performance at the Charter Schools for the past two school years for which such data is available in ELA and mathematics. Performance on State assessments is reported in terms of mean scores and percentages of tested students scoring at or above Level 3 and 4. Level 3 is the “meets proficiency” standard that means students demonstrate an understanding of the subject and the knowledge and skills expected at their grade level.

TABLE 22 Percentage of students that scored at or above Level 3 in English Language Arts								
Grade	2017-18				2018-19			
	FLACS I	FLACS II	FLACS III	7th District	FLACS I	FLACS II	FLACS III	7th District
3 rd	65%	94%	61%	38%	70%	94%	62%	43%
4 th	67	92	65	33	52	94	49	36
5 th	31	87	n/a	20	43	46	n/a	22

TABLE 23 Percentage of students that scored at or above Level 3 in Mathematics								
Grade	2017-18				2018-19			
	FLACS I	FLACS II	FLACS III	7th District	FLACS I	FLACS II	FLACS III	7th District
3 rd	62%	89%	79%	39%	51%	98%	80%	35%
4 th	63	88	60	30	50	88	78	29
5 th	35	66	n/a	23	48	55	n/a	27

FLACS II MS students take the more rigorous Living Environmental Regents in lieu of the NYS 8th grade science test. Note that not all 8th graders in the state take the Regents Exam. As such, the table below reflects the comparative state data from a self-selecting group.

TABLE 24 Average Student Performance Scores: 8 th Grade Science		
Score at or above 3%		
School Year	FLACS II MS	State
2017-2018	48%	89%
2018-2019	50	88

Service Area

The Charter School’s campuses are all located in New York City, Bronx County. According to U.S. Census data, Bronx County has an estimated population of 1,418,207 as of July 1, 2019. The Charter School students all reside in Bronx County. The FLACS I Campus and FLACS IV Campus are located in Community School District 9, the FLACS II Campus and FLACS III Campus are located in Community School District 7, and FLACS II MS Campus is located in Community School Districts 7 and 9.

The Bronx has a land area of 42 square miles (109 km), making it the fourth-largest in land area of the five boroughs of New York City (Manhattan, Queens, Brooklyn, Bronx, and Staten Island), the fourth most populated, and the third-highest in density of population. The Bronx contains one of the five poorest Congressional Districts in the U.S., the 16th, but it also includes the affluent and middle to upper class Riverdale, Schuylerville and Country Club neighborhoods.

Approximately 91% of current Charter School students qualify for the Federal free and reduced lunch program. Approximately 22% of current Charter School students are current or former English Language Learners. Less than 5% of current Charter School students are homeless.

The average Charter School student population is approximately 77% Hispanic at FLACS I, 76% Hispanic at FLACS II, and 64% Hispanic at FLACS III. For comparison, the racial demographics of Bronx County and the State, as presented in the U.S. Department of Commerce's 2010 Census, are also included.

Bronx County and State Racial Demographics				
Race	7th District	9th District	Bronx County	State
African American	26%	27%	37%	16%
Asian	1	2	4	7
Hispanic	70	69	54	18
White	1	1	28	66
Other	--	1	25	7

Source: U S. Census, 2010

Population

The following table sets forth population statistics for the Bronx County and the State of New York.

Comparative Population				
Year	Bronx County	Percent Change	State of New York	Percent Change
1990	1,203,789	--	17,990,778	--
2000	1,332,650	10.7%	18,976,821	5.5%
2010	1,385,108	3.9	19,378,102	2.1

Source: US Department of Commerce, Bureau of the Census, 2010 Census of Population and Housing

Median Age

According to the U.S. Census Bureau, 2012-2016 American Community Survey, the estimated median age for the residents of Bronx County was 33.3 years and for residents of the State was 38.2 years. (Source: U.S. Department of Commerce, Bureau of the Census, American Fact Finder.)

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Income

The following table set forth per capita personal income for Bronx County, the State of New York and the United States.

Per Capita Personal Income					
	2014	2015	2016	2017	2018
Bronx	\$31,269	\$32,586	\$33,721	\$36,321	\$37,376
State of New York	\$56,268	\$58,537	\$61,226	\$65,644	\$68,668
United States	\$46,494	\$48,451	\$49,870	\$51,885	\$54,446

Source: US Department of Commerce, Bureau of Economic Analysis

Competing Schools

The Charter Schools compete for students primarily within the geographic area of the 7th District and the 9th District, and other surrounding districts, and with other public schools and charter schools within the Bronx, New York area. The Charter School competes for students primarily within the geographic area of the 7th District the 9th District and other surrounding districts, and with other public schools and charter schools within the Bronx, New York area. The Charter Schools compete for students primarily within the geographic area of the 7th District and the 9th District, and other surrounding districts, and with other public schools and charter schools within the Bronx, New York area. There are currently approximately 40 charter schools serving grades K-8 within the 7th District and 9th District. Charter schools within a close proximity to the Facilities are in competition with FLACS for students, including, but not limited to Zeta Charter School and Success Academy.

FINANCIAL DATA

Charter School Funding

Historic Per Pupil Funding Chart New York State Funding	
School Year	Per Pupil Allocation ¹
2012-13	\$13,527
2014-15	13,777
2015-16	13,877
2016-17	14,027
2017-18	14,527
2018-19	15,308
2019-20	16,150
2020-21	16,112 ²

¹ Per pupil allocation does not include supplemental aid which may have been available in any year.

² Estimated amount.

Source:

<https://www.nyccharterschools.org/sites/default/files/resources/Charter-Center-Memo-on-2019-State-Budget.pdf>

New York State's 2019-2020 annual fiscal budget includes the following items affecting all charter schools in New York City.

Increase in Per Pupil Funding. In addition to the statutory per-pupil funding, the Governor and Legislature provided, as they have done over the last four years, a one-time supplemental appropriation for New York City charter school students. The 2019-2020 \$24.9 million appropriation translates to approximately \$193 per New York City charter school student, which is not included in the base amount of the formula and will be available for distribution on or after April 1, 2020. With the additional \$193 supplemental aid, it is estimated that charter schools will receive approximately \$16,347 per student for the 2019-2020 school year. This increase keeps charter per pupil funding relatively flat, increasing just 3.7%.

Security in Schools. As of July 1, 2019 all district and charters school were required to define the roles and responsibilities of school security personnel in response to student misconduct. Specifically, schools that employ or contract with public or private security personnel (including law enforcement) must have a written contract or memorandum of understanding (“MOU”) that defines the roles and responsibilities of security personnel that is consistent with the school’s code of conduct and defines the relationship between the school, school personnel, students, visitors, law enforcement and the security personnel. The contract must also clearly delegate the role of school discipline to the school administration. In preparing the contract or MOU, the school must consult with stakeholders such as parents, students, school administrators, teachers, collective bargaining units, parent and student organizations, and community members, as well as probation officers, prosecutors, defense counsel and courts that are familiar with school discipline. Schools will also be required to submit any contract or MOU with school personnel with their school’s safety plan.

Budgeting of Funds and Reports

The Charter School’s prepares all required annual and quarterly financial reporting to the State and the New York City Department of Education. Required reporting to the New York City Department of Education includes quarterly financials consisting of a Statement of Financial Position, a Statement of Activities prepared as a budget versus actual, a Statement of Cash Flows, and an Annual Budget. Required reporting to the State includes an annual budget presented as a breakdown between program and supporting services prepared on a GAAP basis, and an annual budget and expenditure reports for federal grants including Title IA and Title IIA.

On or before July 1st of each year, the Charter School will adopt an annual budget for the following fiscal year. The budgeting process involves the administration personnel of the School. The budget allocates general funds received from the New York City Department of Education, special education funds received from the New York City Department of Education and federal funds from the IDEA grant, and Title I and Title II federal grant funds.

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The following table sets forth the budgeted financial data of the Charter School as compared to the financials for the Fiscal Year ending June 30, 2019 and the data for the Fiscal Year ending June 30, 2020.

TABLE 25			
Network Budgeted and Actual Financial Data			
	2019-2020 Budget	2019-2020 Year to Date ¹	2020-2021 Budget
Revenue and Support:			
Per Pupil Revenue	\$23,049,600	\$22,490,004	\$23,813,671
Special Education Revenue	675,200	623,400	737,690
Federal Funding	2,887,400	1,867,637	2,535,640
Local and Other Revenue	<u>4,533,400</u>	<u>5,730,108</u>	<u>4,723,963</u>
Total Revenue & Support	<u>31,145,600</u>	<u>30,711,149</u>	<u>31,810,964</u>
Expenses:			
Administrative Staff Personnel	6,836,600	6,837,647	8,012,650
Instructional Personnel	7,936,100	7,099,311	8,154,981
Payroll Taxes and Benefits	3,467,100	2,624,917	3,276,632
Contracted Services	146,100	91,099	113,618
School Operations	3,882,400	2,738,036	5,620,953
Facility Operation and Maintenance	7,526,100	7,565,184	7,770,640
Interest and Depreciation Expense	<u>1,254,500</u>	<u>741,687</u>	<u>1,161,260</u>
Total Expenses	<u>31,048,900</u>	<u>27,697,882</u>	<u>34,110,734</u>
Net Income	<u>\$ 96,700</u>	<u>\$ 3,013,267</u>	<u>\$ (2,299,770)</u>

¹ Year to date unaudited financials through June 30, 2020.

Source: The Charter School

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TABLE 26
FLACS UMS Budgeted and Actual Financial Data

	2019-2020 Budget	2019-2020 Year to Date ¹	2020-2021 Budget
Revenue and Support:			
Per Pupil Revenue	\$6,585,600	\$6,384,115	\$ 8,029,254
Special Education Revenue	155,800	250,659	394,820
Federal Funding	842,600	457,967	526,364
Local and Other Revenue	<u>2,174,900</u>	<u>2,144,049</u>	<u>2,523,255</u>
Total Revenue & Support	<u>9,758,900</u>	<u>9,236,790</u>	<u>11,473,693</u>
Expenses:			
Administrative Staff Personnel	965,500	1,334,133	1,620,837
Instructional Personnel	2,034,600	1,988,707	2,523,853
Payroll Taxes and Benefits	657,200	554,965	778,692
Contracted Services	348,100	166,602	511,394
School Operations	1,616,900	1,523,239	2,880,085
Facility Operation and Maintenance	3,514,300	3,681,328	3,812,707
Interest and Depreciation Expense	<u>393,900</u>	<u>209,263</u>	<u>270,000</u>
Total Expenses	<u>9,530,500</u>	<u>9,458,237</u>	<u>12,397,568</u>
Net Income	\$ <u>228,400</u>	\$ <u>(221,447)</u>	\$ <u>(923,872)</u>

¹ Year to date unaudited financials through June 30, 2020.
Source: The Charter School.

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TABLE 27
FLAGS III: Budgeted and Actual Financial Data

	2019-2020 Budget	2019-2020 Year to Date ¹	2020-2021 Budget
Revenue and Support:			
Per Pupil Revenue	\$4,116,000	\$4,051,923	\$3,917,889
Special Education Revenue	155,800	111,693	114,290
Federal Funding	481,700	298,155	501,718
Local and Other Revenue	<u>1,148,700</u>	<u>1,429,032</u>	<u>1,130,711</u>
Total Revenue & Support	<u>5,902,200</u>	<u>5,890,802</u>	<u>5,664,608</u>
Expenses:			
Administrative Staff Personnel	908,100	884,989	985,130
Instructional Personnel	1,484,400	1,400,057	1,461,848
Payroll Taxes and Benefits	557,000	439,275	531,672
Contracted Services	299,900	148,994	230,016
School Operations	1,170,300	1,009,648	1,474,850
Facility Operation and Maintenance	1,402,800	1,376,912	1,395,794
Interest and Depreciation Expense	<u>148,700</u>	<u>81,106</u>	<u>90,000</u>
Total Expenses	<u>5,971,200</u>	<u>5,340,981</u>	<u>6,169,310</u>
 Net Income	 \$ <u>(69,000)</u>	 \$ <u>549,821</u>	 \$ <u>(504,702)</u>

¹ Year to date unaudited financials through June 30, 2020.
Source: The Charter School.

Annual Financial Audit

The Charter School is required to have an annual audit conducted by an outside independent accounting firm. Financial audits are conducted in accordance with generally accepted auditing standards. Upon completion, audits are reviewed by Mengel Metzger Barr & Co. LLP before being submitted to the full Board for review. Mengel Metzger Barr & Co. LLP has been the Charter School's auditor for over five years.

The audited financial statements of the Charter School for the fiscal years ended June 30, 2019 and June 30, 2020 are included in "APPENDIX D—AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REPORT JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)" and "APPENDIX E— AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REPORT JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)", respectively, in this Limited Offering Memorandum.

Historical Financial Data

The following financial data presents selected historical financial data of the Charter School, as shown in the Charter School's audited financial statements for the stated years. Only the revenues generated from FLACS IV, FLACS III and FLACS II MS are pledged for the repayment of the Bonds.

TABLE 28
FLACS Schools Historical Statement of Financial Position

	2016-2017	2017-2018	2018-2019	2019-2020
ASSETS				
Cash and cash equivalents	\$1,687,775	\$3,520,933	\$ 5,093,528	\$ 9,460,803
Cash in escrow	275,775	277,977	175,000	175,000
Grants and other receivables	969,168	822,371	967,094	1,694,306
Prepaid expenses and other current assets	258,840	301,692	314,995	433,194
Property and equipment	2,173,232	2,688,798	3,040,478	3,301,987
Security deposits	296,710	319,310	319,310	305,305
Due from related parties	75,232	69,232	63,232	57,232
Certificate of deposit	<u>197,085</u>	<u>199,264</u>	<u>2,269,002</u>	<u>2,324,295</u>
TOTAL ASSETS	<u>5,933,817</u>	<u>8,199,577</u>	<u>12,242,639</u>	<u>17,752,122</u>
LIABILITIES				
Current portion of capital lease payable	--	132,297	160,418	64,616
Current portion of long term debt	--	--	--	987,457
Capital lease payable	--	132,298	27,182	30,474
Accounts payable and accrued expenses	310,776	202,589	634,522	335,185
Accrued payroll and benefits	804,762	995,364	971,369	1,306,321
Vacation accrual	261,778	310,275	339,846	399,538
Deferred revenue	402,270	532,616	1,672,950	211,037
Deferred lease incentive	396,875	456,890	434,046	412,791
Long term debt	--	--	--	1,583,796
Deferred rent payable	<u>1,378,793</u>	<u>1,967,449</u>	<u>3,040,271</u>	<u>4,190,447</u>
TOTAL LIABILITIES	<u>3,555,254</u>	<u>4,729,778</u>	<u>7,280,604</u>	<u>9,521,662</u>
NET ASSETS				
Unrestricted	2,340,235	3,417,938	4,885,013	7,720,344
Temporarily restricted	<u>38,328</u>	<u>51,861</u>	<u>77,022</u>	<u>510,116</u>
TOTAL NET ASSETS	<u>2,378,563</u>	<u>3,469,799</u>	<u>4,962,035</u>	<u>8,230,460</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,933,817</u>	<u>\$8,199,577</u>	<u>\$12,242,639</u>	<u>\$17,752,122</u>

Source: The Charter School.

TABLE 29
FLACS Schools Historical Statements of Activities and Changes in Net Assets

	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Revenue and Support:				
Resident student enrollment	\$13,485,496	\$15,100,111	\$16,959,405	\$22,471,834
Students with disabilities	815,494	919,785	604,269	640,803
Grants – State and local	493,718	523,740	595,162	389,415
Grants – Federal – Title and IDEA	752,144	923,331	1,475,040	959,975
Grants – Federal – other	160,554	240,603	462,286	353,875
Food service/Child Nutrition Program	611,283	724,601	803,947	558,028
NYC DOE rental assistance	744,015	1,843,796	1,959,756	3,961,641
Foundations	85,550	120,250	333,379	1,462,100
Individuals	1,000	8,231	5,710	4,805
Corporations	2,956	8,000	17,921	--
In-kind	32,728	11,000	1,800	--
Fundraising	7,784	3,265	5,646	1,502
Interest income	18,167	28,845	97,305	162,750
Other income	<u>17,306</u>	<u>26,933</u>	<u>3,000</u>	<u>348</u>
Total Revenue & Support	<u>17,228,195</u>	<u>20,482,491</u>	<u>23,324,626</u>	<u>30,967,076</u>
Expenses:				
Program services	14,835,064	16,799,969	18,940,025	24,233,917
Management and general	2,153,081	2,433,061	2,733,332	3,299,328
Fundraising and special events	<u>175,419</u>	<u>158,225</u>	<u>159,033</u>	<u>165,406</u>
Total Expenses	<u>17,163,564</u>	<u>19,391,255</u>	<u>21,832,390</u>	<u>27,698,651</u>
Loss from Joint Venture	<u>(1,192)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Change in Net Assets	\$ 63,439	\$ 1,091,236	\$ 1,492,236	\$ 3,268,425

Source: The Charter School.

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TABLE 30
FLACS II MIS and FLACS III
Unaudited Historical Statements of Activities and Changes in Net Assets ¹

	2016-2017	2017-2018	2018-2019	2019-2020
Revenue and Support:				
Resident student enrollment	\$2,812,414	\$6,096,405	\$ 8,240,906	\$10,436,038
Students with disabilities	140,265	507,821	340,277	362,351
Grants – State and local	99,779	183,898	287,873	182,416
Grants – Federal – Title and IDEA	129,297	286,338	492,598	223,196
Grants – Federal – other	135,204	181,928	398,686	297,715
Food service/Child Nutrition Program	100,414	323,445	433,283	240,782
NYC DOE rental assistance	356,239	1,336,919	1,497,680	3,211,635
Foundations	2,454	60,000	80,000	95,000
Individuals	--	1,933	2,796	1,457
In-kind	16,034	11,000	--	--
Interest income	2,964	5,651	11,199	67,004
Other income	<u>1,535</u>	<u>--</u>	<u>--</u>	<u>10,000</u>
Total Revenue & Support	<u>3,796,598</u>	<u>8,995,338</u>	<u>11,785,298</u>	<u>15,127,594</u>
Expenses:				
Program services	1,589,407	3,915,060	4,601,840	5,281,580
Management and general	<u>2,566,289</u>	<u>4,518,966</u>	<u>6,299,944</u>	<u>9,517,638</u>
Total Expenses	<u>4,155,696</u>	<u>8,434,026</u>	<u>10,901,784</u>	<u>14,799,218</u>
Change in Net Assets	\$ (359,098)	\$ 561,312	\$ 883,514	\$ 328,374

¹ Figures may not add due to rounding
Source: The Charter School.

Investment Policy

The Charter School does not have an investment policy in place at this time.

Employee Benefit Plan

The Charter School currently offers employees a variety of benefits, some of which are dependent on employee classifications. Generally, the Charter School offers eligible employees the ability to participate in a 401(k), retirement savings plan and medical insurance plans. Additionally, the Charter School complies with State disability and workers' compensation laws.

Insurance

The Charter School and the Borrower will maintain the insurance coverages required in the Covenant Agreement, the Mortgage (in the case of the Borrower) and the Loan Agreement.

No Litigation

No material action, suit proceeding, or investigation at law or in equity, before or by any court, any governmental agency, or any public board or body is pending or, to the best of the knowledge of the Charter

School, the Borrower, or the Member, as applicable, is overtly threatened against the Charter School, the Borrower or the Member.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF NEW YORK EDUCATION LAW

The following summarizes certain provisions of the New York Charter Schools Act of 1998, Article 56, §§ 2850-2857 of the New York Education Law, as amended (the “Act”), other applicable provisions of the New York Education Law, and related regulations. The following provides a summary only, and is only for informational purposes. Potential investors should refer to and independently evaluate applicable provisions of the Act in their entirety, with assistance from counsel as necessary, for a complete understanding of their terms. Further, potential investors should note that the provisions summarized below are subject to change, and this summary only pertains to certain aspects of currently existing law. See “RISK FACTORS—Changes in Law; Annual Appropriation; Inadequate Education Aid Payments” in this Limited Offering Memorandum.

Purpose (New York Education Law § 2850)

The purpose of the Act is to authorize a system of charter schools to provide opportunities for teachers, parents, and community members to establish and maintain schools that operate independently of existing schools and school districts in order to accomplish the following objectives:

- (a) Improve student learning and achievement;
- (b) Increase learning opportunities for all students, with special emphasis on expanded learning experiences for students who are at-risk of academic failure;
- (c) Encourage the use of different and innovative teaching methods;
- (d) Create new professional opportunities for teachers, school administrators and other school personnel;
- (e) Provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; and
- (f) Provide schools with a method to change from rule-based to performance-based accountability systems by holding the schools established under the Act accountable for meeting measurable student achievement results.

Eligible Applicants; Applications; Submission (New York Education Law §§ 2851(1), 2851(2) and 2851(3))

An application to establish a charter school may be submitted by teachers, parents, school administrators, community residents or any combination thereof. Such application may be filed in conjunction with a college, university, museum, educational institution, not-for-profit corporation exempt from taxation under § 501(c)(3) of the Internal Revenue Code or for-profit business or corporate entity authorized to do business in New York state. Provided however, for-profit business or corporate entities shall not be eligible to submit an application to establish a charter school pursuant to § 2852(9-a) (a request for proposals process) of the Act, or operate or manage a charter school for a charter issued pursuant to § 2852(9-a) (a request for proposals process) of the Act. For charter schools established in conjunction with a for-profit business or corporate entity, the charter shall specify the extent of the entity’s participation in the management and operation of the school.

The information provided on the application shall be consistent with the provisions of the Act and other applicable laws, rules and regulations.

An applicant shall submit the application to a charter entity for approval. For purposes of the Act, a charter entity shall be:

(a) The board of education of a school district eligible for an apportionment of aid under § 3602(4) (apportionment of public moneys to school districts employing eight or more teachers) of the New York Education Law; provided that a board of education shall not approve an application for a school to be operated outside the school district's geographic boundaries and further provided that in a city having a population of 1,000,000 or more, the chancellor of any such city school district shall be the charter entity established by this paragraph;

(b) The Board of Trustees of the State University of New York; or

(c) The Board of Regents. The Board of Regents shall be the only entity authorized to issue a charter pursuant to the Act.

Notwithstanding any provision of this section to the contrary, an application for the conversion of an existing public school to a charter school shall be submitted to, and may only be approved by, the charter entity set forth in paragraph (a) of this section. Notwithstanding any law, rule or regulation to the contrary, any such § 2852(9-a) application for conversion shall be consistent with this section but shall not be subject to the process pursuant to the Act, and the charter entity shall require that the parents or guardians of a majority of the students then enrolled in the existing public school vote in favor of converting the school to a charter school.

Charter Renewal (New York Education Law § 2851(4))

Charters may be renewed, upon application, for a term of up to five (5) years in accordance with the provisions of the Act for the issuance of such charters pursuant to § 2852 of the Act; provided however, that a renewal application shall include:

(a) A report of the progress of the charter school in achieving the educational objectives set forth in the charter.

(b) A detailed financial statement that discloses the cost of administration, instruction and other spending categories for the charter school that will allow a comparison of such costs to other schools, both public and private. Such statement shall be in a form prescribed by the Board of Regents.

(c) Copies of each of the annual reports of the charter school required by § 2857(2) of the Act, including the charter school report cards and the certified financial statements.

(d) Indications of parent and student satisfaction.

(e) The means by which the charter school will meet or exceed enrollment and retention targets as prescribed by the Board of Regents or the Board of Trustees of the State University of New York, as applicable, of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program which shall be considered by the charter entity prior to approving such charter school's application for renewal. When developing such targets, the Board of Regents and the Board of Trustees of the State

University of New York shall ensure (1) that such enrollment targets are comparable to the enrollment figures of such categories of students attending the public schools within the school district, or in a city school district in a city having a population of 1,000,000 or more inhabitants, the community school district, in which the charter school is located; and (2) that such retention targets are comparable to the rate of retention of such categories of students attending the public schools within the school district, or in a city school district in a city have a population of 1,000,000 or more inhabitants, the community school district, in which the proposed charter school would be located.

Such renewal application shall be submitted to the charter entity no later than six months prior to the expiration of the charter; provided, however, that the charter entity may waive such deadline for good cause shown.

Charter School Organization (New York Education Law § 2853(1))

(a) Upon the approval of a charter by the Board of Regents, the Board of Regents shall incorporate the charter school as an education corporation for a term not to exceed five (5) years, provided however in the case of charters issued pursuant to § 2852(9-a) of the Act the Board of Regents shall incorporate the charter school as an education corporation for a term not to exceed five (5) years in which instruction is provided to pupils plus the period commencing with the effective date of the charter and ending with the opening of the school for instruction. Such certificate of incorporation shall not modify or limit any terms of the charter approved by the Board of Regents. Upon approval of an application to renew a charter, the Board of Regents shall extend the certificate of incorporation for a term not to exceed five (5) years. Upon termination or nonrenewal of the charter of a charter school pursuant to § 2855 of the Act, the certificate of incorporation of the charter school shall be revoked by the Board of Regents pursuant to § 219 (change of charter) of the New York Education law, provided that compliance with the notice and hearing requirements of the Act shall be deemed to satisfy the notice and hearing requirements of § 219 of the New York Education law. It shall be the duty of the trustees of the charter school to obtain federal tax-exempt status no later than one year following approval of a charter school by the Board of Regents. For purposes of the Act, "certificate of incorporation" shall mean the provisional charter issued by the Board of Regents to form the charter school as an educational corporation pursuant to §§ 216 (charters) and 217 (provisional charters) of the New York Education Law.

(b) An education corporation organized to operate a charter school shall have all corporate powers necessary and desirable for carrying out a charter school program in accordance with the provisions of the Act, other applicable laws and regulations and the terms of the charter, including all of the powers of an education corporation formed to operate an elementary or secondary school and those powers granted under the provisions of the not-for-profit corporation law that are made applicable to charter schools by § 216-a (applicability of not-for-profit corporation law) of the New York Education Law. The powers of the trustees of the charter school shall include those powers specified in § 226 (powers of trustees of institutions) of the New York Education Law.

(b-1) An education corporation operating a charter school shall be authorized to operate more than one school or house any grade at more than one site, provided that a charter must be issued for each such additional school or site in accordance with the requirements for the issuance of a charter pursuant to the Act and that each such additional school or site shall count as a charter issued pursuant to § 2852(9) of the Act; and provided further that:

- (i) a charter school may operate in more than one building at a single site; and
 - (ii) a charter school which provides instruction to its students at different locations for a portion of their school day shall be deemed to be operating at a single site.
- (c) A charter school shall be deemed an independent and autonomous public school, except as otherwise provided in the Act and a political subdivision having boundaries coterminous with the school district or community school district in which the charter school is located. The charter entity and the Board of Regents shall be deemed to be the public agents authorized to supervise and oversee the charter school.
- (d) The powers granted to a charter school under the Act constitute the performance of essential public purposes and governmental purposes of the state. A charter school shall be exempt to the same extent as other public schools from all taxation, fees, assessments or special ad valorem levies on its earnings and its property, including property leased by the charter school. Instruments of conveyance to or from a charter school and any bonds or notes issued by a charter school, together with the income therefrom, shall at all times be exempt from taxation.
- (e) A charter school shall not have the power to levy taxes or to acquire property by eminent domain.
- (f) The Board of Trustees of the charter school shall have final authority for policy and operational decisions of the school. Nothing herein shall prohibit the Board of Trustees of a charter school from delegating decision-making authority to officers and employees of the school in accordance with the provisions of the charter.
- (g) Notwithstanding any provision of law to the contrary, no civil liability shall attach to any charter entity, the Board of Regents, or to any of their members or employees, individually or collectively, for any acts or omissions of the charter school. Neither the local school district, the charter entity nor the state shall be liable for the debts or financial obligations of a charter school or any person or corporate entity who operates a charter school.

Public and Private Assistance to Charter Schools (New York Education Law § 2853(4))

Effective until June 30, 2021:

For purposes of §§ 701 (power to designate text-books; purchase and loan of text-books; purchase of supplies), 711 (aid for purchase of school library materials), 751 (aid for computer software purchases) and 912 (health and welfare services to all children) of the New York Education Law, a charter school shall be deemed a nonpublic school in the school district within which the charter school is located. Special education programs and services shall be provided to students with a disability attending a charter school in accordance with the individualized education program recommended by the committee or subcommittee on special education of the student's school district of residence. The charter school may arrange to have such services provided by such school district of residence or by the charter school directly or by contract with another provider.

Effective June 30, 2021:

- (a) For purposes of §§ 701 (power to designate text-books; purchase and loan of text-books; purchase of supplies), 711 (aid for purchase of school library materials), 751 (aid for computer software purchases) and 912 (health and welfare services to all children) of the New York

Education Law, a charter school shall be deemed a nonpublic school in the school district within which the charter school is located. Special education programs and services shall be provided to students with a disability attending a charter school in accordance with the individualized education program recommended by the committee or subcommittee on special education of the student's school district of residence. The charter school may arrange to have such services provided by such school district of residence or by the charter school directly or by contract with another provider.

(b) For purposes of § 3635 (transportation) of the New York Education Law, a charter school shall be deemed a nonpublic school. The charter and application therefor shall set forth the manner in which students ineligible for transportation pursuant to § 3635 of the New York Education Law shall be transported to and from school. Any supplemental transportation provided by a charter school shall comply with all transportation safety laws and regulations applicable to other public schools. A school district may enter into a contract for the provision of supplemental transportation services to a charter school, and any such services shall be provided by the school district at cost.

(c) A charter school may contract with the governing body of a public college or university for the use of a school building and grounds, the operation and maintenance thereof. Any such contract shall provide such services or facilities at cost. A school district shall permit any charter school granted approval to co-locate, to use such services and facilities without cost.

(d) Private persons and organizations are encouraged to provide funding and other assistance to the establishment or operation of charter schools.

(e) The school district of residence of children attending a charter school may, but is not required to, allow such children to participate in athletic and extra-curricular activities of the district's schools.

Applicability of Other Laws (New York Education Law § 2854(1))

(a) Notwithstanding any provision of law to the contrary, to the extent that any provision of the Act is inconsistent with any other state or local law, rule or regulation, the provisions of the Act shall govern and be controlling.

(b) A charter school shall meet the same health and safety, civil rights, and student assessment requirements applicable to other public schools, except as otherwise specifically provided in the Act. A charter school shall be exempt from all other state and local laws, rules, regulations or policies governing public or private schools, boards of education, school districts and political subdivisions, including those relating to school personnel and students, except as specifically provided in the school's charter or in the Act. Nothing in this section shall affect the requirements of compulsory education of minors established by Part 1 of Article 65 (compulsory education) of the New York Education Law.

(c) A charter school shall be subject to the financial audits, the audit procedures, and the audit requirements set forth in the charter and shall be subject to audits of the comptroller of the city school district of the city of New York for charter schools located in New York city, and to audits of the New York State Comptroller for charter schools located in the rest of the state, at his or her discretion, with respect to the school's financial operations. Such procedures and standards shall be consistent with generally accepted accounting and audit standards. Independent fiscal audits shall be required at least once annually.

(d) A charter school shall design its educational programs to meet or exceed the student performance standards adopted by the Board of Regents and the student performance standards contained in the charter. Students attending charter school shall be required to take Regents examinations to the same extent such examinations are required of other public school students. A charter school offering instruction in the high school grades may grant Regents diplomas and local diplomas to the same extent as other public schools, and such other certificates and honors as are specifically authorized by their charter, and in testimony thereof give suitable certificates, honors and diplomas under its seal; and every certificate and diploma so granted shall entitle the conferee to all privileges and immunities which by usage or statute are allowed for similar diplomas of corresponding grade granted by any other public school.

(e) A charter school shall be subject to the provisions of the New York Freedom of Information Law and New York Open Meetings Law.

(f) A charter school shall be subject to the provisions of §§ 800 (definitions), 801 (conflicts of interest prohibited), 802 (exceptions), 803 (disclosure of interest), 804 (contracts void), 804-a (certain interests prohibited), 805 (violations), 805-a (certain action prohibited), 805-b (solemnization of marriages) and 806 (code of ethics) of the General Municipal Law to the same extent such sections apply to school districts.

Admission; Enrollment; Students (New York Education Law § 2854(2))

(a) A charter school shall be nonsectarian in its programs, admission policies, employment practices, and all other operations and shall not charge tuition or fees; provided that a charter school may require the payment of fees on the same basis and to the same extent as other public schools. A charter school shall not discriminate against any student, employee or any other person on the basis of ethnicity, national origin, gender, or disability or any other ground that would be unlawful if done by a school. Admission of students shall not be limited on the basis of intellectual ability, measures of achievement or aptitude, athletic ability, disability, race, creed, gender, national origin, religion, or ancestry; provided, however, that nothing in the Act shall be construed to prevent the establishment of a single-sex charter school or a charter school designed to provide expanded learning opportunities for students at-risk of academic failure or students with disabilities and English language learners; and provided, further, that the charter school shall demonstrate good faith efforts to attract and retain a comparable or greater enrollment of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program when compared to the enrollment figures for such students in the school district in which the charter school is located. A charter shall not be issued to any school that would be wholly or in part under the control or direction of any religious denomination, or in which any denominational tenet or doctrine would be taught.

(b) Any child who is qualified under the laws of this state for admission to a public school is qualified for admission to a charter school. Applications for admission to a charter school shall be submitted on a uniform application form created by the department and shall be made available by a charter school in languages predominately spoken in the community in which such charter school is located. The school shall enroll each eligible student who submits a timely application by the first day of April each year, unless the number of applications exceeds the capacity of the grade level or building. In such cases, students shall be accepted from among applicants by a random selection process, provided, however, that an enrollment preference shall be provided to pupils returning to the charter school in the second or any subsequent year of operation and pupils residing in the school district in which the charter school is located, and siblings of pupils already enrolled in the charter school. Preference may also be provided to children

of employees of the charter school or charter management organization, provided that such children of employees may constitute no more than 15% of the charter school's total enrollment. The Commissioner shall establish regulations to require that the random selection process conducted pursuant to this paragraph be performed in a transparent and equitable manner and to require that the time and place of the random selection process be publicized in a manner consistent with the requirements of §104 of the Public Officers Law and be open to the public. For purposes of this paragraph and paragraph (a) above, the school district in which the charter school is located shall mean, for the city school district of the city of New York, the community district in which the charter school is located.

(c) A charter school shall serve one or more of the grades one through twelve, and shall limit admission to pupils within the grade levels served. Nothing in the Act shall prohibit a charter school from establishing a kindergarten program.

(d) A student may withdraw from a charter school at any time and enroll in a public school. A charter school may refuse admission to any student who has been expelled or suspended from a public school until the period of suspension or expulsion from the public school has expired, consistent with the requirements of due process.

Causes for Revocation or Termination (New York Education Law § 2855)

The charter entity, or the Board of Regents, may terminate a charter upon any of the following grounds:

(a) When a charter school's outcome on student assessment measures adopted by the Board of Regents falls below the level that would allow the Commissioner to revoke the registration of another public school, and student achievement on such measures has not shown improvement over the preceding three school years;

(b) Serious violations of law;

(c) Material and substantial violation of the charter, including fiscal mismanagement;

(d) When the public employment relations board makes a determination that the charter school demonstrates a practice and pattern of egregious and intentional violations of § 209-a(i) (improper employer practices) of the Civil Service Law involving interference with or discrimination against employee rights under Article 14 (Public Employees' Fair Employment Act) of the Civil Service Law; or

(e) Repeated failure to comply with the requirement to meet or exceed enrollment and retention targets of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program pursuant to targets established by the Board of Regents or the Board of Trustees of the State University of New York, as applicable. Provided, however, if no grounds for terminating a charter are established pursuant to § 2855 of the Act other than pursuant to this paragraph (e), and the charter school demonstrates that it has made extensive efforts to recruit and retain such students, including outreach to parents and families in the surrounding communities, widely publicizing the lottery for such school, and efforts to academically support such students in such charter school, then the charter entity or Board of Regents may retain such charter.

Notice of intent to revoke a charter shall be provided to the Board of Trustees of a charter school at least 30 days prior to the effective date of the proposed revocation. Such notice shall include a statement of reasons for the proposed revocation. The charter school shall be allowed at least 30 days to correct the problems associated with the proposed revocation. Prior to revocation of the charter, a charter school shall be provided an opportunity to be heard, consistent with the requirements of due process. Upon the termination of a charter, the charter school shall proceed with dissolution pursuant to the procedures of the charter and direction of the charter entity and the Board of Regents.

In addition to the provisions of the paragraph above, the charter entity or the Board of Regents may place a charter school falling within the provisions of paragraphs (a) through (e) above on probationary status to allow the implementation of a remedial action plan. The failure of a charter school to comply with the terms and conditions of a remedial action plan may result in summary revocation of the school's charter.

Any individual or group may bring a complaint to the Board of Trustees of a charter school alleging a violation of the provisions of the Act, the charter, or any other provision of law relating to the management or operation of the charter school. If, after presentation of the complaint to the Board of Trustees of a charter school, the individual or group determines that such board has not adequately addressed the complaint, they may present that complaint to the charter entity, which shall investigate and respond. If, after presentation of the complaint to the charter entity, the individual or group determines that the charter entity has not adequately addressed the complaint, they may present that complaint to the Board of Regents, which shall investigate and respond. The charter entity and the Board of Regents shall have the power and the duty to issue appropriate remedial orders to charter schools under their jurisdiction to effectuate the provisions of this section.

The regulatory power of the Board of Regents and the Commissioner shall not extend to charter schools except as otherwise specifically provided in the Act.

Review and Assessment (New York Education Law §§ 2857(2), 2857(3) and 2857(5))

Each charter school shall submit to the charter entity and to the Board of Regents an annual report. Such report shall be issued no later than the first day of August of each year for the preceding school year and shall be made publicly available by such date and shall be posted on the charter school's website. The annual report shall be in such form as shall be prescribed by the Commissioner and shall include at least the following components:

(a) a charter school report card, which shall include measures of the comparative academic and fiscal performance of the school, as prescribed by the Commissioner in regulations adopted for such purpose. Such measures shall include, but not be limited to, graduation rates, dropout rates, performance of students on standardized tests, college entry rates, total spending per pupil and administrative spending per pupil. Such measures shall be presented in a format that is easily comparable to similar public schools. In addition, the charter school shall ensure that such information is easily accessible to the community including making it publicly available by transmitting it to local newspapers of general circulation and making it available for distribution at board of trustee meetings;

(b) discussion of the progress made towards achievement of the goals set forth in the charter;

(c) a certified financial statement setting forth, by appropriate categories, the revenues and expenditures for the preceding school year, including a copy of the most recent independent fiscal audit of the school and any audit conducted by the New York State Comptroller; and

(d) efforts taken by the charter school in the existing school year, and a plan for efforts to be taken in the succeeding school year, to meet or exceed enrollment and retention targets set by the Board of Regents or the Board of Trustees of the State University of New York, as applicable, of students with disabilities, English language learners, and students who are eligible applicants for the free and reduced price lunch program established pursuant to § 2851(4)(e) of the Act.

The Board of Regents shall report annually to the governor, the temporary president of the senate, and the speaker of the assembly the following information:

(a) The number, distribution, and a brief description of new charter schools established during the preceding year;

(a-1) A list including the number of charter schools closed during the preceding year, and a brief description of the reasons therefor including, but not limited to, non-renewal of the charter or revocation of the charter;

(b) The department's assessment of the current and projected programmatic and fiscal impact of charter schools on the delivery of services by school districts;

(c) The academic progress of students attending charter schools, as measured against comparable public and nonpublic schools with similar student population characteristics wherever practicable;

(d) A list of all actions taken by a charter entity on charter application and the rationale for the renewal or revocation of any charters; and

(e) Any other information regarding charter schools that the Board of Regents deems necessary. The format for this annual report shall be developed in consultation with representatives of school districts and charter school officials.

The Board of Regents shall on an annual basis review and make available to school districts best educational practices employed by charter schools.

Facilities (New York Education Law § 2853-3)

(a) A charter school may be located in part of an existing public school building, in space provided on a private work site, in a public building or in any other suitable location. Provided, however, before a charter school may be located in part of an existing public school building, the charter entity shall provide notice to the parents or guardians of the students then enrolled in the existing school building and shall hold a public hearing for purposes of discussing the location of the charter school. A charter school may own, lease or rent its space.

(a-1) (i) For charters issued pursuant to § 2852(9-a) of the Act located outside a city school district in a city having a population of 1,000,000 or more inhabitants, the department shall approve plans and specifications and issue certificates of occupancy for such charter schools. Such charter schools shall comply with all department health, sanitary, and safety requirements applicable to facilities and shall be treated the same as other public schools for purposes of local zoning, land use regulation and building code compliance. Provided however, that the department shall be authorized to grant specific exemptions from the requirements of this paragraph to charter schools upon a showing that compliance with such requirements creates an undue economic hardship or that some other

good cause exists that makes compliance with this paragraph extremely impractical. A demonstrated effort to overcome the stated obstacles must be provided.

(a-1) (ii) In a city school district in a city with a population of 1,000,000 or more, all charters authorized to be issued by the chapter of the laws of 2010 which amended this subdivision shall be obligated to comply with the department's health, safety and sanitary requirements applicable to facilities to the same extent as non-charter public schools in such a city school district.

(a-2) A charter school shall be deemed a nonpublic school for purposes of local zoning, land use regulation and building code compliance if it has been granted an exemption by the department pursuant to paragraph (a-1) above or if its charter was not issued pursuant to § 2852(9-a) of the Act.

(a-3) Before a charter school may be located or co-located in an existing public school building in a city school district in a city having a population of 1,000,000 or more inhabitants, the chancellor shall identify which public school buildings may be subject to location or co-location, provide the rationale as to why such public school building is identified for location or co-location and shall make all such information publicly available, including via the city board's official internet website. In addition, the chancellor shall provide widespread notice of such information including to the community superintendent, community district education council and the school-based management team. After a public school building has been selected for a proposed location or co-location, the chancellor shall develop a building usage plan in accordance with the Act.

(a-4) In a city school district in a city having a population of 1,000,000 or more inhabitants, a shared space committee shall be established in each public school building in which one or more charter schools are located or co-located within a public school building with non-charter public schools. The shared space committee shall be comprised of the principal, a teacher, and a parent of each co-located school. Such committee shall conduct regular meetings, at least four times per school year, to review implementation of the building usage plan developed pursuant to the Act.

(a-5) Notwithstanding any provision to the contrary, in a city school district in a city having a population of 1,000,000 or more inhabitants, the determination to locate or co-locate a charter school within a public school building and the implementation of and compliance with the building usage plan developed pursuant to the Act that has been approved by the board of education of such city school district pursuant to the New York Education law and after satisfying the requirements of the New York Education law may be appealed to the commissioner pursuant to applicable provisions of the New York Education law. Provided further, the revision of a building usage plan approved by the board of education consistent with the requirements pursuant to the New York Education law may also be appealed to the commissioner on the grounds that such revision fails to meet the standards set forth in the Act. Following a petition for such appeal pursuant to this paragraph, such city school district shall have 10 days to respond. The petition must be dismissed, adjudicated or disposed of by the commissioner within 10 days of the receipt of the city school district's response.

(b) A charter school may pledge, assign or encumber its assets to be used as collateral for loans or extensions of credit; provided, however, that a charter school shall not pledge or assign monies provided,

or to be provided, pursuant to § 2856(1) of the Act in connection with the purchase or construction, acquisition, reconstruction, rehabilitation or improvement of a school facility.

(c) The office of general services shall annually publish a list of vacant and unused buildings and vacant and unused portions of buildings that are owned by the state and that may be suitable for the operation of a charter school. Such list shall be provided to applicants for charter schools and to existing charter schools. At the request of a charter school or a prospective applicant, a school district shall make available a list of vacant and unused school buildings and vacant and unused portions of school buildings, including private school buildings, within the school district that may be suitable for the operation of a charter school.

(d) Notwithstanding any other provision to the contrary, in a city school district in a city having a population of 1,000,000 or more inhabitants, the chancellor must first authorize in writing any proposed capital improvements or facility upgrades in excess of \$5,000, regardless of the source of funding, made to accommodate the co-location of a charter school within a public school building. For any such improvements or upgrades that have been approved by the chancellor, capital improvements or facility upgrades shall be made in an amount equal to the expenditure of the charter school for each non-charter public school within the public school building. For any capital improvements or facility upgrades in excess of \$5,000 that have been approved by the chancellor, regardless of the source of funding, made in a charter school that is already co-located within a public school building, matching capital improvements or facility upgrades shall be made in an amount equal to the expenditure of the charter school for each non-charter public school within the public school building within three months of such improvements or upgrades.

(e) In a city school district in a city having a population of 1,000,000 or more inhabitants, charter schools that first commence instruction or that require additional space due to an expansion of grade level, pursuant to the Act, approved by their charter entity for the 2014-2015 school year or thereafter and request co-location in a public school building shall be provided access to facilities pursuant to § 2853-3(e) of the Act for such charter schools that first commence instruction or that require additional space due to an expansion of grade level, pursuant to the Act, approved by their charter entity for those grades newly provided.

(i) Notwithstanding any other provision of law to the contrary, within the later of (a) five months after a charter school's written request for co-location and (b) 30 days after the charter school's charter is approved by its charter entity, the city school district shall either: (1) offer at no cost to the charter school a co-location site in a public school building approved by the Board of Education as provided by law, or (2B) offer the charter school space in a privately owned or other publicly owned facility at the expense of the city school district and at no cost to the charter school. The space must be reasonable, appropriate and comparable and in the community school district to be served by the charter school and otherwise in reasonable proximity.

(ii) No later than 30 days after approval by the Board of Education or expiration of the offer period prescribed in paragraph (i) above, the charter school shall either accept the city school district's offer or appeal in accordance with paragraph (iii) below. If no appeal is taken, the city's offer or refusal to make an offer is final and non-reviewable. The charter school may appeal as early as issuance of an educational impact statement for the proposed co-location.

(iii) The charter school shall have the option of appealing the city school district's offer or failure to offer a co-location site through binding arbitration in accordance with the Act, an expedited appeal to the Commissioner pursuant to applicable provisions of the New York Education Law, or a special proceeding pursuant to Article 78 of the civil practice law and rules.

In any such appeal, the standard of review is the standard prescribed in § 7803 of the civil practice law and rules.

(iv) If the appeal results in a determination in favor of the city school district, the city's offer is final and the charter school may either accept such offer and move into the space offered by the city school district at the city school district's expense, or locate in another site at the charter school's expense.

(v) For a new charter school whose charter is granted or for an existing charter school whose expansion of grade level, pursuant to the Charter Schools Act, is approved by their charter entity, if the appeal results in a determination in favor of the charter school, the city school district will pay the charter school an amount attributable to the grade level expansion or the formation of the new charter school that is equal to the lesser of:

(1) the actual rental cost of an alternative privately owned site selected by the charter school or

(2) 30% of the product of the Charter School Basic Tuition for the current school year and (a) for a new charter school that first commences instruction on or after July 1, 2014, the charter school's current year enrollment; or (b) for a charter school which expands its grade level, pursuant to the Act, the positive difference of the charter school's enrollment in the current school year minus the charter school's enrollment in the school year prior to the first year of the expansion.

(vi) An arbitration in an appeal pursuant to this paragraph shall be conducted by a single arbitrator selected in accordance with the Act.

Financing of Charter Schools (New York Education Law § 2856)

Effective until June 30, 2021:

(a) The enrollment of students attending charter schools shall be included in the enrollment, attendance and, if applicable, count of students with disabilities of the school district in which the pupil resides. The charter school shall report all such data to the school districts of residence in a timely manner. Each school district shall report such enrollment, attendance and count of students with disabilities to the department. The school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the school district the Charter School Basic Tuition which shall be:

(i) for school years prior to the 2009-2010 school year, an amount equal to 100% of the amount calculated pursuant §3602(1)(f) of the New York Education Law for the school district for the year prior to the Base Year increased by the percentage change in the State Total Approved Operating Expense calculated pursuant to §3602(1)(t) of the New York Education Law from two years prior to the Base Year to the Base Year;

(ii) for the 2009-2010 school year, the Charter School Basic Tuition shall be the amount payable by such district as Charter School Basic Tuition for the 2008-2009 school year;

(iii) for the 2010-2011 through 2013-2014 school years, the Charter School Basic Tuition shall be the basic tuition computed for the 2010-2011 school year pursuant to the provisions of subparagraph (i) above;

(iv) for the 2014-2015 through 2016-2017 school years, the Charter School Basic Tuition shall be the sum of the lesser of the Charter School Basic Tuition computed for the 2010-2011 school year pursuant to the provisions of subparagraph (i) above or the Charter School Basic Tuition computed for the current year pursuant to the provisions of subparagraph (i) above plus the supplemental basic tuition;

(v) for the 2017-2018 school year, the Charter School Basic Tuition shall be the sum of (A) the Charter School Basic Tuition for the 2016-2017 school year plus (B) \$500;

(vi) for the 2018-2019 school year, the Charter School Basic Tuition shall be the lesser of (A) the product of (i) the Charter School Basic Tuition calculated for the Base Year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year five years prior to the Base Year and finishing with the year prior to the Base Year of the Total Approved Operating Expense for such school district calculated pursuant to § 3602(l)(t) of the New York Law Education Law for each such year divided by the Total Approved Operating Expense for such district for the immediately preceding year, provided that the highest and lowest annual quotients shall be excluded from the calculation of such average or (B) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with § 305(21)(b) of the New York Education Law published annually on May 15th for the year prior to the Base Year divided by the total estimated public enrollment for the school district pursuant to § 3602(l)(n) of the New York Education Law for the year prior to the Base Year;

(vii) for the 2019-2020 school year the Charter School Basic Tuition shall be the lesser of (A) the product of (i) the Charter School Basic Tuition calculated for the Base Year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year three years prior to the Base Year and finishing with the year prior to the Base Year of the Total Approved Operating Expense for such school district calculated pursuant to § 3602(l)(t) of the New York Education Law for each such year divided by the Total Approved Operating Expense for such district for the immediately preceding year provided that the highest annual quotient calculated pursuant to this subparagraph shall be replaced by the average quotient calculated pursuant to subparagraph (vi) of this paragraph or (B) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with § 305(21)(b) of the New York Education Law published annually on May 15th for the year prior to the base year divided by the total estimated public enrollment for the school district pursuant to § 3602(l)(n) of the New York Education Law for the year prior to the Base Year;

(viii) for the 2020-2021 and 2021-2022 school years, the Charter School Basic Tuition shall be the lesser of (a) the product of (i) the Charter School Basic Tuition calculated for the Base Year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year three years prior to the Base Year and finishing with the year prior to the Base Year of the Total Approved Operating Expense for such school district calculated pursuant to § 3602(l)(t) of the New York Education Law for each such year divided by the Total Approved Operating Expense for such district for the immediately preceding year multiplied by, for the 2020-2021 school year only, (iii) nine hundred forty-five one-thousandths (0.945) or (b) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with § 305(21)(b) of the New York Education Law published annually on May 15th for the year prior to the Base Year divided by the total estimated public enrollment for the school district pursuant to § 3602(l)(n) of the New York Education Law for the year prior to the Base Year.

(ix) for the 2022-2023, 2023-2024, 2024-2025 school years, the Charter School Basic Tuition shall be the lesser of (a) the product of (i) the Charter School Basic Tuition calculated for the Base Year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year four years prior to the Base Year and finishing with the year prior to the Base Year, excluding the 2020-2021 school year, of the Total Approved Operating Expense for such school district calculated pursuant to § 3602(1)(t) of the New York Education Law for each such year divided by the Total Approved Operating Expense for such district for the immediately preceding year or (b) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with § 305(21)(b) of the New York Education Law published annually on May 15th for the year prior to the Base Year divided by the total estimated public enrollment for the school district pursuant to § 3602(1)(n) of the New York Education Law for the year prior to the Base Year.

(x) for the 2025-2026 school year and thereafter, the Charter School Basic Tuition shall be the lesser of (a) the product of (i) the Charter School Basic Tuition calculated for the Base Year multiplied by (ii) the average of the quotients for each school year in the period commencing with the year three years prior to the Base Year and finishing with the year prior to the Base Year of the Total Approved Operating Expense for such school district calculated pursuant to § 3602(1)(t) of the New York Education Law for each such year divided by the Total Approved Operating Expense for such district for the immediately preceding year or (b) the quotient of the total general fund expenditures for the school district calculated pursuant to an electronic data file created for the purpose of compliance with § 305(21)(b) of the New York Education Law published annually on May 15th for the year prior to the Base Year divided by the total estimated public enrollment for the school district pursuant to § 3602(1)(n) of the New York Education Law for the year prior to the Base Year.

For the purposes of this subdivision, the “supplemental basic tuition” shall be (a) for a school district for which the Charter School Basic Tuition for the current year is greater than or equal to the Charter School Basic Tuition for the 2010-2011 school year pursuant to the provisions of subparagraph (i) of this paragraph, (A) for the 2014-2015 school year \$250, (B) for the 2015-2016 school year \$350, (C) for the 2016-2017 school year \$500, and (D) for the 2017-2018 school year and thereafter, the sum of (1) the supplemental basic tuition calculated for the 2016-2017 school year plus (2) \$500, and (b) for school years prior to the 2017-2018 school year, for a school district for which the Charter School Basic Tuition for the 2010-2011 school year is greater than the Charter School Basic Tuition for the current year pursuant to the provisions of subparagraph (i) of this paragraph, the positive difference of the Charter School Basic Tuition for the 2010-2011 school year minus the Charter School Basic Tuition for the current year pursuant to the provisions of subparagraph (i) of this paragraph and (c) for school years following the 2016-2017 schools years, for a school district for which the Charter School Basic Tuition for the 2010-2011 school year is greater than the Charter School Basic Tuition for the current year pursuant to the provisions of subparagraph (i) of this paragraph, the sum of (i) the supplemental basic tuition calculated for the 2016- 2017 school year plus (ii) \$500.

The school district shall also pay directly to the charter school any federal or state aid attributable to a student with a disability attending charter school in proportion to the level of services for such student with a disability that the charter school provides directly or indirectly. Notwithstanding anything in this section to the contrary, amounts payable pursuant to this section from State or local funds may be reduced pursuant to an agreement between the school and the charter entity set forth in the charter. Payments made pursuant to this section shall be made by the school district in six substantially equal installments each year beginning on the first business day of July and every two months thereafter. Amounts payable under this section shall be determined by the Commissioner. Amounts payable to a charter school in its first year of operation shall be based on the projections of initial-year enrollment set forth in the charter. Such

projections shall be reconciled with the actual enrollment at the end of the school's first year of operation, and any necessary adjustments shall be made to payments during the school's second year of operation.

School districts shall be eligible for an annual apportionment equal to the amount of the supplemental basic tuition for the charter school in the Base Year for the expenses incurred in the 2014-2015, 2015-2016, and 2016-2017 school years and thereafter.

In the event of the failure of the school district to make payments required by this section, the state comptroller shall deduct from any state funds which become due to such school district an amount equal to the unpaid obligation. The comptroller shall pay over such sum to the charter school upon certification of the commissioner. The commissioner shall promulgate regulations to implement the provisions of this subdivision.

Nothing in the Act shall be construed to prohibit any person or organization from providing funding or other assistance to the establishment or operation of a charter school. The board of trustees of a charter school is authorized to accept gifts, donations or grants of any kind made to the charter school and to expend or use such gifts, donations or grants in accordance with the conditions prescribed by the donor; provided, however, that no gift, donation or grant may be accepted if subject to a condition that is contrary to any provision of law or term of the charter.

Effective June 30, 2021:

In the event of the failure of the school district to make payments required by this section, the state comptroller shall deduct from any state funds which become due to such school district an amount equal to the unpaid obligation. The comptroller shall pay over such sum to the charter school upon certification of the commissioner. The commissioner shall promulgate regulations to implement the provisions of this subdivision.

Nothing in the Act shall be construed to prohibit any person or organization from providing funding or other assistance to the establishment or operation of a charter school. The board of trustees of a charter school is authorized to accept gifts, donations or grants of any kind made to the charter school and to expend or use such gifts, donations or grants in accordance with the conditions prescribed by the donor; provided, however, that no gift, donation or grant may be accepted if subject to a condition that is contrary to any provision of law or term of the charter.

Charter School Basic Tuition (New York Education Law § 3602)

As referenced in § 2856 of the Act, the amount calculated pursuant to § 3602(1)(f) of the New York Education Law is "Expense per Pupil" which is defined as Approved Operating Expense for the year prior to the Base Year divided by the sum, computed using year prior to the Base Year pupil counts, of the Total Aidable Pupil Units plus Weighted Pupils with Disabilities. Expense per Pupil for each borough in the city school district of the City of New York shall be the Expense per Pupil of the entire city school district.

"Base Year" shall mean the school year immediately preceding the current year.

"Weighted Pupils With Disabilities" shall be computed as follows:

"Pupils with disabilities" shall mean pupils of school age who are identified as students with disabilities pursuant to Article 89 (Children with Handicapping Conditions) of the New York Education Law and the regulations of the Commissioner and who receive special education services or attend special education programs which meet criteria established by the Commissioner, operated by a school district

eligible for total foundation aid pursuant to this section or by a board of cooperative educational services, whether or not the school district is a component of such board.

“Weighted Pupils with Disabilities” shall mean the attendance, as defined in the regulations of the Commissioner, of pupils with disabilities who have been determined by a school district committee on special education to require any of the following types and levels of programs or services specified in this paragraph, and who receive such programs and services from the school district of attendance during the Base Year, multiplied by a special services weighting determined as follows:

(a) for placement for 60% or more of the school day in a special class, or home or hospital instruction for a period of more than 60 days, or special services or programs for more than 60% of the school day, the special services weighting shall be 170%;

(b) for placement for 30% or more of the school week in a resource room or special services or programs including related services required for 30% or more of the school week, or in the case of pupils in grades 7-12 or a multi-level middle school program as defined by the Commissioner or in the case of pupils in grades 4-6 in an elementary school operating on a period basis, the equivalent of five periods per week, but not less than the equivalent of 180 minutes in a resource room or in other special services or programs including related services, or for at least two hours per week of direct or indirect consultant teacher services, in accordance with regulations of the Commissioner adopted for such purpose, the special services weighting shall be 90%.

Computation of Total Aidable Pupil Units. A district’s Total Aidable Pupil Units shall be the sum of the district’s Adjusted Average Daily Attendance computed pursuant to this section for the year prior to the Base Year multiplied by the Enrollment Index computed pursuant to this section for the Base Year plus the Additional Aidable Pupil Units computed for the year prior to the Base Year under paragraph (b) below.

(b) For purposes of this section Adjusted Average Daily Attendance of a school district for any school year shall be computed as follows:

(i) Adjusted Average Daily Attendance shall be determined by using the average daily attendance of public school pupils in a full-day kindergarten and grades 1-12 as the basic unit, with the attendance of such pupils in one-half day kindergartens measured at one-half of such basic unit. The sum of all such units of attendance shall be the Adjusted Average Daily Attendance.

(ii) In computing such attendance, the school district shall (a) determine the number of religious holidays which fall on a school day within a school year according to regulations established by the Commissioner, such religious holidays to be duly recognized as such for purposes of this section by duly adopted resolution of the board of education; (b) deduct the aggregate attendance on such religious holidays from the total aggregate attendance, by grade level; (c) deduct such religious holidays from the total number of days of session, by grade level; (d) compute the Adjusted Average Daily Attendance for the school year.

(iii) In any instance where a pupil is a resident of another state or an Indian pupil is a resident of any portion of a reservation located wholly or partly within the borders of the state pursuant to § 4101(4) (duties of Commissioner regarding Indian children) of the New York Education Law or a pupil is living on federally owned land or property, such pupil’s attendance shall be counted as part of the Adjusted Average Daily Attendance of the school district in which such pupil is enrolled.

Computation of Additional Aidable Pupil Units. The Additional Aidable Pupil Units used to compute Total Aidable Pupil Units pursuant to this section shall be the sum of the attendance of summer session pupils multiplied by 12% and the Weighted Pupils with Special Educational Needs. Nothing contained in this paragraph shall be construed to result in the inclusion of the attendance of summer session pupils in the computation of weighted or Adjusted Average Daily Attendance pursuant to this section.

“Enrollment Index” shall be computed by dividing the public school enrollment for the current year by public school enrollment for the Base Year, both as defined in the New York Education Law, with the result carried to three places without rounding.

“Enrollment” shall mean the unduplicated count of all children registered to receive educational services in grades kindergarten through twelve, including children in ungraded programs, as registered on the date prior to November first that is specified by the Commissioner as the enrollment reporting date for the school district or nonpublic school, as reported to the Commissioner.

“Public school district enrollment” shall mean the sum of: (a) the number of children on a regular enrollment register of a public school district on such date; (b) the number of children eligible to receive home instruction in the school district on such date; (c) the number of children for whom Equivalent Attendance must be computed pursuant to this Section on such date; (d) the number of children with disabilities who are residents of such district who are registered on such date to attend programs under the provisions of paragraph (c) of § 4401(2) (children with handicapping conditions definitions) of the New York Education Law; (e) the number of children eligible to receive educational services on such date but not claimed for aid pursuant to § 3202(7) (public schools free to resident pupils; tuition from nonresident pupils) of the New York Education Law; and (f) the number of children registered on such date to attend programs (i) pursuant to § 355(2) (powers and duties of trustees – administrative and fiscal functions) of the New York Education Law or (ii) pursuant to an agreement between the New York City School District and Hunter College pursuant to § 6216 of the New York Education Law.

“Equivalent Attendance” shall mean the quotient of the total number of student hours of instruction in programs in a public school of a school district or a board of cooperative educational services leading to a high school diploma or a high school equivalency diploma as defined in regulations of the Commissioner for pupils under the age of 21 not on a regular day school register of the district, divided by 1,000.

The “Approved Operating Expense” for the apportionments to any school district under the New York Education Law shall mean the amount computed as follows: The apportionment to any school district for operating expense shall be based upon the total expenditures from its general fund and from its capital fund and from its risk retention fund for purposes of employee benefit claims related to salaries paid from the general fund, and for any city school districts with a population of more than one hundred twenty-five thousand inhabitants its expenditures from the special aid fund of grant moneys for improving pupil performance and categorical aid for special reading programs as provided in the aid to localities budget during the applicable year as approved by the Commissioner, and in accordance with the classification of expenditures in use by the Commissioner for the reporting by school districts of receipts, expenditures and other financial data. For the purpose of this paragraph “Operating Expense” shall be defined as total cash expenditures during the applicable year, but shall exclude:

- (a) any balances and transfers;
- (b) any payments for transportation of pupils to and from school during the regular school year inclusive of capital outlays and debt service therefor;

(b-2) a portion of any payments for transportation of pupils to and from district operated summer school programs pursuant to § 3622-a(6) (aidable regular transportation) of the New York Education Law, inclusive of capital outlays and debt service therefor, equal to the product of such expenditures multiplied by the quotient of the total apportionment after the proration, if any, required by such subdivision 6 of the New York Education Law divided by the total apportionment prior to such proration;

(c) any payments for capital outlay and debt service for school building purposes, provided, however, that in the case of a school district which has entered into a contract with state university pursuant to § 355(2)(o) (conduct of research and experiments) of the New York Education Law, under which the school district makes payment to state university on account of capital outlay relating to certain children residing in such school district, such payments shall not be so excluded;

(d) any payments for cafeteria or school lunch programs;

(e) any proceeds of short term borrowings in the general fund and any payments from the proceeds of the sale of obligations in the capital fund;

(f) any cash receipts which reduce the cost of an item when applied against the expenditure therefor, except gifts, donations and earned interest and any refunds made;

(g) any payments made to boards of cooperative educational services for purposes or programs for which an apportionment is paid pursuant to other sections of the New York Education Law, except that payments attributable to eligible pupils with disabilities and ineligible pupils residing in noncomponent districts shall be included in operating expense;

(h) any tuition payments made to other school districts inclusive of payments made to a central high school district by one of its component school districts;

(i) any apportionment or payment received from the state for experimental or special programs paid under provisions other than those found in this section and other than any apportionments or payments received from the state by the city school district of the city of Yonkers for the purpose of funding an educational improvement program pursuant to a court order and other than any other state grants in aid identified by the Commissioner for general use as specified by the board of education pursuant to § 1718(2) (limitation upon expenditures) of the New York Education Law;

(j) any funds received from the federal government except the federal share of Medicaid subject to the provisions of § 3600 (9-a) (moneys apportioned, when and how payable commencing July 1, 2007) of the New York Education Law and except Impact Aid funds received pursuant to Public Law 81- 874 or §§ 2 and 6 or any law superseding such law in any such district which received aid pursuant to both such sections; provided further, however, that there shall be excluded from such federal funds or other apportionments any payments from such funds already deducted pursuant to this paragraph;

(k) any payments made for which an apportionment is disallowed pursuant to regulations of the Commissioner;

(l) any expenditures made for accounting, tabulation, or computer equipment, in excess of \$10,000 unless such expenditures shall have been specifically approved by the Commissioner;

(m) any rental payments received pursuant to the provisions of § 403-a (leasing of school property) of the New York Education Law;

(n) any rentals or other annual payments received pursuant to the provisions of § 403-b (Leasing of school buildings and facilities) of the New York Education Law;

(o) any expenditures made for persons 21 years of age or over attending employment preparation education programs pursuant to subdivision 11 of this section;

(p) any tuition payments made pursuant to a contract under the provisions of § 4401(2)(e) through (i) and (I) ("special services or programs" definition) of the New York Education Law or any tuition payments on behalf of pupils attending a state school under paragraph d of such subdivision;

(q) in any year in which expenditures are made to the New York state teachers' retirement system or the New York state and local employees' retirement system for both the prior school year and the current school year, any expenditures made to such retirement systems and recorded in the school year prior to the school year in which such obligations are paid; and

(r) any payments to the Commissioner of taxation and finance pursuant to Article 23 (Metropolitan Commuter Transportation Mobility Tax) of the tax law.

Public School District Payments to Charter Schools (N.Y. Comp. Codes & Regs. Title 8, § 119.1(a), (b))

The following summarizes certain provisions of the New York Codes, Rules and Regulations concerning charter schools.

In the event of the failure of a school district to make payments to a charter school as required by § 2856 of the New York Education Law, the Commissioner shall certify the amount of the unpaid obligation to the Comptroller to be deducted from any State aid payments which become due to such school district. The amount of each school district's obligation shall be calculated in accordance with this section.

For the purposes of this section:

(a) Legally absent means to be absent for: personal illness, illness or death in the family, impassable roads or weather, religious observance, quarantine, required court appearances, attendance at health clinics, approved college visits, military obligations, disciplinary detention of an incarcerated youth, or for such other reasons as may be approved by the Commissioner.

(b) Period of enrollment means that period commencing on the first day of the school year that a pupil is enrolled in and is physically present at, or legally absent from, an educational program or service of a charter school and ending on the last day of the school year that such pupil is so enrolled and physically present at, or legally absent from, such program or service.

(c) Enrollment for each charter school student shall mean the quotient, calculated to three decimals without rounding, obtained when the total number of weeks of the period of

enrollment of such student is divided by the total number of weeks in the full school year of the educational program or service of the charter school. For the purposes of this section, three consecutive days of enrollment within the same week and within the same month shall be the equivalent of one week of enrollment, provided that no more than four weeks of enrollment may be counted in any calendar month.

(d) Levels of service shall mean the categories of programs for students with disabilities specified in § 3602(19)(b)(1)-(4) of the New York Education Law.

(e) Approved operating expense shall mean the amount calculated pursuant to § 3602(11) of the New York Education Law.

(f) Expense per pupil shall mean the amount calculated pursuant to § 3602(1)(f) of the New York Education Law for the school district using year prior to the Base Year expenditures and pupils, as established by the Commissioner based on the electronic data file prepared by the Commissioner on May 15th of the Base Year pursuant to § 305(21)(b) of the New York Education Law. Where the expense per pupil is not available for a school district, the expense per pupil shall be deemed to be the average expense per pupil for the county in which the school district is located.

(g) Adjusted expense per pupil shall be the district's expense per pupil increased by the percent change in the State total approved operating expense calculated pursuant to § 3602(11) of the New York Education Law from two years prior to the Base Year to the Base Year, as established by the Commissioner based on the electronic data file prepared by the Commissioner on May 15th of the Base Year pursuant to § 305(21)(b) of the New York Education Law.

(h) State aid attributable to a student with a disability attending a charter school shall mean the sum of excess cost aid payable to a public school district pursuant to § 3602(19)(4) of the New York Education Law based on the resident weighted enrollment in the charter school of pupils with disabilities receiving special services or programs provided directly or indirectly by the charter school in the current school year and any apportionment payable to such public school district pursuant to § 3602(19)(5) of the New York Education Law that is based on the cost of special services or programs provided directly or indirectly by the charter school to such pupil in the current school year. Excess cost aid for the purposes of this section shall equal the product of excess cost aid per pupil calculated pursuant to § 3602(19)(3) of the New York Education Law, the proportion of the weighting attributable to the student's level of service provided directly or indirectly by the charter school pursuant to § 3602(19)(b)(1)-(4) of the New York Education Law, and the student's enrollment in such charter school in the current school year.

(i) Federal aid attributable to a student with a disability attending a charter school, and receiving special education services or programs provided directly or indirectly by the charter school, shall mean:

(i) for the first year of operation of the charter school, the allocation that would be attributable to the charter school pursuant to 20 U.S.C. 1411 and 1419 (United States Code, 1994 edition, Supplement III, Volume 2; Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402-9328; 1998 – available at the Office of Vocational and Educational Services for Individuals with Disabilities, Room 1624, One Commerce Plaza, Albany, New York 12234) for a pupil who is identified as a student with a disability, as such term is defined in the New York Education Law § 200.1, who is included in a report to the Commissioner of pupils so identified as of December 1st of the current school year, or for such other pupil count as specified by the Federal government

for the current school year, provided that the enrollment of such students in the charter school during the current school year shall be used for this purpose until such report, or a report of such other pupil count, has been received by the Commissioner; and

(ii) for the second year of operation of the charter school and thereafter, the allocation that would be attributable to the charter school pursuant to 20 U.S.C. 1411 and 1419 (United States Code, 1994 edition, Supplement III, Volume 2; Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402-9328; 1998 – available at the Office of Vocational and Educational Services for Individuals with Disabilities, Room 1624, One Commerce Plaza, Albany, New York 12234) for a pupil who is identified as a student with a disability, as such term is defined in the New York Education Law § 200.1, who is included in a report to the Commissioner of pupils so identified as of December 1st of the Base Year, or for such other pupil count as specified by the Federal government.

Financial Obligations of Charter Schools, Public School Districts and Education Department (N.Y. Comp. Codes & Regs. Title 8, § 119.1(c)–(e))

Charter school obligations:

(a) No later than 30 days prior to the first business day of July, September, November, January, March and May, each charter school shall report to each public school district with resident pupils attending the charter school and to the department an updated estimate of the enrollment of students attending the charter school in the current school year who are residents of such public school district and any reduced amounts per pupil that shall be payable to the charter school for such students pursuant to subdivision one of § 2856 of the New York Education Law that has been established pursuant to an agreement between the charter school and the charter school entity as set forth in the charter. For each student with a disability attending such charter school, such report shall also indicate the level of special programs or services to be provided directly or indirectly to such student by the charter school and an estimated annual cost to be incurred by the charter school in providing such special programs or services.

(b) On or before the last day of July, each charter school shall provide a final report of actual enrollment to the department and to each school district with resident pupils attending the charter school in the prior school year. For each student with a disability attending such charter school, such report shall also indicate the level of special programs or services actually provided directly or indirectly to such student by the charter school and the annual cost incurred by the charter school in providing such special programs or services.

(c) In the event of the failure of a school district to fulfill the financial obligation required by § 2856 of the New York Education Law equal to the amounts calculated pursuant to this section, the charter school shall notify the Commissioner no later than May 31st of the school year in which the payments were due.

Public school district of residence obligations:

(a) No later than the first business day of July, September, November, January, March and May of the current school year, each public school district with resident pupils attending a charter school shall pay directly to such charter school the appropriate payment amounts as specified in subdivision one of § 2856 of the New York Education Law that are attributable to the

enrollment of such pupils as reported to the public school district by the charter school no later than 30 days prior to each such payment date.

(b) The total amount of payments due and payable to a charter school for the current school year by a public school district shall be paid as follows:

(i) on or before the first business day of July, one sixth of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year;

(ii) on or before the first business day of September, two sixths of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraph (i) of this subsection;

(iii) on or before the first business day of November, three sixths of the total amount due, as adjusted for any supplemental payments due on overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i) and (ii) of this subsection;

(iv) on or before the first business day of January, four sixths of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i), (ii) and (iii) of this subsection;

(v) on or before the first business day of March, five sixths of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i), (ii), (iii) and (iv) of this subsection and

(vi) on or before the first business day of May, the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year, minus any payments made before such date pursuant to subparagraphs (i), (ii), (iii), (iv) and (v) of this subsection.

(c) The school district financial obligation per resident student enrolled in a charter school shall equal the sum of:

(i) the product of the school district's adjusted expense per pupil and the current year enrollment of the pupil in the charter school as defined in paragraph (b)(3) of this subsection; and

(ii) the amounts of State and Federal aid, if any, that may be attributable to such pupil as defined in paragraphs (b)(8) and (9) of this subsection, or the amount established pursuant to an agreement between the charter school and the charter entity as set forth in the charter.

(d) The total annual obligation due to a charter school by a public school district shall be the sum of the annual financial obligations for all resident students enrolled at any time during the current school year in the charter school.

(e) School districts shall include the enrollment of resident students attending charter schools in the enrollment, attendance and, if applicable, count of students with disabilities reported to the department for the purposes of claiming State aid.

Department obligations:

(a) On or before the first day of June of each year, or as soon as practicable upon the receipt of Federal notice of the estimated State appropriation for the next school year, the Commissioner shall notify all school districts and all charter schools of the adjusted expense per pupil of each public school district and the estimated per pupil allocation under part B of the Federal Individuals with Disabilities Education Act to be used in the calculation of payments due to charter schools in next school year. Notice of final Federal per pupil allocation will be issued as soon as practicable upon the State's receipt of the notice of final allocation from the Federal government.

(b) In the event of the failure of a school district to fulfill the financial obligation required by § 2956 of the New York Education Law equal to the amounts calculated pursuant to this section, upon notification by the charter school, the Commissioner shall certify the amounts of the unpaid obligations to the comptroller to be deducted from State aid due the school district and paid to the applicable charter schools.

APPENDIX C

BUDGET PROJECTION

The following projections are “forward-looking statements” and are subject to the general qualifications and limitations described under “INTRODUCTION—Forward-Looking Statements” with respect to such statements.

The information contained in the following table has been prepared by the Charter School. Such projections relate only to a limited number of fiscal years and consequently do not cover the entire period that the Series 2020 Bonds will be outstanding. Neither the Underwriter nor the Issuer have independently verified the following projections, and they make no representation nor give any assurances that such projections or the assumptions underlying them are complete or correct. The financial projections are based on assumptions made by the Charter School (on matters such as future enrollment, revenues and anticipated expenses), but there can be no assurance that actual enrollment, revenues and expenses will be consistent with such assumptions. Actual operating results of the Charter School may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced payments from the State, or otherwise), effects of the COVID-19 pandemic, employee relations, changes in taxes, changes to applicable government regulation, changes in demographic trends, factors associated with education, competition for students, and changes in local or general economic conditions.

NO REPRESENTATION OR ASSURANCE CAN BE GIVEN THAT THE CHARTER SCHOOL WILL REALIZE REVENUES IN AMOUNTS SUFFICIENT TO MAKE ALL REQUIRED PAYMENTS ON THE SERIES 2020 BONDS. THE REALIZATION OF FUTURE REVENUES DEPENDS ON, AMONG OTHER THINGS, THE MATTERS DESCRIBED IN “RISK FACTORS” AND FUTURE CHANGES IN ECONOMIC AND OTHER CONDITIONS THAT ARE UNPREDICTABLE AND CANNOT BE DETERMINED AT THIS TIME. THE UNDERWRITER AND ISSUER MAKE NO REPRESENTATION AS TO THE ACCURACY OF THE PROJECTIONS CONTAINED HEREIN.

FLACS OBLIGATED GROUP
Financial Projections

Fiscal Year	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028
FLACS I	-	-	416	416	-	-	-	-
FLACS IIB	520	520	520	546	572	676	650	624
FLACS III	260	260	260	260	260	260	260	260
FLACS IV	-	-	156	312	468	624	702	702
Funded Student Count	780	780	1,352	1,534	1,300	1,560	1,612	1,586
Revenues								
Per Pupil General Education	12,567,360	12,693,034	22,441,283	26,353,404	23,115,061	28,708,906	30,704,175	31,266,260
Per Pupil Special Education	332,480	332,480	540,280	602,620	488,330	467,550	457,160	446,770
Lease Assistance	3,166,541	3,414,894	4,318,468	5,146,389	5,987,242	6,886,778	7,300,562	7,417,347
Other Fed/State/Local Revenue	1,187,999	1,142,989	3,083,168	2,752,495	1,973,648	2,360,636	2,470,256	2,455,570
Total Revenues	17,254,380	17,583,397	30,383,200	34,854,908	31,564,281	38,423,870	40,932,153	41,585,946
Expenditures								
Personnel Cost	6,643,307	6,773,430	12,770,737	13,968,404	11,162,431	13,167,510	14,002,490	13,970,626
Personnel Benefits	1,355,947	1,578,118	2,890,898	3,255,233	2,713,153	3,264,944	3,593,650	3,738,720
Operation/Admin/Education Expenses	2,018,431	2,108,264	3,962,759	4,475,352	4,064,135	4,751,552	5,002,397	5,070,647
Management Fees	2,325,328	2,394,128	3,938,669	4,226,311	3,386,636	3,563,437	3,606,265	3,650,039
Total Expenditures	12,343,013	12,853,939	23,563,063	25,925,300	21,326,356	24,747,443	26,204,802	26,430,031
Revenues Available for Debt Service	4,911,367	4,729,457	6,820,136	8,929,608	10,237,926	13,676,427	14,727,351	15,155,915
Total debt amount from Schedule	1,181,161	3,289,622	4,477,072	5,512,685	7,194,313	8,217,688	8,220,875	8,219,175
Debt Service/Lease Payment	1,181,161	3,289,622	4,477,072	5,512,685	7,194,313	8,217,688	8,220,875	8,219,175
Debt Service/Lease Coverage	4.16x	1.44x	1.52x	1.62x	1.42x	1.66x	1.79x	1.84x
Facility thru 12/20 and (FLACS 1 in 2023)	1,950,000	-	600,000	-	-	-	-	-
Repair and Replacement Fund	115,500	115,500	115,500	211,500	211,500	211,500	211,500	211,500
Admin Cost to HighBridge from Schedule	37,323	125,000	200,000	214,000	225,000	247,000	254,410	262,042
Total including R&R deposit and Admin.	152,823	240,500	315,500	425,500	436,500	458,500	465,910	473,542
Total lease payments including Debt Service	3,283,984	3,530,122	5,392,572	5,938,185	7,630,813	8,676,188	8,686,785	8,692,717
Beginning Cash Balance	2,690,889	4,318,272	5,517,607	6,945,171	9,936,594	12,543,707	17,543,947	23,584,513
Change in Cash Balance	1,627,383	1,199,335	1,427,564	2,991,423	2,607,113	5,000,240	6,040,566	6,463,197
Ending Cash Balance	4,318,272	5,517,607	6,945,171	9,936,594	12,543,707	17,543,947	23,584,513	30,047,710
Days' Cash on Hand	114	130	93	118	166	207	266	337

APPENDIX D

**AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS OF THE CHARTER SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)**

(attached)

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019

(With Comparative Totals for 2018)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	10
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	24
Statement of Financial Position by Charter	25
Statement of Activities and Changes in Net Assets by Charter	27
Statement of Functional Expenses by Charter – Family Life Academy Charter School I	28
Statement of Functional Expenses by Charter – Family Life Academy Charter School II	29
Statement of Functional Expenses by Charter – Family Life Academy Charter School III	30
Statement of Functional Expenses by Charter – Family Life Academy Charter School Network	31



MENGEL METZGER BARR & CO. LLP

Chartered Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Family Life Academy Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Family Life Academy Charter Schools (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 financial statements.

- 3 -

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 financial statements referred to above present fairly, in all material respects, the financial position of Family Life Academy Charter Schools as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Family Life Academy Charter Schools' June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it is derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019 on our consideration of Family Life Academy Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Life Academy Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2019

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019
(With Comparative Totals for 2018)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 5,093,528	\$ 3,599,646
Certificate of deposit	2,269,002	223,528
Grants and other receivables	967,094	822,371
Prepaid expenses and other current assets	314,995	301,692
TOTAL CURRENT ASSETS	8,644,619	4,947,237
<u>PROPERTY AND EQUIPMENT, net</u>	3,040,478	2,688,798
<u>OTHER ASSETS</u>		
Security deposits	319,310	319,310
Cash in escrow	175,000	175,000
Due from related parties	63,232	69,232
	<u>557,542</u>	<u>563,542</u>
TOTAL ASSETS	\$ 12,242,639	\$ 8,199,577
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of capital leases payable	\$ 160,418	\$ 132,297
Accounts payable and accrued expenses	634,522	202,589
Accrued payroll and benefits	971,369	995,364
Vacation accrual	339,846	310,275
Deferred revenue	1,672,950	532,616
TOTAL CURRENT LIABILITIES	3,779,105	2,173,141
<u>OTHER LIABILITIES</u>		
Capital leases payable	27,182	132,298
Deferred lease incentive	434,046	456,890
Deferred rent payable	3,040,271	1,967,449
	<u>3,501,499</u>	<u>2,556,637</u>
TOTAL LIABILITIES	7,280,604	4,729,778
<u>NET ASSETS</u>		
Without donor restrictions	4,885,013	3,417,938
With donor restrictions	77,022	51,861
	<u>4,962,035</u>	<u>3,469,799</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 12,242,639	\$ 8,199,577

The accompanying notes are an integral part of the financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Year ended June 30,			
	2019			2018
	Without donor Restrictions	With donor Restrictions	Total	Total
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 16,959,405	\$ -	\$ 16,959,405	\$ 15,100,111
Students with disabilities	604,269	-	604,269	919,785
Grants and contracts:				
State and local	595,162	-	595,162	523,740
Federal - Title and IDEA	1,475,040	-	1,475,040	923,331
Federal - other	462,286	-	462,286	240,603
Food service/Child Nutrition Program	803,947	-	803,947	724,601
NYC DOE rental assistance	1,959,756	-	1,959,756	1,843,796
TOTAL REVENUE, GAINS AND OTHER SUPPORT	22,859,865	-	22,859,865	20,275,967
Expenses:				
Program services:				
Regular education	17,249,172	-	17,249,172	14,915,848
Special education	1,690,853	-	1,690,853	1,884,121
Total program services	18,940,025	-	18,940,025	16,799,969
Management and general	2,733,332	-	2,733,332	2,433,061
Fundraising and special events	159,033	-	159,033	158,225
TOTAL OPERATING EXPENSES	21,832,390	-	21,832,390	19,391,255
SURPLUS FROM SCHOOL OPERATIONS	1,027,475	-	1,027,475	884,712
Support and other revenue:				
Contributions:				
Foundations	222,079	111,300	333,379	120,250
Individuals	5,710	-	5,710	8,231
Corporations	17,921	-	17,921	8,000
In-kind	1,800	-	1,800	11,000
Fundraising	5,646	-	5,646	3,265
Interest income	97,305	-	97,305	28,845
Other income	3,000	-	3,000	26,933
Net assets released from restriction	86,139	(86,139)	-	-
TOTAL SUPPORT AND OTHER REVENUE	439,600	25,161	464,761	206,524
CHANGE IN NET ASSETS	1,467,075	25,161	1,492,236	1,091,236
Net assets at beginning of year	3,417,938	51,861	3,469,799	2,378,563
NET ASSETS AT END OF YEAR	\$ 4,885,013	\$ 77,022	\$ 4,962,035	\$ 3,469,799

The accompanying notes are an integral part of the financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

		Year ended June 30,								
		2019							2018	
		Program Services			Supporting Services					
		Regular	Special	Sub-total	Management	Fundraising	Sub-total	Total	Total	
No. of	Positions	Education	Education		and general	and special events				
Personnel services costs										
Administrative staff personnel	62	\$ 2,897,220	\$ 281,154	\$ 3,178,374	\$ 1,431,896	\$ 130,583	\$ 1,562,479	\$ 4,740,853	\$ 3,821,153	
Instructional personnel	106	4,980,455	475,934	5,456,389	-	-	-	5,456,389	5,435,059	
Non-instructional personnel	32	1,047,558	100,786	1,148,344	-	-	-	1,148,344	1,070,785	
Total personnel services costs	200	8,925,233	857,874	9,783,107	1,431,896	130,583	1,562,479	11,345,586	10,326,997	
Fringe benefits and payroll taxes		1,586,674	153,808	1,740,482	245,447	21,912	267,359	2,007,841	1,810,374	
Retirement		149,694	14,096	163,790	43,372	4,908	48,280	212,070	158,958	
Legal service		-	-	-	13,775	-	13,775	13,775	25,551	
Accounting / audit services		-	-	-	52,650	-	52,650	52,650	58,542	
Other purchased / professional / consulting services		163,567	15,838	179,405	82,318	131	82,449	261,854	311,449	
Building and land rent / lease		3,306,117	331,199	3,637,316	190,881	-	190,881	3,828,197	3,260,569	
Repairs and maintenance		374,413	37,468	411,881	21,198	-	21,198	433,079	382,736	
Insurance		4,532	443	4,975	139,896	-	139,896	144,871	125,834	
Utilities		222,794	22,565	245,359	12,711	-	12,711	258,070	254,722	
Supplies / materials		439,831	69,417	509,248	-	-	-	509,248	461,744	
Equipment / furnishings		10,256	956	11,212	5,878	-	5,878	17,090	11,511	
Staff development		319,878	21,925	341,803	12,333	-	12,333	354,136	173,297	
Marketing / recruitment		-	-	-	66,925	-	66,925	66,925	34,609	
Technology		72,064	5,505	77,569	163,975	-	163,975	241,544	177,769	
Food services		700,582	68,398	768,980	-	-	-	768,980	768,007	
Student services		291,334	28,665	319,999	-	-	-	319,999	217,787	
Office expense		171,736	15,921	187,657	170,191	1,499	171,690	359,347	253,969	
Depreciation and amortization		505,283	46,775	552,058	74,508	-	74,508	626,566	568,946	
Other		5,184	-	5,184	5,378	-	5,378	10,562	7,884	
		<u>\$ 17,249,172</u>	<u>\$ 1,690,853</u>	<u>\$ 18,940,025</u>	<u>\$ 2,733,332</u>	<u>\$ 159,033</u>	<u>\$ 2,892,365</u>	<u>\$ 21,832,390</u>	<u>\$ 19,391,255</u>	

The accompanying notes are an integral part of the financial statements

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,492,236	\$ 1,091,236
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	626,566	568,946
Gain on sale of property and equipment	-	(19,121)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(144,723)	146,797
Prepaid expenses and other current assets	(13,303)	(42,852)
Security deposits	-	(22,600)
Accounts payable and accrued expenses	431,933	(108,187)
Accrued payroll and benefits	(23,995)	190,602
Vacation accrual	29,571	48,497
Deferred revenue	1,140,334	130,346
Deferred lease incentive	(22,844)	60,015
Deferred rent payable	<u>1,072,822</u>	<u>588,656</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	4,588,597	2,632,335
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(896,966)	(701,149)
Proceeds from sale of property and equipment	-	31,263
Purchase of certificate of deposit	(2,045,474)	(26,443)
Change in due from related parties	6,000	6,000
Change in cash in escrow	<u>-</u>	<u>100,775</u>
NET CASH USED FOR INVESTING ACTIVITIES	(2,936,440)	(589,554)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of capital leases payable	<u>(158,275)</u>	<u>(130,910)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(158,275)</u>	<u>(130,910)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,493,882	1,911,871
Cash and cash equivalents at beginning of year	<u>3,599,646</u>	<u>1,687,775</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,093,528</u>	<u>\$ 3,599,646</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 1,221</u>	<u>\$ 1,387</u>
<u>NON CASH INVESTING AND FINANCING ACTIVITIES</u>		
Capital lease payable incurred in connection with purchase of property and equipment	<u>\$ 81,280</u>	<u>\$ 395,505</u>

The accompanying notes are an integral part of the financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Family Life Academy Charter Schools (the “Organization”) is an educational corporation operating in the borough of the Bronx, New York and is comprised of various individual charter schools.

Family Life Academy Charter School I (“FLACS I”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On May 14, 2001, the Board of Regents of the University of the State of New York granted FLACS I a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008, August 19, 2013 and February 13, 2018, FLACS I obtained a five year renewal, which expires June 30, 2023.

Family Life Academy Charter School II (“FLACS II”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On September 13, 2011, the Board of Regents of the University of the State of New York granted FLACS II a provisional charter valid for a term of five years and renewable upon expiration. On March 8, 2017, FLACS II obtained a five year renewal, which currently expires July 31, 2022.

On March 31, 2014, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2014 fiscal year, FLACS I added Family Life Academy Charter School III (“FLACS III”) under its expanded charter. FLACS III has the authority to operate through July 31, 2019. On May 27, 2019, FLACS III obtained a five year renewal, which expires July 31, 2024.

FLACS I, FLACS II, and FLACS III are schools in a predominately Latino community in the South Bronx. They seek to empower New York City English language learners in grades Kindergarten through Grade 8 to achieve high standards in English and to help them take responsibility for their own learning, and encourage them to explore and affirm human values.

Family Life Academy Charter Schools Network (“FLACS N”) is a division of the educational corporation operating as a charter school management organization. FLACS N’s purpose is to manage and support a network of open-enrollment free college preparatory charter schools committed to high academic standards, merit, citizenship and responsibility in New York City’s neediest neighborhoods.

On July 18, 2019, the Board of Regents of the University of the State of New York approved an additional charter school, Family Life Academy Charter School IV (“FLACS IV”), to operate under the FLACS education corporation. FLACS IV is expected to open September 2020.

Basis of presentation

The accompanying financial statements include the accounts of FLACS I, FLACS II, FLACS III, and FLACS N (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Organization.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the purchase of certain equipment and for various programs at the Organization.

Revenue and support recognition

Revenue from state and local governments resulting from the Organization's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Organization when qualifying expenditures are incurred and billable.

Revenue from NYC DOE rental assistance is recognized in the year the Organization is eligible for such assistance. The facilities assistance is granted to charter schools that are newly opened or expanding grade levels and the NYC DOE was not able to find public space for the charter school.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as without donor restricted revenue.

Contributions are recorded as with donor restrictions 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash and cash equivalents

Cash and cash equivalents are maintained in certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Organization maintains cash in an escrow account, in accordance with the terms of its Charter Agreement. A portion of the escrow account is invested in a certificate of deposit with a maturity date of July 2019.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2019 or 2018.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from two to fifteen years.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Certificate of deposit

The Organization maintains its certificate of deposit at a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. Certificate of deposit has a maturity date of July 2019.

Tax exempt status

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Organization files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2016 through June 30, 2019 are still subject to potential audit by the IRS. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019
(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributed goods and services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and a school nurse for the students from the local district. The Organization was unable to determine a value for these services.

The Organization received contributed professional development and programming services and contributed goods which were valued at approximately \$1,800 and \$11,000 for the years ended June 30, 2019 and 2018, respectively. These amounts are included in in-kind revenue in the accompanying statement of activities and changes in net assets.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$67,000 and \$35,000 for the years ended June 30, 2019 and 2018, respectively.

Comparative information for the year ended June 30, 2018

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 "*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*". The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019
(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
 - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
 - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
 - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
 - e) Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Organization has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. There has been an exposure draft proposed that would delay the ASU from the initial timetable and, if passed, will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 16, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Notes A, G and L.

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity is its cash and cash equivalents accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal year 2019.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

	<u>Amount</u>
Cash and cash equivalents	\$ 5,093,528
Certificate of deposit	2,269,002
Grants and other receivables	<u>967,094</u>
Total financial assets available within one year	8,329,624
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>(77,022)</u>
Total amount unavailable for general expenditures within one year	<u>(77,022)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 8,252,602</u>

NOTE C: RELATED PARTY TRANSACTIONS

FLACS N receives a management allocation from FLACS I, FLACS II, and FLACS III (the "Charter Schools"). The Organization pays for certain operating expenses that benefit the entire organization and then allocates to each Charter School a percentage of these expenses based on the full time equivalent student enrollment at each Charter School. FLACS N was allocated \$809,586 from FLACS I, \$1,733,117 from FLACS II, and \$736,257 from FLACS III for the year ended June 30, 2019. FLACS N was allocated \$1,002,206 from FLACS I, \$1,616,029 from FLACS II, and \$820,317 from FLACS III for the year ended June 30, 2018.

Classrooms and office facilities of FLACS I are leased from LPAC, whose President is a member of the Board of the Organization. See Note G for further details and future minimum lease payments. During the years ended June 30, 2019 and 2018, the Organization had approximately \$63,000 and \$69,000, respectively, of receivables from LPAC.

The Organization is a guarantor of a mortgage in the name of LPAC. The term of the guarantee on the LPAC mortgage is through January 2018, at which time an option to extend for an additional 5 years was granted, until January 2023. The Organization would be required to pay the loan in the event of default and as of June 30, 2019 and 2018, the outstanding balance of the mortgage note is approximately \$1,610,000 and \$1,641,000, respectively. At June 30, 2019 and 2018, the maximum amount of future payments (undiscounted) the Organization could be required to make under the guarantee is \$2,518,000 and \$2,705,000, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE C: RELATED PARTY TRANSACTIONS, Cont'd

During August 2017, the Organization became the guarantor of multiple loans of CG Educational Holdings, Inc. ("CG"). Prior to November 2016, the Organization held a membership interest in CG; however, in November 2016, the Organization transferred and assigned its membership interest to LPAC; therefore, CG is now wholly owned by LPAC. The loans are for the acquisition and remodeling of a building for a middle school leased to FLACS II, see Note G for more information. The aggregate principal balance of the loans as of June 30, 2019 and 2018 was approximately \$31,351,000 and \$30,973,000, respectively. The Organization's guaranty shall never be greater than 10% of the total development cost, which as of June 30, 2019 and 2018, was approximately \$31,351,000 and \$30,973,000, respectively. At June 30, 2019 and 2018, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee is approximately \$3,135,100 and \$3,097,300, respectively. The term of the guarantee on the loans is through the end of the lease which is in 2039; however, if the Organization meets certain conditions, they can be released from the guaranty prior to the end of the lease. The Organization fully expects this debt will be repaid by CG in accordance with its terms.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2019	2018
Leasehold improvements	\$ 3,999,960	\$ 3,831,648
Furniture and fixtures	1,376,665	1,038,203
Computers and equipment	2,346,182	1,875,398
	7,722,807	6,745,249
Less accumulated depreciation and amortization	4,682,329	4,056,451
	<u>\$ 3,040,478</u>	<u>\$ 2,688,798</u>

At June 30, 2019, \$21,263 of construction in progress was included in leasehold improvements; which was mainly for improvements to the new FLACS II middle school facility expected to be utilized in the 2020 school year. At June 30, 2018, \$45,373 of construction in progress was included in leasehold improvements; which was mainly for improvements to the FLACS II facility that were utilized in the 2019 school year.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$626,566 and \$568,946 for the years ended June 30, 2019 and 2018, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019
(With Comparative Totals for 2018)

NOTE E: CAPITAL LEASES PAYABLE

The Organization entered into a capital lease payable during August 2017, payable in annual installments, including interest at .35066% per annum, through September 2019. The capital lease payable is secured by certain equipment. The capital lease had \$133,226 and \$264,595 outstanding as of June 30, 2019 and 2018, respectively.

The lease agreement is through August 2020 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2019 and 2018. The net book value of this equipment was \$250,486 and \$329,587 at June 30, 2019 and 2018, respectively.

The Organization entered into a capital lease payable during July 2018, payable in annual installments, including interest at .36052% per annum, through July 2020. The capital lease payable is secured by certain equipment. The capital lease had \$54,374 outstanding as of June 30, 2019.

The lease agreement is through August 2021 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2019 and 2018. The net book value of this equipment was \$67,733 at June 30, 2019.

Interest expense related to the capital leases was \$1,221 and \$1,387 during the years ended June 30, 2019 and 2018, respectively.

The future maturities of the capital leases payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 160,418
2021	27,182
	<u>\$ 187,600</u>

NOTE F: EQUIPMENT LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through July 2022. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 69,573
2021	69,573
2022	69,573
2023	5,798
	<u>\$ 214,517</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019
(With Comparative Totals for 2018)

NOTE G: SCHOOL FACILITIES

FLACS I leased classrooms and office facilities under a non-cancelable lease agreement originally expiring in June 2018. The lease was amended effective September 1, 2016 with an expiration date of June 30, 2022 and a revised payment schedule. FLACS I's base rent for the years ended June 30, 2019 and 2018 was \$986,661 and \$967,364, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019 and 2018. Additionally, during the years ended June 30, 2019 and 2018, a portion of the FLACS I facility was used for FLACS II students, therefore \$383,680 and \$327,880 of this base rent was allocated to FLACS II, respectively. Total rent expense relative to this lease was \$993,577 and \$994,081 for the years ended June 30, 2019 and 2018, respectively. In conjunction with this facility lease, FLACS I paid a security deposit of \$155,833 which is included in security deposits on the accompanying statement of financial position at June 30, 2019 and 2018.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,011,780
2021	1,037,811
2022	<u>1,068,947</u>
	<u>\$ 3,118,538</u>

FLACS II leases classrooms and office facilities under a non-cancelable lease agreement expiring in June 2038 which they assumed from their former landlord effective January 2015. FLACS II's base rent for the years ended June 30, 2019 and 2018 was \$569,894 and \$534,816, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019 and 2018. In connection with the assumption of this lease, the former landlord agreed to share in the cost of FLACS II making certain leasehold improvements to the building in accordance with the terms of the agreement. During the year ended June 30, 2018, \$82,859 had been advanced to FLACS II in addition to advances made in prior years, and was recorded as a "Deferred lease incentive" on the accompanying statement of financial position at June 30, 2018. These reimbursements will be recognized as a reduction of rent expense on a straight line basis over the term of the lease. Rent expense relative to this lease was \$799,806 for the years ended June 30, 2019 and 2018. Also in conjunction with this facility lease, FLACS II paid a security deposit of \$163,477, as of June 30, 2019 and 2018, which is included in security deposits on the accompanying statement of financial position at June 30, 2019 and 2018.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019
(With Comparative Totals for 2018)

NOTE G: SCHOOL FACILITIES, Cont'd

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 592,690
2021	616,397
2022	641,053
2023	666,695
2024	693,363
Thereafter	<u>13,190,257</u>
	<u>\$ 16,400,455</u>

On August 11, 2017, FLACS II signed a lease agreement with CG for a new middle school building as described in Note C. The lease has a twenty year term upon completion of the building. The certificate of occupancy was issued April 30, 2019 and FLACS II had access to the building at that time. Rent payments commenced July 1, 2019 and go through July 1, 2038. The lease term ends June 30, 2039. The base rent increases in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019. Rent expense relative to this lease was \$579,130 for the year ended June 30, 2019.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 2,743,225
2021	2,811,806
2022	2,882,101
2023	2,954,153
2024	3,028,007
Thereafter	<u>55,655,453</u>
	<u>\$ 70,074,745</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: SCHOOL FACILITIES, Cont'd

FLACS III leases classrooms and office facilities under a non-cancelable lease agreement expiring in August 2038. FLACS III's base rent for the years ended June 30, 2019 and 2018 was \$1,010,533 and \$981,100, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019 and 2018. Additionally, during the year ended June 30, 2019, a portion of the FLACS III facility was used for FLACS II students, therefore \$185,362 of this base rent was allocated to FLACS II. Rent expense relative to this lease was \$1,263,047 and \$1,278,049 for the years ended June 30, 2019 and 2018, respectively.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,040,849
2021	1,072,074
2022	1,104,237
2023	1,137,364
2024	1,171,485
Thereafter	<u>17,404,250</u>
	<u>\$ 22,930,259</u>

The total lease expense for all these leases, as outlined above, was approximately \$3,635,560 and \$3,072,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE H: RETIREMENT PLAN

The Organization sponsors a 401(k) plan (the "Plan") for all eligible employees that are predominantly funded by employees' contributions. The Organization matches employees' contributions up to 4% of their annual salary. During the years ended June 30, 2019 and 2018, the Organization contributed approximately \$195,000 and \$148,300, respectively, to the Plan.

NOTE I: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE J: CONCENTRATIONS

At June 30, 2019, approximately 74% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2019, 77% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

At June 30, 2018, approximately 87% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2018, 79% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	2019	2018
Undesignated	\$ 2,032,135	\$ 993,735
Invested in property and equipment, net of related debt	<u>2,852,878</u>	<u>2,424,203</u>
	<u>\$ 4,885,013</u>	<u>\$ 3,417,938</u>

NOTE L: LINE OF CREDIT

In July 2018, the Organization entered into a line of credit agreement with a bank with maximum borrowings of \$400,000. The line bears interest at the prime rate plus 2% per annum and is secured primarily by the assets of the Organization. There was no balance outstanding at June 30, 2019 or 2018. The line expires in August 2020.

NOTE M: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Family Life Academy Charter Schools

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2019, and have issued our report thereon dated October 16, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2019, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 16, 2019

- 24 -

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2019

<u>ASSETS</u>	Family Life Academy Charter School I	Family Life Academy Charter School II	Family Life Academy Charter School III	Family Life Academy Charter School Network	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>						
Cash and cash equivalents	\$ 1,195,263	\$ 2,276,121	\$ 1,320,548	\$ 301,596	\$ -	\$ 5,093,528
Certificate of deposit	28,172	2,240,830	-	-	-	2,269,002
Grants and other receivables	272,419	486,038	208,607	30	-	967,094
Interschool receivables	16,159	-	452,748	22,675	(491,582)	-
Prepaid expenses and other current assets	84,565	60,279	87,061	83,090	-	314,995
TOTAL CURRENT ASSETS	1,596,578	5,063,268	2,068,964	407,391	(491,582)	8,644,619
<u>PROPERTY AND EQUIPMENT, net</u>	298,699	2,033,869	399,431	308,479	-	3,040,478
<u>OTHER ASSETS</u>						
Security deposits	155,833	163,477	-	-	-	319,310
Cash in escrow	175,000	-	-	-	-	175,000
Due from related parties	63,232	-	-	-	-	63,232
	<u>394,065</u>	<u>163,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,542</u>
TOTAL ASSETS	<u>\$ 2,289,342</u>	<u>\$ 7,260,614</u>	<u>\$ 2,468,395</u>	<u>\$ 715,870</u>	<u>\$ (491,582)</u>	<u>\$ 12,242,639</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2019

<u>LIABILITIES AND NET ASSETS</u>	Family Life Academy Charter School I	Family Life Academy Charter School II	Family Life Academy Charter School III	Family Life Academy Charter School Network	Eliminations	Total
<u>CURRENT LIABILITIES</u>						
Current portion of capital leases payable	\$ 10,095	\$ 15,043	\$ 2,054	\$ 133,226	\$ -	\$ 160,418
Accounts payable and accrued expenses	69,113	378,564	84,709	102,136	-	634,522
Interschool payables	-	491,582	-	-	(491,582)	-
Accrued payroll and benefits	279,338	419,229	199,073	73,729	-	971,369
Vacation accrual	34,349	118,494	55,848	131,155	-	339,846
Deferred revenue	15,585	1,216,636	440,729	-	-	1,672,950
TOTAL CURRENT LIABILITIES	408,480	2,639,548	782,413	440,246	(491,582)	3,779,105
<u>OTHER LIABILITIES</u>						
Capital leases payable	10,091	15,039	2,052	-	-	27,182
Deferred lease incentive	-	434,046	-	-	-	434,046
Deferred rent payable	137,806	1,783,278	1,119,187	-	-	3,040,271
	147,897	2,232,363	1,121,239	-	-	3,501,499
TOTAL LIABILITIES	556,377	4,871,911	1,903,652	440,246	(491,582)	7,280,604
<u>NET ASSETS</u>						
Without donor restrictions	1,722,903	2,321,743	564,743	275,624	-	4,885,013
With donor restrictions	10,062	66,960	-	-	-	77,022
	1,732,965	2,388,703	564,743	275,624	-	4,962,035
TOTAL LIABILITIES AND NET ASSETS	\$ 2,289,342	\$ 7,260,614	\$ 2,468,395	\$ 715,870	\$ (491,582)	\$ 12,242,639

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2019

	Family Life Academy Charter School I	Family Life Academy Charter School II	Family Life Academy Charter School III	Family Life Academy Charter School Network	Eliminations	Total
Revenue, gains and other support						
Public school district.						
Resident student enrollment	\$ 4,144,670	\$ 8,864,381	\$ 3,950,354	\$ -	\$ -	\$ 16,959,405
Students with disabilities	37,404	530,760	36,105	-	-	604,269
Grants and contracts						
State and local	148,691	309,761	136,710	-	-	595,162
Federal - Title and IDEA	680,367	543,183	251,490	-	-	1,475,040
Federal - other	28,380	398,396	35,510	-	-	462,286
Food service/Child Nutrition Program	171,941	395,019	236,987	-	-	803,947
NYC DOE rental assistance	-	1,097,527	862,229	-	-	1,959,756
TOTAL REVENUE, GAINS AND OTHER SUPPORT	5,211,453	12,139,027	5,509,385	-	-	22,859,865
Expenses						
Program services						
Regular education	4,691,444	8,528,243	4,031,909	1,429,497	(1,431,921)	17,249,172
Special education	251,062	1,185,738	254,418	168,830	(169,195)	1,690,853
Total program services	4,942,506	9,713,981	4,286,327	1,598,327	(1,601,116)	18,940,025
Management and general	652,232	1,449,074	634,418	1,516,423	(1,518,815)	2,733,332
Fundraising and special events	39,297	84,125	35,738	158,902	(159,029)	159,033
TOTAL OPERATING EXPENSES	5,634,035	11,247,180	4,956,483	3,273,652	(3,278,960)	21,832,390
(DEFICIT) / SURPLUS FROM SCHOOL OPERATIONS	(422,582)	891,847	552,902	(3,273,652)	3,278,960	1,027,475
Support and other revenue						
Contributions						
Foundations	33,379	80,000	-	220,000	-	333,379
Individuals	-	1,000	-	4,710	-	5,710
Corporations	17,921	-	-	-	-	17,921
In-kind	1,800	-	-	-	-	1,800
Management fee income	-	-	-	3,278,960	(3,278,960)	-
Fundraising	-	3,727	1,796	123	-	5,646
Interest income	46,168	37,841	11,199	2,097	-	97,305
Other income	-	3,000	-	-	-	3,000
TOTAL SUPPORT AND OTHER REVENUE	99,268	125,568	12,995	3,505,890	(3,278,960)	464,761
CHANGE IN NET ASSETS	(323,314)	1,017,415	565,897	232,238	-	1,492,236
Net assets (deficit) at beginning of year	2,056,279	1,371,288	(1,154)	43,386	-	3,469,799
NET ASSETS AT END OF YEAR	\$ 1,732,965	\$ 2,388,703	\$ 564,743	\$ 275,624	\$ -	\$ 4,962,035

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL I

YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	12	\$ 544,903	\$ 26,292	\$ 571,195	\$ 111,808	\$ -	\$ 111,808	\$ 683,003
Instructional personnel	30	1,420,010	68,517	1,488,527	-	-	-	1,488,527
Non-instructional personnel	17	376,375	18,160	394,535	-	-	-	394,535
Total personnel services costs	59	2,341,288	112,969	2,454,257	111,808	-	111,808	2,566,065
Fringe benefits and payroll taxes		413,524	19,953	433,477	19,748	-	19,748	453,225
Retirement		24,809	1,197	26,006	1,185	-	1,185	27,191
Legal service		-	-	-	150	-	150	150
Other purchased / professional / consulting services		385,462	43,294	428,756	388,675	39,297	427,972	856,728
Building and land rent / lease		556,473	26,850	583,323	26,574	-	26,574	609,897
Repairs and maintenance		113,653	5,484	119,137	5,428	-	5,428	124,565
Insurance		1,176	57	1,233	31,749	-	31,749	32,982
Utilities		56,645	2,733	59,378	2,705	-	2,705	62,083
Supplies / materials		126,947	6,125	133,072	-	-	-	133,072
Equipment / furnishings		2,150	104	2,254	103	-	103	2,357
Staff development		190,072	9,171	199,243	-	-	-	199,243
Technology		42,879	2,069	44,948	47,141	-	47,141	92,089
Food services		165,463	7,984	173,447	-	-	-	173,447
Student services		85,980	4,149	90,129	-	-	-	90,129
Office expense		40,575	1,958	42,533	9,923	-	9,923	52,456
Depreciation and amortization		144,348	6,965	151,313	6,893	-	6,893	158,206
Other		-	-	-	150	-	150	150
		<u>\$ 4,691,444</u>	<u>\$ 251,062</u>	<u>\$ 4,942,506</u>	<u>\$ 652,232</u>	<u>\$ 39,297</u>	<u>\$ 691,529</u>	<u>\$ 5,634,035</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL II
YEAR ENDED JUNE 30, 2019

	No of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs								
Administrative staff personnel	17	\$ 976,180	\$ 137,715	\$ 1,113,895	\$ 244,295	\$ -	\$ 244,295	\$ 1,358,190
Instructional personnel	51	2,413,801	340,527	2,754,328	-	-	-	2,754,328
Non-instructional personnel	9	525,407	74,122	599,529	-	-	-	599,529
Total personnel services costs	77	3,915,388	552,364	4,467,752	244,295	-	244,295	4,712,047
Fringe benefits and payroll taxes		715,880	100,993	816,873	44,666	-	44,666	861,539
Retirement		51,104	7,209	58,313	3,188	-	3,188	61,501
Legal service		-	-	-	1,899	-	1,899	1,899
Other purchased / professional / consulting services		836,319	100,600	936,919	823,917	84,125	908,042	1,844,961
Building and land rent / lease		1,700,825	243,166	1,943,991	107,546	-	107,546	2,051,537
Repairs and maintenance		203,431	28,640	232,071	12,667	-	12,667	244,738
Insurance		2,298	324	2,622	63,788	-	63,788	66,410
Utilities		122,546	17,288	139,834	7,646	-	7,646	147,480
Supplies / materials		147,494	20,808	168,302	-	-	-	168,302
Equipment / furnishings		6,657	768	7,425	340	-	340	7,765
Staff development		22,276	3,143	25,419	3,909	-	3,909	29,328
Marketing / recruitment		-	-	-	54	-	54	54
Technology		20,953	2,956	23,909	58,893	-	58,893	82,802
Food services		352,881	49,783	402,664	-	-	-	402,664
Student services		151,515	21,375	172,890	-	-	-	172,890
Office expense		32,988	4,883	37,871	62,202	-	62,202	100,073
Depreciation and amortization		245,689	31,438	277,127	13,904	-	13,904	291,031
Other		(1)	-	(1)	160	-	160	159
		<u>\$ 8,528,243</u>	<u>\$ 1,185,738</u>	<u>\$ 9,713,981</u>	<u>\$ 1,449,074</u>	<u>\$ 84,125</u>	<u>\$ 1,533,199</u>	<u>\$ 11,247,180</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL III

YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs								
Administrative staff personnel	10	\$ 430,769	\$ 25,129	\$ 455,898	\$ 93,258	\$ -	\$ 93,258	\$ 549,156
Instructional personnel	25	1,146,644	66,890	1,213,534	-	-	-	1,213,534
Non-instructional personnel	6	145,776	8,504	154,280	-	-	-	154,280
Total personnel services costs	41	1,723,189	100,523	1,823,712	93,258	-	93,258	1,916,970
Fringe benefits and payroll taxes		298,636	17,421	316,057	16,162	-	16,162	332,219
Retirement		38,250	2,231	40,481	2,070	-	2,070	42,551
Legal services		-	-	-	350	-	350	350
Other purchased / professional / consulting services		370,542	40,831	411,373	351,046	35,738	386,784	798,157
Building and land rent / lease		1,048,819	61,183	1,110,002	56,761	-	56,761	1,166,763
Repairs and maintenance		57,329	3,344	60,673	3,103	-	3,103	63,776
Insurance		1,058	62	1,120	37,676	-	37,676	38,796
Utilities		43,603	2,544	46,147	2,360	-	2,360	48,507
Supplies / materials		84,681	4,940	89,621	-	-	-	89,621
Equipment / furnishings		1,449	84	1,533	78	-	78	1,611
Staff development		21,929	1,279	23,208	46	-	46	23,254
Technology		8,232	480	8,712	51,783	-	51,783	60,495
Food services		182,238	10,631	192,869	-	-	-	192,869
Student services		53,839	3,141	56,980	-	-	-	56,980
Office expense		25,957	1,466	27,423	15,775	-	15,775	43,198
Depreciation and amortization		72,984	4,258	77,242	3,950	-	3,950	81,192
Other		(826)	-	(826)	-	-	-	(826)
		<u>\$ 4,031,909</u>	<u>\$ 254,418</u>	<u>\$ 4,286,327</u>	<u>\$ 634,418</u>	<u>\$ 35,738</u>	<u>\$ 670,156</u>	<u>\$ 4,956,483</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL NETWORK

YEAR ENDED JUNE 30, 2019

	No of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs								
Administrative staff personnel	23	\$ 945,368	\$ 92,018	\$ 1,037,386	\$ 982,535	\$ 130,583	\$ 1,113,118	\$ 2,150,504
Non-instructional personnel	-	-	-	-	-	-	-	-
Total personnel services costs	23	945,368	92,018	1,037,386	982,535	130,583	1,113,118	2,150,504
Fringe benefits and payroll taxes		158,634	15,441	174,075	164,871	21,912	186,783	360,858
Retirement		35,531	3,459	38,990	36,929	4,908	41,837	80,827
Legal service		-	-	-	11,376	-	11,376	11,376
Accounting / audit services		-	-	-	52,650	-	52,650	52,650
Other purchased / professional / consulting services		3,165	308	3,473	37,495	-	37,495	40,968
Insurance		-	-	-	6,683	-	6,683	6,683
Supplies / materials		80,709	37,544	118,253	-	-	-	118,253
Equipment / furnishings		-	-	-	5,357	-	5,357	5,357
Staff development		85,601	8,332	93,933	8,378	-	8,378	102,311
Marketing / recruitment		-	-	-	66,871	-	66,871	66,871
Technology		-	-	-	6,158	-	6,158	6,158
Office expense		72,216	7,614	79,830	82,291	1,499	83,790	163,620
Depreciation and amortization		42,262	4,114	46,376	49,761	-	49,761	96,137
Other		6,011	-	6,011	5,068	-	5,068	11,079
		\$ 1,429,497	\$ 168,830	\$ 1,598,327	\$ 1,516,423	\$ 158,902	\$ 1,675,325	\$ 3,273,652

APPENDIX E

**AUDITED FINANCIAL STATEMENTS OTHER FINANCIAL INFORMATION
AND INDEPENDENT AUDITOR'S REPORTS OF THE CHARTER SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

(attached)

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

(With Comparative Totals for 2019)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	10
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	26
Statement of Financial Position by Charter	27
Statement of Activities and Changes in Net Assets by Charter	29
Statement of Functional Expenses by Charter – Family Life Academy Charter School I	30
Statement of Functional Expenses by Charter – Family Life Academy Charter School II	31
Statement of Functional Expenses by Charter – Family Life Academy Charter School III	32
Statement of Functional Expenses by Charter – Family Life Academy Charter School Network	33



MENGEL METZGER BARR & CO. LLP

Chartered Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Family Life Academy Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Family Life Academy Charter Schools (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Family Life Academy Charter Schools as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Family Life Academy Charter Schools' June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it is derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of Family Life Academy Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Life Academy Charter Schools' internal control over financial reporting and compliance.

Emphasis of Matter with Respect to Change of Accounting Methods

As discussed in Note A to the financial statements, in 2020, Family Life Academy Charter Schools adopted new accounting guidance for recognition of revenue, contributions received and statement of cash flow presentation. Our opinion is not modified with respect to these matters.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 14, 2020

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

<u>ASSETS</u>	June 30,	
	2020	2019
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 9,460,803	\$ 5,093,528
Certificate of deposit	2,324,295	2,269,002
Grants and other receivables	1,694,306	967,094
Prepaid expenses and other current assets	433,194	314,995
TOTAL CURRENT ASSETS	13,912,598	8,644,619
<u>PROPERTY AND EQUIPMENT, net</u>	3,301,987	3,040,478
<u>OTHER ASSETS</u>		
Security deposits	305,305	319,310
Cash in escrow	175,000	175,000
Due from related party	57,232	63,232
TOTAL ASSETS	\$ 17,752,122	\$ 12,242,639
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of capital leases payable	\$ 64,616	\$ 160,418
Current portion of long term debt	987,457	-
Accounts payable and accrued expenses	335,185	634,522
Accrued payroll and benefits	1,306,321	971,369
Vacation accrual	399,538	339,846
Deferred revenue	211,037	1,672,950
TOTAL CURRENT LIABILITIES	3,304,154	3,779,105
<u>OTHER LIABILITIES</u>		
Capital leases payable	30,474	27,182
Deferred lease incentive	412,791	434,046
Deferred rent payable	4,190,447	3,040,271
Long term debt	1,583,796	-
TOTAL LIABILITIES	9,521,662	7,280,604
<u>NET ASSETS</u>		
Without donor restrictions	7,720,344	4,885,013
With donor restrictions	510,116	77,022
TOTAL LIABILITIES AND NET ASSETS	\$ 17,752,122	\$ 12,242,639

The accompanying notes are an integral part of the financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	Year ended June 30,		
	2020		2019
	Without donor Restrictions	With donor Restrictions	Total
Revenue, gains and other support:			
Public school district:			
Resident student enrollment	\$ 22,471,834	\$ -	\$ 22,471,834
Students with disabilities	640,803	-	640,803
Grants and contracts:			
State and local	389,415	-	389,415
Federal - Title and IDEA	959,975	-	959,975
Federal - other	353,875	-	353,875
Food service/Child Nutrition Program	558,028	-	558,028
NYC DOE rental assistance	3,961,641	-	3,961,641
TOTAL REVENUE, GAINS AND OTHER SUPPORT	29,335,571	-	29,335,571
Expenses:			
Program services:			
Regular education	21,838,209	-	21,838,209
Special education	2,395,708	-	2,395,708
Total program services	24,233,917	-	24,233,917
Management and general	3,299,328	-	3,299,328
Fundraising and special events	165,406	-	165,406
TOTAL OPERATING EXPENSES	27,698,651	-	27,698,651
SURPLUS FROM SCHOOL OPERATIONS	1,636,920	-	1,636,920
Support and other revenue:			
Contributions:			
Foundations	992,100	470,000	1,462,100
Individuals	4,805	-	4,805
Corporations	-	-	-
In-kind	-	-	-
Fundraising	1,502	-	1,502
Interest income	162,750	-	162,750
Other income	348	-	348
Net assets released from restriction	36,906	(36,906)	-
TOTAL SUPPORT AND OTHER REVENUE	1,198,411	433,094	1,631,505
CHANGE IN NET ASSETS	2,835,331	433,094	3,268,425
Net assets at beginning of year	4,885,013	77,022	4,962,035
NET ASSETS AT END OF YEAR	\$ 7,720,344	\$ 510,116	\$ 8,230,460
			\$ 4,962,035

The accompanying notes are an integral part of the financial statements.

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

- 7 -

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 3,268,425	\$ 1,492,236
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	759,846	626,566
Loss on sale of property and equipment	4,205	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(727,212)	(144,723)
Prepaid expenses and other current assets	(118,199)	(13,303)
Security deposits	14,005	-
Accounts payable and accrued expenses	(299,337)	431,933
Accrued payroll and benefits	334,952	(23,995)
Vacation accrual	59,692	29,571
Deferred revenue	(1,461,913)	1,140,334
Deferred lease incentive	(21,255)	(22,844)
Deferred rent payable	1,150,176	1,072,822
NET CASH PROVIDED FROM OPERATING ACTIVITIES	2,963,385	4,588,597
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(923,327)	(896,966)
Purchase of certificate of deposit	(55,293)	(2,045,474)
Change in due from related party	6,000	6,000
NET CASH USED FOR INVESTING ACTIVITIES	(972,620)	(2,936,440)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of capital leases payable	(194,743)	(158,275)
Borrowings of long term debt	2,571,253	-
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	2,376,510	(158,275)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	4,367,275	1,493,882
Cash and cash equivalents and restricted cash at beginning of year	5,268,528	3,774,646
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 9,635,803	\$ 5,268,528

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 4,604</u>	<u>\$ 1,221</u>
<u>NON CASH INVESTING AND FINANCING ACTIVITIES</u>		
Capital lease payable incurred in connection with purchase of property and equipment	<u>\$ 102,233</u>	<u>\$ 81,280</u>

The accompanying notes are an integral part of the financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Family Life Academy Charter Schools (the “Organization”) is an educational corporation operating in the borough of the Bronx, New York and is comprised of various individual charter schools.

Family Life Academy Charter School I (“FLACS I”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On May 14, 2001, the Board of Regents of the University of the State of New York granted FLACS I a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008, August 19, 2013 and February 13, 2018, FLACS I obtained a five year renewal, which expires June 30, 2023.

Family Life Academy Charter School II (“FLACS II”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On September 13, 2011, the Board of Regents of the University of the State of New York granted FLACS II a provisional charter valid for a term of five years and renewable upon expiration. On March 8, 2017, FLACS II obtained a five year renewal, which currently expires July 31, 2022.

On March 31, 2014, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2014 fiscal year, FLACS I added Family Life Academy Charter School III (“FLACS III”) under its expanded charter. FLACS III had the authority to operate through July 31, 2019. On May 27, 2019, FLACS III obtained a five year renewal, which expires July 31, 2024.

FLACS I, FLACS II, and FLACS III are schools in a predominately Latino community in the South Bronx. They seek to empower New York City English language learners in grades Kindergarten through Grade 8 to achieve high standards in English and to help them take responsibility for their own learning and encourage them to explore and affirm human values.

Family Life Academy Charter Schools Network (“FLACS N”) is a division of the educational corporation operating as a charter school management organization. FLACS N’s purpose is to manage and support a network of open-enrollment free college preparatory charter schools committed to high academic standards, merit, citizenship and responsibility in New York City’s neediest neighborhoods.

On June 6, 2019, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2019 fiscal year, FLACS I added Family Life Academy Charter School IV (“FLACS IV”) under its expanded charter. FLACS IV is expected to open September 2022.

Basis of presentation

The accompanying financial statements include the accounts of FLACS I, FLACS II, FLACS III, FLACS IV and FLACS N (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Organization.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the purchase of certain equipment and for various programs at the Organization.

Revenue recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Organization records substantially all revenues over time as follows:

Public school district revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Organization and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Organization to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the Organization can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Grants and contracts receivables	\$ 319,411	\$ 28,114	\$ 385,029

Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as without donor restricted revenue.

Contributions are recorded as with donor restrictions 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$211,037 and \$1,672,950 at June 30, 2020 and 2019, respectively. The Organization received cost-reimbursement grants of approximately \$433,325 and \$35,537 that have not been recognized at June 30, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash and cash equivalents

Cash and cash equivalents are maintained in certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Organization maintains cash in an escrow account, in accordance with the terms of its Charter Agreement. A portion of the escrow account is invested in a certificate of deposit with a maturity date of July 2020.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2020 or 2019.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from two to fifteen years.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Certificate of deposit

The Organization maintains its certificate of deposit at a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. Certificate of deposit has a maturity date of July 2020.

Tax exempt status

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Organization files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2017 through June 30, 2020 are still subject to potential audit by the IRS. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributed goods and services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and a school nurse for the students from the local district. The Organization was unable to determine a value for these services.

The Organization received contributed professional development and programming services and contributed goods which were valued at approximately \$1,800 for the year ended June 30, 2019. The Organization did not receive any contributed services or goods for the year ended June 30, 2020. These amounts are included in in-kind revenue in the accompanying statement of activities and changes in net assets.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$129,000 and \$67,000 for the years ended June 30, 2020 and 2019, respectively.

Comparative information for the year ended June 30, 2019

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization adopted ASC 606 with the date of initial application of July 1, 2019.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The Organization applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at July 1, 2019. There was no adjustment to the opening balance of net assets at July 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Organization does not expect the adoption of the new revenue standard to have a material impact on its income on an ongoing basis.

As part of the adoption of ASC 606, The Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligation, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of July 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

Statement of cash flows

In November 2016, the FASB issued new guidance related to the statement of cash flows (ASC 230), which requires entities to include restricted cash in the reconciliation of the beginning-of-year to the end-of-year of cash in the statement of cash flows. ASC 230 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted this standard as of July 1, 2019 using the retrospective transition method.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 14, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity is its cash and cash equivalents accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal year 2020 and 2019.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,460,803	\$ 5,093,528
Certificate of deposit	2,324,295	2,269,002
Grants and other receivables	<u>1,694,306</u>	<u>967,094</u>
Total financial assets available within one year	13,479,404	8,329,624
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(510,116)</u>	<u>(77,022)</u>
Total amount unavailable for general expenditures within one year	<u>(510,116)</u>	<u>(77,022)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 12,969,288</u>	<u>\$ 8,252,602</u>

The Organization has a \$400,000 line of credit that they could draw upon in the event of unanticipated liquidity needs. At June 30, 2020 and 2019, there were no amounts outstanding on this line.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE C: RELATED PARTY TRANSACTIONS

FLACS N receives a management allocation from FLACS I, FLACS II, and FLACS III (the "Charter Schools"). The Organization pays for certain operating expenses that benefit the entire organization and then allocates to each Charter School a percentage of these expenses based on the full time equivalent student enrollment at each Charter School. FLACS N was allocated \$1,103,391 from FLACS I, \$2,083,750 from FLACS II, and \$687,738 from FLACS III for the year ended June 30, 2020. FLACS N was allocated \$809,586 from FLACS I, \$1,733,117 from FLACS II, and \$736,257 from FLACS III for the year ended June 30, 2019.

Classrooms and office facilities of FLACS I are leased from LPAC, whose President is a member of the Board of the Organization. See Note G for further details and future minimum lease payments. During the years ended June 30, 2020 and 2019, the Organization had approximately \$57,000 and \$63,000, respectively, of receivables from LPAC.

The Organization is a guarantor of a mortgage in the name of LPAC. The term of the guarantee on the LPAC mortgage is through January 2018, at which time an option to extend for an additional 5 years was granted, until January 2023. The Organization would be required to pay the loan in the event of default and as of June 30, 2020 and 2019, the outstanding balance of the mortgage note is approximately \$1,578,000 and \$1,610,000, respectively. At June 30, 2020 and 2019, the maximum amount of future payments (undiscounted) the Organization could be required to make under the guarantee is \$2,332,000 and \$2,518,000, respectively.

During August 2017, the Organization became the guarantor of multiple loans of CG Educational Holdings, Inc. ("CG"). Prior to November 2016, the Organization held a membership interest in CG; however, in November 2016, the Organization transferred and assigned its membership interest to LPAC; therefore, CG is now wholly owned by LPAC. The loans are for the acquisition and remodeling of a building for a middle school leased to FLACS II, see Note G for more information. The aggregate principal balance of the loans as of June 30, 2020 and 2019 was approximately \$31,351,000. The Organization's guaranty shall never be greater than 10% of the total development cost, which as of June 30, 2020 and 2019, was approximately \$31,351,000. At June 30, 2020 and 2019, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee is approximately \$3,135,100. The term of the guarantee on the loans is through the end of the lease which is in 2039; however, if the Organization meets certain conditions, they can be released from the guaranty prior to the end of the lease. The Organization fully expects this debt will be repaid by CG in accordance with its terms.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020
(With Comparative Totals for 2019)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 4,122,093	\$ 3,999,960
Furniture and fixtures	1,532,473	1,377,353
Computers and equipment	<u>2,513,359</u>	<u>2,346,182</u>
	8,167,925	7,723,495
Less accumulated depreciation and amortization	<u>4,865,938</u>	<u>4,683,017</u>
	<u>\$ 3,301,987</u>	<u>\$ 3,040,478</u>

At June 30, 2020, \$93,433 of construction in progress was included in leasehold improvements; which was mainly for a future building project for FLACS I and for improvements to the FLACS II middle school facility expected to be utilized in the 2021 school year. At June 30, 2019, \$21,263 of construction in progress was included in leasehold improvements; which was mainly for improvements to the FLACS II facility that were utilized in the 2020 school year.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$759,846 and \$626,566 for the years ended June 30, 2020 and 2019, respectively.

NOTE E: CAPITAL LEASES PAYABLE

The Organization entered into a capital lease payable during August 2017, payable in annual installments, including interest at .35066% per annum, through September 2019. The capital lease payable is secured by certain equipment. The capital lease had \$1,397 and \$133,226 outstanding as of June 30, 2020 and 2019, respectively.

The lease agreement is through August 2020 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2020 and 2019. The net book value of this equipment was \$171,385 and \$250,486 at June 30, 2020 and 2019, respectively.

The Organization entered into a capital lease payable during July 2018, payable in annual installments, including interest at .36052% per annum, through July 2020. The capital lease payable is secured by certain equipment. The capital lease had \$27,373 and \$54,374 outstanding as of June 30, 2020 and 2019, respectively.

The lease agreement is through August 2021 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2020 and 2019. The net book value of this equipment was \$51,478 and \$67,733 at June 30, 2020 and 2019, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE E: CAPITAL LEASES PAYABLE, Cont'd

The Organization entered into a capital lease payable during November 2019, payable in annual installments, including interest at .457% per annum, through August 2021. The capital lease payable is secured by certain equipment. The capital lease had \$66,320 outstanding as of June 30, 2020.

The lease agreement is through August 2022 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2020. The net book value of this equipment was \$88,602 at June 30, 2020.

Interest expense related to the capital leases was \$4,604 and \$1,221 during the years ended June 30, 2020 and 2019, respectively.

The future maturities of the capital leases payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 64,616
2022	30,474
	<u>\$ 95,090</u>

NOTE F: EQUIPMENT LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through July 2024. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 124,907
2022	124,907
2023	38,816
2024	28,655
2025	2,388
	<u>\$ 319,673</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: SCHOOL FACILITIES

FLACS I leased classrooms and office facilities under a non-cancelable lease agreement originally expiring in June 2018. The lease was amended effective September 1, 2016 with an expiration date of June 30, 2022 and a revised payment schedule. FLACS I's base rent for the years ended June 30, 2020 and 2019 was \$1,011,780 and \$986,661, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2020 and 2019.

Additionally, during the year ended June 30, 2019, a portion of the FLACS I facility was used for FLACS II students, therefore \$383,680 of this base rent was allocated to FLACS II. Total rent expense relative to this lease was \$1,001,060 and \$993,577 for the years ended June 30, 2020 and 2019, respectively. In conjunction with this facility lease, FLACS I paid a security deposit of \$155,833 which is included in security deposits on the accompanying statement of financial position at June 30, 2020 and 2019.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 1,037,811
2022	<u>1,068,947</u>
	<u>\$ 2,106,758</u>

FLACS II leases classrooms and office facilities under a non-cancelable lease agreement expiring in June 2038 which they assumed from their former landlord effective January 2015. FLACS II's base rent for the years ended June 30, 2020 and 2019 was \$592,690 and \$569,894, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2020 and 2019. In connection with the assumption of this lease, the former landlord agreed to share in the cost of FLACS II making certain leasehold improvements to the building in accordance with the terms of the agreement. Total advances of \$526,981 were made in prior years and are recorded as a "Deferred lease incentive" on the accompanying statement of financial position. These reimbursements will be recognized as a reduction of rent expense on a straight line basis over the term of the lease. Rent expense relative to this lease was \$799,806 for the years ended June 30, 2020 and 2019. Also in conjunction with this facility lease, FLACS II paid a security deposit of \$163,477, as of June 30, 2019 and received a credit towards this deposit of \$14,005 during 2020, leaving a balance of \$149,472 at June 30, 2020, which is included in security deposits on the accompanying statement of financial position at June 30, 2020 and 2019.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: SCHOOL FACILITIES, Cont'd

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 616,397
2022	641,053
2023	666,695
2024	693,363
2025	721,098
Thereafter	<u>12,469,159</u>
	<u>\$ 15,807,765</u>

On August 11, 2017, FLACS II signed a lease agreement with CG for a new middle school building as described in Note C. The lease has a twenty year term upon completion of the building. The certificate of occupancy was issued April 30, 2019 and FLACS II had access to the building at that time. Rent payments commenced July 1, 2019 and go through July 1, 2038. The lease term ends June 30, 2039. The base rent increases in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2020 and 2019. Rent expense relative to this lease was \$3,474,784 and \$579,130 for the years ended June 30, 2020 and 2019, respectively.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 2,811,806
2022	2,882,101
2023	2,954,153
2023	3,028,007
2024	3,103,707
Thereafter	<u>52,551,746</u>
	<u>\$ 67,331,520</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: SCHOOL FACILITIES, Cont'd

FLACS III leases classrooms and office facilities under a non-cancelable lease agreement expiring in August 2036. FLACS III's base rent for the years ended June 30, 2020 and 2019 was \$1,040,849 and \$1,010,533, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2020 and 2019. Additionally, during the year ended June 30, 2019, a portion of the FLACS III facility was used for FLACS II students, therefore \$185,362 of this base rent was allocated to FLACS II. Rent expense relative to this lease was \$1,270,553 and \$1,263,047 for the years ended June 30, 2020 and 2019, respectively.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 1,072,074
2022	1,104,237
2023	1,137,364
2024	1,171,485
2025	1,206,629
Thereafter	<u>16,197,621</u>
	<u>\$ 21,889,410</u>

The total lease expense for all these leases, as outlined above, was approximately \$6,546,000 and \$3,636,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE H: RETIREMENT PLAN

The Organization sponsors a 401(k) plan (the "Plan") for all eligible employees that are predominantly funded by employees' contributions. The Organization matches employees' contributions up to 4% of their annual salary. During the years ended June 30, 2020 and 2019, the Organization contributed approximately \$240,700 and \$195,000, respectively, to the Plan.

NOTE I: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE J: CONCENTRATIONS

At June 30, 2020, approximately 86% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2020, 79% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

At June 30, 2019, approximately 74% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2019, 77% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	2020	2019
Undesignated	\$ 4,513,447	\$ 2,032,135
Invested in property and equipment, net of related debt	3,206,897	2,852,878
	<u>\$ 7,720,344</u>	<u>\$ 4,885,013</u>

Net assets with donor restrictions are as follows:

	June 30,	
	2020	2019
Music program	\$ 7,087	\$ 7,921
Wellness program	2,141	2,141
English language learners program	50,000	-
Rental assistance	325,000	-
Equipment	-	10,248
High school placement program	116,878	56,712
Middle school theater curtains	9,010	-
	<u>\$ 510,116</u>	<u>\$ 77,022</u>

NOTE L: LINE OF CREDIT

In July 2018, the Organization entered into a line of credit agreement with a bank with maximum borrowings of \$400,000. The line bears interest at the prime rate plus 2% per annum and is secured primarily by the assets of the Organization. There was no balance outstanding at June 30, 2020 or 2019. The line expires in August 2021.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE M: LONG TERM DEBT

In response to the COVID-19 outbreak, in April 2020 the Organization applied for and was approved by a bank for a loan of \$2,571,523 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Organization. The loan was funded on May 5, 2020.

Estimated annual maturities of long term debt are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 987,457
2022	<u>1,583,796</u>
	<u>\$ 2,571,253</u>

NOTE N: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE O: CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents and restricted cash balances at June 30, 2020 and 2019 consisted of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,460,803	\$ 5,093,528
Cash in escrow	<u>175,000</u>	<u>175,000</u>
	<u>\$ 9,635,803</u>	<u>\$ 5,268,528</u>

NOTE P: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Family Life Academy Charter Schools

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2020, and have issued our report thereon dated October 14, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2020, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 14, 2020

- 26 -

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2020

<u>ASSETS</u>	Family Life Academy Charter School I	Family Life Academy Charter School II	Family Life Academy Charter School III	Family Life Academy Charter School IV	Family Life Academy Charter School Network	Eliminations	Total
<u>CURRENT ASSETS</u>							
Cash and cash equivalents	\$ 5,497,433	\$ 2,336,141	\$ 1,431,114	\$ -	\$ 196,115	\$ -	\$ 9,460,803
Certificate of deposit	33,203	2,291,092	-	-	-	-	2,324,295
Grants and other receivables	314,388	481,687	134,954	-	763,277	-	1,694,306
Interschool receivables	-	-	962,238	375,000	3,088,090	(4,425,328)	-
Prepaid expenses and other current assets	90,534	128,809	101,436	-	112,415	-	433,194
TOTAL CURRENT ASSETS	5,935,558	5,237,729	2,629,742	375,000	4,159,897	(4,425,328)	13,912,598
 <u>PROPERTY AND EQUIPMENT, net</u>	 437,167	 2,187,167	 361,918	 -	 315,735	 -	 3,301,987
 <u>OTHER ASSETS</u>							
Security deposits	155,833	149,472	-	-	-	-	305,305
Cash in escrow	175,000	-	-	-	-	-	175,000
Due from related party	57,232	-	-	-	-	-	57,232
	388,065	149,472	-	-	-	-	537,537
 TOTAL ASSETS	 \$ 6,760,790	 \$ 7,574,368	 \$ 2,991,660	 \$ 375,000	 \$ 4,475,632	 \$ (4,425,328)	 \$ 17,752,122

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2020

<u>LIABILITIES AND NET ASSETS</u>	Family Life Academy Charter School I	Family Life Academy Charter School II	Family Life Academy Charter School III	Family Life Academy Charter School IV	Family Life Academy Charter School Network	Eliminations	Total
<u>CURRENT LIABILITIES</u>							
Current portion of capital leases payable	\$ 46,008	\$ 15,144	\$ 2,067	\$ -	\$ 1,397	\$ -	\$ 64,616
Current portion of long term debt	-	-	-	-	987,457	-	987,457
Accounts payable and accrued expenses	93,638	101,348	25,359	-	114,840	-	335,185
Interschool payables	4,091,222	334,106	-	-	-	(4,425,328)	-
Accrued payroll and benefits	365,927	615,522	248,504	-	76,368	-	1,306,321
Vacation accrual	67,207	177,678	65,237	-	89,416	-	399,538
Deferred revenue	2,077	21,924	187,036	-	-	-	211,037
TOTAL CURRENT LIABILITIES	4,666,079	1,265,722	528,203	-	1,269,478	(4,425,328)	3,304,154
<u>OTHER LIABILITIES</u>							
Capital leases payable	30,474	-	-	-	-	-	30,474
Deferred lease incentive	-	412,791	-	-	-	-	412,791
Deferred rent payable	119,602	2,721,954	1,348,891	-	-	-	4,190,447
Long term debt	-	-	-	-	1,583,796	-	1,583,796
	<u>150,076</u>	<u>3,134,745</u>	<u>1,348,891</u>	<u>-</u>	<u>1,583,796</u>	<u>-</u>	<u>6,217,508</u>
TOTAL LIABILITIES	4,816,155	4,400,467	1,877,094	-	2,853,274	(4,425,328)	9,521,662
<u>NET ASSETS</u>							
Without donor restrictions	1,935,407	3,048,013	1,114,566	-	1,622,358	-	7,720,344
With donor restrictions	9,228	125,888	-	375,000	-	-	510,116
	<u>1,944,635</u>	<u>3,173,901</u>	<u>1,114,566</u>	<u>375,000</u>	<u>1,622,358</u>	<u>-</u>	<u>8,230,460</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 6,760,790	\$ 7,574,368	\$ 2,991,660	\$ 375,000	\$ 4,475,632	\$ (4,425,328)	\$ 17,752,122

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2020

	Family Life Academy Charter School I	Family Life Academy Charter School II	Family Life Academy Charter School III	Family Life Academy Charter School IV	Family Life Academy Charter School Network	Eliminations	Total
Revenue, gains and other support:							
Public school district							
Resident student enrollment	\$ 6,569,829	\$ 11,850,082	\$ 4,051,923	\$ -	\$ -	\$ -	\$ 22,471,834
Students with disabilities	124,161	404,950	111,692	-	-	-	640,803
Grants and contracts:							
State and local	97,069	195,820	96,526	-	-	-	389,415
Federal - Title and IDEA	439,558	388,026	132,391	-	-	-	959,975
Federal - other	28,080	294,418	31,377	-	-	-	353,875
Food service/Child Nutrition Program	159,658	260,564	137,806	-	-	-	558,028
NYC DOE rental assistance	-	2,654,576	1,307,065	-	-	-	3,961,641
TOTAL REVENUE, GAINS AND OTHER SUPPORT	7,418,355	16,048,436	5,868,780	-	-	-	29,335,571
Expenses							
Program services							
Regular education	5,759,268	11,989,587	4,237,479	-	1,405,702	(1,553,827)	21,838,209
Special education	548,894	1,477,399	388,442	-	194,092	(213,119)	2,395,708
Total program services	6,308,162	13,466,986	4,625,921	-	1,599,794	(1,766,946)	24,233,917
Management and general	906,805	1,891,257	682,691	-	1,744,389	(1,925,814)	3,299,328
Fundraising and special events	51,929	98,068	32,367	-	165,161	(182,119)	165,406
TOTAL OPERATING EXPENSES	7,266,896	15,456,311	5,340,979	-	3,509,344	(3,874,879)	27,698,651
SURPLUS (DEFICIT) / FROM SCHOOL OPERATIONS	151,459	592,125	527,801	-	(3,509,344)	3,874,879	1,636,920
Support and other revenue							
Contributions:							
Foundations	11,500	105,600	-	375,000	970,000	-	1,462,100
Individuals	-	-	-	-	4,805	-	4,805
Management fee income	-	-	-	-	3,874,879	(3,874,879)	-
Fundraising	-	-	1,456	-	46	-	1,502
Interest income	48,711	87,125	20,566	-	6,348	-	162,750
Other income	-	348	-	-	-	-	348
TOTAL SUPPORT AND OTHER REVENUE	60,211	193,073	22,022	375,000	4,856,078	(3,874,879)	1,631,505
CHANGE IN NET ASSETS	211,670	785,198	549,823	375,000	1,346,734	-	3,268,425
Net assets at beginning of year	1,732,965	2,388,703	564,743	-	275,624	-	4,962,035
NET ASSETS AT END OF YEAR	\$ 1,944,635	\$ 3,173,901	\$ 1,114,566	\$ 375,000	\$ 1,622,358	\$ -	\$ 8,230,460

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL 1

YEAR ENDED JUNE 30, 2020

	No of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	14	\$ 703,527	\$ 64,549	\$ 768,076	\$ 113,256	\$ -	\$ 113,256	\$ 881,332
Instructional personnel	39	1,781,917	163,493	1,945,410	-	-	-	1,945,410
Non-instructional personnel	16	512,639	47,035	559,674	37,594	-	37,594	597,268
Total personnel services costs	69	2,998,083	275,077	3,273,160	150,850	-	150,850	3,424,010
Fringe benefits and payroll taxes		523,233	48,007	571,240	26,327	-	26,327	597,567
Retirement		40,542	3,720	44,262	2,040	-	2,040	46,302
Legal service		-	-	-	738	-	738	738
Other purchased / professional / consulting services		476,338	64,179	540,517	565,607	51,929	617,536	1,158,053
Building and land rent / lease		876,534	80,423	956,957	44,103	-	44,103	1,001,060
Repairs and maintenance		160,785	14,752	175,537	8,090	-	8,090	183,627
Insurance		1,705	157	1,862	49,634	-	49,634	51,496
Utilities		89,982	8,256	98,238	4,527	-	4,527	102,765
Supplies / materials		77,636	7,123	84,759	-	-	-	84,759
Equipment / furnishings		1,163	107	1,270	59	-	59	1,329
Staff development		153,720	14,104	167,824	3,835	-	3,835	171,659
Technology		13,497	1,238	14,735	38,365	-	38,365	53,100
Food services		159,045	14,593	173,638	-	-	-	173,638
Student services		9,316	855	10,171	-	-	-	10,171
Office expense		54,591	5,009	59,600	6,365	-	6,365	65,965
Depreciation and amortization		123,098	11,294	134,392	6,194	-	6,194	140,586
Other		-	-	-	71	-	71	71
		<u>\$ 5,759,268</u>	<u>\$ 548,894</u>	<u>\$ 6,308,162</u>	<u>\$ 906,805</u>	<u>\$ 51,929</u>	<u>\$ 958,734</u>	<u>\$ 7,266,896</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL II
YEAR ENDED JUNE 30, 2020

	No of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs								
Administrative staff personnel	23	\$ 1,106,674	\$ 135,138	\$ 1,241,812	\$ 210,733	\$ -	\$ 210,733	\$ 1,452,545
Instructional personnel	68	3,346,896	408,697	3,755,593	-	-	-	3,755,593
Non-instructional personnel	23	672,433	82,113	754,546	68,165	-	68,165	822,711
Total personnel services costs	114	5,126,003	625,948	5,751,951	278,898	-	278,898	6,030,849
Fringe benefits and payroll taxes		829,389	101,279	930,668	45,126	-	45,126	975,794
Retirement		66,426	8,111	74,537	3,614	-	3,614	78,151
Legal service		-	-	-	7,422	-	7,422	7,422
Other purchased / professional / consulting services		904,836	123,815	1,028,651	1,070,838	98,068	1,168,906	2,197,557
Building and land rent / lease		3,712,561	456,149	4,168,710	203,243	-	203,243	4,371,953
Repairs and maintenance		207,441	24,747	232,188	11,027	-	11,027	243,215
Insurance		3,113	380	3,493	90,296	-	90,296	93,789
Utilities		147,004	17,951	164,955	7,998	-	7,998	172,953
Supplies / materials		160,660	19,619	180,279	-	-	-	180,279
Equipment / furnishings		17,871	2,182	20,053	972	-	972	21,025
Staff development		15,746	1,923	17,669	429	-	429	18,098
Marketing / recruitment		-	-	-	2,372	-	2,372	2,372
Technology		20,469	2,500	22,969	81,227	-	81,227	104,196
Food services		284,619	34,756	319,375	-	-	-	319,375
Student services		93,383	11,403	104,786	-	-	-	104,786
Office expense		29,172	4,146	33,318	59,881	-	59,881	93,199
Depreciation and amortization		370,894	42,490	413,384	18,932	-	18,932	432,316
Other		-	-	-	8,982	-	8,982	8,982
		<u>\$ 11,989,587</u>	<u>\$ 1,477,399</u>	<u>\$ 13,466,986</u>	<u>\$ 1,891,257</u>	<u>\$ 98,068</u>	<u>\$ 1,989,325</u>	<u>\$ 15,456,311</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL III

YEAR ENDED JUNE 30, 2020

	No of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs								
Administrative staff personnel	11	\$ 522,679	\$ 46,227	\$ 568,906	\$ 96,257	\$ -	\$ 96,257	\$ 665,163
Instructional personnel	28	1,286,295	113,762	1,400,057	-	-	-	1,400,057
Non-instructional personnel	5	182,414	16,133	198,547	21,279	-	21,279	219,826
Total personnel services costs	44	1,991,388	176,122	2,167,510	117,536	-	117,536	2,285,046
Fringe benefits and payroll taxes		344,933	30,506	375,439	20,359	-	20,359	395,798
Retirement		37,890	3,351	41,241	2,236	-	2,236	43,477
Legal services		-	-	-	148	-	148	148
Other purchased / professional / consulting services		302,980	40,469	343,449	354,145	32,367	386,512	729,961
Building and land rent / lease		1,163,848	102,933	1,266,781	68,693	-	68,693	1,335,474
Repairs and maintenance		49,012	4,335	53,347	2,893	-	2,893	56,240
Insurance		1,070	95	1,165	41,313	-	41,313	42,478
Utilities		43,678	3,863	47,541	2,578	-	2,578	50,119
Supplies / materials		54,856	4,851	59,707	-	-	-	59,707
Equipment / furnishings		861	76	937	51	-	51	988
Staff development		19,941	1,764	21,705	832	-	832	22,537
Technology		153	13	166	50,442	-	50,442	50,608
Food services		116,699	10,321	127,020	-	-	-	127,020
Student services		17,448	1,543	18,991	-	-	-	18,991
Office expense		22,051	1,950	24,001	17,286	-	17,286	41,287
Depreciation and amortization		70,671	6,250	76,921	4,171	-	4,171	81,092
Other		-	-	-	8	-	8	8
		<u>\$ 4,237,479</u>	<u>\$ 388,442</u>	<u>\$ 4,625,921</u>	<u>\$ 682,691</u>	<u>\$ 32,367</u>	<u>\$ 715,058</u>	<u>\$ 5,340,979</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL NETWORK

YEAR ENDED JUNE 30, 2020

	No of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs								
Administrative staff personnel	22	\$ 890,562	\$ 95,247	\$ 985,809	\$ 1,079,105	\$ 133,890	\$ 1,212,995	\$ 2,198,804
Instructional personnel	-	-	-	-	-	-	-	-
Non-instructional personnel	-	-	-	-	-	-	-	-
Total personnel services costs	22	890,562	95,247	985,809	1,079,105	133,890	1,212,995	2,198,804
Fringe benefits and payroll taxes		165,707	17,722	183,429	200,788	24,913	225,701	409,130
Retirement		31,929	3,415	35,344	38,689	4,800	43,489	78,833
Legal service		-	-	-	14,413	-	14,413	14,413
Accounting / audit services		-	-	-	54,700	-	54,700	54,700
Other purchased / professional / consulting services		3,929	420	4,349	22,732	-	22,732	27,081
Repairs and maintenance		10,986	1,175	12,161	14,964	-	14,964	27,125
Insurance		-	-	-	3,496	-	3,496	3,496
Utilities		-	-	-	-	-	-	-
Supplies / materials		109,968	55,512	165,480	-	-	-	165,480
Equipment / furnishings		-	-	-	5,076	-	5,076	5,076
Staff development		54,963	5,878	60,841	15,112	-	15,112	75,953
Marketing / recruitment		-	-	-	127,068	-	127,068	127,068
Technology		30	3	33	31,358	-	31,358	31,391
Office expense		94,494	10,135	104,629	69,351	1,558	70,909	175,538
Depreciation and amortization		42,872	4,585	47,457	58,395	-	58,395	105,852
Other		262	-	262	9,142	-	9,142	9,404
		<u>\$ 1,405,702</u>	<u>\$ 194,092</u>	<u>\$ 1,599,794</u>	<u>\$ 1,744,389</u>	<u>\$ 165,161</u>	<u>\$ 1,909,550</u>	<u>\$ 3,509,344</u>

APPENDIX F

FORMS OF LOAN AGREEMENT, INDENTURE, COVENANT AGREEMENT, AND LEASES

LOAN AGREEMENT

Dated as of December 1, 2020

by and between

BUILD NYC RESOURCE CORPORATION,

a 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, having its principal office at One Liberty Plaza, New York, New York 10006,
as “**Issuer**”

and

HIGHBRIDGE FACILITIES, LLC,

a Delaware limited liability company that is a disregarded entity for federal tax purposes, having its principal office at 14 West 170 Street, Bronx, New York 10452, as “**Institution**”

\$69,760,000

Build NYC Resource Corporation
Revenue Bonds, Series 2020A-1
(Family Life Academy Charter Schools Project)

\$2,125,000

Build NYC Resource Corporation
Taxable Revenue Bonds, Series 2020A-2
(Family Life Academy Charter Schools Project)

\$13,085,000

Build NYC Resource Corporation
Revenue Bonds, Series 2020B-1
(Family Life Academy Charter Schools Project)

\$340,000

Build NYC Resource Corporation
Taxable Revenue Bonds, Series 2020B-2
(Family Life Academy Charter Schools Project)

\$38,175,000

Build NYC Resource Corporation
Revenue Bonds, Series 2020C-1
(Family Life Academy Charter Schools Project)

\$1,620,000

Build NYC Resource Corporation
Taxable Revenue Bonds, Series 2020C-2
(Family Life Academy Charter Schools Project)

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS AND CONSTRUCTION	2
Section 1.01. Definitions.....	2
Section 1.02. Construction	28
ARTICLE II REPRESENTATIONS AND WARRANTIES	29
Section 2.01. Representations and Warranties by Issuer	29
Section 2.02. Representations and Warranties by the Institution	30
ARTICLE III THE PROJECT; MAINTENANCE; REMOVAL OF PROPERTY AND TITLE INSURANCE.....	33
Section 3.01. Agreement to Undertake Project.....	33
Section 3.02. Manner of Project Completion.....	34
Section 3.03. Maintenance	35
Section 3.04. Alterations and Improvements.....	36
Section 3.05. Removal of Property of the Facility.....	37
Section 3.06. Implementation of Additional Improvements and Removals	37
Section 3.07. Title Insurance	38
Section 3.08. No Warranty of Condition or Suitability	38
ARTICLE IV LOAN; PAYMENT PROVISIONS	39
Section 4.01. Loan of Proceeds.....	39
Section 4.02. Promissory Note.....	39
Section 4.03. Loan Payments; Pledge of this Agreement and of the Promissory Note..	39
Section 4.04. Loan Payments and Other Payments Payable Absolutely Net	42
Section 4.05. Nature of Institution's Obligation Unconditional	43
Section 4.06. Advances by the Issuer or the Trustee	43
ARTICLE V RECAPTURE OF BENEFITS.....	43
Section 5.01. Recapture of Benefits.....	43
ARTICLE VI DAMAGE, DESTRUCTION AND CONDEMNATION.....	46
Section 6.01. Damage, Destruction and Condemnation	46
Section 6.02. Loss Proceeds.....	46
Section 6.03. Election to Rebuild or Terminate.....	47
Section 6.04. Effect of Election to Build	48
ARTICLE VII COVENANTS OF THE ISSUER	50
Section 7.01. Assignment of Promissory Note and Assignment of Mortgage	50
Section 7.02. Issuance of Initial Bonds.....	50
Section 7.03. Issuance of Additional Bonds	50
Section 7.04. Pledge and Assignment to Trustee.....	50
ARTICLE VIII COVENANTS OF THE INSTITUTION.....	50
Section 8.01. Insurance	50
Section 8.02. Indemnity	57

Section 8.03.	Compensation and Expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents; Administrative and Project Fees	58
Section 8.04.	Current Facility Personalty Description.....	59
Section 8.05.	Signage at Facility Site	60
Section 8.06.	Environmental Matters.....	60
Section 8.07.	Employment Matters.....	61
Section 8.08.	Non-Discrimination	62
Section 8.09.	Assignment of this Agreement or Lease of Facility	62
Section 8.10.	Retention of Title to or of Interest in Facility; Grant of Easements; Release of Portions of Facility	65
Section 8.11.	Discharge of Liens	67
Section 8.12.	Filing	68
Section 8.13.	No Further Encumbrances Permitted.....	70
Section 8.14.	Documents Automatically Deliverable to the Issuer	70
Section 8.15.	Requested Documents.....	71
Section 8.16.	Periodic Reporting Information for the Issuer	72
Section 8.17.	Taxes, Assessments and Charges.....	74
Section 8.18.	Compliance with Legal Requirements.....	74
Section 8.19.	Operation as Approved Facility	75
Section 8.20.	Restrictions on Dissolution and Merger	76
Section 8.21.	Preservation of Exempt Status	78
Section 8.22.	Securities Law Status	78
Section 8.23.	Further Assurances.....	79
Section 8.24.	Tax Regulatory Agreement.....	79
Section 8.25.	Compliance with the Indenture	79
Section 8.26.	Reporting Information for the Trustee	79
Section 8.27.	Continuing Disclosure	81
Section 8.28.	Special Covenants.....	81
Section 8.29.	HireNYC Program	82
Section 8.30.	Living Wage.....	82
Section 8.31.	Repair and Replacement Fund.	89
ARTICLE IX REMEDIES AND EVENTS OF DEFAULT		90
Section 9.01.	Events of Default	90
Section 9.02.	Remedies on Default.....	91
Section 9.03.	Bankruptcy Proceedings	93
Section 9.04.	Remedies Cumulative	93
Section 9.05.	No Additional Waiver Implied by One Waiver.....	93
Section 9.06.	Effect on Discontinuance of Proceedings	94
Section 9.07.	Agreement to Pay Fees and Expenses of Attorneys and Other Consultants	94
Section 9.08.	Certain Continuing Representations	94
Section 9.09.	Late Delivery Fees	94
ARTICLE X TERMINATION OF THIS AGREEMENT		95
Section 10.01.	Termination of this Agreement.....	95
Section 10.02.	Actions on Termination	95

Section 10.03. Survival of Institution Obligations.....	96
ARTICLE XI CERTAIN PROVISIONS RELATING TO THE BONDS.....	97
Section 11.01. Issuance of Additional Bonds.....	97
Section 11.02. Determination of Taxability.....	97
Section 11.03. Mandatory Redemption of Bonds as Directed by the Issuer	98
Section 11.04. Reserved.....	98
Section 11.05. Right to Cure Issuer Defaults.....	98
Section 11.06. Prohibition on the Purchase of Bonds.....	99
Section 11.07. Investment of Funds.....	99
ARTICLE XII MISCELLANEOUS.....	99
Section 12.01. Force Majeure	99
Section 12.02. Assignment of Mortgage and Pledge under Indenture	100
Section 12.03. Amendments	100
Section 12.04. Service of Process	100
Section 12.05. Notices	101
Section 12.06. Consent to Jurisdiction.....	102
Section 12.07. Prior Agreements Superseded.....	103
Section 12.08. Severability	103
Section 12.09. Effective Date; Counterparts.....	103
Section 12.10. Binding Effect.....	103
Section 12.11. Third Party Beneficiaries; Consent of Holders	103
Section 12.12. Law Governing	104
Section 12.13. Waiver of Trial by Jury.....	104
Section 12.14. Recourse Under This Agreement.....	104
Section 12.15. Legal Counsel; Mutual Drafting.....	104

EXHIBITS

Exhibit A - Description of the Land
Exhibit B - Description of the Facility Personality
Exhibit C - Authorized Representative
Exhibit D - Principals of Institution
Exhibit E - Project Cost Budget
Exhibit F - Form of Required Disclosure Statement
Exhibit G - Form of Project Completion Certificate
Exhibit H-1 – Form of Tax-Exempt Promissory Note
Exhibit H-2 – Form of Taxable Promissory Note
Exhibit I - HireNYC
Exhibit J – Form of LW Agreement

LOAN AGREEMENT

This **LOAN AGREEMENT**, dated as of December 1, 2020 (this “**Agreement**”), is by and between **BUILD NYC RESOURCE CORPORATION**, a 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, having its principal office at One Liberty Plaza, New York, New York 10006 (the “**Issuer**”), party of the first part, and **HIGHBRIDGE FACILITIES, LLC**, a limited liability company that is a disregarded entity for federal tax purposes organized and existing under the laws of the State of Delaware, having its principal office at 14 West 170 Street, Bronx, New York 10452 (the “**Institution**”), the sole member of which is HB Foundation, Inc., a New York not-for-profit corporation, exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”), party of the second part party of the second part (capitalized terms used herein shall have the respective meanings assigned to such terms throughout this Agreement).

WITNESSETH:

WHEREAS, the Issuer is authorized pursuant to Section 1411(a) of the Not-for-Profit Corporation Law of the State of New York, as amended, and its Certificate of Incorporation and By-Laws (i) to promote community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of The City of New York (the “**City**”) by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses and other entities to access 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; and

WHEREAS, the Certificate of Incorporation of the Issuer further provides that the lessening of the burdens of government and the exercise of the powers conferred on the Issuer are the performance of an essential governmental function, which activities will assist the City in reducing unemployment and promoting additional job growth and economic development; and

WHEREAS, the Institution has entered into negotiations with officials of the Issuer for the Issuer’s assistance with a tax-exempt and taxable bond transaction, the proceeds of which, together with other funds of the Institution, will be used by the Institution for the acquisition, construction, renovation, equipping and furnishing of the Improvements as part of the Project; and

WHEREAS, the Issuer has determined that the providing of financial assistance to the Institution for the Project will promote and is authorized by and will be in furtherance of the corporate purposes of the Issuer; and

WHEREAS, as a result of such negotiations, the Institution has requested the Issuer to issue its bonds to finance a portion of the costs of the Project; and

WHEREAS, the Issuer adopted the Bond Resolution authorizing the Project and authorizing the issuance of its revenue bonds to finance a portion of the costs of the Project; and

WHEREAS, to facilitate the Project and the issuance by the Issuer of its revenue bonds to finance a portion of the costs of the Project, the Issuer and the Institution have entered into negotiations pursuant to which (i) the Issuer will make the Loan of the proceeds of the Initial Bonds, in the original aggregate principal amount of the Initial Bonds, to the Institution pursuant to this Agreement, and (ii) the Institution will execute the Promissory Note in favor of the Issuer to evidence the Institution's obligation under this Agreement to repay the Loan, and the Issuer will endorse the Promissory Note to the Trustee; and

WHEREAS, to provide funds for a portion of the costs of the Project and for incidental and related costs and to provide funds to pay the costs and expenses of the issuance of the Initial Bonds, the Issuer has authorized the issuance of the Initial Bonds in the Authorized Principal Amount pursuant to the Bond Resolution and the Indenture; and

WHEREAS, concurrently with the execution hereof, in order to further secure the Initial Bonds, (i) the Institution will grant a lien on and security interest in the Pledged Collateral pursuant to the Pledge and Security Agreement in favor of the Trustee, subject only to the lien of the Mortgage and any other applicable Permitted Encumbrances, and (ii) the Institution will grant a mortgage lien on and security interest in its fee interest in the Mortgaged Property to the Issuer and the Trustee pursuant to the Mortgage, and the Issuer will assign its right, title and interest under the Mortgage to the Trustee pursuant to the Assignment of Mortgage.

NOW, THEREFORE, in consideration of the premises and the respective representations and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01. Definitions. The following capitalized terms shall have the respective meanings specified for purposes of this Agreement.

165th Street Facility means the acquisition, construction, furnishing and equipping of an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street.

165th Street Lease Agreement shall mean that certain Lease Agreement for the 165th Street Facility dated as of even date herewith, and from the Institution to the Organization.

Account Control Agreement shall mean the Account Control Agreement, dated as of December 1, 2020, among the Institution, the Trustee and the Depositary Bank, as the same may be amended or supplemented from time to time or any successor Account Control Agreement entered into by a successor Depositary Bank, the Trustee, and the Institution.

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

Additional Improvements shall have the meaning specified in Section 3.4(a).

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. For the avoidance of doubt, the Institution and Organization are Affiliates.

Agreement shall mean this Loan Agreement, dated as of the date set forth in the first paragraph hereof, between the Issuer and the Institution, and shall include any and all amendments hereof and supplements hereto hereafter made in conformity herewith 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 owned by the Institution and occupied, used and operated by the Organization 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 this Agreement.

Approved Project Operations shall mean the facilities located at 1400 Cromwell Avenue, Bronx, New York, 370 Gerard Avenue, Bronx, New York, 316 East 165th Street, Bronx, New York, 325 East 165th Street Bronx, New York and 335 East 165th Street Bronx, New York, for use by the Institution in the providing of education services to students in kindergarten through grade 8.

Asserted Cure has the meaning specified in Section 8.30(k)(i).

Asserted LW Violation has the meaning specified in Section 8.30(k)(i).

Assignment of Construction Contract shall mean the Assignment of Design-Build Contract dated December 22, 2020, from the Institution, the Developer and the Design-Builder to the Trustee.

Assignment of Development Agreement shall mean the Assignment of Development Agreement dated as of December 22, 2020, from the Institution to the Trustee, and consented to by the Developer.

Assignment of Lease shall mean collectively, (i) the Assignment of Lease (Cromwell Facility), (ii) the Assignment of Lease (Gerard Avenue Facility), and (iii) the Assignment of Lease

(165th Street Facility) relating to the Facility, each dated as of even date herewith, and each from the Institution to the Trustee.

Assignment of Mortgage shall mean collectively, (i) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Acquisition Loan), (ii) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Building Loan), (iii) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Indirect Loan), (iv) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Acquisition Loan), (v) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Indirect Loan), (vi) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Acquisition Loan) and (vii) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Indirect Loan), relating to the Facility, each dated as of even date herewith, and each from the Issuer to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Authorized Denomination (i) in the case of the Initial Bonds, \$100,000 or any integral multiple of \$5,000 in excess thereof, (ii) in the case of any Additional Bonds, such denominations as shall be set forth in the Supplemental Indenture executed and delivered in connection with such Additional Bonds; provided, however, that if the Initial Bonds are rated investment grade by each Rating Agency then rating the Initial Bonds, then, upon the Trustee receiving written notice of the occurrence of such event, the Authorized Denomination with respect to the Initial Bonds shall be \$5,000 or any integral multiple thereof.

Authorized Principal Amount shall mean, (i) in the case of the Series 2020A-1 Bonds, \$69,760,000, (ii) in the case of the Series 2020A-2 Bonds, \$2,125,000, (iii) in the case of the Series 2020B-1 Bonds, \$13,085,000, (iv) in the case of the Series 2020B-2 Bonds, \$340,000, (v) in the case of the Series 2020C-1 Bonds, \$38,175,000, (vi) in the case of the Series 2020C-2 Bonds, \$1,620,000, and (vii) in the case of any Additional Bonds, such authorized principal amount as shall be set forth in the Supplemental Indenture executed and delivered in connection with such Additional Bonds.

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”, or any other officer or employee of the Institution who is authorized to perform specific duties hereunder 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 this 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.

Benefits shall have the meaning set forth in Section 5.1(a).

Bond Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of 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 December 11, 2020, among the Institution, the Issuer and the Underwriter.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution shall mean the resolution of the Issuer adopted on July 28, 2020 as amended on September 22, 2020, authorizing the issuance of the Initial Bonds.

Bonds shall mean the Initial Bonds and any Additional Bonds.

Building Loan Agreement shall mean the Building Loan Agreement (Cromwell Facility), dated as of even date herewith, among the Issuer, the Institution and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Business Day shall mean any day that shall not be:

- (i) a Saturday, Sunday or legal holiday;
- (ii) a day on which 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 have the meaning set forth in Section 8.1(a).

CGL shall have the meaning set forth in Section 8.1(a).

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

Claims shall have the meaning set forth in Section 8.2(a).

Closing Date shall mean December 22, 2020, the date of the initial issuance and delivery of the Initial Bonds, and for any Additional Bonds, the date of the initial issuance and delivery of the Additional Bonds.

CM shall have the meaning set forth in Section 8.1(a).

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.

Completed Improvements Square Footage shall mean (i) with respect to the Cromwell Facility, approximately 70,000 square feet, (ii) with respect to the Gerard Avenue Facility, approximately 20,000 square feet, and (iii) with respect to the 165th Street Facility, approximately 55,000, square feet, the square footage of the Improvements upon completion of the Project Work.

Completion Deadline shall mean (i) with respect to the Cromwell Facility, December 22, 2023, and (ii) with respect to the Gerard Avenue Facility, and the 165th Street Facility the Closing Date.

Comptroller has the meaning specified in Section 8.30(b).

Concessionaire has the meaning specified in Section 8.30(b).

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

Construction shall have the meaning set forth in Section 8.1(a).

CDMA shall mean the Construction Disbursement and Monitoring Agreement, dated as of December 22, 2020, between the Institution, the Developer and the Construction Monitor.

Construction Monitor shall mean shall mean Anser Advisory LLC, or any other independent, individual, licensed architect or engineer or independent, licensed engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Organization for other purposes) selected by the Organization as evidenced to the Trustee by a written certificate containing the specimen signature of the authorized signatory for the Construction Monitor's firm.

Construction Workforce Disclosure Law shall have the meaning set forth in Section 8.16(g).

Contractor shall have the meaning set forth in Section 8.1(a).

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 fee; counsel fees (including bond counsel, counsel to the Underwriter, Trustee's counsel, Issuer's counsel, Institution's counsel, Organization'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, the Institution or the Organization 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 of 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.

Covenant Agreement means the Covenant Agreement, dated as of December 1, 2020, between the Organization and the Trustee, as the same may be amended or supplemented from time to time.

Covered Counterparty has the meaning specified in Section 8.30(b).

Covered Employer has the meaning specified in Section 8.30(b).

Cromwell Facility means an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement), facility, including parking.

DCA has the meaning specified in Section 8.30(b).

Debt Service Reserve Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

Debt Service Reserve Fund Requirement shall mean

(a) with respect to the Initial Bonds, an amount (which amount may take the form of cash, Qualified Investments or any combination thereof) equal to the lesser of:

(i) ten percent (10%) of the Stated Principal Amount (as defined in the Tax Regulatory Agreement) of the Initial Bonds;

(ii) one hundred percent (100%) of the greatest amount required to pay the sum of the scheduled principal and interest payable on Initial Bonds; or

(iii) one hundred twenty-five percent (125%) of the Institution's average annual debt service on the Initial Bonds; provided, that the amount to be deposited into

each subaccount of the Debt Service Reserve Fund for the Initial Bonds shall be a proportionate amount of the total amount based on the relative par amounts of each Series of Initial Bonds.

(b) with respect to any Series of Additional Bonds, such amount as shall be set forth in the Supplemental Indenture entered into in connection with the issuance of such Additional Bonds.

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

Depository Agreement means the Depository Agreement, dated as of December 1, 2020, between the Institution and the Depository Bank, as the same may be amended or supplemented from time to time.

Depository Bank means The Bank of New York Mellon, as depository bank for the Institution, or any successor depository bank for the Institution.

Design-Builder shall mean Gilbane Building Company, a Rhode Island business corporation, and its successors and assigns.

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 or HB Foundation have participated or has been given the opportunity to participate, and which ruling or memorandum the Institution and or HB Foundation, in their 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 and or HB Foundation have participated or have been a party, or has been given the opportunity to participate or be a party; or

(D) the admission in writing by the Institution or HB Foundation;

in any case, after the Closing Date, to the effect that the interest payable on the Tax-Exempt 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 Tax-Exempt Bond 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 Tax-Exempt Bond 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 Institution or Foundation involved in such proceeding (a) gives the Holder or former Holder of the Tax-Exempt Bond 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 Tax-Exempt Bond 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 Tax-Exempt Bond in the computation of minimum or indirect taxes.

Developer shall mean FLACS IV Project Development, LLC, a Utah limited liability company.

Development Agreement shall mean the Development Agreement, dated as of December 1, 2020, between the Developer and the Institution.

DOL shall have the meaning set forth in Section 8.7(a).

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 have the meaning set forth in Section 9.9(a).

Earnings Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

Employment Information shall have the meaning set forth in Section 8.7(c).

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.

Environmental Audit shall mean for the (a) Cromwell Facility that certain Phase I Environmental Site Assessment Report dated October 2019 and the Phase II Environmental Site Assessment Report dated July 23, 2020, (b) Gerard Avenue Facility that certain Phase I Environmental Site Assessment Report dated October 19, 2020, and (c) that certain Phase I

Environmental Site Assessment Report dated October 19, 2020, each prepared by the Environmental Auditor

Environmental Auditor shall mean for the (a) Cromwell Facility, Partridge Venture Engineering, PC d/b/a PVE Engineering, and (b) for the Gerard Avenue Facility and the 165th Street Facility, NV5 Transactional Services.

Environmental Indemnity Agreement shall mean the Environmental Indemnity Agreement, dated as of December 1, 2020, from the Institution to the Trustee.

Estimated Project Cost shall mean \$116,534,424.90.

Event of Default shall have the meaning specified in Section 9.1.

Event of Taxability shall mean the date specified in a Determination of Taxability as the date interest paid or payable on any Tax-Exempt 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 have the meaning set forth in Section 3.5(a).

Facility or Facilities 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 Section 3.2 and described in Exhibit B — “Description of the Facility Personalty”, 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 provisions of Sections 3.5 and 6.4, 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 in compliance with Section 3.5.

Facility Realty shall mean, collectively, the Land and the Improvements.

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 Section 3.2(f) 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 have the meaning set forth in Section 9.9(a)(ii).

FLACS IV Guaranty shall mean that certain FLACS IV Guaranty from the Organization to the Trustee providing for financial support during the ramp up of the Cromwell Facility.

FLACS IV Lease shall mean that certain FLACS IV Lease Agreement between the Organization and the Institution, as assigned to the Trustee, providing for occupancy of the Cromwell Facility.

Funds shall mean the special trust funds established pursuant to Section 5.01 of the Indenture.

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 have the meaning set forth in Section 8.1(a).

Gerard Avenue Facility means the acquisition, construction, furnishing and equipping of an existing 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York.

Gerard Avenue Lease Agreement shall mean that certain Lease Agreement for the Gerard Avenue Facility dated as of even date herewith, and from the Institution to the Organization.

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:

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

(ii) 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

(iii) 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.

Guaranty Agreement shall mean that certain Unlimited Guaranty Agreement delivered by the Organization to the Trustee guaranteeing the payment in full of the Organization's obligations under the Lease Agreements.

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.

HB Foundation shall mean HB Foundation, Inc., a New York not-for-profit corporation, exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, as sole member of the Institution.

Impositions shall have the meaning set forth in Section 8.17(a).

Improvements shall mean:

(i) all buildings, structures, foundations, related facilities, fixtures and other improvements of every nature whatsoever existing on the Closing Date and hereafter erected or situated on the Land;

(ii) any other buildings, structures, foundations, related facilities, fixtures and other improvements constructed or erected on the Land (including any improvements or demolitions made as part of the Project Work pursuant to Section 3.2); and

(iii) all replacements, improvements, additions, extensions, substitutions, restorations and repairs to any of the foregoing.

Indemnification Commencement Date shall mean July 28, 2020, the date on which the Issuer first adopted a resolution with respect to the Project.

Indemnified Parties shall have the meaning set forth in Section 8.2(a).

Indenture shall mean the Indenture of Trust, dated as of even date herewith, between the Issuer and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI of 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.

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 not objected to by the Trustee (acting at the direction of the Majority Holders after 30 days prior written notice).

Information Recipients shall have the meaning set forth in Section 8.7(c).

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

Initial Bonds shall mean collectively, the Series 2020A-1 Bonds, the Series 2020A-2 Bonds, the Series 2020B-1 Bonds, the Series 2020B-2 Bonds, the Series 2020C-1 Bonds and the Series 2020C-2 Bonds authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Institution shall mean Highbridge Facilities, LLC, a Delaware limited liability company that is a disregarded entity for federal income tax purposes, having as its sole member, HB Foundation, 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 Section 8.9 or 8.20.

Institution Documents shall mean collectively, the Bond Purchase Agreement, this Agreement, each Promissory Notes, each Mortgage, the Building Loan Agreement, the Pledge and Security Agreement, the Account Control Agreement, the Continuing Disclosure Agreement, the Depositary Agreement, each Lease Agreement, each Assignment of Lease, the Tax Regulatory Agreement and any other Project Documents to which the Institution is a party, each as may be amended from time to time.

Institution's Property shall have the meaning specified in Section 3.4(d).

Insured shall have the meaning set forth in Section 8.1(a).

Insurer shall have the meaning set forth in Section 8.1(a).

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to the Initial Bonds, June 1 and December 1 of each year, commencing June 1, 2021, 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 that certain ruling letter dated July 27, 2020 issued by the Internal Revenue Service to HB Foundation confirming that HB Foundation is a Tax-Exempt Organization.

ISO shall have the meaning set forth in Section 8.1(a).

ISO Form CG-0001 shall have the meaning set forth in Section 8.1(a).

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 this Agreement;

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

(iii) the right of the Issuer to enforce in its own behalf the obligation of the Institution under this 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 this Agreement with respect to ensuring that the Facility shall always constitute the Approved Facility;

(v) the right of the Issuer to amend with the Institution the provisions of Section 5.1 without the consent of the Trustee or any Bondholder;

(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 Article III (except for Section 3.1), Sections 4.4, 4.5 and 4.6, Article V, 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 Section 9.2(b).

Land shall mean collectively, that certain lot, piece or parcel of land in the Borough of Bronx, Tax Block 2857 and Lot 1, generally known by the street address 1400 Cromwell Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of Bronx, Tax Block 2344 and Lot 110, generally known by the street address 370-372 Gerard Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of Bronx, Tax Block 2342 and Lot 80, generally known by the street address 316 East 165th Street, Bronx, New York, and those certain lots, pieces or parcels of land in the Borough of Bronx, Tax Block 2433 and Lots 40 and 79, generally known by the street address 325 East 165th Street (a/k/a 321 East 165th Street) and 335 East 165th Street, all as more particularly described in Exhibit A — "Description of the Land", together with all easements, rights and interests now or hereafter appurtenant or beneficial thereto; but excluding, however, any real property or interest therein released pursuant to Section 8.10(c).

Land Square Footage shall mean collectively, (i) with respect to the Cromwell Facility approximately 18,066 square feet, (ii) with respect to the Gerard Avenue Facility approximately 6,550 square feet, and (iii) with respect to the 165th Street Facility approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street.

Lease Agreement shall mean, collectively (i) the FLACS IV Lease, (ii) the Gerard Avenue Lease Agreement, and (iii) the 165th Street Lease 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 have the meaning set forth in Section 8.2(a).

Liens shall have the meaning specified in Section 8.11(a).

Limited Enforcement Period shall mean the period of time beginning on the Closing Date until the earlier of (i) December 31, 2024, or (ii) the Project Completion Date of the Cromwell Facility as evidenced by the completion certificate and other documents required by Section 3.2(f) hereof.

Loan shall mean the loan made by the Issuer to the Institution pursuant to this Agreement as described in Section 4.1.

Loan Payment Date shall mean each January 5, March 5, May 5, July 5, September 5 and November 5.

Loss Event shall have the meaning specified in Section 6.1.

LW has the meaning specified in Section 8.30(b).

LW Agreement has the meaning specified in Section 8.30(b).

LW Agreement Delivery Date has the meaning specified in Section 8.30(b).

LW Event of Default has the meaning specified in Section 8.30(b).

LW Law has the meaning specified in Section 8.30(b).

LW Term has the meaning specified in Section 8.30(b).

LW Violation Final Determination has the meaning specified in Section 8.30(k)(i)(1), Section 8.30(k)(i)(2)(A) or Section 8.30(k)(i)(2)(B), as applicable.

LW Violation Initial Determination has the meaning specified in Section 8.30(k)(i)(2).

LW Violation Notice has the meaning specified in Section 8.30(k)(i).

LW Violation Threshold has the meaning specified in Section 8.30(b).

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 collectively, (i) with respect to the Series 2020A-1 Bonds, June 1, 2040 and June 1, 2055, (ii) with respect to the Series 2020A-2 Bonds, June 1, 2028, (iii) with respect to the Series 2020B-1 Bonds, June 1, 2040 and June 1, 2055, (iv) with respect to the Series 2020B-2 Bonds, June 1, 2024, (v) with respect to the Series 2020C-1 Bonds, June 1, 2040 and June 1, 2055, (vi) with respect to the Series 2020C-2 Bonds, June 1, 2025.

Merge shall have the meaning specified in Section 8.20(a)(v).

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.

Mortgage shall mean, collectively, (i) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Acquisition Loan), (ii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Building Loan), (iii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Indirect Loan), (iv) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Acquisition Loan), (v) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Indirect Loan), (vi) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Acquisition Loan) and (vii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Indirect Loan), relating to the Facility, each dated as of even date herewith, and each from the Institution to the Issuer and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Mortgaged Property shall have the meaning specified in the Mortgage.

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 have the meaning specified in Section 9.9(b).

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.

Obligated Group Guaranty Agreement shall mean the Obligated Group Guaranty Agreement, dated as of December 1, 2020, from the Organization to the Trustee.

Operations Commencement Date shall have the meaning set forth in Section 5.1(a).

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.

Organization shall mean Family Life Academy Charter Schools, a New York not-for-profit education corporation, exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Organization DACA shall mean collectively, (i) a certain Deposit Account Control Agreement, dated as of December 1, 2020, between the Organization, the Trustee and Ponce Bank, a federal bank, as depositary bank, and (ii) the Deposit Account Control Agreement between the Organization, the Trustee and The Bank of New York Mellon, a New York banking corporation, as depositary bank, dated as of December 1, 2020.

Organization Documents shall mean, collectively, the Tax Regulatory Agreement, the Covenant Agreement, the Organization PSA, the Continuing Disclosure Agreement, each Lease Agreement, and the Organization DACA.

Organization PSA shall mean the Organization Pledge and Security Agreement, dated as of even date herewith, from the Organization to the Institution, as assigned to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with this Indenture.

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 Article X of the Indenture, there has been separately set aside and held in the applicable subaccount of 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 Article III of 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 hereunder 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 has the meaning specified in Section 8.30(b).

Owed Monies has the meaning specified in Section 8.30(b).

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 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 Section 8.3, (y) delivered to the Issuer all or any of the Fixed Date Deliverables on the respective dates required under Section 8.14 or 8.16, and/or (z) delivered to the Issuer all or any of the Requested Document Deliverables under Section 8.15 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) the Mortgage (as assigned by the Assignment of Mortgage), the Building Loan Agreement, the Lease Agreement and any other Project Document;
- (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 Section 8.11(b);

(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 this Agreement;

(v) those exceptions to title to the Mortgaged Property enumerated in the title insurance policy delivered pursuant to Section 3.7 insuring the Trustee's mortgagee interest in the Mortgaged Property, a copy of which is on file at the offices of the Issuer and at the designated corporate trust office of the Trustee;

(vi) liens arising by reason of good faith deposits with the Institution in connection with the tenders, leases of real estate, if permitted under the terms of this Agreement, 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;

(vii) 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 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;

(viii) any purchase money security interest in movable personal property, including equipment leases and financing, if permitted by the terms of this Agreement;

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

(x) 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, so long as not first in right to the lien of the Mortgages, as confirmed by a nationally recognized title insurance company reasonably acceptable to the Trustee; and

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

Person shall mean an individual or any Entity.

Pledge and Security Agreement shall mean the Pledge and Security Agreement, dated as of even date herewith, from 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.

Pledged Collateral shall mean all assets of the Institution.

Policy(ies) shall have the meaning specified in Section 8.1(a).

Predecessor Institution shall have the meaning specified in Section 8.20(b)(ii).

Prevailing Wage Law has the meaning specified in Section 8.30(b).

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Principals shall mean, with respect to any Entity, the most senior three officers of such Entity, any Person with a ten percent (10%) or greater ownership interest in such Entity and any Person as shall have the power to Control such Entity, and “principal” shall mean any of such Persons.

Project shall mean (1) the acquisition of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement), facility, including parking; (2) the acquisition, construction, furnishing and equipping of an existing 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York; (3) the acquisition, construction, furnishing and equipping of an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street; (4) funding the initial deposit into the Debt Service Reserve Fund, and (5) paying for certain costs related to 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”, 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 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”.

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 Series 2020A-1 Bonds during the construction and renovation of the Cromwell Facility portion 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) all costs of title insurance as provided in Section 3.7;

(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 Institution Documents, the Organization Documents and the Security Documents.

Project Fee shall mean \$645,000, representing the \$650,000 Issuer’s financing fee, less the application fee of \$5,000.

Project Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

Project Work shall mean (i) the design, construction and/or renovation of the Improvements, 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, collectively, (a) that certain Series 2020A-1 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (b) that certain Series 2020A-2 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (c) that certain Series 2020B-1 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (d) that certain Series 2020B-2 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (e) that certain Series 2020C-1 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, and (f) that certain Series 2020C-2 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, each substantially the form of Exhibits H-1 through H-6 to this 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 this 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 this Agreement and the Indenture.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

- (a) Government Obligations
- (b) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from S&P and Moody's, of A1 and P1, respectively;
- (c) repurchase and reverse repurchase agreements collateralized with Government Obligations, including those of the Trustee or any of its affiliates;
- (d) investments in money market mutual funds having a rating at time of investment in the highest investment category granted thereby from 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 (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (e) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit or bankers acceptances of depository institutions, including the Trustee or

any of its affiliates, rated in the AA long-term ratings category or higher by S&P or Moody's or which are fully FDIC-insured;

(f) direct and general long-term obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by Moody's or S&P;

(g) direct and general short-term obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in the highest rating category by Moody's and S&P; and

(h) other obligations, interest on which is excludable from gross income for purposes of federal income taxation, which are rated in the two highest rating categories by S&P and Moody's.

Qualified Workforce Program has the meaning specified in Section 8.30(b).

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.

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 Section 5.01 of the Indenture.

Recapture Event shall have the meaning set forth in Section 5.1(a).

Recapture Period shall have the meaning set forth in Section 5.1(a).

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of 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.

Renewal Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

Repair and Replacement Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

Repair and Replacement Requirement shall mean an amount equal to (a) \$115,500 per annum commencing with the Fiscal Year ending June 30, 2021 through the Fiscal Year ending

June 30, 2023, and (b) \$211,500 per annum commencing with the Fiscal Year ending June 30, 2024, subject to change pursuant to Section 5(Q) of the Covenant Agreement, Section 8.31 of this Agreement and Section 5.14 of the Indenture, provided that such amounts shall not be decreased so long as the Bonds are Outstanding.

Requested Document Deliverables shall have the meaning set forth in Section 9.9(a).

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

Revenue Fund means the special trust fund so designated, established pursuant to Section 5.01.

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, this Agreement, the Promissory Note, the Pledge and Security Agreement, the Indenture, the Account Control Agreement, the Depositary Agreement, the Covenant Agreement, the Lease Agreement, the Tax Regulatory Agreement, the Building Loan Agreement, the FLACS IV Guaranty, the Guaranty Agreement, the Environmental Indemnity Agreement, the Organization PSA, the Organization DACA, the CDMA, the Development Agreement, the Assignment of Construction Contract, the Assignment of Development Agreement, the Mortgage and the Assignment of Mortgage.

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.

Series 2020A-1 Bonds shall mean the Issuer's \$69,760,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-1 authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Series 2020A-2 Bonds shall mean the Issuer's \$2,125,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-2 authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Series 2020B-1 Bonds shall mean the Issuer's \$13,085,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-1 authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Series 2020B-2 Bonds shall mean the Issuer's \$340,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-2 authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Series 2020C-1 Bonds shall mean the Issuer's \$38,175,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-1 authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Series 2020C-2 Bonds shall mean the Issuer's \$1,620,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-2 authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Series 2020A-1 Promissory Note shall mean the Promissory Note in substantially the form of Exhibit H-1 to this Agreement.

Series 2020A-2 Promissory Note shall mean the Promissory Note in substantially the form of Exhibit H-2 to this Agreement.

Series 2020B-1 Promissory Note shall mean the Promissory Note in substantially the form of Exhibit H-1 to this Agreement.

Series 2020B-2 Promissory Note shall mean the Promissory Note in substantially the form of Exhibit H-2 to this Agreement.

Series 2020C-1 Promissory Note shall mean the Promissory Note in substantially the form of Exhibit H-1 to this Agreement.

Series 2020C-2 Promissory Note shall mean the Promissory Note in substantially the form of Exhibit H-2 to this Agreement.

Sign shall have the meaning specified in Section 8.5.

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 Section 5.01 of the Indenture.

SIR shall have the meaning set forth in Section 8.1(a).

Site Affiliates has the meaning specified in Section 8.30(b).

Site Employee has the meaning specified in Section 8.30(b).

Small Business Cap has the meaning specified in Section 8.30(b).

Specified Contract has the meaning specified in Section 8.30(b).

State shall mean the State of New York.

Successor Institution shall have the meaning specified in Section 8.20(b)(ii).

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 Article XI of the Indenture.

Taxable Bonds shall mean the Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds and any other such Additional Bonds that shall be issued as taxable bonds under this Indenture.

Tax-Exempt Bonds shall mean the Series 2020A-1 Bonds, the Series 2020B-1 Bonds and the Series 2020C-1 Bonds and any other such Additional Bonds that shall be issued as tax-exempt bonds under this 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 this Agreement may terminate pursuant to Article X.

Transfer shall have the meaning specified in Section 8.20(a)(iv).

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 have the meaning set forth in Section 8.1(a).

Workers' Compensation shall have the meaning set forth in Section 8.1(a).

Section 1.02. Construction. In this Agreement, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Agreement, refer to this Agreement, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the Closing Date.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships and limited liability partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Agreement, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

(e) Unless the context indicates otherwise, references to designated “Exhibits”, “Articles”, “Sections”, “Subsections”, “clauses” and other subdivisions are to the designated Exhibits, Articles, Sections, Subsections, clauses and other subdivisions of or to this Agreement.

(f) The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(g) The word “will” shall be construed to have the same meaning and effect as the word “shall”.

(h) Any definition of or reference to any agreement, instrument or other document herein shall be construed to refer to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein or herein).

(i) Any reference to any Person, or to any Person in a specified capacity, shall be construed to include such Person's successors and assigns or such Person's successors in such capacity, as the case may be.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties by Issuer. The Issuer makes the following representations and warranties:

(a) The Issuer is 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 is duly organized and validly existing under the laws of the State.

(b) Assuming the accuracy of representations made by the Institution, the Issuer is authorized and empowered to enter into the transactions contemplated by this Agreement and any other Project Documents to which the Issuer is a party and to carry out its obligations hereunder and thereunder and to issue and sell the Initial Bonds.

(c) By proper action of its board of directors, the Issuer has duly authorized the execution and delivery of this Agreement and each of the other Project Documents to which the Issuer is a party.

(d) In order to finance a portion of the cost of the Project, the Issuer proposes to issue the Initial Bonds in the Authorized Principal Amount. The Initial Bonds will mature, bear interest, be redeemable and have the other terms and provisions set forth in the Indenture.

(e) The Issuer is that not-for-profit local development corporation formed and existing on behalf of the City to act as a governmental issuer of tax-exempt and taxable bonds and notes for the purpose of providing financial assistance to not-for-profit institutions and manufacturing and industrial companies and other businesses.

(f) The Issuer has all requisite power, authority and legal right to execute and deliver the Project Documents to which it is a party and all other instruments and documents to be executed and delivered by the Issuer pursuant hereto and thereto and to perform its obligations under the Project Documents and all such other instruments and documents to which it is a party. All corporate action on the part of the Issuer which is required for the execution, delivery, performance and observance by the Issuer of the Project Documents and all such other instruments and documents to which it is a party has been duly authorized and effectively taken, and such execution, delivery, performance and observance by the Issuer do not contravene the Issuer's Organizational Documents or any applicable Legal Requirements or any contractual restriction binding on or affecting the Issuer.

(g) There is no action or proceeding before any court, governmental agency or arbitrator pending or, to the knowledge of the Issuer, threatened against the Issuer, which seeks (i) to restrain or enjoin the issuance or delivery of the Initial Bonds, the pledge and grant of the Trust Estate or the collection of any revenues pledged under the Indenture, (ii) to contest or affect in any

way the authority for the issuance of the Initial Bonds or the validity of any of the Project Documents, or (iii) to contest in any way the existence or powers of the Issuer.

Section 2.02. Representations and Warranties by the Institution. The Institution makes the following representations and warranties:

(a) The Institution is a Delaware limited liability company that (i) is a disregarded entity for federal income tax purposes, organized under the laws of the State of Delaware having as its sole member, HB Foundation, (ii) is validly existing, (iii) is duly qualified to do business and in good standing under the laws of its state of organization and the State, (iv) is not in violation of any provision of its Organizational Documents, and (v) has the requisite limited liability company power and authority to own its property and assets, to carry on its business as now being conducted by it and to execute, deliver and perform this Agreement and each other Project Document to which it is or shall be a party. HB Foundation is a not-for-profit corporation duly organized under the laws of the State.

(b) This Agreement and the other Project Documents to which the Institution is a party (x) have been duly authorized by all necessary limited liability company action on the part of the Institution, (y) have been duly executed and delivered by the Institution, and (z) assuming the due execution and delivery by the other parties, as applicable, constitute the legal, valid and binding obligations of the Institution, enforceable against the Institution in accordance with their respective terms.

(c) The execution, delivery and performance of this Agreement and each other Project Document to which the Institution is or shall be a party and the consummation of the transactions herein and therein contemplated will not (x) violate any provision of law, any order of any court or agency of government, or any of the Organizational Documents of the Institution, or any indenture, agreement or other instrument to which the Institution is a party or by which it or any of its property is bound or to which it or any of its property is subject, (y) be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or (z) result in the imposition of any lien, charge or encumbrance of any nature whatsoever other than Permitted Encumbrances, including, without limitation, pursuant to the Security Documents.

(d) There is no action or proceeding pending or, to the best of the Institution's knowledge, after diligent inquiry, threatened, by or against the Institution by or before any court or administrative agency that would adversely affect the ability of the Institution to perform its obligations under this Agreement or any other Project Document to which it is or shall be a party.

(e) The financial assistance provided by the Issuer to the Institution as contemplated by this Agreement is necessary to induce the Institution to proceed with the Project.

(f) Undertaking the Project is anticipated to serve the corporate public purposes of the Issuer by preserving permanent, private sector jobs or increasing the overall number of permanent, private sector jobs in the State.

(g) The Facility will be the Approved Facility.

(h) Except as permitted by Section 8.9, no Person other than the Institution and the Organization is or will be in use, occupancy or possession of any portion of the Facility.

(i) The Institution has obtained all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by it as of the Closing Date in connection with the execution and delivery of this Agreement and each other Project Document to which it shall be a party or in connection with the performance of its obligations hereunder and under each of the Project Documents.

(j) The Project will be designed, and the operation of the Facility will be, in compliance with all applicable Legal Requirements.

(k) The Institution is in compliance, and will continue to comply, with all applicable Legal Requirements relating to the Project, the Project Work and the operation of the Facility.

(l) The Institution has delivered to the Issuer a true, correct and complete copy of the Environmental Audit.

(m) The Institution has not used Hazardous Materials on, from, or affecting the Facility in any manner that violates any applicable Legal Requirements governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and except as set forth in the Environmental Audit, to the best of the Institution's knowledge, no prior owner or occupant of the Facility has used Hazardous Materials on, from, or affecting the Facility in any manner that violates any applicable Legal Requirements.

(n) The Project Cost Budget attached as Exhibit E — "Project Cost Budget" represents a true, correct and complete budget as of the Closing Date of the proposed costs of the Project; the Estimated Project Cost is a fair and accurate estimate of the Project Cost as of the Closing Date. Expenses for supervision by the officers or employees of the Institution and expenses for work done by such officers or employees in connection with the Project will be included as a Project Cost only to the extent that such Persons were specifically employed for such particular purpose, the expenses do not exceed the actual cost thereof and are to be treated on the books of the Institution as a capital expenditure in conformity with GAAP. Any costs incurred with respect to that part of the Project paid from the proceeds of the sale of the Initial Bonds shall be treated on the books of the Institution as capital expenditures in conformity with GAAP.

(o) The total cost of the Project Work being funded with the Initial Bonds is not less than the Authorized Principal Amount. That portion of the Estimated Project Cost as shall not derive from the proceeds of the Initial Bonds shall be provided from equity on the part of the Institution. The amounts provided to the Institution from the proceeds of the Initial Bonds, together with other moneys available to the Institution, are sufficient to pay all costs in connection with the completion of the Project.

(p) All of the Land comprises five (5) complete tax lots and no portion of any single tax lot.

(q) Subject to Section 3.5 and Article VI, no property constituting part of the Facility shall be located at any site other than at the Facility Realty.

(r) The Completed Improvements Square Footage and the Land Square Footage are true and correct.

(s) The Fiscal Year is true and correct.

(t) None of the Institution, the Principals of the Institution, or any Person that is an Affiliate of the Institution:

(i) is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Issuer, the NYCIDA, the NYCEDC or the City, unless such default or breach has been waived in writing by the Issuer, the NYCIDA, the NYCEDC or the City, as the case may be;

(ii) has been convicted of a misdemeanor related to truthfulness and/or business conduct in the past five (5) years;

(iii) has been convicted of a felony in the past ten (10) years;

(iv) has received formal written notice from a federal, state or local governmental agency or body that such Person is currently under investigation for a felony criminal offense; or

(v) has received written notice of default in the payment to the City of any taxes, sewer rents or water charges, which have not been paid, unless such default is currently being contested with due diligence in proceedings in court or other appropriate forum.

(u) The Project Application Information was true, correct and complete as of the date submitted to the Issuer, and no event has occurred or failed to occur since such date of submission which would cause any of the Project Application Information to include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make such statements not misleading.

(v) The Principals of the Institution, and their respective titles to the Institution, as set forth in Exhibit D — “Principals of Institution”, are true, correct and complete.

(w) The representations, warranties, covenants and statements of expectation of the Institution set forth in the Tax Regulatory Agreement are by this reference incorporated in this Agreement as though fully set forth herein.

(x) The property included in the Project is either property of the character subject to the allowance for depreciation under Section 167 of the Code, or land.

(y) No part of the proceeds of the Initial Bonds will be used to finance inventory or will be used for working capital, or will be used for any other property not constituting part of the Facility.

(z) The Institution has fee title in the Facility and has no present intention to sell, directly or indirectly, in whole or in part, its interest in the Facility.

(aa) HB Foundation is in compliance with the provisions of the Code and any applicable regulations thereunder necessary to maintain its exempt status under Section 501(a) of the Code.

(bb) HB Foundation is exempt from Federal income taxes under Section 501(a) of the Code.

(cc) HB Foundation is an organization described in Section 501(c)(3) of the Code and has received the IRS Determination Letter. The facts and circumstances which form the basis of the IRS Determination Letter continue substantially to exist as represented to the Internal Revenue Service. The IRS Determination Letter has not been modified, limited or revoked, and HB Foundation is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of the IRS Determination Letter.

(dd) HB Foundation is not a "private foundation", as defined in Section 509 of the Code.

(ee) The Organization is chartered by the New York Board of Regents.

(ff) The Organization is registered with the New York State Department of Education.

(gg) The Institution has not taken any action, or failed to take any action, the result of which would cause the Institution to no longer be considered a disregarded entity for federal income tax purposes.

ARTICLE III

THE PROJECT; MAINTENANCE; REMOVAL OF PROPERTY AND TITLE INSURANCE

Section 3.01. Agreement to Undertake Project.

The Institution covenants and agrees to undertake and complete the Project Work in accordance with this Agreement, including, without limitation:

(i) effecting the Project Work,

(ii) making, executing, acknowledging and delivering any contracts, orders, receipts, writings and instructions with any other Persons, and in general doing all

things which may be requisite or proper, all for the purposes of undertaking the Project Work,

(iii) paying all fees, costs and expenses incurred in the Project Work from funds made available therefor in accordance with or as contemplated by this Agreement and the Indenture (including Section 3.02(c)), and

(iv) asking, demanding, suing for, levying, recovering and receiving all such sums of money, debts due and other demands whatsoever that may be due, owing and payable to the Institution under the terms of any contract, order, receipt or writing in connection with the Project Work and to enforce the provisions of any contract, agreement, obligation, bond or other performance security entered into or obtained in connection with the Project Work.

Section 3.02. Manner of Project Completion.

(a) The Institution will complete the Project Work, or cause the Project Work to be completed, by the Completion Deadline, in a first class workmanlike manner, free of defects in materials and workmanship (including latent defects); provided, however, the Institution may not materially revise the scope of the Project Work, without the prior written consents of the Trustee (acting at the direction of the Majority Holders) and the Issuer (which consent shall not be unreasonably withheld, delayed or conditioned). The Institution will cause the Project Completion Date to occur by the Completion Deadline.

(b) In undertaking the Project Work, the Institution shall take such action and institute such proceedings as shall be necessary to cause and require all contractors, manufacturers and suppliers to complete their agreements relating to the Project Work in accordance with the terms of the contracts therefor including the correction of any defective work. Upon request, the Institution will extend to the Issuer or the Trustee all vendors' warranties received by the Institution in connection with the Project, including any warranties given by contractors, manufacturers or service organizations who perform Project Work.

(c) Project Costs shall be paid from the Project Fund or other funds provided by the Institution. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the Institution shall pay that portion of such costs of the Project as may be in excess of the moneys therefor in the Project Fund and shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds (except from the proceeds of Additional Bonds which may be issued for that purpose if permitted under Section 7.03 hereof), nor shall the Institution be entitled to any diminution of the loan payments payable or other payments to be made under this Agreement, under the Promissory Note or under any other Project Document. All expenses incurred by the Institution or the Issuer in connection with the performance of its obligations under this Section 3.2(c) shall be considered a Project Cost. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery, if recovered prior to the date of completion of the Project, shall be deposited into the Project Fund and made available for payment of Project Costs, or if recovered after such date of completion, be deposited, on a pro rata basis, in the subaccounts of the Redemption Account of the Bond Fund.

(d) The Institution shall pay all costs, charges, fees, expenses or claims incurred in connection with the Project Work.

(e) The Institution will perform or cause to be performed the Project Work in accordance with all applicable Legal Requirements and with the conditions and requirements of all policies of insurance with respect to the Facility and the Project Work. Promptly upon finishing of the Project Work and the completion of the Improvements, the Institution will obtain or cause to be obtained all required permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility as an Approved Facility and shall furnish copies of same to the Trustee immediately upon the receipt thereof and to the Issuer immediately upon demand therefor.

(f) Upon completion of the Project Work, the Institution shall (y) deliver to the Issuer the Final Project Cost Budget, which budget will include a comparison with the Project Cost Budget, and indicate the source of funds (i.e., Bond proceeds, equity, etc.) for each cost item, and (z) evidence the completion of the Project and the occurrence of the Project Completion Date by delivering to the Issuer and the Trustee a certificate of an Authorized Representative of the Institution in substantially the form set forth in Exhibit G – “Form of Project Completion Certificate”, together with all attachments required thereunder.

(g) Upon request by the Issuer or the Trustee, the Institution shall make available to the Issuer and the Trustee copies of any bills, invoices or other evidences of costs as shall have been incurred in the effectuation of the Project Work.

(h) In the event that the aggregate costs of the Project Work upon the completion thereof shall be significantly different from the estimated costs thereof set forth in the Project Cost Budget (i.e., more than a ten percent (10%) difference in either total Project costs or in major categories of Project Work cost), on request of the Issuer, the Institution shall provide evidence to the reasonable satisfaction of the Issuer as to the reason for such discrepancy, and that the scope of the Project Work as originally approved by the Issuer has not been modified in a material manner without the prior written consent of the Issuer.

Section 3.03. Maintenance.

(a) During the term of this Agreement, the Institution will:

(i) keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted,

(ii) occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as the Approved Facility, and

(iii) make or cause to be made all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure that (x) the interest on the Bonds shall not cease to be excludable from gross income for federal income tax purposes, (y) the operations of the Institution at the Facility shall not be materially impaired or diminished in any way, and (z) the security for the Bonds shall not be materially impaired.

(b) All replacements, renewals and repairs shall be similar in quality, class and value to the original work and be made and installed in compliance with all applicable Legal Requirements.

(c) The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility, and the Institution hereby agrees to assume full responsibility therefor.

Section 3.04. Alterations and Improvements.

(a) The Institution shall have the privilege of making such alterations of or additions to the Facility Realty ("**Additional Improvements**") or any part thereof from time to time as it in its discretion may determine to be desirable for its uses and purposes, provided that:

(i) as a result of the Additional Improvements, the fair market value of the Facility is not reduced below its fair market value immediately before the Additional Improvements are made and the usefulness, structural integrity or operating efficiency of the Facility is not materially impaired,

(ii) the Additional Improvements are constructed with due diligence, in a good and workmanlike manner and in compliance with all applicable Legal Requirements,

(iii) the Additional Improvements are promptly and fully paid for by the Institution in accordance with the terms of the applicable contract(s) therefor, and

(iv) the Additional Improvements do not change the nature of the Facility so that it would not constitute the Approved Facility.

(b) All Additional Improvements shall constitute a part of the Facility, subject to this Agreement and the Mortgage.

(c) If at any time after the Operations Commencement Date, the Institution shall make any Additional Improvements, the Institution shall notify an Authorized Representative of the Issuer and the Trustee of such Additional Improvements by delivering written notice thereof within thirty (30) days after the completion of the Additional Improvements.

(d) In addition to the Facility Personalty, the Institution shall have the right to install or permit to be installed at the Facility Realty, machinery, equipment and other personal property at the Institution's own cost and expense (the "**Institution's Property**"). Once so installed, the Institution's Property shall constitute part of the Facility Personalty and the Pledged Collateral and shall be subject to the lien and security interest of the Mortgage and the Pledge and Security Agreement. The Institution shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Institution's Property, without the consent of or notice to the Issuer or the Trustee if permitted under Section 7.03 hereof.

Section 3.05. Removal of Property of the Facility.

(a) So long as no Event of Default shall have occurred and be continuing hereunder, the Institution shall have the right from time to time to remove from the Facility any fixture constituting part of the Facility Realty or any machinery, equipment or other item of personal property constituting part of the Facility Personalty (in any such case, the “**Existing Facility Property**”) and thereby removing such Existing Facility Property from that property constituting part of the Facility and the lien and security interest of the Mortgage or the Pledge and Security Agreement, as applicable, provided, however:

(i) such Existing Facility Property is substituted or replaced by property (y) having equal or greater fair market value, operating efficiency and utility and (z) free of all mortgages, liens, charges, encumbrances, claims and security interests other than the Mortgage or Pledge and Security Agreement, as applicable, or

(ii) if such Existing Facility Property was financed with the proceeds of Tax-Exempt Bonds and is not to be substituted or replaced by other property but is instead to be sold, scrapped, or otherwise disposed of in an arms'-length bona fide transaction for fair market value consideration, the Institution shall pay to the Trustee for deposit, on a pro rata basis, in the subaccounts of the Redemption Account of the Bond Fund and thereby cause a redemption of Bonds to be effected in an amount (to the nearest integral multiple of Authorized Denomination) equal to the amounts derived from such sale or scrapping, the trade-in value credit received or the proceeds received from such other disposition; provided that no such redemption shall be required when such amount received in connection with any removal or series of removals does not exceed, in the aggregate, \$25,000.

No such removal set forth in paragraph (i) or (ii) above shall be effected if (v) such removal would cause the interest on the Bonds to cease to be excludable from gross income for federal income tax purposes, (w) such removal would change the nature of the Facility as the Approved Facility, (x) such removal would materially impair the usefulness, structural integrity or operating efficiency of the Facility, (y) such removal would materially reduce the fair market value of the Facility below its fair market value immediately before such removal (except by the amount by which the Bonds are to be redeemed as provided in paragraph (ii) above), or (z) there shall exist and be continuing an Event of Default hereunder. Any amounts received pursuant to paragraph (ii) above in connection with any removal or series of removals, which are not in excess of \$25,000, shall be retained by the Institution.

(b) The removal from the Facility of any Existing Facility Property pursuant to the provisions of Section 3.5(a) shall not entitle the Institution to any abatement or reduction in the loan payments and other amounts payable by the Institution under this Agreement, under the Promissory Note or under any other Project Document.

Section 3.06. Implementation of Additional Improvements and Removals.

(a) In the event of any Additional Improvements or substitution or replacement of property pursuant to Section 3.4 or 3.5, the Institution shall deliver or cause to be delivered to

the Issuer and the Trustee any necessary documents in order to subject such Additional Improvements or substitute or replacement property to the lien and security interest of the Mortgage (in each case to the extent such Additional Improvements or substitute or replacement property relates to the Mortgaged Property) and to cause all of same to be made part of the Facility.

(b) The Institution agrees to pay all costs and expenses (including reasonable counsel fees) in subjecting, in accordance with Section 3.4, Additional Improvements to, or releasing, in accordance with Section 3.5, Existing Facility Property from the lien and security interest of the Mortgage or the Pledge and Security Agreement, as applicable.

(c) The Institution agrees, upon request of the Issuer or the Trustee, to furnish to the Issuer and the Trustee with a certificate of an Authorized Representative of the Institution indicating whether or not the Institution has taken any action to (i) effect Additional Improvements in compliance with Section 3.4 and (ii) effect the removal of Existing Facility Property in compliance with Section 3.5(a), pursuant to Sections 8.15(d) and (e), respectively.

Section 3.07. Title Insurance. On or prior to the Closing Date, the Institution will obtain and deliver to the Issuer and the initial purchaser(s) of the Bonds (w) a title report (in form and substance acceptable to the Issuer and the initial purchaser(s) of the Bonds) reflecting all matters of record with respect to the Land and existing Improvements, (x) a full set of municipal department search results showing only Permitted Encumbrances, (y) a mortgagee title insurance policy in an amount not less than the Authorized Principal Amount of the Initial Bonds, insuring the Trustee's interest under the Mortgage as a holder of a first priority mortgage lien on the Mortgaged Property, subject only to Permitted Encumbrances, and (z) a current or updated survey of each parcel of Land and all Improvements constituting part of the Mortgaged Property, certified to the Trustee, the Issuer and the title company issuing such title insurance policy. The title insurance policy shall be subject only to Permitted Encumbrances and shall provide for, among other things, the following: (1) full coverage against mechanics' liens; (2) no exceptions other than those approved by the Trustee or the initial purchaser(s) of the Bonds; (3) an undertaking by the title insurer to provide the notice of title continuation or endorsement; and (4) such other matters as the Trustee or the initial purchaser(s) of the Bonds shall request. Any proceeds of such mortgagee title insurance shall be paid to the Trustee for deposit in the Renewal Fund and, so long as no Event of Default shall have occurred and be continuing, applied to remedy the applicable defect in title in respect of which such proceeds shall be derived (including the reimbursement to the Institution for any costs incurred by the Institution in remedying such defect in title). If an Event of Default shall have occurred and be continuing, or such proceeds are not capable of being applied or if a balance remains after such application, the amounts in the Renewal Fund shall be transferred by the Trustee, to the subaccounts of the Redemption Account of the Bond Fund and used to redeem an equivalent principal amount of such Series of Initial Bonds corresponding to such mortgagee title insurance policy to the nearest integral multiple of Authorized Denominations.

Section 3.08. No Warranty of Condition or Suitability. THE ISSUER HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, FITNESS, DESIGN, OPERATION OR WORKMANSHIP OF ANY PART OF THE FACILITY, ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OR CAPACITY OF THE

MATERIALS IN THE FACILITY, OR THE SUITABILITY OF THE FACILITY FOR THE PURPOSES OR NEEDS OF THE INSTITUTION OR THE EXTENT TO WHICH PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL BE SUFFICIENT TO PAY THE COST OF COMPLETION OF THE PROJECT. THE INSTITUTION ACKNOWLEDGES THAT THE ISSUER IS NOT THE MANUFACTURER OF THE FACILITY PERSONALTY NOR THE MANUFACTURER'S AGENT NOR A DEALER THEREIN. THE INSTITUTION IS SATISFIED THAT THE FACILITY IS SUITABLE AND FIT FOR PURPOSES OF THE INSTITUTION. THE ISSUER SHALL NOT BE LIABLE IN ANY MANNER WHATSOEVER TO THE INSTITUTION OR ANY OTHER PERSON FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY THE PROPERTY OF THE FACILITY OR THE USE OR MAINTENANCE THEREOF OR THE FAILURE OF OPERATION THEREOF, OR THE REPAIR, SERVICE OR ADJUSTMENT THEREOF, OR BY ANY DELAY OR FAILURE TO PROVIDE ANY SUCH MAINTENANCE, REPAIRS, SERVICE OR ADJUSTMENT, OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF OR FOR ANY LOSS OF BUSINESS HOWSOEVER CAUSED.

ARTICLE IV

LOAN; PAYMENT PROVISIONS

Section 4.01. Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to loan the proceeds from the sale of the Initial Bonds to the Institution (the "Loan"). 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 Section 4.01 of the Indenture. Such proceeds shall be disbursed to or on behalf of the Institution as provided in Section 3.2(c) and Section 5.02 of the Indenture.

Section 4.02. Promissory Note. The Institution's obligation to repay the Loan shall be evidenced by this 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 each 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 each Promissory Note will be made in accordance with Section 4.3.

Section 4.03. Loan Payments; Pledge of this Agreement and of the Promissory Note.

(a) The Institution covenants to pay the Promissory Note and repay the Loan made pursuant to this 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 Section 4.3(a)(iii), (iv), (v), (vi) and (vii) below which shall be paid on the respective due dates thereof) for deposit in the subaccounts of the Accounts of the Bond Fund (except to the extent that amounts are on deposit in the subaccounts of the Accounts of 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 one-third (1/3) of the amount of interest on the Initial Bonds payable on the first Interest Payment Date (after taking into account any amount on deposit in the Interest Account of the Bond Fund, and as shall be available to pay interest on the Initial Bonds on the first Interest Payment Date), and after the first Interest Payment Date, one-third (1/3) of the amount of interest due on the Initial Bonds payable on each succeeding Interest Payment Date (after taking into account any amount on deposit in the Interest Account of the Bond Fund);

(ii) with respect to principal due on the Initial Bonds (including such principal amount as shall become due as a mandatory Sinking Fund Installment payment), on each Loan Payment Date within twelve months of a principal payment date an amount equal to one-sixth (1/6) of the principal of the Bonds Outstanding becoming due on such succeeding principal payment date; provided 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;

(iii) all amounts required by Section 8.31 hereof;

(iv) 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 (other than by Sinking Fund Installments), an amount equal to the Redemption Price together with accrued interest on the Initial Bonds being redeemed on such redemption date;

(v) with respect to interest due and payable on the Initial Bonds, the Institution shall further pay such additional amounts as set forth in the Indenture in the event of the occurrence of a Determination of Taxability with respect to the Initial Bonds or an Event of Default under the Indenture, including all amounts required by Section 11.02 hereof;

(vi) upon receipt by the Institution of notice from the Trustee pursuant to Section 5.09(f) of the Indenture that the amount on deposit in the accounts of the Debt Service Reserve Fund shall be less than the Debt Service Reserve Fund Requirement, the Institution shall pay to the Trustee for deposit in the accounts of the Debt Service Reserve Fund on the first day of the month immediately following the receipt by the Institution of notice of such deficiency, and on the first day of each of the five (5) succeeding months, or over such longer time period as shall be consented to in writing by the Majority Holders, an amount equal to one sixth (1/6th) of such deficiency in the Debt Service Reserve Fund;

(vii) all amounts payable under Section 8.03 within thirty (30) days of invoice therefor.

The Issuer hereby acknowledges that the above payments may be made by the application by the Trustee of amounts in the Revenue Fund pursuant to Section 5.03 of the Indenture or

amounts received directly from the Organization to the Trustee under each Lease Agreement, and the Institution shall receive credit hereunder for any such transfers made by the Trustee.

(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 Section, 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 respective subaccounts of the accounts of 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 hereunder if there shall exist and be continuing an Event of Default, without the consent of the Majority Holders. 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 (i) the amount of the advance loan payment, (ii) 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 (iii) 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 respective subaccounts of 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 corresponding subaccounts of the accounts of 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 this Agreement or the Indenture together with (i) all other amounts due and payable under this Agreement and the other Security Documents, and (ii) 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 owned by it 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 Section 2.02(f) of the Indenture) shall become due on any Bond, the Institution shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on such Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with Section 2.02(f) 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 Article X of the Indenture.

(g) Any amounts remaining in the Earnings Fund, the Rebate Fund, the Bond Fund, the Debt Service Reserve Fund, the Project Fund, Repair and Replacement Fund, the Revenue Fund or the Renewal Fund after payment in full of (w) the Bonds (in accordance with Article X of 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 in this Section 4.3, 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 applicable subaccounts of the accounts of 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 appropriate subaccounts of the accounts of the Bond Fund.

Section 4.04. Loan Payments and Other Payments Payable Absolutely Net.

The obligation of the Institution to pay the loan payments and other payments under this Agreement and under the Promissory Note shall be absolutely net to the Issuer and to the Trustee without any abatement, recoupment, diminution, reduction, deduction, counterclaim, set-off or offset whatsoever, so that this Agreement and the Promissory Note shall yield, net, to the Issuer and to the Trustee, the loan payments and other payments provided for herein, and all costs, expenses and charges of any kind and nature relating to the Facility, arising or becoming due and payable under this Agreement, shall be paid by the Institution and the Indemnified Parties shall be

indemnified by the Institution for, and the Institution shall hold the Indemnified Parties harmless from, any such costs, expenses and charges.

Section 4.05. Nature of Institution's Obligation Unconditional. The Institution's obligation under this Agreement and under the Promissory Note to pay the loan payments and all other payments provided for in this 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 this 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 this Agreement (other than such termination as is provided for hereunder), or suspend the performance or observance of any covenant or agreement required on the part of the Institution hereunder, for any cause whatsoever, and the Institution waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender this Agreement or any obligation of the Institution under this Agreement except as provided in this Agreement or to any abatement, suspension, deferment, diminution or reduction in the loan payments or other payments hereunder or under the Promissory Note.

Section 4.06. 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 this 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 this 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 hereunder or 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 herein or in any other Security Document for the collection of the loan payments or other payments or other amounts due hereunder, 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.

ARTICLE V

RECAPTURE OF BENEFITS

Section 5.01. Recapture of Benefits. It is understood and agreed by the parties to this Agreement that the Issuer is entering into this Agreement in order to provide financial

assistance to the Institution for the Project and to accomplish its corporate public purposes. In consideration therefor, the Institution hereby agrees as follows:

(a) The following capitalized terms shall have the respective meanings specified below:

Benefits shall mean the exemption from any applicable mortgage recording taxes, and filing and recording fees.

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.

Recapture Event shall mean any one of the following events:

(i) The Institution shall have failed to cause the Project Completion Date to occur by the Completion Deadline.

(ii) Except as permitted by written consent of the Issuer pursuant to and in accordance with Section 8.20, the Institution shall have liquidated all or substantially all of its operating assets or shall have ceased all or substantially all of its operations.

(iii) The Institution or the Organization shall have transferred all or substantially all of its employees to a location outside of the City.

(iv) The Facility has ceased to be the Approved Facility and/or the Institution or the Organization shall have substantially changed the scope and nature of its operations at the Facility Realty.

(v) Except as permitted by written consent of the Issuer pursuant to and in accordance with Section 8.20, the Institution shall have sold, leased or otherwise disposed of all or substantially all of the Facility Realty.

(vi) The Institution shall have subleased all or part of the Facility Realty in violation of Section 8.9.

(vii) The Institution or the Organization shall have relocated all or substantially all of its operations at the Facility Realty to another site; provided, however, and notwithstanding the foregoing, such relocation shall not be a Recapture Event if (A) the Institution or the Organization has relocated its operations at the Facility Realty and at least 90% of its employees employed at the Facility Realty prior to the relocation, to another site within the City, (B) the Institution or the Organization maintains, for the remaining balance of the Recapture Period, an employment level equal to at least 90% of the number of employees employed by the Institution or the Organization at the Facility Realty prior to relocation, and (C) the Institution or the Organization shall satisfy such other additional conditions as the Issuer may from time to time impose provided such additional conditions are reasonable and uniformly imposed, at the time, to other similar transactions under

similar circumstances. There shall arise another Recapture Event upon the failure of the Institution or the Organization to satisfy continuously the foregoing requirements for the remaining balance of the Recapture Period. Upon the occurrence of such subsequent Recapture Event, the Issuer shall have the right to demand payment of all amounts due under Section 5.1(b) or (c), and the calculation of interest pursuant to Section 5.1(c)(iii) shall assume that the subsequent Recapture Event replaces the original Recapture Event for purposes of that computation. The determination of the pre-relocation, 90%-employment level shall be done in a manner, and in respect of a date or period of time, that the Issuer deems appropriate in its sole discretion.

Notwithstanding the foregoing, a Recapture Event shall not be deemed to have occurred if the Recapture Event:

(A) shall have arisen as a direct, immediate result of (x) force majeure as defined in Section 12.1, (y) a taking or condemnation by governmental authority of all or substantially all of the Facility Realty, or (z) the inability at law of the Institution to rebuild, repair, restore or replace the Facility Realty after the occurrence of a Loss Event to substantially its condition prior to such Loss Event, which inability shall have arisen in good faith through no fault on the part of the Institution or any Affiliate, or

(B) is deemed, in the sole discretion of the Issuer, to be (x) as necessitated by law, (y) minor in nature, or (z) a cause of undue hardship to the Institution were the Issuer to recapture any Benefits.

Recapture Period shall mean the period of time commencing on the Closing Date, and expiring on the date which is the tenth anniversary of the Operations Commencement Date.

(a) If there shall occur a Recapture Event during the Recapture Period, but such Recapture Event is prior to the Operations Commencement Date, the Institution shall pay to the Issuer as a return of financial assistance conferred by the Issuer, the following amounts upon demand by the Issuer: (i) all Benefits; and (ii) interest described in Section 5.1(c)(iii).

(b) If there shall occur a Recapture Event during the Recapture Period, but such Recapture Event occurs after the Operations Commencement Date, the Institution shall pay to the Issuer as a return of financial assistance conferred by the Issuer, the following amounts (as applicable) upon demand by the Issuer:

(i) If the Recapture Event occurs within the first six (6) years after the Operations Commencement Date, one hundred percent (100%) of the Benefits.

(ii) If the Recapture Event occurs within any month during any one of the seventh, eighth, ninth or tenth years after the Operations Commencement Date, X percent of the Benefits (where "X" is a percent equal to 100% less Y, and where "Y" equals the product of 1.666% and the number of months elapsed commencing with the first month of the seventh year through and including the month in which the Recapture Event occurs).

(iii) The principal of the Benefits to be recaptured, whether pursuant to clause (i) or (ii) above, shall bear interest at a rate equal to the lesser of (x) the maximum amount of interest permitted by law, and (y) the statutory judgment rate, compounded daily, commencing from the date that any amount of Benefit principal has accrued to the Institution, through and including the date such principal is repaid in full; such that Benefit principal comprising the dollar amount of the exemption from mortgage recording taxes, and filing and recording fees, shall be deemed to have accrued to the Institution on the Closing Date. The “statutory judgment rate” shall be the statutory judgment rate in effect on the date of the Issuer’s demand.

For purposes of this Section 5.3, demand for payment by the Issuer shall be made in accordance with the notice requirements of this Agreement and the due date for payment shall be not less than seven (7) Business Days from the date of the notice.

(c) The Institution shall furnish the Issuer with written notification of any Recapture Event within ten (10) days of its occurrence and shall subsequently provide to the Issuer in writing any additional information that the Issuer may request.

(d) The provisions of this Section 5.1 shall survive the termination of this Agreement for any reason whatsoever, notwithstanding any provision of this Agreement to the contrary.

ARTICLE VI

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 6.01. Damage, Destruction and Condemnation. In the event that the whole or any 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 this Agreement or the Promissory Note or any other Security Document to which it is a party, and the Institution hereby waives, to the extent permitted by law, any provisions of law which would permit the Institution to terminate this Agreement, the Promissory Note or any other Security Document, or eliminate or reduce its payments hereunder, 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 6.02. Loss Proceeds.

(a) Subject to the Covenant Agreement and the Mortgage, 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 (so long as no Event of Default shall have occurred and be continuing) and the Trustee (acting at the direction of the Majority Holders).

(b) The Net Proceeds with respect to the Facility shall be paid to the Trustee and deposited in the Renewal Fund (except as provided in Section 3.11(d) of the Mortgage in respect of property insurance proceeds that are less than a threshold amount). 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.

Section 6.03. Election to Rebuild or Terminate.

(a) In the event a Loss Event shall occur, the Institution shall either:

(i) at its own cost and expense (except to the extent paid from the Net Proceeds), within one (1) year of the Loss Event, promptly and diligently rebuild, replace, repair or restore such Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, regardless of whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the Institution shall not by reason of payment of any such excess costs be entitled to any reimbursement from the Issuer, the Trustee or any Bondholder, nor shall the loan payments or other amounts payable by the Institution under this Agreement or the Promissory Note or any other Security Document be abated, postponed or reduced, or

(ii) if, to the extent and upon the conditions permitted to do so under Sections 10.1 and 10.2 and under the Indenture, exercise its option to terminate this Agreement and cause such Series of Bonds relating to the Facility subject to the Loss Event, to be redeemed in whole;

provided that if all or substantially all three of the Facilities shall be taken or condemned, or if the taking or condemnation renders all Facilities unsuitable for use by the Institution as contemplated hereby, the Institution shall exercise its option to terminate this Agreement with respect to such Facility pursuant to Sections 10.1 and 10.2.

Not later than ninety (90) days after the occurrence of a Loss Event, the Institution shall advise the Issuer and the Trustee in writing of the action to be taken by the Institution under this Section 6.3(a), a failure to so timely notify being deemed an election in favor of Section 6.3(a)(ii) to be exercised in accordance with the provisions of Section 6.3(a)(ii).

(b) If the Institution shall elect to or shall otherwise be required to rebuild, replace, repair or restore the Facility as set forth in Section 6.3(a)(i), the Trustee shall disburse the Net Proceeds from the Renewal Fund in the manner set forth in Section 5.03 of the Indenture to pay or reimburse the Institution, at the election of the Institution, either as such work progresses

or upon the completion thereof, provided, however, the amounts so disbursed by the Trustee to the Institution shall not exceed the actual cost of such work. If the Institution shall exercise its option in Section 6.3(a)(ii), the amount of the Net Proceeds so recovered shall be transferred from the Renewal Fund and deposited, on a pro rata basis, in the subaccounts of the Redemption Account of the Bond Fund, and the Institution shall thereupon pay to the Trustee for deposit in the subaccounts of the Redemption Account of the Bond Fund an amount which, when added to any amounts then in the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date and redemption premium, if any), and shall pay the expenses of redemption, the fees and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents, together with all other amounts due under the Indenture, under this Agreement and under each other Security Document, as well as any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement and such amount so deposited shall be applied, together with such other available amounts in the Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or Maturity Date.

Section 6.04. Effect of Election to Build.

(a) All rebuilding, replacements, repairs or restorations of the Facility in respect of or occasioned by a Loss Event shall:

(i) automatically be deemed a part of the Facility under this Agreement and, with respect to Mortgaged Property, shall be subject to the lien and security interest of the Mortgage,

(ii) be effected only if the Institution shall deliver to the Issuer and the Trustee a certificate from an Authorized Representative of the Institution acceptable to the Issuer and the Trustee to the effect that such rebuilding, replacement, repair or restoration shall not change the nature of the Facility as the Approved Facility,

(iii) be constructed with due diligence in a good and workmanlike manner, in compliance with all applicable Legal Requirements and be promptly and fully paid for by the Institution in accordance with the terms of the applicable contract(s) therefor,

(iv) restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, and to a state and condition that will permit the Institution to use and operate the Facility as the Approved Facility,

(v) be effected only if the Institution shall have complied with Section 8.1(c),

(vi) be preceded by the furnishing by the Institution to the Trustee of a labor and materials payment bond, or other security, satisfactory to the Trustee, and

(vii) if the estimated cost of such rebuilding, replacement, repair or restoration is in excess of \$250,000, be effected under the supervision of an Independent

Engineer or Construction Monitor that shall approve each requisition prior to payment by the Trustee;

(b) The date of completion of the rebuilding, replacement, repair or restoration of the Facility shall be evidenced to the Issuer and the Trustee by a certificate of an Authorized Representative of the Institution stating (i) the date of such completion, (ii) that all labor, services, machinery, equipment, materials and supplies used therefor and all costs and expenses in connection therewith have been paid for or arrangement for payment, reasonably satisfactory to the Trustee, has been made (iii) that the Facility has been rebuilt, replaced, repaired or restored to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, (iv) that all property constituting part of the Facility is under this Agreement and, if applicable, subject to the mortgage lien and security interest of the Mortgage, subject to Permitted Encumbrances, (v) the Rebate Amount applicable with respect to the Net Proceeds and the earnings thereon (with a statement as to the determination of the Rebate Amount and a direction to the Trustee of any required transfer to the Rebate Fund), and (vi) that the restored Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the Institution against third parties which exist at the date of such certificate or which may subsequently come into being, (y) that it is given only for the purposes of this Section and Section 5.03 of the Indenture and (z) that no Person other than the Issuer or the Trustee may benefit therefrom.

(c) The certificate delivered pursuant to Section 6.4(b) shall be accompanied by (i) a certificate of occupancy (either temporary or permanent, provided that if it is a temporary certificate of occupancy, the Institution will proceed with due diligence to obtain a permanent certificate of occupancy), if required, and any and all permissions, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by this Agreement; (ii) a certificate of an Authorized Representative of the Institution that all costs of rebuilding, repair, restoration and reconstruction of the Facility have been paid in full, together with releases of mechanics' liens by all contractors and materialmen who supplied work, labor, services, materials or supplies in connection with the rebuilding, repair, restoration and reconstruction of the Facility (or, to the extent that any such costs shall be the subject of a bona fide dispute, evidence to the Trustee that such costs have been appropriately bonded or that the Institution shall have posted a surety or security at least equal to the amount of such costs); and (iii) a search prepared by a title company, or other evidence satisfactory to the Trustee, indicating that there has not been filed with respect to the Facility any mechanic's, materialmen's or any other lien in connection with the rebuilding, replacement, repair and restoration of the Facility and that there exist no encumbrances other than Permitted Encumbrances and those encumbrances consented to by the Trustee (acting at the direction of the Majority Holders) and the Issuer.

ARTICLE VII

COVENANTS OF THE ISSUER

Section 7.01. Assignment of Promissory Note and Assignment of Mortgage.

On the Closing Date, the Issuer will endorse and assign the Promissory Note to the Trustee, and execute and deliver to the Trustee the Assignment of Mortgage.

Section 7.02. Issuance of Initial Bonds. On the Closing Date, subject to the satisfaction of the conditions to the issuance of the Initial Bonds, the Issuer will sell and deliver the Initial Bonds in the Authorized Principal Amount under and pursuant to the Bond Resolution and under and pursuant to the Indenture. The proceeds of sale of the Initial Bonds shall be deposited and applied in accordance with the provisions of the Indenture.

Section 7.03. Issuance of Additional Bonds. Under the provisions of and subject to the conditions set forth in Section 2.07 of the Indenture and in Section 5(k) of the Covenant Agreement, the Issuer is authorized to enter into a Supplemental Indenture and issue one or more series of Additional Bonds on a parity with the Initial Bonds for the purpose of (w) completing the Project, (x) providing funds in excess of the Net Proceeds of insurance or eminent domain to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (y) providing extensions, additions or improvements to the Facility, or (z) refunding Outstanding Bonds. If the Institution is not in default hereunder or under any other Project Document, the Issuer will consider the issuance of a Series of Additional Bonds in a principal amount as is specified in a written request in accordance with the applicable provisions set forth in the Indenture.

Section 7.04. Pledge and Assignment to Trustee. As security for the payment of the Bonds and the obligations of the Institution under the Security Documents:

(a) the Institution shall, pursuant to the Mortgage, grant to the Issuer and the Trustee, for the benefit of the Bondholders, a mortgage lien on and security interest in its fee interest in the Mortgaged Property;

(b) the Issuer shall assign its right, title and interest in the Mortgage to the Trustee pursuant to the Assignment of Mortgage; and

(c) 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 this Agreement (except for the Issuer's Reserved Rights), including all loan payments hereunder 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.

ARTICLE VIII

COVENANTS OF THE INSTITUTION

Section 8.01. Insurance.

(a) **Definitions.** The following capitalized terms shall have the respective meanings specified below:

Certificate means an ACORD certificate evidencing insurance.

CGL means commercial general liability insurance.

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

Construction means 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 this Agreement in connection with the Facility.

Contractor(s) means, 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.

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

Insured means the Institution.

Insurer means any entity writing or issuing a Policy.

ISO means the Insurance Services Office or its successor.

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

Policy(ies) means, collectively or individually, the policies required to be obtained and maintained pursuant to Section 8.1(b) and (c).

SIR means self-insured retention.

U/E means Umbrella or Excess Liability insurance.

Workers' Compensation means Workers' Compensation, disability and employer liability insurance.

(b) **Required Insurance.** Except during periods of Construction, the Insured shall obtain and maintain for itself as a primary insured the following insurance:

(i) CGL with \$1,000,000 minimum per occurrence; \$2,000,000 minimum in the aggregate; and per-location aggregate. This Policy shall contain coverage for contractual liability, premises operations, and products and completed operations.

(ii) U/E with \$4,000,000 minimum per occurrence on terms consistent with CGL. The excess coverage provided under U/E shall be incremental to the CGL to

achieve minimum required coverage of \$5,000,000 per occurrence; such incremental coverage must also apply to auto liability (see Section 8.1(b)(iii)), whether auto liability coverage is provided by endorsement to the Insured's CGL or by a stand-alone policy.

(iii) Auto liability insurance with \$1,000,000 combined single limit and \$1,000,000 for uninsured or under-insured vehicles. If the Insured owns any vehicles, it shall obtain auto liability insurance in the foregoing amounts for hired and non-owned vehicles. Coverage should be at least as broad as ISO Form CA0001, ed. 10/01.

(iv) Workers Compensation satisfying State statutory limits. Coverage for employer liability shall be in respect of any work or operations in, on or about the Facility Realty.

(v) Property insurance in the amount required under the Mortgage.

For the avoidance of doubt, no self-insurance may be undertaken by the Insured, except for deductibles otherwise permitted herein.

(c) Required Insurance During Periods of Construction. In connection with any Construction and throughout any period of such Construction, the Institution shall cause the following insurance requirements to be satisfied:

(i) The Insured shall obtain and maintain for itself Policies in accordance with all requirements set forth in Section 8.1(b).

(ii) Any GC or CM shall obtain and maintain for itself as a primary insured the following Policies:

(A) CGL and U/E in accordance with the requirements in Section 8.1(b), subject to the following modifications: (x) coverage shall be in an aggregate minimum amount of \$10,000,000 per project aggregate, and (y) completed operations coverage shall extend (or be extended) for an additional five (5) years after completion of the Construction (which will be deemed to be the Project Completion Date unless the Institution shall have provided written notice and satisfactory evidence to the Issuer that the Construction was completed as of a specified earlier date);

(B) Auto liability insurance in accordance with the requirements in Section 8.1(b); and

(C) Workers' Compensation in accordance with the requirements in Section 8.1(b).

(iii) Notwithstanding preceding subsections "i" and "ii," during Construction aggregate minimum coverage in the amount of \$15,000,000 (combined CGL and U/E required by Sections 8.1(b) and 8.1(c)) may be achieved by any combination of coverage amounts between the Insureds on the one hand and the GC or CM on the other.

(iv) Each Contractor shall obtain and maintain for itself as a primary insured the following insurance:

(A) CGL and U/E in accordance with the requirements in Section 8.1(b) except that, in addition, completed operations coverage shall extend (or be extended) for an additional five (5) years after completion of the Construction (which will be deemed to be the Project Completion Date unless the Institution shall have provided written notice and satisfactory evidence to the Issuer that the Construction was completed as of a specified earlier date);

(B) Auto Liability insurance in accordance with the requirements in Section 8.1(b); and

(C) Workers' Compensation in accordance with the requirements in Section 8.1(b).

(d) Required Policy Attributes. Except as the Issuer and the Trustee shall expressly otherwise agree in writing in their sole and absolute discretion:

(i) The Institution shall cause each Policy (other than Worker's Compensation and auto liability insurance) to name the Issuer and the Trustee as additional insureds on a primary and non-contributory basis as more particularly required in Section 8.1(f)(i). In addition, each Contractor must protect the Issuer and Trustee as additional insureds on a primary and non-contributory basis via ISO endorsements CG 20 26 and CG 20 37 or their equivalents and the endorsements must specifically identify the Issuer and Trustee as Additional Insureds.

(ii) No Policy shall have a deductible.

(iii) CGL shall not be subject to SIR.

(iv) CGL shall be written on either ISO Form CG-0001 or on such other form that the Institution may request provided that any requested substitute shall provide an additional insured with substantially equivalent coverage to that enjoyed by an additional insured in a policy written on ISO Form CG-0001 and provided further that the substitute is reasonably approved by the Issuer. If the Insured intends to renew its CGL on a form that is not ISO Form CG-0001, it shall provide the Issuer and the Trustee with a copy of the substitute form at least sixty (60) days prior to the intended date on which the renewal Policy is to be effective.

(v) The Institution acknowledges that the Issuer and the Trustee are materially relying upon the content of ISO Form CG-0001 to implement the Issuer's insurance requirements under this Section 8.1; accordingly, the Institution agrees that non-standard exclusions and other modifications to ISO Form CG-0001 are prohibited under the terms and conditions of this Section 8.1. In the event that ISO either ceases to exist or discontinues ISO Form CG-0001, the Issuer or the Trustee shall have the right to require, for all purposes hereunder, a different CGL form, provided that the replacement is substantially similar to ISO Form CG-0001.

(vi) Without limiting Section 8.1(d)(v) or the application of any other requirement under this Section 8.1, no Policy delivered hereunder shall limit (whether by exception, exclusion, endorsement, script or other modification) any of the following coverage attributes:

(A) contractual liability coverage insuring the contractual obligations of the Insureds;

(B) employer's liability coverage;

(C) coverage for claims arising under New York Labor Law;

(D) the right of the Insured to name additional insureds including the Issuer and the Trustee;

(E) the applicability of CGL coverage to the Issuer and the Trustee as additional insureds in respect of liability arising out of any of the following claims: (x) claims against the Issuer and/or the Trustee by employees of an Insured, or (y) claims against the Issuer and/or the Trustee by any GC, CM, Contractor, architect or engineer or by the employees of any of the foregoing, or (z) claims against the Issuer and/or the Trustee arising out of any work performed by a GC, CM, Contractor, architect or engineer.

(vii) U/E shall follow the form of CGL except that U/E may be broader.

(viii) Each Policy shall provide primary insurance and the issuing Insurer shall not have a right of contribution from any other insurance policy insuring the Issuer and/or the Trustee.

(ix) In each Policy, the Insurer shall waive, as against any Person insured under such Policy including any additional insured, the following: (x) any right of subrogation, (y) any right to set-off or counterclaim against liability incurred by a primary insured or any additional insured, and (z) any other deduction, whether by attachment or otherwise, in respect of any liability incurred by any primary insured or additional insured.

(x) Policies shall not be cancellable without at least thirty (30) days' prior written notice to the Issuer and the Trustee as additional insureds.

(xi) Each Policy under which the Issuer and the Trustee is an additional insured shall provide that the Issuer and the Trustee will not be liable for any insurance premium, commission or assessment under or in connection with any Policy.

(e) Required Insurer Attributes. All Policies must be issued by Insurers satisfying the following requirements:

(i) Insurers shall have a minimum AM Best rating of A minus.

(ii) Each Insurer must be an authorized insurer in accordance with Section 107(a) of the New York State Insurance Law.

(iii) Insurers must be admitted in the State; provided, however, that if an Insured requests the Issuer to accept a non-admitted Insurer, and if the Issuer reasonably determines that for the kind of operations performed by the Insured an admitted Insurer is commercially unavailable to issue a Policy or is non-existent, then the Issuer shall provide its written consent to a non-admitted Insurer. For purposes of this paragraph, an “admitted” Insurer means that the Insurer’s rates and forms have been approved by the State Department of Financial Services and that the Insurer’s obligations are entitled to be insured by the State’s insurance guaranty fund.

(f) Required Evidence of Compliance. The Institution shall deliver or cause to be delivered evidence of all Policies required hereunder as set forth in this Section 8.1(f):

(i) All Policies. With respect to all Policies on which an Insured is to be a primary insured, the Insured shall deliver to the Issuer and the Trustee a Certificate or Certificates evidencing all Policies required by this Section 8.1 (w) at the Closing Date, (x) prior to the expiration or sooner termination of Policies, (y) prior to the commencement of any Construction, and (z) upon request by the Issuer or the Trustee. If the Certificate in question evidences CGL, such Certificate shall name the Issuer and the Trustee as additional insureds in the following manner:

Build NYC Resource Corporation and The Bank of New York Mellon, as Trustee, are each additional insureds on a primary and non-contributory basis. The referenced CGL is written on ISO Form CG-0001 or its equivalent without modification to the contractual liability, employer's liability or waiver-of-subrogation provisions thereof, and contains no endorsement limiting or excluding coverage for claims arising under New York Labor Law, covering the following premises: 1400 Cromwell Avenue, Bronx, New York, 370 Gerard Avenue, Bronx, New York, 316, 325 and 335 East 165th Street, Bronx, New York

(ii) CGL. With respect to CGL on which the Insured is to be a primary insured, the Insured shall additionally deliver to the Issuer and the Trustee the following:

(A) Prior to the Closing Date, the Insured shall deliver to the Issuer and the Trustee the declarations page and the schedule of forms and endorsements pertinent thereto.

(B) Upon the expiration or sooner termination of any CGL, the Insured shall deliver to the Issuer and the Trustee a declarations page and a schedule of forms and endorsements pertinent to the new or replacement CGL.

(C) Prior to the commencement of any Construction, the Insured shall deliver to the Issuer and the Trustee a declarations page and a schedule of

forms and endorsements pertinent to the CGL under which the Insured is to be the primary insured during the period of such Construction.

(iii) Insurance to be obtained by GCs and CMs. Prior to the commencement of any Construction that entails the services of a GC or CM, the Institution shall provide to the Issuer and the Trustee, in a form satisfactory to the Issuer and the Trustee, evidence that the GC or CM (as the case may be) has obtained the Policies that it is required to obtain and maintain in accordance with Section 8.1(c).

(iv) Insurance to be obtained by Contractors. In connection with any Construction, the Institution shall, upon the written request of the Issuer or the Trustee, cause any or all Contractors to provide evidence, satisfactory to the Issuer and the Trustee, that such Contractors have obtained and maintain the Policies that they are required to obtain and maintain in accordance with the requirements of Section 8.1(c).

(g) Notice. The Institution shall immediately give the Issuer and the Trustee notice of each occurrence that is reasonably probable to give rise to a claim under the insurance required to be maintained by this Section 8.1.

(h) Miscellaneous.

(i) If, in accordance with the terms and conditions of this Section 8.1, an Insured is required to obtain the consent of the Issuer and/or the Trustee, the Institution shall request such consent in a writing provided to the Issuer and/or the Trustee at least thirty (30) days in advance of the commencement of the effective period (or other event) to which the consent pertains.

(ii) The delivery by an Insured of a Certificate evidencing auto liability insurance for hired and non-owned vehicles shall, unless otherwise stated by the Institution to the contrary, constitute a representation and warranty from the Insured to the Issuer and the Trustee that the Insured does not own vehicles.

(iii) The Insured shall neither do nor omit to do any act, nor shall it suffer any act to be done, whereby any Policy would or might be terminated, suspended or impaired.

(iv) If insurance industry standards applicable to properties similar to the Facility Realty and/or operations similar to the operations of the Institution materially change; and if, as a consequence of such change, the requirements set forth in this Section 8.1 become inadequate in the reasonable judgment of the Issuer or the Trustee for the purpose of protecting the Issuer and the Trustee against third-party claims, then the Issuer or the Trustee shall have the right to supplement and/or otherwise modify such requirements, provided, however, that such supplements or modifications shall be commercially reasonable.

(v) THE ISSUER AND THE TRUSTEE DO NOT REPRESENT THAT THE INSURANCE REQUIRED IN THIS SECTION 8.1, WHETHER AS TO

SCOPE OR COVERAGE OR LIMIT, IS ADEQUATE OR SUFFICIENT TO PROTECT THE INSURED AND ITS OPERATIONS AGAINST CLAIMS AND LIABILITY.

(vi) The Issuer, in its sole discretion and without obtaining the consent of the Trustee or any other party to the transactions contemplated by this Agreement, may make exceptions to the requirements under this Section 8.1 by a written instrument executed by the Issuer; provided, however, that the Issuer will not have any changes to Section 8.1 (b) and (c) without the consent of the Trustee (acting at the direction of the Majority Holders). In the event the Institution shall request the Issuer to make any exception to the requirements under this Section 8.1, the Issuer, and to the extent that the request pertains to Section 8.1(b) or (c) the Trustee, shall not unreasonably withhold their consents. The Institution acknowledges that the Issuer's or the Trustee's decision in this respect will be deemed reasonable if made in furtherance of protecting the Issuer or Trustee from liability.

Section 8.02. 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 hereby 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 this 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, this Agreement or any other Project Document, or other document or instrument delivered in connection herewith or therewith or the enforcement of any of the terms or provisions hereof or thereof or the transactions contemplated hereby or thereby,

(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

(vii) 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 Section 8.2(a) 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 this Section 8.2; 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 hereunder nor in any way impair the obligations of the Institution under this Section 8.2.

(d) Anything to the contrary in this Agreement notwithstanding, the covenants of the Institution contained in this Section 8.2 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 this Agreement until the later of (x) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (y) 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 herein specified.

Section 8.03. Compensation and Expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents; Administrative and Project Fees.

(a) The Institution shall pay the fees, costs and expenses of the Issuer together with any fees and disbursements incurred by lawyers or other consultants in performing services for the Issuer in connection with this Agreement or any other Project Document, together with all fees and costs incurred in connection with complying with Section 8.12(b) (including fees and disbursements of lawyers and other consultants).

(b) On the Closing Date, the Institution shall pay to the Issuer the Initial Annual Administrative Fee and the Project Fee.

(c) The Institution further agrees to pay the Annual Administrative Fee to the Issuer on each July 1 following the Closing Date until the Termination Date (the Annual Administrative Fee shall not be pro-rated for the final period ending on the Termination Date). In the event the Institution shall fail to pay the Annual Administrative Fee on the date due, the Issuer shall have no obligation to deliver notice of such failure to the Institution.

(d) The Institution shall, to the extent not paid out of the proceeds of the Bonds as financing expenses, pay the following fees, charges and expenses and other amounts:

(i) the initial and annual fees of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture, including fees and expenses as Bond Registrar and in connection with preparation of new Bonds upon exchanges or transfers or making any investments in accordance with the Indenture and the reasonable fees of its counsel,

(ii) the reasonable fees and charges of the Trustee and any Paying Agents on the Bonds for acting as paying agents as provided in the Indenture, including the reasonable fees of its counsel,

(iii) the reasonable fees, charges, and expenses of the Trustee for extraordinary services rendered by it under the Indenture, including reasonable counsel fees, and

(iv) the reasonable fees, costs and expenses of the Bond Registrar.

Section 8.04. Current Facility Personalty Description. The Institution covenants and agrees that, until the termination of this Agreement, including upon the completion of the Project or of any replacement, repair, restoration or reconstruction of the Facility pursuant to Article VI, it will cause Exhibit B — “Description of the Facility Personalty”, together with the “Description of the Facility Personalty” attached as part of the appendices to the Indenture, this Agreement and the Mortgage, to be an accurate and complete description of all current items of Facility Personalty. To this end, the Institution covenants and agrees that (x) no requisition shall be submitted to the Trustee for moneys from the Project Fund for the acquisition or installation of any item of Facility Personalty, (y) no item of Facility Personalty shall be substituted or replaced by a new item of machinery, equipment or other tangible personal property except pursuant to Section 3.5(a) or Article VI, and (z) no item of Facility Personalty shall be delivered and installed at the Facility Realty as part of the property comprising the Facility, unless in each case such item of machinery, equipment or other item of tangible personal property shall be accurately and sufficiently described in Exhibit B — “Description of the Facility Personalty”, together with the

“Description of the Facility Personalty” in the appendices attached as part of the Indenture, this Agreement and the Mortgage, and the Institution shall from time to time prepare and deliver to the Issuer and the Trustee supplements to such Appendices in compliance with the foregoing. Such supplements shall be executed and delivered by the appropriate parties and, at the Trustee’s request, duly recorded by the Institution, and, at the Trustee’s request, additional financing statements with respect thereto shall be duly filed by the Institution.

Section 8.05. Signage at Facility Site. Upon commencement of the renovation and/or construction of the Improvements at the Cromwell Facility in connection with the Project (including the commencement of any demolition and/or excavation), the Institution shall erect on the Cromwell Facility site, at its own cost and expense, within easy view of passing pedestrians and motorists, a large and readable sign with the following information upon it (hereinafter, the “Sign”):

*FINANCIAL ASSISTANCE PROVIDED
THROUGH THE
BUILD NYC RESOURCE CORPORATION
Mayor Bill de Blasio*

In addition, the Sign shall satisfy the following requirements: (x) format and appearance generally shall be stipulated by the Issuer in writing or electronically; (y) the minimum size of the Sign shall be four (4) feet by eight (8) feet; and (z) the Sign shall have no other imprint upon it other than that of the Issuer. The Sign shall remain in place at the Cromwell Facility until completion of the renovations and/or construction. The Institution may erect other signs in addition to the Sign.

Section 8.06. Environmental Matters.

(a) On or before the Closing Date, the Institution shall provide to the Issuer and the Trustee a letter from the Environmental Auditor addressed to the Issuer and the Trustee, stating that the Issuer and the Trustee may rely upon the Environmental Audit as if it was prepared for the Issuer and the Trustee in the first instance.

(b) The Institution shall not cause or permit the Facility or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Legal Requirements, nor shall the Institution cause or permit, as a result of any intentional or unintentional act or omission on the part of the Institution or any occupant or user of the Facility, a release of Hazardous Materials onto the Facility or onto any other property.

(c) The Institution shall comply with, and require and enforce compliance by, all occupants and users of the Facility with all applicable Legal Requirements pertaining to Hazardous Materials, whenever and by whomever triggered, and shall obtain and comply with, and ensure that all occupants and users of the Facility obtain and comply with, any and all approvals, registrations or permits required thereunder.

(d) The Institution shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal and other actions necessary to clean up and

remove all Hazardous Materials, on, from, or affecting the Facility in accordance with all applicable Legal Requirements.

(e) In the event the Mortgage is foreclosed, or a deed in lieu of foreclosure is tendered, or this Agreement is terminated as provided in Article IX, the Institution shall deliver the Mortgaged Property so that the conditions of the Mortgaged Property with respect to any and all Hazardous Materials shall conform with all applicable Legal Requirements affecting the Mortgaged Property.

(f) The parties hereto agree that the reference in Section 2.2(m) to the Environmental Audit is not intended, and should not be deemed to intend, to modify, qualify, reduce or diminish the Institution's obligations to carry out and perform all of the covenants stated throughout this Section 8.6 and in Section 8.2.

Section 8.07. Employment Matters.

(a) Except as is otherwise provided by collective bargaining contracts or agreements, new employment opportunities created as a result of the Project shall be listed with the New York State Department of Labor ("DOL") Community Services Division, and with the administrative entity of the service delivery area created by the Workforce Investment Act of 1998 (29 U.S.C. §2801) in which the Facility Realty is located. Except as is otherwise provided by collective bargaining contracts or agreements, the Institution agrees, where practicable, to consider first, and cause each of its Affiliates at the Facility to consider first, persons eligible to participate in the Workforce Investment Act of 1998 (29 U.S.C. §2801) programs who shall be referred by administrative entities of service delivery areas created pursuant to such Act or by the Community Services Division of the DOL for such new employment opportunities.

(b) Upon the Issuer's written request, the Institution shall provide to the Issuer any employment information in the possession of the Institution which is pertinent to the Institution and the employees of the Institution to enable the Issuer and/or NYCEDC to comply with its reporting requirements required by City Charter §1301 and any other applicable laws, rules or regulations.

(c) The Institution hereby authorizes any private or governmental entity, including the DOL, to release to the Issuer and/or NYCEDC, and/or to the successors and assigns of either (collectively, the "**Information Recipients**"), any and all employment information under its control and pertinent to the Institution and the employees of the Institution to enable the Issuer and/or NYCEDC to comply with its reporting requirements required by City Charter §1301 and any other applicable laws, rules or regulations. 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 (collectively, "**Employment Information**") may be disclosed by the Information Recipients in connection with the administration of the programs of the Issuer, and/or NYCEDC, and/or the successors and assigns of either, and/or the City, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to City Charter §1301, (y) other reports required

of the Issuer, and (z) any other reports required by law. This authorization shall remain in effect until the termination of this Agreement.

(d) Upon the request of the Issuer, the Institution shall cooperate with the Issuer in the development of programs for the employment and/or training of members of minority groups in connection with performing work at the Facility.

(e) Nothing in this Section shall be construed to require the Institution to violate any existing collective bargaining agreement with respect to hiring new employees.

Section 8.08. Non-Discrimination.

(a) At all times during the maintenance and operation of the Facility, the Institution shall not discriminate nor permit any of its Affiliates to discriminate against any employee or applicant for employment because of race, color, creed, age, sex or national origin. The Institution shall use its best efforts to ensure that employees and applicants for employment with any tenant of the Facility are treated without regard to their race, color, creed, age, sex or national origin. As used herein, the term "treated" shall mean and include the following: recruited, whether by advertising or other means; compensated, whether in the form of rates of pay or other forms of compensation; selected for training, including apprenticeship; promoted; upgraded; downgraded; demoted; transferred; laid off; and terminated.

(b) The Institution shall, in all solicitations or advertisements for employees placed by or on behalf of the Institution state that all qualified applicants will be considered for employment without regard to race, color, creed or national origin, age or sex.

(c) The Institution shall furnish to the Issuer all information required by the Issuer pursuant to this Section and will cooperate with the Issuer for the purposes of investigation to ascertain compliance with this Section.

Section 8.09. Assignment of this Agreement or Lease of Facility.

(a) The Institution shall not at any time, except as permitted by Section 8.20, assign or transfer this 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 sole and 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 this 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 this 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 this 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 this 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) this 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;

(ix) the Trustee shall have obtained the prior written consent of the Majority Holders; and

(x) 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, except to the Organization pursuant to the Lease 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 sole and 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 may be withheld by the Issuer or the Trustee in their sole and 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 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 this 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 this 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;

(v) such lease shall not violate any provision of this 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 this 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 Section 3.11 of the Mortgage or Section 8.1 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;

(xi) the Trustee shall have obtained the prior written consent of the Majority Holders; and

(xii) 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 this Section 8.9, 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 this Section 8.9.

Section 8.10. 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, including the Improvements, or any part of the Facility or interest therein, except as set forth in Sections 3.3, 3.4, 3.5, 3.6, Article VI, 8.9 and 9.2 or in this Section, without (i) the prior written consents of the Issuer and of the Trustee (which consents may be withheld by the Issuer or the Trustee in their sole and absolute discretion), (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 this Section will not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income taxes, and (iii) the Trustee shall have obtained the prior written consent of the Majority Holders. Any purported disposition without such consents and opinion shall be void.

(b) The Institution may, with the prior written consents of the Trustee (acting at the direction of the Majority Holders) and the Issuer (such consent not to be unreasonably withheld or delayed), so long as there exists no Event of Default hereunder, grant such rights of way or easements over, across, or under, the Facility Realty, 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 or for its intended use as an educational 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, on a pro rata basis, in the subaccounts of 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 so long as the Trustee receives the prior written consent of the Majority Holders, any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the lien and security interest of the Mortgage.

(c) So long as there exists no Event of Default hereunder, and the Institution delivers to the Trustee and the Issuer (i) an opinion of Nationally Recognized Bond Counsel to the effect that the following action will not affect the exclusion of the interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income tax purposes, and (ii) the prior written consent of the Majority Holders, the Institution may from time to time request in writing to the Issuer and the Trustee the release of and removal from the property comprising the Facility under this Agreement and the lien and security interest of the Mortgage, of any unimproved part of the Land (on which none of the Improvements, including the buildings, structures, major appurtenances, fixtures or other property comprising the Facility Realty, is situated); provided that such release and removal will not adversely affect the use or operation of the Facility as the Approved Facility or as an educational facility. Upon any such request by the Institution, the Issuer shall, at the sole cost and expense of the Institution, cause and direct the Trustee to execute and deliver any and all instruments necessary or appropriate to so release and remove such unimproved Land from the property comprising the Facility under this Agreement and the lien and security interest of the Mortgage, subject to the following:

- (i) any liens, easements, encumbrances and reservations to which title to said property was subject on the Closing Date;
- (ii) any liens, easements and encumbrances created at the request of the Institution or to the creation or suffering of which the Institution consented;
- (iii) any liens and encumbrances or reservations resulting from the failure of the Institution to perform or observe any of the agreements on its respective part contained in this Agreement or any other Project Document;
- (iv) Permitted Encumbrances (other than the lien of the Mortgage); and
- (v) any liens for taxes or assessments not then delinquent;

provided, however, that no such release shall be effected unless the following conditions have been satisfied:

- (1) the Trustee shall have received a certificate of an Independent Engineer, dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the person signing such certificate, the unimproved Land and the release thereof so proposed to be made is not needed for the operation of the remaining Facility, will not adversely affect the use or operation of the Facility as the Approved Facility and will not destroy the means of ingress thereto and egress therefrom;

(2) the Trustee shall have received an amount of cash for deposit in the applicable subaccount of the Redemption Account of the Bond Fund (on a pro rata basis) equal to the greatest of (A) the original cost of the unimproved Land so released, such allocable cost to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City, (B) the fair market value of such unimproved Land, such value to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City, and (C) if such unimproved Land is released in connection with its sale, the amount received by the Institution upon such sale;

(3) the Trustee shall have received the prior written consent of the Majority Holders; and

(4) the Facility Realty as shall remain subject to the Mortgage shall not constitute a portion of a tax lot.

(d) No conveyance or release effected under the provisions of this Section 8.10 shall entitle the Institution to any abatement or diminution of the loan payments or other amounts payable under Section 4.3 or any other payments required to be made by the Institution under this Agreement or any other Project Document to which it shall be a party (except to the extent Bonds are redeemed pursuant to the Indenture).

Section 8.11. 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 herein 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 this Agreement, the Promissory Note or any of the other Security Documents, or the interest of the Issuer, the Trustee or the Institution in any Security Document, other than Liens for Impositions not yet payable, Permitted Encumbrances, or Liens being contested as permitted by Section 8.11(b), 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, the Trustee and the Organization 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 this Agreement shall be construed as constituting the express or implied consent to or permission of the Issuer or the Trustee 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 Section 8.11(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 this 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 this 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) none of the Institution, the Issuer or 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 either placed money in escrow with the Trustee in the amount necessary, after contest of such Lien is concluded, and/or the securing of a bond with respect to any such Lien, to fully discharge or satisfy said Lien at its own cost and expense and such other amounts, 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 8.12. Filing.

(a) The security interest granted by the Issuer to the Trustee pursuant to the Indenture in the rights and other intangible interests described therein, shall be perfected by the filing of financing statements at the direction of the Issuer (at the sole cost and expense of the Institution) in the office of the Secretary of State of the State in the City of Albany, New York, and in the offices of such Register of the City, which financing statements shall be in accordance with Article 9 (Secured Transactions) of the New York State Uniform Commercial Code.

(b) As of the Closing Date,

(i) Section 9-515 of the New York State Uniform Commercial Code provides that an initial financing statement filed in connection with a “public-finance transaction” is effective for a period of thirty (30) years after the date of filing if such initial financing statement indicates that it is filed in connection with a public-finance transaction,

(ii) Section 9-102(67) of the New York State Uniform Commercial Code defines a “public-finance transaction” as a secured transaction in connection with which (x) debt securities are issued, (y) all or a portion of the debt securities issued have an initial stated maturity of at least twenty (20) years, and (z) the debtor, obligor, secured party, account debtor or other person obligated on collateral, assignor or assignee of a security interest is a state or a governmental unit of a state, and

(iii) subject to any future change in law, the initial financing statement as shall be filed with respect to the security interest described above shall therefore have

an effective period of thirty (30) years after the date of filing, for the purpose of determining the date by which continuation statements shall be filed.

(c) The parties hereto acknowledge and agree that, because the foregoing financing statements evidence collateral for the Initial Bonds, and because the Initial Bonds are municipal debt securities with a term that is at least twenty (20) years in duration, there is no need under the Uniform Commercial Code of the State of New York to re-file such financing statements in order to preserve the liens and security interests that they create for the period commencing with the Closing Date and terminating on the thirtieth anniversary of the Closing Date.

Subsequent to the initial filings, if it is necessary to re-file financing statements and/or file continuation statements and/or take any other actions to preserve the lien and security interest of the Indenture (individually or collectively, the “**Continuation Action(s)**”), then the Institution in a timely manner shall: (A) as applicable, (i) prepare and deliver to the Trustee all necessary instruments and filing papers, together with remittances equal to the cost of required filing fees and other charges, so that the Trustee may perform the Continuation Actions, or (ii) electronically perform the Continuation Actions and deliver to the Trustee written certification (upon which the Trustee may conclusively rely) that such performance has occurred, specifying the Continuation Actions performed, or (iii) perform some of the Continuation Actions in the manner described in clause “(i)” and the others in the manner described in clause “(ii)”; and (B) if requested by the Trustee (acting at the direction of the Majority Holders) or the Issuer, deliver or cause to be delivered to the Issuer and the Trustee the Opinion of Counsel as described below. The Trustee may conclusively rely upon in all instances, an Opinion of Counsel. In the event the Institution chooses to have the Trustee perform all or some of the Continuation Actions, as provided in clause “(A)(i)”, the Trustee shall reasonably promptly perform such Continuation Actions at the Institution’s sole expense. The Institution shall perform the obligations described hereinabove in clauses “(A)” (in every case) and “(B)” (if so requested) no later than ten (10) days prior to (i)(y) the thirtieth (30th) anniversary of the Closing Date, and (z) each fifth (5th) anniversary thereafter, and/or (ii) the date (not covered by clause “(i)”) on which a Continuation Action is to be taken to preserve the lien and security interest of the Indenture.

If an Opinion of Counsel is requested pursuant to this Section then the Opinion of Counsel shall be addressed to the Issuer and the Trustee. If so requested, the Institution shall deliver successive Opinions of Counsel in respect of (i)(y) the thirtieth (30th) anniversary of the Closing Date, and (z) every five-year anniversary thereafter through the term of the Initial Bonds, and/or (ii) the date of any required Continuation Action not covered by clause “(i),” in each case not later than fifteen (15) days prior to the date on which a Continuation Action is required to be taken. In the Opinion of Counsel to the Institution, counsel shall opine as to: (i) what Continuation Actions are necessary; and (ii) the deadline dates for the required Continuation Actions; and (iii) the jurisdictions in which the Continuation Actions must be effected. Counsel in such opinion shall additionally opine that, upon performance of the Continuation Actions by, as the case may be, (i) the Trustee with instruments and papers prepared by the Institution, or (ii) the Institution through electronic filing, or (iii) the Trustee as to some Continuation Actions, and the Institution as to the others through electronic filings, all appropriate steps shall have been taken on the part of the Institution, the Issuer and the Trustee then requisite to the maintenance of the perfection of the security interest of the Trustee in and to all property and interests which by the terms of the Indenture are to be subjected to the lien and security interest of the Indenture.

(d) Any filings with respect to the Uniform Commercial Code financing statements may be made electronically, and the Issuer shall have the right to designate a company (which shall be reasonably acceptable to the Trustee) to facilitate the filing of the Uniform Commercial Code financing statements.

(e) The Institution acknowledges and agrees that neither the Issuer nor the Trustee, nor any of their respective directors, members, officers, employees, servants, agents, persons under its control or supervision, or attorneys (including Nationally Recognized Bond Counsel to the Issuer), shall have any responsibility or liability whatsoever related in any way to the filing or re-filing of any Uniform Commercial Code financing statements or continuation statements, or the perfection or continuation of perfection of any security interests, or the recording or rerecording of any document, or the failure to effect any act referred to in this Section, or the failure to effect any such act in all appropriate filing or recording offices, or the failure of sufficiency of any such act so effected.

(f) The Institution agrees to perform all other acts (including the payment of all fees and expenses) necessary in order to enable the Issuer and the Trustee to comply with this Section and with Section 7.07 of the Indenture, including but not limited to, providing prompt notice to the Trustee of any change in either of the name or address of the Institution. The Institution agrees that the Issuer and the Trustee, if permitted by applicable law, may provide for the re-recording of the Indenture or any other Security Document or the filing or re-filing of continuation statements without the cooperation of the Institution as necessary at the sole cost and expense of the Institution.

Section 8.13. No Further Encumbrances Permitted. Except in compliance with Section 8.11 hereof, 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 this 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) prior to the mortgage liens thereon, and security interests therein, granted by the Mortgage.

Section 8.14. Documents Automatically Deliverable to the Issuer.

(a) The Institution shall immediately notify the Issuer of the occurrence of any Event of Default, or any event that with notice and/or lapse of time would constitute an Event of Default under any Project Document. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the Institution and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Institution shall state this fact on the notice.

(b) The Institution shall promptly provide written notice to the Issuer if any Conduct Representation made by the Institution would, if made on any date during the term of the

Agreement and deemed made as of such date, be false, misleading or incorrect in any material respect.

(c) Within five (5) Business Days after receipt from the Issuer of any subtenant survey and questionnaire pertaining to the Facility, the Institution shall complete and execute such survey and questionnaire and return the same to the Issuer.

(d) The Institution shall deliver all insurance-related documents required by Sections 8.1(f) and 8.1(g).

(e) Within 120 days after the close of each Fiscal Year during which action was taken by the Institution pursuant to Section 3.4, the Institution shall deliver written notice of the Additional Improvement(s) to the Issuer.

(f) If a removal involving Existing Facility Property having a value in the aggregate exceeding \$25,000 was taken by the Institution pursuant to Section 3.5(a), the Institution shall deliver written notice of such removal to the Issuer within five (5) Business Days following such removal.

(g) Promptly following completion of the Project, but no later than five (5) Business Days following the receipt of any one of a certificate of occupancy, temporary certificate of occupancy, an amended certificate of occupancy or a letter of no objection, the Institution shall deliver to the Issuer the certificate as to Project completion in substantially the form set forth in Exhibit G – “Form of Project Completion Certificate”, together with all attachments required thereunder.

(h) If the Institution shall request the consent of the Issuer under Section 8.9 to any sublease in whole or in part of the Facility, or to any assignment or transfer of this Agreement, the Institution shall submit such request to the Issuer in the form prescribed by the Issuer.

Section 8.15. Requested Documents. Upon request of the Issuer, the Institution shall deliver or cause to be delivered to the Issuer within five (5) Business Days of the date so requested:

(a) a copy of the most recent annual audited financial statements of the Institution and of its subsidiaries, if any (including balance sheets as of the end of the Fiscal Year and the related statement of revenues, expenses and changes in fund balances and, if applicable, income, earnings, and changes in financial position) for such Fiscal Year, prepared in accordance with GAAP and certified by an Independent Accountant;

(b) a certificate of an Authorized Representative of the Institution that the insurance the Institution maintains complies with the provisions of Section 8.1, that such insurance has been in full force and effect at all times during the preceding Fiscal Year, and that duplicate copies of all policies or certificates thereof have been filed with the Issuer and are in full force and effect and the evidence required by Section 8.1(f);

(c) copies of any (x) bills, invoices or other evidences of cost as shall have been incurred in connection with the Project Work, and (y) permits, authorizations and licenses from appropriate authorities relative to the occupancy, operation and use of the Facility;

(d) a certificate of an Authorized Representative of the Institution certifying either (x) the Institution did not take any action described in Section 3.4 resulting in Additional Improvements to the Facility Realty during the preceding Fiscal Year or (y) the Institution did take action or actions described in Section 3.4 resulting in Additional Improvements to the Facility Realty during the preceding Fiscal Year and the Institution complied with the provisions of Section 3.4;

(e) a certificate of an Authorized Representative of the Institution certifying either (x) the Institution did not take any action described in Section 3.5(a) resulting in the removal of Existing Facility Property having a value in the aggregate exceeding \$25,000 during the preceding Fiscal Year or (y) the Institution did take action or actions described in Section 3.5(a) resulting in the removal of Existing Facility Property having a value in the aggregate exceeding \$25,000 during the preceding Fiscal Year and the Institution complied with the provisions of Section 3.5(a);

(f) a certificate of an Authorized Representative of the Institution as to whether or not, as of the close of the immediately preceding Fiscal Year, and at all times during such Fiscal Year, the Institution was in compliance with all the provisions that relate to the Institution in this Agreement and in any other Project Document to which it shall be a party, and if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default, he or she shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default hereunder, and any action proposed to be taken by the Institution with respect thereto;

(g) upon twenty (20) days prior request by the Issuer, a certificate of an Authorized Representative of the Institution either stating that to the knowledge of such Authorized Representative after due inquiry there is no default under or breach of any of the terms hereof that exists or, with the passage of time or the giving of notice or both, would constitute an Event of Default hereunder, or specifying each such default or breach of which such Authorized Representative has knowledge;

(h) employment information requested by the Issuer pursuant to Section 8.7(b);
and

(i) information regarding non-discrimination requested by the Issuer pursuant to Section 8.8.

Section 8.16. Periodic Reporting Information for the Issuer.

(a) The Institution shall not assert as a defense to any failure of the Institution to deliver to the Issuer any reports specified in this Section 8.16 that the Institution shall not have timely received any of the forms from or on behalf of the Issuer unless, (x) the Institution shall have requested in writing such form from the Issuer not more than thirty (30) days nor less than fifteen (15) days prior to the date due, and (y) the Institution shall not have received such form

from the Issuer at least one (1) Business Day prior to the due date. For purposes of this Section 8.16, the Institution shall be deemed to have “received” any such form if it shall have been directed by the Issuer to a website at which such form shall be available. In the event the Issuer, in its sole discretion, elects to replace one or more of the reports required by this Agreement with an electronic or digital reporting system, the Institution shall make its reports pursuant to such system.

(b) Annually, by August 1 of each year, commencing on the August 1 immediately following the Closing Date, until the termination of this Agreement, the Institution shall submit to the Issuer the Annual Employment and Benefits Report relating to the period commencing July 1 of the previous year and ending June 30 of the year of the obligation of the filing of such report, in the form prescribed by the Issuer, certified as to accuracy by an officer of the Institution. Upon termination of this Agreement, the Institution shall submit to the Issuer the Annual Employment and Benefits Report relating to the period commencing the date of the last such Report submitted to the Issuer and ending on the last payroll date of the preceding month in the form prescribed by the Issuer, certified as to accuracy by the Institution. Nothing herein shall be construed as requiring the Institution to maintain a minimum number of employees on its respective payroll.

(c) If there shall have been a tenant, other than the Institution or the Organization, with respect to all or part of the Facility, at any time during the immediately preceding calendar year, the Institution shall file with the Issuer by the next following February 1, a certificate of an Authorized Representative of the Institution with respect to all tenancies in effect at the Facility, in the form prescribed by the Issuer.

(d) If there shall have been a subtenant, other than the Institution or the Organization, with respect to all or part of the Facility, at any time during the twelve-month period terminating on the immediately preceding June 30, the Institution shall deliver to the Issuer by the next following August 1, a completed Subtenant’s Employment and Benefits Report with respect to such twelve-month period, in the form prescribed by the Issuer.

(e) If the Institution shall have had the benefit of a Business Incentive Rate at any time during the twelve-month period terminating on the immediately preceding June 30, the Institution shall deliver to the Issuer by the next following August 1, a completed report required by the Issuer in connection with the Business Incentive Rate with respect to such twelve-month period, in the form prescribed by the Issuer.

(f) The Institution shall deliver to the Issuer on August 1 of each year, commencing on the August 1 immediately following the Closing Date, a completed location and contact information report in the form prescribed by the Issuer.

(g) The Project is a “covered project” and the Institution is a “covered developer,” each as defined under Section 22-1101 of the New York City Administrative Code (the “Construction Workforce Disclosure Law”). The Institution will comply with the Construction Workforce Disclosure Law in all respects, including that the Institution will provide all workforce disclosure records in a format that Issuer may request, which at a minimum will be sufficient to comply with the requirements of the Construction Workforce Disclosure Law.

Section 8.17. 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 hereunder, 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 herein 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 this 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 this 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 or 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 either placed money in escrow with the Trustee in the amount necessary, after contest of such Imposition is concluded, and/or the securing of a bond with respect to any such Imposition to fully discharge or satisfy said Imposition at its own cost and expense, and such other amounts, 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 8.18. 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 nonconforming uses), privileges, franchises and concessions. The Institution will not, without the prior written consent of the Issuer and the Trustee (acting at the direction of the Majority Holders), 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 Section 8.18(b) 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 this 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 either placed money in escrow with the Trustee in the amount necessary, after contest of such contest is concluded, and/or the securing of a bond with respect to any such contest to fully discharge or satisfy said contest at its own cost and expense, and such other amounts, 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 8.19. 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 written notice to enter upon the Facility and to examine and inspect the Facility and exercise its rights hereunder, under the Indenture and under the other Security Documents with respect to the Facility. The Institution will further permit the Issuer, or its duly authorized agent, upon reasonable notice, at all reasonable times, 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 8.20. Restrictions on Dissolution and Merger.

(a) The Institution covenants and agrees that at all times during the term of this Agreement, it will

(i) maintain its existence as a disregarded entity of a not-for-profit corporation constituting a Tax-Exempt Organization,

(ii) continue to be subject to service of process in the State,

(iii) continue to be organized under the laws of, or qualified to do business in, the State,

(iv) not liquidate, wind up or dissolve or otherwise dispose of all or substantially all of its property, business or assets (“**Transfer**”) remaining after the Closing Date, except as provided in Section 8.20(b),

(v) not consolidate with or merge into another Entity or permit one or more Entities to consolidate with or merge into it (“**Merge**”), except as provided in Section 8.20(b), and

(vi) not change or permit the change of any Principal of the Institution, or a change in the relative Control of the Institution of any of the existing Principals, except in each case as provided in Section 8.20(c).

(b) Notwithstanding Section 8.20(a), the Institution may Merge or participate in a Transfer if the following conditions are satisfied on or prior to the Merger or Transfer, as applicable:

(i) when the Institution is the surviving, resulting or transferee Entity,

(1) the Institution shall have a net worth (as determined by an Independent Accountant in accordance with GAAP) at least equal to that of the Institution immediately prior to such Merger or Transfer,

(2) the Institution shall continue to be a disregarded entity of a Tax-Exempt Organization,

(3) the Trustee shall have received the prior written consent of the Majority Holders,

(4) the Institution shall deliver to the Issuer and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such action will

not cause the interest on the Bonds to become includable in gross income for federal income tax purposes, and

(5) the Institution shall deliver to the Issuer a Required Disclosure Statement with respect to itself as surviving Entity in form and substance satisfactory to the Issuer; or

(ii) when the Institution is not the surviving, resulting or transferee Entity (the “**Successor Institution**”),

(1) the predecessor Institution (the “**Predecessor Institution**”) shall not have been in default under this Agreement or under any other Project Document,

(2) the Successor Institution shall be a Tax-Exempt Organization or a disregarded entity of a not for profit corporation constituting a Tax-Exempt Organization and shall be solvent and subject to service of process in the State and organized under the laws of the State, or under the laws of any other state of the United States and duly qualified to do business in the State,

(3) the Successor Institution shall have assumed in writing all of the obligations of the Predecessor Institution contained in this Agreement and in all other Project Documents to which the Predecessor Institution shall have been a party,

(4) the Successor Institution shall have delivered to the Issuer a Required Disclosure Statement in form and substance acceptable to the Issuer acting in its sole discretion,

(5) each Principal of the Successor Institution shall have delivered to the Issuer a Required Disclosure Statement in form and substance acceptable to the Issuer acting in its sole discretion,

(6) the Successor Institution shall have delivered to the Issuer and the Trustee, in form and substance acceptable to the Issuer and the Trustee, an Opinion of Counsel to the effect that (y) this Agreement and all other Project Documents to which the Predecessor Institution shall be a party constitute the legal, valid and binding obligations of the Successor Institution and each is enforceable in accordance with their respective terms to the same extent as it was enforceable against the Predecessor Institution, and (z) such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents,

(7) the Successor Institution shall have delivered to the Issuer and the Trustee, in form and substance acceptable to the Issuer and the Trustee, an opinion of an Independent Accountant to the effect that the Successor Institution has a net worth (as determined in accordance with GAAP) after the Merger or Transfer at least equal to that of the Predecessor Institution immediately prior to such Merger or Transfer,

(8) the Trustee shall have received the prior written consent of the Majority Holders, and

(9) the Successor Institution delivers to the Issuer and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such action will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

(c) If there is a change in Principals of the Institution, or a change in the Control of the Institution, the Institution shall deliver to the Issuer prompt written notice thereof (including all details that would result in a change to Exhibit D — “Principals of Institution”) to the Issuer and the Trustee together with a Required Disclosure Statement in form and substance acceptable to the Issuer acting in its sole discretion, with a copy to the Trustee.

Section 8.21. 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 sole member’s exemption under Section 501 of the Code;

(b) not use more than three percent (3%) of the proceeds of the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds to be “arbitrage bonds” under the Code or cause the interest paid by the Issuer on the Tax-Exempt Bonds to be subject to Federal income tax in the hands of the Holders thereof;

(e) use its best efforts to maintain the tax-exempt status of the Tax-Exempt Bonds; and

(f) not take any action, or fail to take any action, the result of which would cause the Institution to no longer be considered a disregarded entity for federal income tax purposes, unless such action shall result in the Institution being a Tax-Exempt Organization itself.

Section 8.22. Securities Law Status. The Institution covenants that:

(a) the Facility shall be operated (y) exclusively for civic or charitable purposes and (z) not for pecuniary profit, all within the meaning, respectively, of the Securities Act and of the Securities Exchange Act,

(b) no part of the net earnings of the Institution shall inure to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act and of the Securities Exchange Act, and

(c) it shall not perform any act nor enter into any agreement which shall change such status as set forth in this Section.

Section 8.23. Further Assurances. The Institution will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, including Uniform Commercial Code financing statements, at the sole cost and expense of the Institution, as the Issuer or the Trustee deems reasonably necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of this Agreement and any rights of the Issuer or the Trustee hereunder, under the Indenture or under any other Security Document.

Section 8.24. Tax Regulatory Agreement.

(a) The Institution shall comply with all of the terms, provisions and conditions set forth in the Tax Regulatory Agreement, including, without limitation, the making of any payments and filings required thereunder.

(b) Promptly following receipt of notice from the Trustee as provided in Section 5.07 of the Indenture that the amount on deposit in the Rebate Fund is less than the Rebate Amount, the Institution shall deliver the amount necessary to make up such deficiency to the Trustee for deposit in the Rebate Fund.

(c) The Institution agrees to pay all costs of compliance with the Tax Regulatory Agreement and costs of the Issuer and Trustee relating to any examination or audit of the Bonds by the Internal Revenue Service (including fees and disbursements of lawyers and other consultants).

Section 8.25. Compliance with the Indenture. The Institution will comply with the provisions of the Indenture applicable to the Institution. The Trustee shall have the power, authority, rights and protections provided in the Indenture. The Institution will use its best efforts to cause there to be obtained for the Issuer any documents or opinions of counsel required of the Issuer under the Indenture.

Section 8.26. Reporting Information for the Trustee.

(a) The Institution shall furnish or cause to be furnished to the Trustee and posted to EMMA:

(i) as soon as available and in any event within one hundred eighty (180) days after the close of each Fiscal Year, a copy of the annual financial statements of

the Institution, including balance sheets as at the end of each such Fiscal Year, and the related statements of income, balances, earnings, retained earnings and changes in financial position for each such Fiscal Year, as audited by the Institution's Independent Accountant and prepared in accordance with GAAP,

(ii) as soon as available and in any event within ninety (90) days after the close of each quarter of each Fiscal Year, a copy of the unaudited financial statements of the Institution, including balance sheets as at the end of such quarter, and the related statements of income, balances, earnings, retained and changes in financial position for such quarter, prepared in accordance with GAAP, certified by an Authorized Representative of the Institution, and

(iii) all information required by the Continuing Disclosure Agreement.

(b) The Institution shall deliver to the Trustee and shall post to EMMA with each delivery of annual financial statements required by Section 8.26(a)(i):

(i) a certificate of an Authorized Representative of the Institution:

(1) as to whether or not, as of the close of such preceding Fiscal Year, and at all times during such Fiscal Year, the Institution was in compliance with all the provisions which relate to the Institution in this Agreement and in any other Project Document to which it shall be a party, and

(2) as to whether or not a Determination of Taxability has occurred, and

(3) if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default or Determination of Taxability, he shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default hereunder, and any action proposed to be taken by the Institution with respect thereto, and

(ii) a certificate of an Authorized Representative of the Institution that the insurance it maintains complies with the provisions of Section 8.1 of this Agreement and Section 3.11 of the Mortgage, that such insurance has been in full force and effect at all times during the preceding Fiscal Year, and that duplicate copies of all policies or certificates thereof have been filed with the Issuer and the Trustee and are in full force and effect.

(c) In addition, upon twenty (20) days prior request by the Trustee, the Institution will execute, acknowledge and deliver to the Issuer and the Trustee and shall post to EMMA a certificate of an Authorized Representative of the Institution either stating that to the knowledge of such Authorized Representative after due inquiry no default or breach exists hereunder or specifying each such default or breach of which such Authorized Representative has knowledge.

(d) The Institution shall immediately notify the Trustee of the occurrence of any Event of Default or any event which with notice and/or lapse of time would constitute an Event of Default under any Project Document. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the Institution and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Institution shall state this fact on the notice.

(e) The Institution shall deliver to the Trustee all insurance-related documents required by Sections 8.1(f) and 8.1(g) of this Agreement and copies of any policies required to be carried under Section 8.1.

(f) The Trustee shall be under no obligation to review the financial statements received under this Section 8.26 for content and shall not be deemed to have knowledge of the contents thereof.

(g) The Institution shall deliver to the Trustee a copy of any document provided to the Issuer under Sections 8.14 and 8.15 of this Agreement, to the extent not otherwise provided hereunder.

Section 8.27. Continuing Disclosure. The Institution shall enter into and comply with and carry out all of the provisions of a continuing disclosure agreement. The Institution agrees that the Issuer shall have no continuing disclosure obligations.

Section 8.28. Special Covenants.

(a) If the Organization provides education to any of grades “K” through 8, it must either be (i) registered with the New York State Department of Education, or (ii) evaluated by an independent professional (acceptable to the Issuer in its sole discretion) as providing an education equivalent to that provided by public schools in the State of New York.

(b) The Institution further covenants that the Organization shall not discriminate in admissions, hiring, the granting of scholarships or loans, or the administration of educational policies generally.

(c) The Institution covenants that the Lease Agreement will at all times require the Organization to submit all payments under the Lease Agreement for direct deposit to the account held under the Account Control Agreement commencing immediately after the Closing Date. The Institution covenants and agrees that such provisions of the Lease Agreement shall remain in full force and effect at all times to ensure that all payments under the Lease Agreement are submitted by direct deposit to the account held under the Account Control Agreement for so long as any of the Bonds remain outstanding or unsatisfied, and that such standing instructions to the Organization shall remain irrevocable so long as any of the obligations of the Institution under this Agreement remain outstanding or unsatisfied.

(d) The Institution agrees that it will not amend the provisions of the Lease Agreement without the prior written consent of the Trustee (acting at the direction of the Majority Holders).

(e) The Institution agrees that, if it desires to change the location of the account or any account number for any reason held under the Account Control Agreement, it shall first obtain the prior written consent of the Trustee (acting at the direction of the Majority Holders).

Section 8.29. HireNYC Program.

The Institution shall use its good faith efforts to achieve the hiring and workforce development goals of the HireNYC Program and shall perform the requirements of the HireNYC Program, all as set forth in Exhibit I. The Institution agrees to be bound by each of the provisions of the HireNYC Program set forth in Exhibit I, including without limitation, the payment of any liquidated damages and other enforcement provisions set forth therein.

Section 8.30. Living Wage.

(a) Institution acknowledges and agrees that it has received “financial assistance” as defined in the LW Law. Institution agrees to comply with all applicable requirements of the LW Law. Institution acknowledges that the terms and conditions set forth in this Section 8.30 are intended to implement the Mayor’s Executive Order No. 7 dated September 30, 2014.

(b) The following capitalized terms shall have the respective meanings specified below for purposes hereof.

Asserted Cure has the meaning specified in Section 8.30(k)(i).

Asserted LW Violation has the meaning specified in Section 8.30(k)(i).

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

Concessionaire means 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.

Covered Counterparty means 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 means 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 means 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.

LW has the same meaning 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 means, with respect to any Covered Counterparty, an enforceable agreement in the form attached hereto as Exhibit J (except only with such changes as are necessary to make such Covered Counterparty the obligor thereunder).

LW Agreement Delivery Date means, 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 means 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 Section 8.30(k)(v)) shall not count for purposes of determining whether the conditions in clauses (a) and (b) of the preceding sentence have been satisfied.

LW Law means 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 means 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 this Agreement or (b) the date that is ten years after the Facility commences operations.

LW Violation Final Determination has the meaning specified in Section 8.30(k)(i)(1), Section 8.30(k)(i)(2)(A) or Section 8.30(k)(i)(2)(B), as applicable.

LW Violation Initial Determination has the meaning specified in Section 8.30(k)(i)(2).

LW Violation Notice has the meaning specified in Section 8.30(k)(i).

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

Owed Interest means 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 means, 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 this Section 8.30 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 Section 8.30(f) below, 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).

Prevailing Wage Law means 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.

Qualified Workforce Program means 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.

Site Affiliates means, 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 means, 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 means 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.

Specified Contract means, with respect to any Person, the principal written contract that makes such Person a Covered Employer hereunder.

(c) During the LW Term, if and for so long as Institution is a Covered Employer, Institution shall pay each of its direct Site Employees no less than an LW. During the LW Term, Institution shall cause each of its Site Affiliates that is a Covered Employer to pay their respective Site Employees no less than an LW.

(d) During the LW Term, if and for so long as Institution is a Covered Employer (or if and so long as a Site Affiliate is a Covered Employer, as applicable), Institution shall (or shall cause the applicable Site Affiliate to, as applicable), on or prior to the day on which each direct Site Employee of Institution or of a Site Affiliate begins work at the Facility Realty, (i) post a written notice detailing the wages and benefits required to be paid to Site Employees under this Section 8.30 in a conspicuous place at the Facility Realty that is readily observable by such direct Site Employee and (ii) provide such direct Site Employee with a written notice detailing the wages and benefits required to be paid to Site Employees under this Section 8.30. Such written notice shall also provide a statement advising Site Employees that if they have been paid less than the LW they may notify the Comptroller and request an investigation. Such written notice shall be in English and Spanish.

(e) During the LW Term, if and for so long as Institution is a Covered Employer (or if and for so long as a Site Affiliate is a Covered Employer, as applicable), Institution shall not

(or the applicable Site Affiliate shall not, as applicable) take any adverse employment action against any Site Employee for reporting or asserting a violation of this Section 8.30.

(f) During the LW Term, regardless of whether Institution is a Covered Employer, Institution shall cause each Covered Counterparty to execute an LW Agreement on or prior to the LW Agreement Delivery Date applicable to such Covered Counterparty. Institution shall deliver a copy of each Covered Counterparty's LW Agreement to the Issuer, the DCA and the Comptroller at the notice address specified in Section 12.5 and promptly upon written request. Institution shall retain copies of each Covered Counterparty's LW Agreement until six (6) years after the expiration or earlier termination of such Covered Counterparty's Specified Contract.

(g) During the LW Term, in the event that an individual with managerial authority at Institution or at a Site Affiliate receives a written complaint from any Site Employee (or such individual otherwise obtains actual knowledge) that any Site Employee has been paid less than an LW, Institution shall deliver written notice to the Issuer, the DCA and the Comptroller within 30 days thereof.

(h) Institution hereby acknowledges and agrees that the City, the DCA and the Comptroller are each intended to be third party beneficiaries of the terms and provisions of this Section 8.30. Institution hereby acknowledges and agrees that the DCA, the Comptroller and the Issuer shall each have the authority and power to enforce any and all provisions and remedies under this Section 8.30 in accordance with paragraph (k) below. Institution hereby agrees that the DCA, the Comptroller and the Issuer may bring an action for damages (but not in excess of the amounts set forth in paragraph (k) below), injunctive relief or specific performance or any other non-monetary action at law or in equity, in each case subject to the provisions of paragraph (k) below, as may be necessary or desirable to enforce the performance or observance of any obligations, agreements or covenants of Institution (or of any Site Affiliate) under this Section 8.30. Notwithstanding anything herein to the contrary, no default or Event of Default under this Agreement shall occur by reason of Institution's failure to perform or observe any obligation, covenant or agreement contained in this Section 8.30 unless and until an LW Event of Default shall have occurred. The agreements and acknowledgements of Institution set forth in this Section 8.30 may not be amended, modified or rescinded by Institution without the prior written consent of the Issuer or the DCA.

(i) No later than 30 days after Institution's receipt of a written request from the Issuer, the DCA and/or the Comptroller, Institution shall provide to the Issuer, the DCA and the Comptroller (i) a certification stating that all of the direct Site Employees of Institution and its Site Affiliates are paid no less than an LW (if such obligation is applicable hereunder) and stating that Institution and its Site Affiliates are in compliance with this Section 8.30 in all material respects, (ii) a written list of all Covered Counterparties, together with the LW Agreements of such Covered Counterparties, (iii) certified payroll records in respect of the direct Site Employees of Institution or of any Site Affiliate (if applicable), and/or (iv) any other documents or information reasonably related to the determination of whether Institution or any Site Affiliate is in compliance with their obligations under this Section 8.30.

(j) Annually, by August 1 of each year during the LW Term, Institution shall (i) submit to the Issuer a written report in respect of employment, jobs and wages at the Facility

Realty as of June 30 of such year, in a form provided by the Issuer to all projects generally, and (ii) submit to the Issuer and the Comptroller the annual certification required under Section 6-134(f) of the LW Law (if applicable).

(k) Violations and Remedies.

(i) If a violation of this Section 8.30 shall have been alleged by the Issuer, the DCA and/or the Comptroller, then written notice will be provided to Institution for such alleged violation (an "LW Violation Notice"), specifying the nature of the alleged violation in such reasonable detail as is known to the Issuer, the DCA and the Comptroller (the "Asserted LW Violation") and specifying the remedy required under Section 8.30(k)(ii), (iii), (iv), (v) and/or (vi) (as applicable) to cure the Asserted LW Violation (the "Asserted Cure"). Upon Institution's receipt of the LW Violation Notice, Institution may either:

(1) Perform the Asserted Cure no later than 30 days after its receipt of the LW Violation Notice (in which case a "LW Violation Final Determination" shall be deemed to exist), or

(2) Provide written notice to the Issuer, the DCA and the Comptroller indicating that it is electing to contest the Asserted LW Violation and/or the Asserted Cure, which notice shall be delivered no later than 30 days after its receipt of the LW Violation Notice. Institution shall bear the burdens of proof and persuasion and shall provide evidence to the DCA no later than 45 days after its receipt of the LW Violation Notice. The DCA shall then, on behalf of the City, the Issuer and the Comptroller, make a good faith determination of whether the Asserted LW Violation exists based on the evidence provided by Institution and deliver to Institution a written statement of such determination in reasonable detail, which shall include a confirmation or modification of the Asserted LW Violation and Asserted Cure (such statement, a "LW Violation Initial Determination"). Upon Institution's receipt of the LW Violation Initial Determination, Institution may either:

(A) Accept the LW Violation Initial Determination and shall perform the Asserted Cure specified in the LW Violation Initial Determination no later than 30 days after its receipt of the LW Violation Initial Determination (after such 30 day period has lapsed, but subject to clause (B) below, the LW Violation Initial Determination shall be deemed to be a "LW Violation Final Determination"), or

(B) Contest the LW Violation Initial Determination by filing in a court of competent jurisdiction or for an administrative hearing no later than 30 days after its receipt of the LW Violation Initial Determination, in which case, Institution's obligation to perform the Asserted Cure shall be stayed pending resolution of the action. If no filing in a court of competent jurisdiction or for an administrative hearing is made to contest the LW Violation Initial Determination within 30 days after Institution's receipt thereof, then the LW Violation Initial

Determination shall be deemed to be a “LW Violation Final Determination”. If such a filing is made, then a “LW Violation Final Determination” will be deemed to exist when the matter has been finally adjudicated. Institution shall perform the Asserted Cure (subject to the judicial decision) no later than 30 days after the LW Violation Final Determination.

(ii) For the first LW Violation Final Determination imposed on Institution or any Site Affiliate in respect of any direct Site Employees of Institution or of a Site Affiliate, at the direction of the Issuer or the DCA (but not both), (A) Institution shall pay the Owed Monies and Owed Interest in respect of such direct Site Employees of Institution or of a Site Affiliate to such direct Site Employees; and/or (B) in the case of a violation that does not result in monetary damages owed by Institution, Institution shall cure, or cause the cure of, such non-monetary violation.

(iii) For the second and any subsequent LW Violation Final Determinations imposed on Institution or any Site Affiliate in respect of any direct Site Employees of Institution or of a Site Affiliate, at the direction of the Issuer or the DCA (but not both), (A) Institution shall pay the Owed Monies and Owed Interest in respect of such direct Site Employees of Institution or of a Site Affiliate to such direct Site Employees, and Institution shall pay fifty percent (50%) of the total amount of such Owed Monies and Owed Interest to the DCA as an administrative fee; and/or (B) in the case of a violation that does not result in monetary damages owed by Institution, Institution shall cure, or cause the cure of, such non-monetary violation.

(iv) For the second and any subsequent LW Violation Final Determinations imposed on Institution or any Site Affiliate in respect of any direct Site Employees of Institution or of a Site Affiliate, if the aggregate amount of Owed Monies and Owed Interest paid or payable by Institution in respect of the direct Site Employees of Institution or of a Site Affiliate is in excess of the LW Violation Threshold for all past and present LW Violation Final Determinations imposed on Institution or any Site Affiliate, then in lieu of the remedies specified in subparagraph (iii) above and at the direction of the Issuer or the DCA (but not both), Institution shall pay (A) two hundred percent (200%) of the Owed Monies and Owed Interest in respect of the present LW Violation Final Determination to the affected direct Site Employees of Institution or of a Site Affiliate, and (B) fifty percent (50%) of the total amount of such Owed Monies and Owed Interest to the DCA as an administrative fee.

(v) If Institution fails to obtain an LW Agreement from its Covered Counterparty in violation of paragraph (f) above, then at the discretion of the Issuer or the DCA (but not both), Institution shall be responsible for payment of the Owed Monies, Owed Interest and other payments described in subparagraphs (ii), (iii) and (iv) above (as applicable) as if the direct Site Employees of such Covered Counterparty were the direct Site Employees of Institution.

(vi) Institution shall not renew the Specified Contract of any specific Covered Counterparty or enter into a new Specified Contract with any specific Covered Counterparty if both (A) the aggregate amount of Owed Monies and Owed Interest paid or

payable by such Covered Counterparty in respect of its direct Site Employees for all past and present LW Violation Final Determinations (or that would have been payable had such Covered Counterparty entered into an LW Agreement) is in excess of the LW Violation Threshold and (B) two or more LW Violation Final Determinations against such Covered Counterparty (or in respect of the direct Site Employees of such Covered Counterparty) occurred within the last 6 years of the term of the applicable Specified Contract (or if the term thereof is less than 6 years, then during the term thereof); provided that the foregoing shall not preclude Institution from extending or renewing a Specified Contract pursuant to any renewal or extension options granted to the Covered Counterparty in the Specified Contract as in effect as of the LW Agreement Delivery Date applicable to such Covered Counterparty.

(vii) It is acknowledged and agreed that (A) other than as set forth in Section 8.2, the sole monetary damages that Institution may be subject to for a violation of this Section 8.30 are as set forth in this paragraph (k), and (B) in no event will the Specified Contract between Institution and a given Covered Counterparty be permitted to be terminated or rescinded by the Issuer, the DCA or the Comptroller by virtue of violations by Institution or another Covered Counterparty.

(l) The terms and conditions set forth in this Section 8.30 shall survive the expiration or earlier termination of this Agreement.

Section 8.31. Repair and Replacement Fund.

(a) The Institution shall, or shall cause the Organization to, have a consultant complete a capital needs assessment projecting the capital needs for each Facility and the total cost thereof for the five (5) year period commencing on the immediately following January 1 (each a “**Capital Needs Assessment**”) no later than December 1, 2027, and every fifth anniversary thereafter as long as the Bonds are Outstanding. The total cost set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Funds, divided by 30, shall be the “**Repair and Replacement Fund Requirement**” for such five (5) year period.

(b) The Institution shall, or shall cause the Organization to deposit into the Repair and Replacement Fund, an amount required to fund the Repair and Replacement Fund on each Loan Payment Date until the annual amount of such deposits total the Repair and Replacement Fund Requirement for such year. In addition, commencing January 1, 2028, the Institution shall, or shall cause the Organization to deposit with the Trustee an amount equal to 1/30th of the Repair and Replacement Fund Requirement bi-monthly. The Institution shall replenish any draws made on the Repair and Replacement Fund by paying or causing to be paid to the Trustee for deposit in the Repair and Replacement Fund in thirty (30) equal bi-monthly amounts as required by the Indenture and this Agreement until the Repair and Replacement Fund Requirement is met; provided, however, if amounts on deposit in the Repair and Replacement Fund are in excess of the Repair and Replacement Fund Requirement, the Institution shall not be required to replenish draws on the Repair and Replacement Fund; and, provided, further, however, nothing contained herein, shall prohibit the Institution from depositing amounts into the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement. Provided,

however, nothing contained herein, shall prohibit the Institution from depositing amounts into the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement.

ARTICLE IX

REMEDIES AND EVENTS OF DEFAULT

Section 9.01. Events of Default. Any one or more of the following events shall constitute an “Event of Default” hereunder:

(a) Failure of the Institution to pay any loan payment that has become due and payable by the terms of Section 4.3 or 4.6;

(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 5.1, 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 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 hereunder on its part to be performed (except as set forth in Section 9.1(a) or (b)) 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 Section 8.20;

(f) Any representation or warranty made by the Institution (i) in the application and related materials submitted to the Issuer or the Underwriter of the Bonds for approval of the Project or its financing, or (ii) herein 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 hereto 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 including the Mortgage;

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

(i) The occurrence of an LW Event of Default.

Section 9.02. Remedies on Default. (a) Whenever any Event of Default referred to in Section 9.1 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 Article VIII of the Indenture, may cause all principal installments of loan payments payable under Section 4.3(a) 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 Section 9.1(d) or (e), all principal installments of loan payments payable under Section 4.3(a) 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 this Agreement or under any other Security Document, including without limitation the appointment of a receiver of the Institution and the Facility; and

(iii) The Trustee may take any action permitted under the Indenture or any other Security Document 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 this Section 9.2 or by operation of law or otherwise shall, except as expressly provided herein, relieve the Institution from the Institution's obligations hereunder, all of which shall survive any such action.

(d) Notwithstanding anything else in this Agreement to the contrary, the Trustee's enforcement of remedies shall be limited as described in this 9.2(d) during the Limited Enforcement Period. During the Limited Enforcement Period:

(i) any occurrence and continuance of an Event of Default caused by (A)(1) the failure of the Cromwell Facility to satisfy the Project Completion Date conditions by the Completion Deadline, (2) the stopping of construction of the Cromwell Facility for more than 90 consecutive days, or (3) the abandonment of the construction of the Cromwell Facility, or (B) any other Event of Default under any Security Document or the Construction Contract in any way related to the construction of the Cromwell Facility, including any covenant default or Event of Default caused by the failure of the Institution to occupy the Cromwell Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon (w) the Cromwell Facility collateral, (x) the FLACS IV Guaranty, (y) all Funds and Accounts related to the Series 2020A Bonds, and (z) a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020A Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date). For the avoidance of doubt, during the Limited Enforcement Period and during the occurrence and continuance of an Event of Default under subsection (A) or (B) above, the Trustee shall not be entitled to pursue any remedies or enforce against the Gerard Avenue Facility collateral or the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds (including the subaccounts for such Series of Bonds in the Bond Fund, the Debt Service Reserve Fund and the Renewal Fund).

(ii) any occurrence and continuance of an Event of Default under any Security Document related to the Series 2020B Bonds, the Series 2020C Bonds, the Gerard Avenue Facility or the 165th Street Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon the Gerard Avenue Facility collateral or

the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds and a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020B Bonds and the Series 2020C Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date).

Section 9.03. 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 this Agreement and the Promissory Note, irrespective of whether the principal of the Bonds (and the loan payments payable pursuant to the Promissory Note and Section 4.3(a)) shall have been accelerated by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand for payment hereunder or thereunder, 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 hereby authorized 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 9.04. Remedies Cumulative. The rights and remedies of the Issuer or the Trustee under this 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 this Agreement. Failure by the Issuer or the Trustee to insist upon the strict performance of any of the covenants and agreements herein set forth or to exercise any rights or remedies upon default by the Institution hereunder 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 hereof, or of the rights to exercise any such rights or remedies, if such default by the Institution be continued or repeated.

Section 9.05. No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in this 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 hereunder. 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 hereunder or under the Indenture or under any other Security Document shall operate as a waiver. To the extent permitted by applicable law, the Institution hereby 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 9.06. Effect on Discontinuance of Proceedings. In case any proceeding taken by the Issuer or the Trustee under the Indenture or this Agreement or under any other Security Document on account of any Event of Default hereunder or thereunder shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Issuer or the Trustee, then, and in every such case, the Issuer, the Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights hereunder and thereunder, and all rights, remedies, powers and duties of the Issuer and the Trustee shall continue as in effect prior to the commencement of such proceedings.

Section 9.07. Agreement to Pay Fees and Expenses of Attorneys and Other Consultants. In the event of any Event of Default hereunder, 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 hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Institution herein contained or contained 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 9.08. Certain Continuing Representations. If at any time during the term of this Agreement, any Conduct Representation made by the Institution would, if made on any date while Bonds are Outstanding and deemed made as of such date, be false, misleading or incorrect in any material respect, then, the Institution shall be deemed to be in default under this Agreement unless the Issuer shall, upon written request by the Institution, either waive such default in writing or consent in writing to an exception to such representation or warranty so that such representation or warranty shall no longer be false, misleading or incorrect in a material respect. Upon the occurrence of any such default, the Issuer shall have the right to require the redemption of the Bonds in accordance with Section 11.3(a).

Section 9.09. Late Delivery Fees.

- (a) In the event the Institution shall fail:
 - (i) to pay the Annual Administrative Fee on the date required under Section 8.3,
 - (ii) to file and/or deliver any of the documents required of the Institution under Section 8.14 or Section 8.16 by the date therein stated (collectively, the “**Fixed Date Deliverables**”), or
 - (iii) to deliver to the Issuer any of the documents as shall have been requested by the Issuer of the Institution under Section 8.15 within five (5) Business Days of the date so requested (collectively, the “**Requested Document Deliverables**”),

then the Issuer may charge the Institution on a daily calendar basis commencing with the day immediately following the date on which the payment, filing or delivery was due (the “**Due Date**”), the Per Diem Late Fee.

(b) If the Issuer shall deliver written notice (a “**Notification of Failure to Deliver**”) to the Institution of such failure to deliver on the Due Date the Annual Administrative Fee, a Fixed Date Deliverable and/or a Requested Document Deliverable, and such payment or document shall not be delivered to the Issuer within ten (10) Business Days following delivery by the Issuer to the Institution of the Notification of Failure to Deliver, then, commencing from and including the eleventh (11th) Business Day following the delivery by the Issuer to the Institution of the Notification of Failure to Deliver, the Issuer may charge the Institution on a daily calendar basis the Per Diem Supplemental Late Fee in respect of each noticed failure which shall be in addition to, and be imposed concurrently with, the applicable Per Diem Late Fee.

(c) The Per Diem Late Fee and the Per Diem Supplemental Late Fee shall each, if charged by the Issuer, (i) accrue until the Institution delivers to the Issuer the Annual Administrative Fee, the Fixed Date Deliverable(s) and/or the Requested Document Deliverable(s), as the case may be, and (ii) be incurred on a daily basis for each such Annual Administrative Fee, Fixed Date Deliverable and/or Requested Document Deliverable as shall not have been delivered to the Issuer on the Due Date.

(d) No default on the part of the Institution under Section 8.3, 8.14, 8.15 or 8.16 of this Agreement to deliver to the Issuer an Annual Administrative Fee, a Fixed Date Deliverable or a Requested Document Deliverable shall be deemed cured unless the Institution shall have delivered same to the Issuer and paid to the Issuer all accrued and unpaid Per Diem Fees in connection with the default.

ARTICLE X

TERMINATION OF THIS AGREEMENT

Section 10.01. Termination of this 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 Article X of the Indenture and payment of all fees and expenses of the Trustee and the Issuer described in Section 10.02, the Issuer shall terminate this Agreement by giving the Institution notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to (y) the delivery of those documents referred to in Section 10.2, and (z) the survival of those obligations of the Institution set forth in Section 10.3.

Section 10.02. Actions on Termination.

(a) As a condition precedent to the termination of this Agreement, the Institution shall:

- (i) pay to the Trustee
 - (A) the expenses of redemption, the fees and expenses of the Trustee, the Bond Registrar and the Paying Agents and all other amounts due and payable under this Agreement and the other Security Documents, and
 - (B) any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement; and
- (ii) pay to the Issuer
 - (A) the fees and expenses of the Issuer, and
 - (B) all other amounts due and payable under this Agreement and the other Security Documents,
- (iii) perform all accrued obligations hereunder or under any other Project Document,
- (iv) deliver or cause to be delivered to the Issuer with respect to any mortgage exempt from the payment of mortgage recording tax by reason of the Issuer being a party thereto, an executed satisfaction of such mortgage in recordable form, executed by the mortgagee, and
- (v) effect at its own cost and expense the proper recording and filing of all instruments terminating, satisfying and discharging the Security Documents.

(b) Upon the termination of this Agreement in accordance with Section 10.1, the Issuer will deliver or cause to be delivered, at the sole cost and expense of the Institution, to the Institution (i) a termination of this Agreement, and (ii) all necessary documents releasing all of the Issuer's rights and interests in and to any rights of action under this Agreement (other than as against the Institution or any insurer of the insurance policies under Section 8.1), or any insurance proceeds (other than liability insurance proceeds for the benefit of the Issuer) or condemnation awards, with respect to the Facility or any portion thereof. Concurrently with the delivery of such instruments, there shall be delivered by the Issuer (at the sole cost and expense of the Institution) to the Trustee any instructions or other instruments required by Article X of the Indenture to defease and pay the Outstanding Bonds, together with a direction to the Trustee that the Trustee deliver to the Issuer and the Institution a release, satisfaction or termination of the Indenture and of the mortgage lien and security interest of the Mortgage on the Mortgaged Property.

Section 10.03. Survival of Institution Obligations. Upon compliance with Section 10.2, this Agreement and all obligations of the Institution hereunder shall be terminated except the obligations of the Institution under Sections 5.1, 8.2, 8.24, 8.30, 9.2, 9.3, 9.7, 9.9, 12.4, 12.5, 12.6, 12.11, 12.13 and 12.14 shall survive such termination.

ARTICLE XI

CERTAIN PROVISIONS RELATING TO THE BONDS

Section 11.01. Issuance of Additional Bonds. If a Series of Additional Bonds are to be issued pursuant to the Indenture, and upon compliance with the Covenant Agreement, the Issuer and the Institution shall enter into an amendment to this 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, together with an amendment to the Lease Agreement providing for additional Rent to be payable thereunder directly to the Trustee sufficient to fully amortize in full the principal of and interest on such Series of Additional Bonds and any other costs in connection therewith. No Additional Bonds shall be issued solely to benefit the Institution without the prior written consent of the holders of sixty-six and two-thirds (66 2/3%) percent of the then Outstanding Bonds.

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

Section 11.02. Determination of Taxability. (a) If the Institution or the Foundation receives from the Internal Revenue Service a notice of assessment and demand for payment with respect to interest on any Tax-Exempt Bond, the Institution shall promptly provide written notice to the Trustee, and 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.

(a) The obligations of the Institution to make the payments provided for in this Section 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 this Agreement or otherwise shall not relieve the Institution of its obligation under this Section.

(b) 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 11.03. 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 this 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 and the Trustee shall post to EMMA), (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 Section 9.8, 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 Section 8.1, 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 11.04. Reserved.

Section 11.05. Right to Cure Issuer Defaults. The Issuer hereby grants the Institution full authority for account of the Issuer to perform any covenant or obligation the non-performance of which is alleged to constitute a default in any notice received by the Institution, in the name and stead of the Issuer, with full power of substitution.

Section 11.06. Prohibition on the Purchase of Bonds. Except as provided in this Section, 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 this 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 pursuant to this Section shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase unless the Institution 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 11.07. Investment of Funds. Any moneys held as part of the Rebate Fund, the Earnings Fund, the Project Fund, the Bond Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund or the Renewal Fund or in any special fund provided for in this 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.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Force Majeure. In case by reason of *force majeure* either party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, then except as otherwise expressly provided in this Agreement, if such party shall give notice and full particulars of such *force majeure* in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than (i) the obligations of the Institution to make any payments required under the terms hereof, including the requirements of Section 4.3 hereof, or (ii) the obligations of the Institution to comply with Articles VIII or XI hereof), so far as they are affected by such *force majeure*, shall be suspended during the continuance of the inability then claimed, which shall include a reasonable time for the removal of the effect thereof, but for no longer period than ninety (90) days notwithstanding the continuance of such *force majeure*, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "*force majeure*" shall mean acts of God, acts of the public enemy, orders of any kind of the Government of the United States or of the State or any civil or military authority, insurrections, riots, earthquakes, restraining of government and people, war, terrorism or civil disturbances. Notwithstanding anything to the contrary herein, in no event shall the Institution's financial condition or inability to obtain financing constitute a *force majeure*.

The Institution shall promptly notify the Issuer and the Trustee upon the occurrence of each *force majeure*, describing such *force majeure* and its effects in reasonable detail. The Institution shall also promptly notify the Issuer and the Trustee upon the termination of each such *force majeure*. The information set forth in any such notice shall not be binding upon the Issuer or the Trustee, and the Issuer or the Trustee shall be entitled to dispute the existence of any *force majeure* and any of the contentions contained in any such notice received from the Institution.

Section 12.02. Assignment of Mortgage and Pledge under Indenture. Pursuant to (i) the Mortgage, the Institution will mortgage its fee interest in the Mortgaged Property to the Issuer and the Trustee as security for the Bonds and the obligations of the Institution under the Security Documents, (ii) the Assignment of Mortgage, the Issuer will assign all of its right, title and interest in the Mortgage to the Trustee, and (iii) the Indenture, the Issuer will pledge and assign the Promissory Note and the loan payments and certain other moneys receivable under this Agreement to the Trustee as security for payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on the Bonds. The Institution hereby consents to the Issuer's pledge and assignment to the Trustee of all its right, title and interest in the Mortgage, the Promissory Note and this Agreement (except for the Issuer's Reserved Rights).

Section 12.03. Amendments. This 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 hereto.

Section 12.04. Service of Process. The Institution represents that it is subject to service of process in the State and covenants that it will remain so subject until all obligations, covenants and agreements of the Institution under this Agreement shall be satisfied and met. If for any reason the Institution should cease to be so subject to service of process in the State, the Institution hereby irrevocably consents to the service of all process, pleadings, notices or other papers in any judicial proceeding or action by designating and appointing the Chief Financial Officer of the Institution, at 14 West 170 Street, Bronx, New York, as its agent upon whom may be served all process, pleadings, notices or other papers which may be served upon the Institution as a result of any of its obligations under this Agreement. If such appointed agent shall cease to act or otherwise cease to be subject to service of process in the State, the Institution hereby irrevocably designates and appoints the Secretary of State of the State of New York as its agent upon whom may be served all process, pleadings, notices or other papers which may be served upon the Institution as a result of any of its obligations under this Agreement; provided, however, that the service of such process, pleadings, notices or other papers shall not constitute a condition to the Institution's obligations hereunder.

For such time as any of the obligations, covenants and agreements of the Institution under this Agreement remain unsatisfied, the Institution's agent(s) designated in this Section 12.4 shall accept and acknowledge on the Institution's behalf each service of process in any such suit, action or proceeding brought in any such court. The Institution agrees and consents that each such service of process upon such agents and written notice of such service to the Institution in the manner set forth in Section 12.5 shall be taken and held to be valid personal service upon the Institution whether or not the Institution shall then be doing, or at any time shall have done, business within the State and that each such service of process shall be of the same force and validity as if service

were made upon the Institution according to the laws governing the validity and requirements of such service in the State, and waives all claim of error by reason of any such service.

Such agents shall not have any power or authority to enter into any appearance or to file any pleadings in connection with any suit, action or other legal proceedings against the Institution or to conduct the defense of any such suit, action or any other legal proceeding except as expressly authorized by the Institution.

Section 12.05. Notices. Any notice, demand, direction, certificate, Opinion of Counsel, request, instrument or other communication authorized or required by this Agreement to be given to or filed with the Issuer, the Institution, the Trustee, the DCA or the Comptroller shall be sufficient if sent (i) by return receipt requested or registered or certified United States mail, postage prepaid, (ii) by a nationally recognized overnight delivery service for overnight delivery, charges prepaid or (iii) by hand delivery, addressed, as follows:

- (1) if to the Issuer, to

Build NYC Resource Corporation
One Liberty Plaza
New York, New York 10006
Attention: General Counsel

with a copy to

Build NYC Resource Corporation
One Liberty Plaza
New York, New York 10006
Attention: Executive Director

- (2) if to the Institution, to

Highbridge Facilities, LLC
14 West 170 Street
Bronx, New York 10452
Attention: Chief Financial Officer

with a copy to

Smith Buss & Jacobs
733 Yonkers Avenue, Suite 200
Yonkers, New York 10704
Attention: Tom Smith, Esq., and

- (3) if to the Trustee, to

The Bank of New York Mellon
240 Greenwich Street, Floor 7E
New York, New York 10286

Attention: Corporate Trust Administration

- (4) if to the DCA, to

Department of Consumer Affairs of The City of New York
42 Broadway
New York, New York 10004
Attention: Living Wage Division

- (5) if to the Comptroller, to

Office of the Comptroller of The City of New York
One Centre Street
New York, New York 10007
Attention: Chief, Bureau of Labor Law

The Issuer, the Institution, the Trustee, the DCA and the Comptroller may, by like notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice, certificate or other communication hereunder shall, except as may expressly be provided herein, be deemed to have been delivered or given (i) three (3) Business Days following posting if transmitted by mail, (ii) one (1) Business Day following sending if transmitted for overnight delivery by a nationally recognized overnight delivery service, or (iii) upon delivery if given by hand delivery, with refusal by an Authorized Representative of the intended recipient party to accept delivery of a notice given as prescribed above to constitute delivery hereunder.

Section 12.06. Consent to Jurisdiction. The Institution irrevocably and unconditionally (i) agrees that any suit, action or other legal proceeding arising out of this Agreement or any other Project Document, the Facility, the Project, the relationship between the Issuer and the Institution, the Institution's ownership, use or occupancy of the Facility and/or any claim for injury or damages may be brought in the courts of record of the State in New York County or the United States District Court for the Southern District of New York; (ii) consents to the jurisdiction of each such court in any such suit, action or proceeding; (iii) waives any objection which it may have to the venue of any such suit, action or proceeding in such courts; and (iv) waives and relinquishes any rights it might otherwise have (A) to move to dismiss on grounds of *forum non conveniens*, (B) to remove to any federal court other than the United States District Court for the Southern District of New York, and (C) to move for a change of venue to a New York State Court outside New York County.

If the Institution commences any action against the Issuer or the Trustee in a court located other than the courts of record of the State in New York County or the United States District Court for the Southern District of New York, the Institution shall, upon request from the Issuer or the Trustee, either consent to a transfer of the action or proceeding to a court of record of the State in New York County or the United States District Court for the Southern District of New York, or, if the court where the action or proceeding is initially brought will not or cannot transfer the action, the Institution shall consent to dismiss such action without prejudice and may thereafter reinstitute

the action in a court of record of the State in New York County or the United States District Court for the Southern District of New York.

Section 12.07. Prior Agreements Superseded. This Agreement shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Issuer and the Institution relating to the Facility, other than any other Project Document.

Section 12.08. Severability. If any one or more of the provisions of this Agreement shall be ruled illegal or invalid by any court of competent jurisdiction, the illegality or invalidity of such provision(s) shall not affect any of the remaining provisions hereof, but this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Section 12.09. Effective Date; Counterparts. The date of this Agreement shall be for reference purposes only and shall not be construed to imply that this Agreement was executed on the date first above written. This Agreement was delivered on the Closing Date. This Agreement shall become effective upon its delivery on the Closing Date. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.10. Binding Effect. This Agreement shall inure to the benefit of the Issuer, the Trustee, the Bond Registrar, the Paying Agents, the Indemnified Parties and the Holders of the Bonds, and shall be binding upon the Issuer and the Institution and their respective successors and assigns.

Section 12.11. Third Party Beneficiaries; Consent of Holders.

(a) The Issuer and the Institution agree that this Agreement is executed in part to induce the purchase by others of the Bonds and for the further securing of the Bonds, and accordingly all covenants and agreements on the part of the Issuer and the Institution as set forth in this Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in Article VIII of the Indenture on behalf of the Bondholders by the Trustee.

(b) Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Issuer, the Trustee, the Bond Registrar, the Institution, the Paying Agents and the Holders of the Bonds any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Bond Registrar, the Institution, the Paying Agents and the Holders of the Bonds.

(c) Notwithstanding any provision hereof to the contrary, in the case of any provision of this Agreement providing for the consent or approval of the Holder of any Bond, or in connection with any request for a waiver of any provision hereof, the Institution acknowledge and agree that the granting, approval, rejection or withholding of any requested consent, waiver or authorization to take or refrain from taking any action contemplated or required hereunder, may be withheld or granted in the Holder's sole and absolute discretion.

Section 12.12. Law Governing. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without regard or giving effect to the principles of conflicts of laws thereof.

Section 12.13. Waiver of Trial by Jury. The Institution does hereby expressly waive all rights to a trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of this Agreement or any matters whatsoever arising out of or in any way connected with this Agreement, the Institution's obligations hereunder, the Facility, the Project, the relationship between the Issuer and the Institution, the Institution's ownership, use or occupancy of the Facility and/or any claim for injury or damages.

The provision of this Agreement relating to waiver of a jury trial shall survive the termination or expiration of this Agreement.

Section 12.14. Recourse Under This Agreement. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in this 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 this Agreement on behalf of the Issuer in such person's individual capacity, and no recourse shall be had for any reason whatsoever hereunder against any member, director, officer, employee or agent of the Issuer or any natural person executing this 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 hereunder 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 herein contained, 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 hereunder and under the Promissory Note.

Section 12.15. Legal Counsel; Mutual Drafting. Each party acknowledges that this Agreement is a legally binding contract and that it was represented by legal counsel in connection with the drafting, negotiation and preparation of this Agreement. Each party acknowledges that it and its legal counsel has cooperated in the drafting, negotiation and preparation of this Agreement and agrees that this Agreement and any provision hereof shall be construed, interpreted and enforced without regard to any presumptions against the drafting party. Each party hereby agrees to waive any rule, doctrine or canon of law, including without limitation, the *contra preferentum* doctrine, that would require interpretation of any ambiguities in this Agreement against the party that has drafted it.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Issuer has caused its corporate name to be subscribed unto this Loan Agreement by its duly authorized Chairman, Vice Chairman, Executive Director, Deputy Executive Director or General Counsel and the Institution has caused its name to be hereunto subscribed by its duly Authorized Representative, all being done as of the year and day first above written.

BUILD NYC RESOURCE CORPORATION

By: _____
Krishna Omolade
Executive Director

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On the _____ day of December, in the year 2020, before me, the undersigned, personally appeared **Krishna Omolade**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

HIGHBRIDGE FACILITIES, LLC

By: HB Foundation, Inc. its sole member

Kevin Kearns
Chief Financial Officer

STATE OF NEW YORK)
 : ss.:
COUNTY OF BRONX)

On the ____ day of December, in the year 2020, before me, the undersigned, personally appeared **Kevin Kearns**, personally known to me or proved to me on the basis of satisfactory evidence to me the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

[Signature Page 2 of 2
Loan Agreement]

APPENDICES

EXHIBIT A

DESCRIPTION OF THE LAND

1400 Cromwell, Bronx, New York

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, KNOWN AS BLOCK 2857 LOT 1, AS THE TAX MAP WAS ON 9/20/1977, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT THE CORNER FORMED BY THE INTERSECTION OF THE NORTHERLY SIDE OF WEST 170TH STREET WITH THE WESTERLY SIDE OF INWOOD AVENUE;

RUNNING THENCE WESTERLY ALONG THE NORTHERLY SIDE OF WEST 170TH STREET, 169.67 FEET TO THE CORNER FORMED BY THE INTERSECTION OF THE NORTHERLY SIDE OF WEST 170TH STREET WITH THE EASTERLY SIDE OF CROMWELL AVENUE;

THENCE NORTHERLY ALONG THE EASTERLY SIDE OF CROMWELL AVENUE, 106.71 FEET;

THENCE EASTERLY ALONG A LINE WHICH FORMS AN INTERIOR ANGLE OF 89° 59' 49.3" WITH THE LAST MENTIONED COURSE, 172.05 FEET TO THE WESTERLY SIDE OF INWOOD AVENUE;

THENCE SOUTHERLY ALONG THE WESTERLY SIDE OF INWOOD AVENUE, 81.22 FEET TO THE CORNER FORMED BY THE INTERSECTION OF THE WESTERLY SIDE OF INWOOD AVENUE WITH THE NORTHERLY SIDE OF WEST 170TH STREET, THE POINT OR PLACE OF BEGINNING.

370 Gerard Avenue, Bronx, New York

REAL PROPERTY IN THE CITY OF NEW YORK, COUNTY OF BRONX, STATE OF NEW YORK, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY SIDE OF GERARD AVENUE DISTANT 202.15 FEET SOUTHERLY FROM THE CORNER FORMED BY THE INTERSECTION OF THE EASTERLY SIDE OF GERARD AVENUE WITH THE SOUTHERLY SIDE OF EAST 144TH STREET;

RUNNING THENCE SOUTHERLY ON THE SAID EASTERLY SIDE OF GERARD AVENUE, 50.07 FEET;

THENCE EASTERLY ON A LINE FORMING AN ANGLE ON ITS NORTHERLY SIDE OF 92° 29' 48" WITH THE SAID EASTERLY SIDE OF GERARD AVENUE, 129.46 FEET;

THENCE NORTHERLY ON A LINE FORMING AN ANGLE ON ITS WESTERLY SIDE OF 91° 54' 00" WITH THE LAST MENTIONED COURSE, 50.07 FEET;

THENCE WESTERLY ON A LINE FORMING AN INTERIOR ANGLE OF 88° 05' 33" WITH THE LAST MENTIONED COURSE 133.30 FEET TO THE POINT OR PLACE OF BEGINNING.

316, 325, 335 E. 165 St, Bronx, New York

REAL PROPERTY IN THE CITY OF NEW YORK, COUNTY OF BRONX, STATE OF NEW YORK, DESCRIBED AS FOLLOWS:

PARCELS I (FOR INFORMATION ONLY: BLOCK 2432 LOT 80 F/K/A LOTS 62, 64, 66, 67, 70 AND 80):

ALL THAT/THOSE CERTAIN PIECE/S OR PARCEL/S OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BRONX, CITY AND STATE OF NEW YORK, DESIGNATED ON THE TAX MAP OF THE CITY OF NEW YORK, FOR THE BOROUGH OF BRONX, AS SAID TAX MAP WAS ON LOT 62- JULY 25, 1972, LOTS 64, 66, 67, 80- DECEMBER 5, 1978, LOT 70 - MARCH 26, 1974.

PARCEL VII (FOR INFORMATION ONLY: BLOCK 2433 LOT 40):

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, MORE PARTICULARLY DESIGNATED ON THE TAX MAP OF THE CITY OF NEW YORK, FOR THE BOROUGH OF BRONX AS SECTIONS 9 TO 12

AND 14 TO 19, AS SERIAL NO. 769 SECTION 9 BLOCK 2433 LOT 40. PARCEL VIII (FOR INFORMATION ONLY: BLOCK 433 LOT 79):

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, MORE PARTICULARLY DESIGNATED ON THE TAX MAP OF THE CITY OF NEW YORK, FOR THE BOROUGH OF BRONX AS SECTIONS 9 TO 12 AND 14 TO 19 AS SAID TAX MAP WAS ON THE 20TH DAY OF SEPTEMBER, 1977, AS SERIAL NO. 1076 SECTION 9 BLOCK 2433 LOT 79.

EXHIBIT B

DESCRIPTION OF THE FACILITY PERSONALTY

The acquisition of fixtures and other equipment for incorporation and/or use at the building located at 1400 Cromwell Avenue, Bronx, New York (Block 2857 Lot 1), financed with the proceeds of the Build NYC Resource Corporation Revenue Bonds, Series 2020A-1 (Family Life Academy Charter Schools Project) and the Build NYC Resource Corporation Taxable Revenue Bonds, Series 2020A-2 (Family Life Academy Charter Schools Project)

and

The acquisition of fixtures and other equipment for incorporation and/or use at the building located at 370 Gerard Avenue, Bronx, New York (Block 2344 Lot 110), financed with the proceeds of the Build NYC Resource Corporation Revenue Bonds, Series 2020B-1 (Family Life Academy Charter Schools Project) and the Build NYC Resource Corporation Taxable Revenue Bonds, Series 2020B-2 (Family Life Academy Charter Schools Project)

and

The acquisition of fixtures and other equipment for incorporation and/or use at the building located at 316 East 165th Street, Bronx, New York (Tax Block 2432 and Lot 80), 325 East 165th Street, Bronx, New York (a/k/a 321 East 165th Street) (Tax Block 2433 and Lot 40) and 335 East 165th Street, Bronx, New York (Tax Block 2433 and Lot 79) financed with the proceeds of the Build NYC Resource Corporation Revenue Bonds, Series 2020C-1 (Family Life Academy Charter Schools Project) and the Build NYC Resource Corporation Taxable Revenue Bonds, Series 2020C-2 (Family Life Academy Charter Schools Project)

EXHIBIT C

AUTHORIZED REPRESENTATIVE

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Kevin Kearns	Chief Financial Officer	_____
Nancy Durand	Assistant Secretary	_____

EXHIBIT D

PRINCIPALS OF THE INSTITUTION

Name	Title
Kevin Kearns	Chief Financial Officer
Nancy Durand	Assistant Secretary

EXHIBIT E**PROJECT COST BUDGET**

	<u>Bond Proceeds</u>	<u>Funds of Institution</u>	<u>Total</u>
Land and Building Acquisition	\$61,747,545.43	\$N/A	\$61,747,545.43
Renovation/Building Improvements	41,066,649.79		41,066,649.79
Debt Service Reserve Fund	8,212,125.00		8,212,125.00
Capitalized Interest	10,041,190.68		10,041,190.68
Fees/Other Soft Costs	<u>3,509,712</u>	<u> </u>	<u>3,509,712</u>
Total	\$124,577,222.90	\$	\$124,577,222.90

EXHIBIT F

FORM OF REQUIRED DISCLOSURE STATEMENT

The undersigned, an authorized representative of _____, a _____ organized and existing under the laws of the State of _____, DOES HEREBY CERTIFY, REPRESENT AND WARRANT to Build NYC Resource Corporation (the "Issuer") pursuant to [Section 8.20] [Section 8.9] of that certain Loan Agreement, dated as of _____ 1, 20__, between the Issuer and _____, a not-for-profit corporation organized and existing under the laws of the State of _____ (the "Loan Agreement") THAT:

[if being delivered pursuant to 8.20 of the Loan Agreement] None of the surviving, resulting or transferee Entity, any of the Principals of such Entity, or any Person that directly or indirectly Controls, is Controlled by, or is under common Control with such Entity:

[if being delivered pursuant to 8.9 of the Loan Agreement] None of the assignee, transferee or lessee Entity, any of the Principals of such Entity, or any Person that directly or indirectly Controls, is Controlled by, or is under common Control with such Entity:

(1) is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Issuer, the NYCIDA, the NYCEDC or the City, unless such default or breach has been waived in writing by the Issuer, the NYCIDA, the NYCEDC or the City, as the case may be;

(2) has been convicted of a misdemeanor related to truthfulness and/or business conduct in the past five (5) years;

(3) has been convicted of a felony in the past ten (10) years;

(4) has received formal written notice from a federal, state or local governmental agency or body that such Person is currently under investigation for a felony criminal offense; or

(5) has received written notice of default in the payment to the City of any taxes, sewer rents or water charges, which have not been paid, unless such default is currently being contested with due diligence in proceedings in court or other appropriate forum.

As used herein, the following capitalized terms shall have the respective meanings set forth below:

"City" shall mean The City of New York.

"Control" or "Controls" 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.

“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.

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

“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.

“Person” shall mean an individual or any Entity.

“Principal(s)” shall mean, with respect to any Entity, the most senior three officers of such Entity, any Person with a ten percent (10%) or greater ownership interest in such Entity, and any Person as shall have the power to Control such Entity, and “principal” shall mean any of such Persons.

IN WITNESS WHEREOF, the undersigned has hereunto set its hand this ____ day of _____, 20__.

[NAME OF CERTIFYING ENTITY]

By: _____

Name:

Title:

EXHIBIT G

**FORM OF
PROJECT COMPLETION CERTIFICATE OF INSTITUTION
AS REQUIRED BY SECTIONS 3.2(f) AND 8.14(g)
OF THE LOAN AGREEMENT**

The undersigned, an Authorized Representative (as defined in the Loan Agreement referred to below) of _____, a not-for-profit corporation organized and existing under the laws of the State of _____ (the "Institution"), HEREBY CERTIFIES that this Certificate is being delivered in accordance with the provisions of Section 3.2(f) and 8.14(g) of that certain Loan Agreement, dated as of _____ 1, 20__ (the "Loan Agreement"), between Build NYC Resource Corporation (the "Issuer") and the Institution, and FURTHER CERTIFIES THAT (capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the Loan Agreement):

(i) the Project Work is finished and has been completed substantially in accordance with the plans and specifications therefor;

(ii) attached hereto is a copy of one of the following (check only one and attach a copy of the indicated document):

☐ certificate of occupancy

(iii) there is no certificate, license, permit, 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;

(iv) the Facility is ready for occupancy, use and operation for the Approved Project Operations in accordance with all applicable laws, regulations, ordinances and guidelines;

(v) check as applicable:

☐ all costs for Project Work have been paid, or

☐ all costs for Project Work have been paid except for

☐ amounts not yet due and payable (attach itemized list) and/or

☐ amounts the payments for which are being contested in good faith (attach itemized list with explanations); and

(vi) releases of mechanics' liens have been obtained from the general contractor and from all contractors and materialmen who supplied work, labor, services,

machinery, equipment, materials or supplies in connection with the Project Work, except for releases-of-liens pertinent to (y) amounts not yet due and payable, or (z) any amount the payment of which is being contested in good faith; copies of all such releases of mechanics' liens are attached hereto.

[ATTACH to this Certificate copies of all such releases of liens.]

Notwithstanding anything herein or elsewhere that may be inferred to the contrary, the undersigned hereby understands and agrees on behalf of the Institution as follows: (a) the Issuer does not waive its right to require delivery of releases-of-liens in connection with the costs of Project Work; (b) the Issuer does not waive its right under the Loan Agreement to demand the discharge of mechanics' and materialmens' liens encumbering the Facility Realty, whether by bond or otherwise; and (c) the Certificate shall be deemed incomplete if, in the Issuer's sole discretion, the Issuer has unreasonably failed to bond or otherwise discharge any liens in respect of the costs of Project Work when payment for the same is due.

This Certificate is given without prejudice to any rights of the Institution against third parties existing on the date hereof or which may subsequently come into being and no Person other than the Issuer may benefit from this Certificate.

IN WITNESS WHEREOF, the undersigned has hereunto set its hand this ____ day of _____, ____.

[NAME OF INSTITUTION]

By: _____

Name:

Title:

EXHIBIT H-1

FORM OF TAX-EXEMPT PROMISSORY NOTE

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS PROMISSORY NOTE, THIS PROMISSORY NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH OF WHICH ARE REFERRED TO HEREIN.

[\$69,760,000][13,085,000][38,175,000]

December 22, 2020

PROMISSORY NOTE

FOR VALUE RECEIVED, HIGHBRIDGE FACILITIES, LLC, a Delaware limited liability company that is a disregarded entity for federal tax purposes, having its principal office at 14 West 170 Street, Bronx, New York 10452 (the “**Borrower**”), by this promissory note hereby promises to pay to the order of BUILD NYC RESOURCE CORPORATION (the “**Issuer**”), the principal sum of [_____ Dollars (\$_____)], [_____ Dollars (\$_____)], [_____ Dollars (\$_____)], together with interest on the unpaid principal amount hereof, from the date of the issuance and delivery of the Series 2020[A-1][B-1][C-1] Bonds (as such term is hereinafter defined) until paid in full, at a rate per annum equal to the respective rates of interest borne from time to time by the Series 2020[A-1][B-1][C-1] Bonds, together with all Sinking Fund Installments and Redemption Price payments as and when due. All capitalized terms used but not defined in this Promissory Note shall have the respective meanings assigned such terms by the Indenture (as hereinafter defined) or by the Loan Agreement (as hereinafter defined). All such payments shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America and shall be paid at the designated corporate trust office of the Trustee or its successor under the Indenture.

The principal amount, interest, Sinking Fund Installments and Redemption Price shall be payable on the dates and in the amounts that principal of, interest, Sinking Fund Installments and Redemption Price on the Series 2020[A-1][B-1][C-1] Bonds are payable under the Loan Agreement (as defined below), subject to prepayments and credits to the extent provided in the Indenture and the Loan Agreement.

This promissory note is the “Promissory Note” referred to in the Loan Agreement, dated as of December 1, 2020 (as the same may be amended or supplemented, the “Loan Agreement”), between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Promissory Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to the Trustee under the Indenture of Trust, dated as of December 1, 2020 (as the same may be amended or supplemented, the “**Indenture**”), by and between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of the Issuer’s \$[69,760,000][13,085,000][38,175,000] in

aggregate principal amount of Revenue Bonds (Family Life Charter Schools Project), Series 2020[A-1][B-1][C-1] (the “**Series 2020[A-1][B-1][C-1] Bonds**”), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the Indenture, the Loan Agreement and the Series 2020[A-1][B-1][C-1] Bonds are hereby incorporated as a part of this Promissory Note.

The Borrower may at its option, and may under certain circumstances be required to, prepay together with accrued interest, all or any part of the amounts due under this Promissory Note, as provided in the Loan Agreement and the Indenture.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

The Borrower hereby promises to pay costs of collection and attorneys’ fees in case of default on this Promissory Note.

(Remainder of Page Intentionally Left Blank –Signature Page Follows)

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflicts of law principles thereof.

HIGHBRIDGE FACILITIES, LLC

By: HB Foundation, Inc. its sole member

Kevin Kearns
Chief Financial Officer

ENDORSEMENT

Pay to the order of THE BANK OF NEW YORK MELLON, without recourse, as Trustee under the Indenture referred to in the within mentioned Loan Agreement, as security for the Series 2020[A-1][B-1][C-1] Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Promissory Note.

BUILD NYC RESOURCE CORPORATION

By: _____
Krishna Omolade
Executive Director

Dated: December 22, 2020

[END OF FORM OF TAX-EXEMPT PROMISSORY NOTE]

EXHIBIT H-2

FORM OF TAXABLE PROMISSORY NOTE

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS PROMISSORY NOTE, THIS PROMISSORY NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH OF WHICH ARE REFERRED TO HEREIN.

\$[2,125,000][340,000][1,620,000]

December 22, 2020

PROMISSORY NOTE

FOR VALUE RECEIVED, HIGHBRIDGE FACILITIES, LLC, a Delaware limited liability company that is a disregarded entity for federal tax purposes, having its principal office at 14 West 170 Street, Bronx, New York 10452 (the “**Borrower**”), by this promissory note hereby promises to pay to the order of BUILD NYC RESOURCE CORPORATION (the “**Issuer**”), the principal sum of [_____ Dollars (\$_____)], [_____ Dollars (\$_____)], [_____ Dollars (\$_____)], together with interest on the unpaid principal amount hereof, from the date of the issuance and delivery of the Series 2020[A-2][B-2][C-2] Bonds (as such term is hereinafter defined) until paid in full, at a rate per annum equal to the respective rates of interest borne from time to time by the Series 2020[A-2][B-2][C-2] Bonds, together with all Sinking Fund Installments and Redemption Price payments as and when due. All capitalized terms used but not defined in this Promissory Note shall have the respective meanings assigned such terms by the Indenture (as hereinafter defined) or by the Loan Agreement (as hereinafter defined). All such payments shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America and shall be paid at the designated corporate trust office of the Trustee or its successor under the Indenture.

The principal amount, interest, Sinking Fund Installments and Redemption Price shall be payable on the dates and in the amounts that principal of, interest, Sinking Fund Installments and Redemption Price on the Series 2020[A-2][B-2][C-2] Bonds are payable under the Loan Agreement (as defined below), subject to prepayments and credits to the extent provided in the Indenture and the Loan Agreement.

This promissory note is the “Promissory Note” referred to in the Loan Agreement, dated as of December 1, 2020 (as the same may be amended or supplemented, the “Loan Agreement”), between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Promissory Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to the Trustee under the Indenture of Trust, dated as of December 1, 2020 (as the same may be amended or supplemented, the “**Indenture**”), by and between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of the Issuer’s \$[2,125,000][340,000][1,620,000] in aggregate

principal amount of Taxable Revenue Bonds (Family Life Charter Schools Project), Series 2020[A-2][B-2][C-2] (the “**Series [A-2][B-2][C-2] Bonds**”), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the Indenture, the Loan Agreement and the Initial Bonds are hereby incorporated as a part of this Promissory Note.

The Borrower may at its option, and may under certain circumstances be required to, prepay together with accrued interest, all or any part of the amounts due under this Promissory Note, as provided in the Loan Agreement and the Indenture.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

The Borrower hereby promises to pay costs of collection and attorneys’ fees in case of default on this Promissory Note.

(Remainder of Page Intentionally Left Blank –Signature Page Follows)

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflicts of law principles thereof.

HIGHBRIDGE FACILITIES, LLC

By: HB Foundation, Inc. its sole member

Kevin Kearns
Chief Financial Officer

ENDORSEMENT

Pay to the order of THE BANK OF NEW YORK MELLON, without recourse, as Trustee under the Indenture referred to in the within mentioned Loan Agreement, as security for the Series 2020[A-2][B-2][C-2] Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Promissory Note.

BUILD NYC RESOURCE CORPORATION

By: _____
Krishna Omolade
Executive Director

Dated: December [__], 2020

[END OF FORM OF TAXABLE PROMISSORY NOTE]

EXHIBIT I

HireNYC

The Institution must collaborate with the New York City Department of Small Business Services or such other a New York City agency as may be designated by NYCEDC in a notice to the Institution (“**Designated City Agency**”). The Designated City Agency will assist the Institution in implementing the HireNYC Program including the screening of candidates from the target population (“**Target Population**”), defined as persons who have an income that is below two hundred percent (200%) of the poverty level as determined by the New York City Center for Economic Opportunity (a description of the income level meeting this threshold for each household size is available at http://www.nyc.gov/html/ceo/downloads/pdf/ceo_poverty_measure_2005_2013.pdf). The HireNYC Program will be in effect for a period of eight (8) years from the Operations Commencement Date (“**HireNYC Program Term**”).

The HireNYC Program will apply to the Institution, its successors and assigns, and to all tenants (which term also includes subtenants) at the Facility during the HireNYC Program Term.

I. Goals. The HireNYC Program includes, at a minimum, the following hiring and workforce development goals (collectively, the “**Goals**”):

- | | |
|-------------------|---|
| Hiring Goal: | Fifty percent (50%) of all new permanent jobs created in connection with the Facility (including jobs created by tenants, but excluding jobs relocated from other sites) will be filled by members of the Target Population referred by the Designated City Agency for a period beginning, for each employer, at commencement of business operations and continuing through the end of the HireNYC Program Term. Notwithstanding the foregoing, the Hiring Goal shall only apply to hiring on occasions when the Institution (or a tenant) is hiring for five (5) or more permanent jobs. |
| Retention Goal: | Forty percent (40%) of all employees whose hiring satisfied the Hiring Goal will be retained for at least nine (9) months from date of hire. |
| Advancement Goal: | Thirty percent (30%) of all employees whose hiring satisfied the Hiring Goal will be promoted to a higher paid position within one (1) year of date of hire. |
| Training Goal: | Cooperation with NYCEDC and the Designated City Agency to provide skills-training or higher education opportunities to members of the Target Population. |

II. Program Requirements. HireNYC Program includes all of the following requirements:

1. Designation of a workforce development liaison by the Institution to interact with NYCEDC and the Designated City Agency during the course of the HireNYC Program.

2. Commitment by the Institution to do the following:

- a. use good faith efforts to achieve the Goals;
- b. notify NYCEDC six (6) weeks prior to commencing business operations;
- c. with respect to initial hiring for any new permanent jobs associated with the commencement of business at the Facility (but only if initial hiring is for five (5) or more permanent jobs):
 - (i) provide NYCEDC and the Designated City Agency with the approximate number and type of jobs that will become available, and for each job type a description of the basic job qualifications, at least three (3) months before commencing hiring; and
 - (ii) consider only applicants referred by the Designated City Agency for the first ten (10) business days, until the Hiring Goal is achieved or until all open positions are filled, whichever occurs first;
- d. with respect to ongoing hiring on occasions when hiring for five (5) or more permanent jobs:
 - (i) provide NYCEDC and the Designated City Agency with the approximate number and type of jobs that will become available, and for each job type a description of the basic job qualifications, at least one (1) month before commencing hiring or as soon as information is available, but in all cases not later than one (1) week before commencing hiring; and
 - (ii) consider only applicants referred by the Designated City Agency for the first five business days, until the Hiring Goal is achieved or until all open positions are filled, whichever occurs first;
- e. notify NYCEDC thirty (30) days prior to execution of any tenant lease at the Facility;
- f. provide NYCEDC with one (1) electronic copy of all tenant leases at the project location within fifteen (15) days of execution;
- g. submit to NYCEDC an annual HireNYC Employment Report in the form provided by NYCEDC (or quarterly reports at the discretion of NYCEDC);
- h. cooperate with annual site visits and, if requested by NYCEDC, employee satisfaction surveys relating to employee experience with the Institution's HireNYC Program;
- i. provide information related to the HireNYC Program and the hiring process to NYCEDC upon request; and

- j. allow information collected by NYCEDC and the Designated City Agency to be included in public communications, including press releases and other media events.

III. General Requirements. The following are general requirements of the HireNYC Program

1. The Institution is required to incorporate the terms of its HireNYC Program into all tenant leases obligating tenants to comply with the Goals and other requirements in the Institution's HireNYC Program to the same extent as the Institution is required to comply with such Goals and other requirements.
2. Enforcement. In the event NYCEDC determines that the Institution or any of its tenants has violated any of the HireNYC Program requirements, including, without limitation, a determination that the Institution or any of its tenants, has failed to use good faith efforts to fulfill the Goals, NYCEDC shall notify the Issuer of the violation and the Issuer may (1) assess liquidated damages set forth immediately below; and/or (2) assert any other right or remedy it has under the Agreement.
3. Liquidated Damages. If the Institution or any of its tenants, does any of the following:
 - (i) fail to comply with its obligations set forth in Section II(2) clauses (a)(with respect to the Hiring Goal), (c), and/or (d), and as a result the Designated City Agency was unable to refer applicants or participate in the hiring process as required by the program; or
 - (ii) fail to comply with its obligations set forth in Section II(2) clauses, (f), (g), (h), (i), and/or (j) and such failure shall continue for a period of thirty (30) days after receipt of notice from NYCEDC,

then, in the case of clause (i), the Issuer may assess liquidated damages in the amount of \$2,500 for each position for which the Designated City Agency was unable to refer applicants or otherwise participate in hiring as required by the program; and in the case of clause (ii), the Issuer may assess damages for breach of each requirement in the amount of \$1,000. In view of the difficulty of accurately ascertaining the loss which the Issuer will suffer by reason of the Institution's failure to comply with Program requirements, the foregoing amounts are hereby fixed and agreed as the liquidated damages that the Issuer will suffer by reason of such failure, and not as a penalty. The Institution shall be liable for and shall pay to the Issuer all damages assessed against the Institution or any of its tenants at the project upon receipt of demand from the Issuer.

EXHIBIT J
FORM OF LW AGREEMENT

LIVING WAGE AGREEMENT

***This LIVING WAGE AGREEMENT (this “Agreement”) is made as of [____], by [____] (“Obligor”) in favor of Institution, the Issuer, the City, the DCA and the Comptroller (each as defined below) (each, an “Obligee”). In consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Obligor hereby covenants and agrees as follows:

1. Definitions. As used herein the following capitalized terms shall have the respective meanings specified below.

“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.

“Asserted Cure” has the meaning specified in paragraph 10(a).

“Asserted LW Violation” has the meaning specified in paragraph 10(a).

“City” means The City of New York.

“Comptroller” means the Comptroller of The City of New York or his or her designee.

“Concessionaire” means 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 for the primary purpose of selling goods or services to natural persons at the Facility.

“Control” or “Controls”, including the related terms “Controlled by” and “under common Control with”, means the power to direct the management and policies of a Person (a) through the ownership, directly or indirectly, of not less than a majority of its voting equity, (b) through the right to designate or elect not less than a majority of the members of its board of directors, board of managers, board of trustees or other governing body, or (c) by contract or otherwise.

“Covered Counterparty” means a Covered Employer whose Specified Contract is directly with Obligor or an Affiliate of Obligor to lease, occupy, operate or perform work at the Obligor Facility.

“Covered Employer” means any of the following Persons: (a) Obligor, (b) a tenant, subtenant, leaseholder or subleaseholder of Obligor that leases any portion of the Obligor Facility (or an Affiliate of any such tenant, subtenant, leaseholder or subleaseholder if such Affiliate has one or more direct Site Employees), (c) a Concessionaire that operates on any portion of the Obligor Facility, and (d) a Person that contracts or subcontracts with any

Covered Employer described in clauses (a), (b) or (c) above to perform work for a period of more than ninety days on any portion of the Obligor Facility, 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 Obligor Facility if residential units comprise more than 75% of the total Facility 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” means 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.

“Facility” means the land and real property improvements located in the Borough of ___, Block ___ and Lot ___, generally known by the street address 1400 Cromwell Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of ___, Block ___ and Lot ___, generally known by the street address 370 Gerard Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of ___, Block ___ and Lot ___, generally known by the street address 316 East 165th Street, Bronx, New York, and that certain lots, pieces or parcels of land in the Borough of ___, Block ___ and Lot ___, generally known by the street address 325 East 165th Street and 335 East 165th Street.

“Institution” means Highbridge Facilities, LLC, a single purpose Delaware limited liability company that is a disregarded entity for federal income tax purposes, having as its sole member, HB Foundation, having its principal office at [____], or its permitted successors or assigns as Institution under the Project Agreement.

“Issuer” means Build NYC Resource Corporation, a 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, having its principal office at One Liberty Plaza, New York, New York 10006.

“LW” has the same meaning 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” means, with respect to any Covered Counterparty, an enforceable agreement in the form attached hereto as Attachment 1 (except only with such changes as are necessary to make such Covered Counterparty the obligor thereunder).

“LW Agreement Delivery Date” means, 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 Obligor Facility and (c) the date of this Agreement.

“LW Law” means 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” means the period commencing on the date of this Agreement and ending on the date that is the earlier to occur of: (a) the later to occur of (i) the date on which Institution is no longer receiving financial assistance under the Project Agreement or (ii) the date that is ten years after the Facility commences operations (as defined in the Project Agreement)]; or (b) the end of the term of Obligor’s Specified Contract (including any renewal or option terms pursuant to any exercised options), whether by early termination or otherwise.

“LW Violation Final Determination” has the meaning specified in paragraph 10(a)(i), paragraph 10(a)(ii)(1) or paragraph 10(a)(ii)(2), as applicable.

“LW Violation Initial Determination” has the meaning specified in paragraph 10(a)(ii).

“LW Violation Notice” has the meaning specified in paragraph 10(a).

“LW Violation Threshold” means \$100,000 multiplied by 1.03ⁿ, where “n” is the number of full years that have elapsed since January 1, 2015.

“Obligor Facility” means the applicable portion of the Facility covered by the Specified Contract of Obligor.

“Operational Date” means the date that Obligor commences occupancy, operations or work at the Obligor Facility.

“Owed Interest” means 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” means, as the context shall require, either (a) the total deficiency of LW required to be paid by Obligor in accordance with this 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; or (b) if Obligor failed to obtain a LW Agreement from a Covered Counterparty as required under paragraph 5 below, 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).

“Person” means any natural person, sole proprietorship, partnership, association, joint venture, limited liability company, corporation, governmental authority, governmental agency, governmental instrumentality or any form of doing business.

“Pre-Existing Covered Counterparty” has the meaning specified in paragraph 5.

“Pre-Existing Specified Contract” has the meaning specified in paragraph 5.

“Prevailing Wage Law” means 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.

“Project Agreement” means that certain Loan Agreement, dated as of December 1, 2020, between the Issuer and the Institution (as amended, restated, supplemented or otherwise modified from time to time), pursuant to which Institution has or will receive financial assistance from the Issuer.

“Qualified Workforce Program” means 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.

“Site Employee” means, with respect to any Covered Employer, any natural person who works at the Obligor Facility 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 Obligor Facility unless the primary work location or home base of such person is at the Obligor Facility (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 Obligor Facility shall thereafter constitute a Site Employee).

“Small Business Cap” means 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.

“Specified Contract” means (a) in the case of Obligor, the [____], dated as of [____], by and between Obligor and [____], or (b) in the case of any other Person, the principal written contract that makes such Person a Covered Employer hereunder.

2. Commencing on the Operational Date and thereafter during the remainder of the LW Term, if and for so long as Obligor is a Covered Employer, Obligor shall pay each of its direct Site Employees no less than an LW.
3. Commencing on the Operational Date and thereafter during the remainder of the LW Term, if and for so long as Obligor is a Covered Employer, Obligor shall, on or prior to the day on which each direct Site Employee of Obligor begins work at the Obligor Facility, (a) post a written notice detailing the wages and benefits required to be paid to Site Employees under this Agreement in a conspicuous place at the Obligor Facility that is readily observable by such direct Site Employee and (b) provide such direct Site Employee with a written notice detailing the wages and benefits required to be paid to Site Employees under this Agreement. Such written notice shall also provide a statement advising Site Employees that if they have been paid less than the LW they may notify the Comptroller and request an investigation. Such written notice shall be in English and Spanish.
4. Commencing on the Operational Date and thereafter during the remainder of the LW Term, if and for so long as Obligor is a Covered Employer, Obligor shall not take any adverse employment action against any Site Employee for reporting or asserting a violation of this Agreement.
5. During the LW Term, Obligor shall cause each Covered Counterparty to execute an LW Agreement on or prior to the LW Agreement Delivery Date applicable to such Covered Counterparty; provided that Obligor shall only be required to use commercially reasonable efforts (without any obligation to commence any action or proceedings) to obtain an LW Agreement from a Covered Counterparty whose Specified Contract with Obligor was entered into prior to the date hereof (a “Pre-Existing Covered Counterparty” and a “Pre-Existing Specified Contract”). Prior to the renewal or extension of any Pre-Existing Specified Contract (or prior to entering into a new Specified Contract with a Pre-Existing Covered Counterparty),

Obligor shall cause or otherwise require the Pre-Existing Covered Counterparty to execute an LW Agreement, provided that the foregoing shall not preclude Obligor from renewing or extending a Pre-Existing Specified Contract pursuant to any renewal or extension options granted to the Pre-Existing Covered Counterparty in the Pre-Existing Specified Contract as such option exists as of the date hereof. Obligor shall deliver a copy of each Covered Counterparty's LW Agreement to the Issuer, the DCA and the Comptroller at the notice address specified in paragraph 12 below and promptly upon written request. Obligor shall retain copies of each Covered Counterparty's LW Agreement until six (6) years after the expiration or earlier termination of such Covered Counterparty's Specified Contract.

6. Commencing on the Operational Date and thereafter during the remainder of the LW Term, in the event that an individual with managerial authority at Obligor receives a written complaint from any Site Employee (or such individual otherwise obtains actual knowledge) that any Site Employee has been paid less than an LW, Obligor shall deliver written notice to the Issuer, the DCA and the Comptroller within 30 days thereof.
7. Obligor hereby acknowledges and agrees that the Issuer, the City, the DCA and the Comptroller are each intended to be direct beneficiaries of the terms and provisions of this Agreement. Obligor hereby acknowledges and agrees that the DCA, the Comptroller and the Issuer shall each have the authority and power to enforce any and all provisions and remedies under this Agreement in accordance with paragraph 10 below. Obligor hereby agrees that the DCA, the Comptroller and the Issuer may, as their sole and exclusive remedy for any violation of Obligor's obligations under this Agreement, bring an action for damages (but not in excess of the amounts set forth in paragraph 10 below), injunctive relief or specific performance or any other non-monetary action at law or in equity, in each case subject to the provisions of paragraph 10 below, as may be necessary or desirable to enforce the performance or observance of any obligations, agreements or covenants of Obligor under this Agreement. The agreements and acknowledgements of Obligor set forth in this Agreement may not be amended, modified or rescinded by Obligor without the prior written consent of the Issuer or the DCA.
8. No later than 30 days after Obligor's receipt of a written request from the Issuer, the DCA and/or the Comptroller, Obligor shall provide to the Issuer, the DCA and the Comptroller (a) a written list of all Covered Counterparties, together with the LW Agreements of such Covered Counterparties. From and after the Operational Date, no later than 30 days after Obligor's receipt of a written request from the Issuer, the DCA and/or the Comptroller, Obligor shall provide to the Issuer, the DCA and the Comptroller (b) a certification stating that all of the direct Site Employees of Obligor are paid no less than an LW and stating that Obligor is in compliance with this Agreement in all material respects, (c) certified payroll records in respect of the direct Site Employees of Obligor, and/or (d) any other documents or information reasonably related to the determination of whether Obligor is in compliance with its obligations under this Agreement.
9. From and after the Operational Date, Obligor shall, annually by August 1 of each year during the LW Term, submit to Institution such data in respect of employment, jobs and wages at the Obligor Facility as of June 30 of such year that is needed by Institution for it to comply with its reporting obligations under the Project Agreement.

10. Violations and Remedies.

- (a) If a violation of this Agreement shall have been alleged by the Issuer, the DCA and/or the Comptroller, then written notice will be provided to Obligor for such alleged violation (an "LW Violation Notice"), specifying the nature of the alleged violation in such reasonable detail as is known to the Issuer, the DCA and the Comptroller (the "Asserted LW Violation") and specifying the remedy required under paragraph 10(b), (c), (d), (e) and/or (f) (as applicable) to cure the Asserted LW Violation (the "Asserted Cure"). Upon Obligor's receipt of the LW Violation Notice, Obligor may either:
 - (i) Perform the Asserted Cure no later than 30 days after its receipt of the LW Violation Notice (in which case a "LW Violation Final Determination" shall be deemed to exist), or
 - (ii) Provide written notice to the Issuer, the DCA and the Comptroller indicating that it is electing to contest the Asserted LW Violation and/or the Asserted Cure, which notice shall be delivered no later than 30 days after its receipt of the LW Violation Notice. Obligor shall bear the burdens of proof and persuasion and shall provide evidence to the DCA no later than 45 days after its receipt of the LW Violation Notice. The DCA shall then, on behalf of the City, the Issuer and the Comptroller, make a good faith determination of whether the Asserted LW Violation exists based on the evidence provided by Obligor and deliver to Obligor a written statement of such determination in reasonable detail, which shall include a confirmation or modification of the Asserted LW Violation and Asserted Cure (such statement, a "LW Violation Initial Determination"). Upon Obligor's receipt of the LW Violation Initial Determination, Obligor may either:
 - (1) Accept the LW Violation Initial Determination and shall perform the Asserted Cure specified in the LW Violation Initial Determination no later than 30 days after its receipt of the LW Violation Initial Determination (after such 30 day period has lapsed, but subject to clause (2) below, the LW Violation Initial Determination shall be deemed to be a "LW Violation Final Determination"), or
 - (2) Contest the LW Violation Initial Determination by filing in a court of competent jurisdiction or for an administrative hearing no later than 30 days after its receipt of the LW Violation Initial Determination, in which case, Obligor's obligation to perform the Asserted Cure shall be stayed pending resolution of the action. If no filing in a court of competent jurisdiction or for an administrative hearing is made to contest the LW Violation Initial Determination within 30 days after Obligor's receipt thereof, then the LW Violation Initial Determination shall be deemed to be a "LW Violation Final Determination". If such a filing is made, then a "LW

Violation Final Determination” will be deemed to exist when the matter has been finally adjudicated. Obligor shall perform the Asserted Cure (subject to the judicial decision) no later than 30 days after the LW Violation Final Determination.

- (b) For the first LW Violation Final Determination imposed on Obligor in respect of any direct Site Employees of Obligor, at the direction of the Issuer or the DCA (but not both), (i) Obligor shall pay the Owed Monies and Owed Interest in respect of such direct Site Employees of Obligor to such direct Site Employees; and/or (ii) in the case of a violation that does not result in monetary damages owed by Obligor, Obligor shall cure, or cause the cure of, such non-monetary violation
- (c) For the second and any subsequent LW Violation Final Determinations imposed on Obligor in respect of any direct Site Employees of Obligor, at the direction of the Issuer or the DCA (but not both), (i) Obligor shall pay the Owed Monies and Owed Interest in respect of such direct Site Employees of Obligor to such direct Site Employees, and Obligor shall pay fifty percent (50%) of the total amount of such Owed Monies and Owed Interest to the DCA as an administrative fee; and/or (ii) in the case of a violation that does not result in monetary damages owed by Obligor, Obligor shall cure, or cause the cure of, such non-monetary violation.
- (d) For the second and any subsequent LW Violation Final Determinations imposed on Obligor in respect of any direct Site Employees of Obligor, if the aggregate amount of Owed Monies and Owed Interest paid or payable by Obligor in respect of its direct Site Employees is in excess of the LW Violation Threshold for all past and present LW Violation Final Determinations imposed on Obligor, then in lieu of the remedies specified in subparagraph (c) above and at the direction of the Issuer or the DCA (but not both), Obligor shall pay (i) two hundred percent (200%) of the Owed Monies and Owed Interest in respect of the present LW Violation Final Determination to the affected direct Site Employees of Obligor, and (ii) fifty percent (50%) of the total amount of such Owed Monies and Owed Interest to the DCA as an administrative fee.
- (e) If Obligor fails to obtain an LW Agreement from its Covered Counterparty in violation of paragraph 5 above, then at the discretion of the Issuer or the DCA (but not both), Obligor shall be responsible for payment of the Owed Monies, Owed Interest and other payments described in subparagraphs (b), (c) and (d) above (as applicable) as if the direct Site Employees of such Covered Counterparty were the direct Site Employees of Obligor.
- (f) Obligor shall not renew the Specified Contract of any specific Covered Counterparty or enter into a new Specified Contract with any specific Covered Counterparty if both (i) the aggregate amount of Owed Monies and Owed Interest paid or payable by such Covered Counterparty in respect of its direct Site Employees for all past and present LW Violation Final Determinations (or that would have been payable had such Covered Counterparty entered into an LW Agreement) is in excess of the LW Violation Threshold and (ii) two or more LW

Violation Final Determinations against such Covered Counterparty (or in respect of the direct Site Employees of such Covered Counterparty) occurred within the last 6 years of the term of the applicable Specified Contract (or if the term thereof is less than 6 years, then during the term thereof); provided that the foregoing shall not preclude Obligor from extending or renewing a Specified Contract pursuant to any renewal or extension options granted to the Covered Counterparty in the Specified Contract as in effect as of the LW Agreement Delivery Date applicable to such Covered Counterparty.

- (g) It is acknowledged and agreed that (i) the sole monetary damages that Obligor may be subject to for a violation of this Agreement are as set forth in this paragraph 10, and (ii) in no event will the Specified Contract between Obligor and a given Covered Counterparty be permitted to be terminated or rescinded by the Issuer, the DCA or the Comptroller by virtue of violations by Obligor or a Covered Counterparty.

11. Obligor acknowledges that the terms and conditions of this Agreement are intended to implement the Mayor's Executive Order No. 7 dated September 30, 2014.

12. All notices under this Agreement shall be in writing and shall be delivered by (a) return receipt requested or registered or certified United States mail, postage prepaid, (b) a nationally recognized overnight delivery service for overnight delivery, charges prepaid, or (c) hand delivery, addressed as follows:

- (a) If to Obligor, to [Obligor's Name], [Street Address], [City], [State], [Zip Code], Attention: [Contact Person].
- (b) If to the Issuer, to Build NYC Resource Corporation, One Liberty Plaza, New York, NY, 10006, Attention: General Counsel, with a copy to Build NYC Resource Corporation, One Liberty Plaza, New York, NY, 10006, Attention: Executive Director.
- (c) If to the DCA, to Department of Consumer Affairs of The City of New York, 42 Broadway, New York, NY, 10004, Attention: Living Wage Division.
- (d) If to the Comptroller, to Office of the Comptroller of The City of New York, One Centre Street, New York, NY 10007, Attention: Chief, Bureau of Labor Law.

13. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

14. Obligor hereby irrevocably and unconditionally (a) agrees that any suit, action or other legal proceeding arising out of this Agreement may be brought in the courts of record of the State of New York in New York County or the United States District Court for the Southern District of New York; (b) consents to the jurisdiction of each such court in any such suit, action or proceeding; (c) waives any objection which it may have to the venue of any such suit, action or proceeding in such courts; and (d) waives and relinquishes any rights it might otherwise have (i) to move to dismiss on grounds of forum non conveniens, (ii) to remove to any federal

court other than the United States District Court for the Southern District of New York, and (iii) to move for a change of venue to a New York State Court outside New York County.

15. Notwithstanding any other provision of this Agreement, in no event shall the partners, members, counsel, directors, shareholders or employees of Obligor have any personal obligation or liability for any of the terms, covenants, agreements, undertakings, representations or warranties of Obligor contained in this Agreement.

IN WITNESS WHEREOF, Obligor has executed and delivered this Agreement as of the date first written above.

[_____]

By:_____

Name:

Title:

**ATTACHMENT 1 to EXHIBIT J
FORM OF LW AGREEMENT**

LIVING WAGE AGREEMENT

This LIVING WAGE AGREEMENT (this “Agreement”) is made as of [____], by [____] (“Obligor”) in favor of Institution, the Issuer, the City, the DCA and the Comptroller (each as defined below) (each, an “Obligee”). In consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Obligor hereby covenants and agrees as follows:

1. Definitions. As used herein the following capitalized terms shall have the respective meanings specified below.

“Asserted Cure” has the meaning specified in paragraph 9(a).

“Asserted LW Violation” has the meaning specified in paragraph 9(a).

“City” means The City of New York.

“Comptroller” means the Comptroller of The City of New York or his or her designee.

“Covered Employer” means Obligor; 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 calculated in accordance with generally accepted accounting principles, (iii) any otherwise covered Person operating on any portion of the Obligor Facility if residential units comprise more than 75% of the total Facility 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” means 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.

“Facility” means the land and real property improvements located in the Borough of ___, Block ___ and Lot ___, generally known by the street address 1400 Cromwell Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of ___, Block ___ and Lot ___, generally known by the street address 370 Gerard Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of ___, Block ___ and Lot ___, generally known by the street address 316 East 165th Street, Bronx, New York, and that certain lots, pieces or parcels of land in the Borough of ___, Block ___ and Lot ___, generally known by the street address 325 East 165th Street and 335 East 165th Street.

“Institution” means collectively, the Facility Personalty and the Facility Realty having its principal office at [____], or its permitted successors or assigns as Institution under the Project Agreement.

“Issuer” means Build NYC Resource Corporation, a 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, having its principal office at One Liberty Plaza, New York, New York 10006.

“LW” has the same meaning 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 Law” means 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” means the period commencing on the date of this Agreement and ending on the date that is the earlier to occur of: (a) the later to occur of (i) the date on which Institution is no longer receiving financial assistance under the Project Agreement or (ii) the date that is ten years after the Facility commences operations (as defined in the Project Agreement)); or (b) the end of the term of Obligor’s Specified Contract (including any renewal or option terms pursuant to any exercised options), whether by early termination or otherwise.

“LW Violation Final Determination” has the meaning specified in paragraph 9(a)(i), paragraph 9(a)(ii)(1) or paragraph 9(a)(ii)(2), as applicable.

“LW Violation Initial Determination” has the meaning specified in paragraph 9(a)(ii).

“LW Violation Notice” has the meaning specified in paragraph 9(a).

“LW Violation Threshold” means \$100,000 multiplied by 1.03ⁿ, where “n” is the

number of full years that have elapsed since January 1, 2015.

“Obligor Facility” means the applicable portion of the Facility covered by the Specified Contract of Obligor.

“Operational Date” means the date that Obligor commences occupancy, operations or work at the Obligor Facility.

“Owed Interest” means 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” means the total deficiency of LW required to be paid by Obligor in accordance with this 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.

“Person” means any natural person, sole proprietorship, partnership, association, joint venture, limited liability company, corporation, governmental authority, governmental agency, governmental instrumentality or any form of doing business.

“Prevailing Wage Law” means 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.

“Project Agreement” means that certain Loan Agreement, dated as of December 1, 2020, between the Issuer and the Institution (as amended, restated, supplemented or otherwise modified from time to time), pursuant to which Institution has or will receive financial assistance from the Issuer.

“Qualified Workforce Program” means 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.

“Site Employee” means any natural person who works at the Obligor Facility and who is employed by, or contracted or subcontracted to work for, Obligor, 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 Obligor Facility unless the primary work location or home base of such person is at the Obligor Facility (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 Obligor Facility shall thereafter constitute a Site Employee).

“Small Business Cap” means 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.

“Specified Contract” means (a) in the case of Obligor, the [____], dated as of [____], by and between Obligor and [____], or (b) in the case of any other Person, the principal written contract that makes such Person a Covered Employer hereunder.

2. Commencing on the Operational Date and thereafter during the remainder of the LW Term, if and for so long as Obligor is a Covered Employer, Obligor shall pay each of its direct Site Employees no less than an LW.
3. Commencing on the Operational Date and thereafter during the remainder of the LW Term, if and for so long as Obligor is a Covered Employer, Obligor shall, on or prior to the day on which each direct Site Employee of Obligor begins work at the Obligor Facility, (a) post a written notice detailing the wages and benefits required to be paid to Site Employees under this Agreement in a conspicuous place at the Obligor Facility that is readily observable by such direct Site Employee and (b) provide such direct Site Employee with a written notice detailing the wages and benefits required to be paid to Site Employees under this Agreement. Such written notice shall also provide a statement advising Site Employees that if they have been paid less than the LW they may notify the Comptroller and request an investigation. Such written notice shall be in English and Spanish.
4. Commencing on the Operational Date and thereafter during the remainder of the LW Term, if and for so long as Obligor is a Covered Employer, Obligor shall not take any adverse employment action against any Site Employee for reporting or asserting a violation of this Agreement.
5. Commencing on the Operational Date and thereafter during the remainder of the LW Term, in the event that an individual with managerial authority at Obligor receives a written complaint from any Site Employee (or such individual otherwise obtains actual knowledge) that any Site Employee has been paid less than an LW, Obligor shall deliver written notice to the Issuer, the DCA and the Comptroller within 30 days thereof.
6. Obligor hereby acknowledges and agrees that the Issuer, the City, the DCA and the Comptroller are each intended to be direct beneficiaries of the terms and provisions of this Agreement. Obligor hereby acknowledges and agrees that the DCA, the Comptroller and the Issuer shall each have the authority and power to enforce any and all provisions and remedies under this Agreement in accordance with paragraph 9 below. Obligor hereby agrees that the DCA, the Comptroller and the Issuer may, as their sole and exclusive remedy for any violation of Obligor’s obligations under this Agreement, bring an action for damages (but not in excess of the amounts set forth in paragraph 9 below), injunctive relief or specific performance or any other non-monetary action at law or in equity, in each case subject to the provisions of

paragraph 9 below, as may be necessary or desirable to enforce the performance or observance of any obligations, agreements or covenants of Obligor under this Agreement. The agreements and acknowledgements of Obligor set forth in this Agreement may not be amended, modified or rescinded by Obligor without the prior written consent of the Issuer or the DCA.

7. From and after the Operational Date, no later than 30 days after Obligor's receipt of a written request from the Issuer, the DCA and/or the Comptroller, Obligor shall provide to the Issuer, the DCA and the Comptroller (a) a certification stating that all of the direct Site Employees of Obligor are paid no less than an LW and stating that Obligor is in compliance with this Agreement in all material respects, (b) certified payroll records in respect of the direct Site Employees of Obligor, and/or (c) any other documents or information reasonably related to the determination of whether Obligor is in compliance with its obligations under this Agreement.
8. From and after the Operational Date, Obligor shall, annually by August 1 of each year during the LW Term, submit to its counterparty to its Specified Contract such data in respect of employment, jobs and wages at the Obligor Facility as of June 30 of such year that is needed by Institution for it to comply with its reporting obligations under the Project Agreement.

9. Violations and Remedies.

- (a) If a violation of this Agreement shall have been alleged by the Issuer, the DCA and/or the Comptroller, then written notice will be provided to Obligor for such alleged violation (an "LW Violation Notice"), specifying the nature of the alleged violation in such reasonable detail as is known to the Issuer, the DCA and the Comptroller (the "Asserted LW Violation") and specifying the remedy required under paragraph 9(b), (c) and/or (d) (as applicable) to cure the Asserted LW Violation (the "Asserted Cure"). Upon Obligor's receipt of the LW Violation Notice, Obligor may either:
 - (i) Perform the Asserted Cure no later than 30 days after its receipt of the LW Violation Notice (in which case a "LW Violation Final Determination" shall be deemed to exist), or
 - (ii) Provide written notice to the Issuer, the DCA and the Comptroller indicating that it is electing to contest the Asserted LW Violation and/or the Asserted Cure, which notice shall be delivered no later than 30 days after its receipt of the LW Violation Notice. Obligor shall bear the burdens of proof and persuasion and shall provide evidence to the DCA no later than 45 days after its receipt of the LW Violation Notice. The DCA shall then, on behalf of the City, the Issuer and the Comptroller, make a good faith determination of whether the Asserted LW Violation exists based on the evidence provided by Obligor and deliver to Obligor a written statement of such determination in reasonable detail, which shall include a confirmation or modification of the Asserted LW Violation and Asserted Cure (such statement, a "LW Violation Initial Determination"). Upon Obligor's receipt of the LW Violation Initial Determination, Obligor may either:

- (1) Accept the LW Violation Initial Determination and shall perform the Asserted Cure specified in the LW Violation Initial Determination no later than 30 days after its receipt of the LW Violation Initial Determination (after such 30 day period has lapsed, but subject to clause (2) below, the LW Violation Initial Determination shall be deemed to be a “LW Violation Final Determination”), or
 - (2) Contest the LW Violation Initial Determination by filing in a court of competent jurisdiction or for an administrative hearing no later than 30 days after its receipt of the LW Violation Initial Determination, in which case, Obligor’s obligation to perform the Asserted Cure shall be stayed pending resolution of the action. If no filing in a court of competent jurisdiction or for an administrative hearing is made to contest the LW Violation Initial Determination within 30 days after Obligor’s receipt thereof, then the LW Violation Initial Determination shall be deemed to be a “LW Violation Final Determination”. If such a filing is made, then a “LW Violation Final Determination” will be deemed to exist when the matter has been finally adjudicated. Obligor shall perform the Asserted Cure (subject to the judicial decision) no later than 30 days after the LW Violation Final Determination.
- (b) For the first LW Violation Final Determination imposed on Obligor in respect of any direct Site Employees of Obligor, at the direction of the Issuer or the DCA (but not both), (i) Obligor shall pay the Owed Monies and Owed Interest in respect of such direct Site Employees of Obligor to such direct Site Employees; and/or (ii) in the case of a violation that does not result in monetary damages owed by Obligor, Obligor shall cure, or cause the cure of, such non-monetary violation.
- (c) For the second and any subsequent LW Violation Final Determinations imposed on Obligor in respect of any direct Site Employees of Obligor, at the direction of the Issuer or the DCA (but not both), (i) Obligor shall pay the Owed Monies and Owed Interest in respect of such direct Site Employees of Obligor to such direct Site Employees, and Obligor shall pay fifty percent (50%) of the total amount of such Owed Monies and Owed Interest to the DCA as an administrative fee, and/or (ii) in the case of a violation that does not result in monetary damages owed by Obligor, Obligor shall cure, or cause the cure of, such non-monetary violation.
- (d) For the second and any subsequent LW Violation Final Determinations imposed on Obligor in respect of any direct Site Employees of Obligor, if the aggregate amount of Owed Monies and Owed Interest paid or payable by Obligor in respect of its direct Site Employees is in excess of the LW Violation Threshold for all past and present LW Violation Final Determinations imposed on Obligor, then in lieu of the remedies specified in subparagraph (c) above and at the direction of the Issuer or the DCA (but not both), Obligor shall pay (i) two hundred percent

(200%) of the Owed Monies and Owed Interest in respect of the present LW Violation Final Determination to the affected direct Site Employees of Obligor, and (ii) fifty percent (50%) of the total amount of such Owed Monies and Owed Interest to the DCA as an administrative fee.

- (e) It is acknowledged and agreed that the sole monetary damages that Obligor may be subject to for a violation of this Agreement are as set forth in this paragraph 9.

10. Obligor acknowledges that the terms and conditions of this Agreement are intended to implement the Mayor's Executive Order No. 7 dated September 30, 2014.

11. All notices under this Agreement shall be in writing and shall be delivered by (a) return receipt requested or registered or certified United States mail, postage prepaid, (b) a nationally recognized overnight delivery service for overnight delivery, charges prepaid, or (c) hand delivery, addressed as follows:

- (a) If to Obligor, to [Obligor's Name], [Street Address], [City], [State], [Zip Code], Attention: [Contact Person].
- (b) If to the Issuer, to Build NYC Resource Corporation, One Liberty Plaza, New York, NY, 10006, Attention: General Counsel, with a copy to Build NYC Resource Corporation, One Liberty Plaza, New York, NY, 10006, Attention: Executive Director.
- (c) If to the DCA, to Department of Consumer Affairs of The City of New York, 42 Broadway, New York, NY, 10004, Attention: Living Wage Division.
- (d) If to the Comptroller, to Office of the Comptroller of The City of New York, One Centre Street, New York, NY 10007, Attention: Chief, Bureau of Labor Law.

12. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

13. Obligor hereby irrevocably and unconditionally (a) agrees that any suit, action or other legal proceeding arising out of this Agreement may be brought in the courts of record of the State of New York in New York County or the United States District Court for the Southern District of New York; (b) consents to the jurisdiction of each such court in any such suit, action or proceeding; (c) waives any objection which it may have to the venue of any such suit, action or proceeding in such courts; and (d) waives and relinquishes any rights it might otherwise have (i) to move to dismiss on grounds of forum non conveniens, (ii) to remove to any federal court other than the United States District Court for the Southern District of New York, and (iii) to move for a change of venue to a New York State Court outside New York County.

14. Notwithstanding any other provision of this Agreement, in no event shall the partners, members, counsel, directors, shareholders or employees of Obligor have any personal obligation or liability for any of the terms, covenants, agreements, undertakings, representations or warranties of Obligor contained in this Agreement.

IN WITNESS WHEREOF, Obligor has executed and delivered this Agreement as of the date first written above.

[_____]

By: _____
Name:
Title:

BUILD NYC RESOURCE CORPORATION,
a 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, having its principal office at One
Liberty Plaza, New York, New York 10006, as “Issuer”,

TO

THE BANK OF NEW YORK MELLON,
a New York banking corporation organized and existing under the laws of the State of New York, having
a corporate trust office at 240 Greenwich Street, Floor 7E, New York, New York 10286, together with
any successor trustee at the time serving as such under this Indenture of Trust, as “Trustee”

INDENTURE OF TRUST

Dated as of December 1, 2020

\$69,760,000

Build NYC Resource Corporation
Revenue Bonds, Series 2020A-1
(Family Life Academy Charter Schools Project)

\$2,125,000

Build NYC Resource Corporation
Taxable Revenue Bonds, Series 2020A-2
(Family Life Academy Charter Schools Project)

\$13,085,000

Build NYC Resource Corporation
Revenue Bonds, Series 2020B-1
(Family Life Academy Charter Schools Project)

\$340,000

Build NYC Resource Corporation
Taxable Revenue Bonds, Series 2020B-2
(Family Life Academy Charter Schools Project)

\$38,175,000

Build NYC Resource Corporation
Revenue Bonds, Series 2020C-1
(Family Life Academy Charter Schools Project)

\$1,620,000

Build NYC Resource Corporation
Taxable Revenue Bonds, Series 2020C-2
(Family Life Academy Charter Schools Project)

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	6
Section 1.01. Definitions.....	6
Section 1.02. Construction.....	27
ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS	28
Section 2.01. Authorized Amount of Bonds; Pledge Effected by this Indenture	28
Section 2.02. Issuance and Terms of the Initial Bonds.....	29
Section 2.03. Redemption of Initial Bonds.....	32
Section 2.04. Delivery of Initial Bonds	40
Section 2.05. Execution of Bonds.....	41
Section 2.06. Authentication.....	41
Section 2.07. Additional Bonds	41
Section 2.08. CUSIP Numbers.....	44
Section 2.09. Book Entry Bonds.....	44
ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS.....	47
Section 3.01. Date of Bonds	47
Section 3.02. Form and Denominations.....	47
Section 3.03. Legends	47
Section 3.04. Medium of Payment.....	48
Section 3.05. Bond Details.....	48
Section 3.06. Interchangeability, Transfer and Registry.....	48
Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost.....	49
Section 3.08. Cancellation and Destruction of Bonds	49
Section 3.09. Requirements With Respect to Transfers	49
Section 3.10. Bond Registrar	50
Section 3.11. Payments Due on Saturdays, Sundays and Holidays.....	50
ARTICLE IV APPLICATION OF BOND PROCEEDS	50
Section 4.01. Application of Proceeds of Initial Bonds.....	50
ARTICLE V CUSTODY AND INVESTMENT OF FUNDS	52
Section 5.01. Creation of Funds and Accounts.....	52
Section 5.02. Project Fund.....	54
Section 5.03. Payments into Renewal Fund; Application of Renewal Fund.....	57
Section 5.04. Payments into Bond Fund.....	59
Section 5.05. Application of Bond Fund Moneys.....	60
Section 5.06. Payments into Earnings Fund; Application of Earnings Fund.....	62
Section 5.07. Payments into Rebate Fund; Application of Rebate Fund.....	63
Section 5.08. Transfer to Rebate Fund.....	64
Section 5.09. Investment of Funds and Accounts.....	64

Section 5.10.	Application of Moneys in Certain Funds for Retirement of Bonds..	66
Section 5.11.	Repayment to the Institution from the Funds	66
Section 5.12.	Non-presentment of Bonds	66
Section 5.13.	Debt Service Reserve Fund.....	66
ARTICLE VI REDEMPTION OF BONDS		68
Section 6.01.	Privilege of Redemption and Redemption Price.....	68
Section 6.02.	Selection of Bonds to be Redeemed	68
Section 6.03.	Notice of Redemption	69
Section 6.04.	Payment of Redeemed Bonds	70
Section 6.05.	Cancellation of Redeemed Bonds	71
Section 6.06.	No Partial Redemption After Default	71
ARTICLE VII PARTICULAR COVENANTS.....		71
Section 7.01.	Payment of Principal and Interest	71
Section 7.02.	Performance of Covenants; Authority	71
Section 7.03.	Books and Records; Certificate as to Defaults	71
Section 7.04.	Loan Agreement.....	72
Section 7.05.	Creation of Liens; Indebtedness.....	72
Section 7.06.	Ownership; Instruments of Further Assurance	72
Section 7.07.	Security Agreement; Filing.....	73
Section 7.08.	Issuer Tax Covenant	75
ARTICLE VIII EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS		75
Section 8.01.	Events of Default; Acceleration of Due Date	75
Section 8.02.	Enforcement of Remedies.....	77
Section 8.03.	Application of Revenues and Other Moneys After Default.....	79
Section 8.04.	Actions by Trustee	80
Section 8.05.	Majority Holders Control Proceedings	80
Section 8.06.	Individual Bondholder Action Restricted	80
Section 8.07.	Effect of Discontinuance of Proceedings.....	81
Section 8.08.	Remedies Not Exclusive	81
Section 8.09.	Delay or Omission	81
Section 8.10.	Notice of Default.....	81
Section 8.11.	Waivers of Default.....	81
ARTICLE IX TRUSTEE, BOND REGISTRAR AND PAYING AGENTS.....		82
Section 9.01.	Appointment and Acceptance of Duties of Trustee	82
Section 9.02.	Indemnity of Trustee.....	83
Section 9.03.	Responsibilities of Trustee.....	83
Section 9.04.	Compensation of Trustee, Bond Registrar and Paying Agents.....	84
Section 9.05.	Evidence on Which Trustee May Act	85
Section 9.06.	Trustee and Paying Agents May Deal in Bonds	85
Section 9.07.	Resignation or Removal of Trustee	85
Section 9.08.	Successor Trustee.....	86
Section 9.09.	Paying Agents	87

Section 9.10.	Appointment of Co-Trustee	87
Section 9.11.	Patriot Act	88
ARTICLE X DISCHARGE OF INDENTURE; DEFEASANCE		88
Section 10.01.	Defeasance	88
Section 10.02.	Defeasance Opinion and Verification	89
Section 10.03.	No Limitation of Rights of Holders	89
ARTICLE XI AMENDMENTS OF INDENTURE		90
Section 11.01.	Limitation on Modifications	90
Section 11.02.	Supplemental Indentures Without Bondholders' Consent	90
Section 11.03.	Supplemental Indentures With Bondholders' Consent	91
Section 11.04.	Supplemental Indenture Part of this Indenture	92
ARTICLE XII AMENDMENTS OF RELATED SECURITY DOCUMENTS		92
Section 12.01.	Rights of Institution	92
Section 12.02.	Amendments of Related Security Documents Not Requiring Consent of Bondholders	92
Section 12.03.	Amendments of Related Security Documents Requiring Consent of Bondholders	93
ARTICLE XIII MISCELLANEOUS		94
Section 13.01.	Evidence of Signature of Bondholders and Ownership of Bonds	94
Section 13.02.	Notices	94
Section 13.03.	Parties Interested Herein	95
Section 13.04.	Partial Invalidity	95
Section 13.05.	Effective Date; Counterparts	96
Section 13.06.	Laws Governing Indenture	96
Section 13.07.	No Pecuniary Liability of Issuer or Members; No Debt of the State or the City	96
Section 13.08.	Priority of Indenture Over Liens	96
Section 13.09.	Consent to Jurisdiction	97
Section 13.10.	Waiver of Trial by Jury	97
Section 13.11.	Legal Counsel; Mutual Drafting	97
EXHIBITS		
Exhibit A — Description of the Land		A-1
Exhibit B — Description of the Facility Personalty		B-1
Exhibit C-1 — Form of Tax-Exempt Bond		C-1
Exhibit C-2 — Form of Taxable Bond		C-2
Exhibit D — Form of Requisition from the Project Fund		D-1

INDENTURE OF TRUST

THIS INDENTURE OF TRUST dated as of the date set forth on the cover page hereof (as the same may be amended and supplemented in accordance with its terms, this “**Indenture**”), by and between **BUILD NYC RESOURCE CORPORATION**, a 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, having its principal office at One Liberty Plaza, New York, New York 10006, party of the first part, to **THE BANK OF NEW YORK MELLON**, a New York banking corporation, together with any successor trustee at the time serving as such under this Indenture of Trust, having a corporate trust office at 240 Greenwich Street, New York, New York 10286, party of the second part (capitalized terms used herein shall have the respective meanings assigned to such terms throughout this Indenture),

WITNESSETH:

WHEREAS, the Issuer is authorized pursuant to Section 1411(a) of the Not-for-Profit Corporation Law of the State of New York, as amended, and its Certificate of Incorporation and By-Laws (i) to promote community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of The City of New York (the “City”) by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses and other entities to access 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; and

WHEREAS, the Certificate of Incorporation of the Issuer further provides that the lessening of the burdens of government and the exercise of the powers conferred on the Issuer are the performance of an essential governmental function, which activities will assist the City in reducing unemployment and promoting additional job growth and economic development; and

WHEREAS, the Institution has entered into negotiations with officials of the Issuer for the Issuer’s assistance with a tax-exempt and taxable bond transaction, the proceeds of which, together with other funds of the Institution, will be used by the Institution for the acquisition, construction, renovation, equipping and furnishing of the Improvements as part of the Project; and

WHEREAS, the Issuer has determined that the providing of financial assistance to the Institution for the Project will promote and is authorized by and will be in furtherance of the corporate purposes of the Issuer; and

WHEREAS, as a result of such negotiations, the Institution has requested the Issuer to issue its bonds to finance a portion of the costs of the Project; and

WHEREAS, the Issuer adopted the Bond Resolution authorizing the Project and authorizing the issuance of its revenue bonds to finance a portion of the costs of the Project; and

WHEREAS, to facilitate the Project and the issuance by the Issuer of its revenue bonds to finance a portion of the costs of the Project, the Issuer and the Institution have entered into negotiations pursuant to which (i) the Issuer will make the Loan of the proceeds of the Initial Bonds, in the original aggregate principal amount of the Initial Bonds, to the Institution pursuant to the Loan Agreement, and (ii) the Institution will execute the Promissory Note in favor of the Issuer to evidence the Institution's obligation under the Loan Agreement to repay the Loan, and the Issuer will endorse the Promissory Note to the Trustee; and

WHEREAS, to provide funds for a portion of the costs of the Project and for incidental and related costs and to provide funds to pay the costs and expenses of the issuance of the Initial Bonds, the Issuer has authorized the issuance of the Initial Bonds in the Authorized Principal Amount pursuant to the Bond Resolution and this Indenture; and

WHEREAS, concurrently with the execution hereof, in order to further secure the Initial Bonds, (i) the Institution will grant a lien and security interest in the Pledged Collateral pursuant to the Pledge and Security Agreement in favor of the Trustee, subject only to the lien of the Mortgage; and (ii) the Institution will grant a mortgage lien on and security interest in its fee interest in the Mortgaged Property to the Issuer and the Trustee pursuant to the Mortgage, and the Issuer will assign its right, title and interest under the Mortgage to the Trustee pursuant to the Assignment of Mortgage; and

WHEREAS, in connection with the issuance of the Initial Bonds, The Bank of New York Mellon, as depository bank (the "**Depository Bank**"), the Trustee and the Institution will execute and deliver an account control agreement dated as of December 1, 2020 (the "**Account Control Agreement**"). Pursuant to the Account Control Agreement, the Institution will grant a security interest in the Institution's operating account to the Trustee and also authorize the Trustee to transfer the amounts required under this Indenture and the Loan Agreement to the Revenue Fund; and

WHEREAS, additional moneys may be necessary to finance the cost of completing the Project, 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, or providing extensions, additions or improvements to the Facility or refunding outstanding Bonds and provision should therefore be made for the issuance from time to time of additional bonds; and

WHEREAS, the Initial Bonds and the Trustee's Certificate to be endorsed thereon are all to be in substantially the form set forth in Exhibit C, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, all things necessary to make the Bonds when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal special limited revenue obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid pledge and assignment of the loan payments, revenues and receipts herein made to the payment of the principal, Purchase Price or Redemption Price of, Sinking Fund Installments for,

and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

**NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS
INDENTURE WITNESSETH:**

That the Issuer in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders and owners thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal, Purchase Price or Redemption Price of, and Sinking Fund Installments for, the Bonds and the indebtedness represented thereby and the interest on the Bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, convey, transfer, grant a security interest in, pledge and assign unto the Trustee, and unto its respective successors in trust, and to their respective assigns, for the benefit of the Bondholders, forever for the securing of the performance of the obligations of the Issuer hereinafter set forth, the following:

GRANTING CLAUSES

I

All right, title and interest of the Issuer in and to the Loan Agreement, including all loan payments, revenues and receipts payable or receivable thereunder, excluding, however, the Issuer's Reserved Rights, which Issuer's Reserved Rights may be enforced by the Issuer and the Trustee, jointly or severally.

II

All right, title and interest of the Issuer in and to the Promissory Note.

III

All moneys and securities from time to time held by the Trustee under the terms of this Indenture including amounts set apart and transferred to the Earnings Fund, the Revenue Fund, the Project Fund, the Renewal Fund, the Bond Fund, the Debt Service Reserve Fund (provided, however, that notwithstanding anything herein to the contrary, (a) amounts in the Series 2020A-1 Account of the Debt Service Reserve Fund shall be pledged for the benefit of the Series 2020A-1 Bonds only, and amounts in the Series 2020A-2 Account of the Debt Service Reserve Fund shall be pledged for the benefit of the Series 2020A-2 Bonds only, (b) amounts in the Series 2020B-1 Account of the Debt Service Reserve Fund shall be pledged for the benefit of the Series 2020B-1 Bonds only, and amounts in the Series 2020B-2 Account of the Debt Service Reserve Fund shall be pledged for the benefit of the Series 2020B-2 Bonds only, and (c) amounts in the Series 2020C-1 Account of the Debt Service Reserve Fund shall be pledged for the benefit of the Series 2020C-1 Bonds only, and amounts in the Series 2020C-2 Account of the Debt Service Reserve Fund shall be pledged for the benefit of the Series 2020C-2 Bonds only), the Repair and Replacement Fund

or any other special fund, and all investment earnings of any of the foregoing, subject to disbursements from the Earnings Fund, the Debt Service Reserve Fund, the Project Fund, the Repair and Replacement Fund, the Renewal Fund or any such special fund in accordance with the provisions of the Loan Agreement and this Indenture; provided, however, there is hereby expressly excluded from any assignment, pledge, lien or security interest any amounts set apart and transferred to the Rebate Fund.

IV

Any and all other property of every kind and nature from time to time which was heretofore or hereafter is by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder, by the Issuer or by any other Person, with or without the consent of the Issuer, to the Trustee which is hereby authorized to receive any and all such property at any time and at all times to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said Trust and to them and their assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all Holders and owners of the Bonds issued under and secured by this Indenture, without privilege, priority or distinction as to lien or otherwise of any Bonds over any other Bonds, except as otherwise expressly provided in this Indenture, provided, however, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the principal and any applicable redemption premium, of the Bonds and the interest due or to become due thereon, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof and shall make the payments into the Bond Fund as required under this Indenture or shall provide, as permitted hereby, for the payment thereof by depositing or causing to be deposited with the Trustee sufficient amounts, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared that, all the Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said loan payments, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Holders and owners, from time to time of the Bonds or any part thereof, as follows, that is to say:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless otherwise herein defined, the following capitalized terms shall have the respective meanings specified in this Section 1.01 for purposes of this Indenture.

165th Street Facility shall mean the acquisition, construction, furnishing and equipping of an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street.

165th Street Lease Agreement shall mean that certain Lease Agreement for the 165th Street Facility dated as of even date herewith, and from the Institution to the Organization.

Account Control Agreement shall mean the Account Control Agreement, dated as of December 1, 2020, among the Institution, the Trustee and the Depositary Bank, as the same may be amended or supplemented from time to time or any successor Account Control Agreement entered into by a successor Depositary Bank, the Trustee, and the Institution.

Accounts shall mean the accounts of the special trust funds so designated, established pursuant to Section 5.01

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

An **Affiliate** of a Person shall mean a Person that directly or indirectly through one or more intermediaries Controls, or is under common Control with, or is Controlled by, such Person. For the avoidance of doubt, the Institution and Organization are Affiliates.

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 facilities located at 1400 Cromwell Avenue, Bronx, New York, 370 Gerard Avenue, Bronx, New York, 316 East 165th Street, Bronx, New York, 325 East 165th Street Bronx, New York and 335 East 165th Street Bronx, New York, for use by the Institution in the providing of education services to students in kindergarten through grade 8.

Assignment of Construction Contract shall mean the Assignment of Design-Build Contract dated December 22, 2020, from the Institution, the Developer and the Design-Builder to the Trustee.

Assignment of Development Agreement shall mean the Assignment of Development Agreement dated as of December 22, 2020, from the Institution to the Trustee, and consented to by the Developer.

Assignment of Lease shall mean collectively, (i) the Assignment of Lease (Cromwell Facility), (ii) the Assignment of Lease (Gerard Avenue Facility), and (iii) the Assignment of Lease (165th Street Facility) relating to the Facility, each dated as of even date herewith, and each from the Institution to the Trustee.

Assignment of Mortgage shall mean collectively, (i) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Acquisition Loan), (ii) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Building Loan), and (iii) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Indirect Loan), (iv) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Acquisition Loan), (v) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Indirect Loan), (vi) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Acquisition Loan) and (vii) the Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Indirect Loan), relating to the Facility, each dated as of even date herewith, and each from the Issuer to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with this Indenture.

Authorized Denomination (i) in the case of the Initial Bonds, \$100,000 or any integral multiple of \$5,000 in excess thereof, and (ii) in the case of any Additional Bonds, such denominations as shall be set forth in the Supplemental Indenture executed and delivered in connection with such Additional Bonds; provided, however, that if the Initial Bonds are rated investment grade by each Rating Agency then rating the Initial Bonds, then, upon the Trustee receiving written notice of the occurrence of such event, the Authorized Denomination with respect to the Initial Bonds shall be \$5,000 or any integral multiple thereof.

Authorized Principal Amount shall mean, (i) in the case of the Series 2020A-1 Bonds, \$69,760,000, (ii) in the case of the Series 2020A-2 Bonds, \$2,125,000, (iii) in the case of the Series 2020B-1 Bonds, \$13,085,000, (iv) in the case of the Series 2020B-2 Bonds, \$340,000, (v) in the case of the Series 2020C-1 Bonds, \$38,175,000, (vi) in the case of the Series 2020C-2 Bonds, \$1,620,000, and (vii) in the case of any Additional Bonds, such authorized principal amount as shall be set forth in the Supplemental Indenture executed and delivered in connection with such Additional Bonds

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 Section 5.01.

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 December 11, 2020, among the Institution, the Issuer and the Underwriter.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10.

Bond Resolution shall mean the resolution of the Issuer adopted on July 28, 2020 as amended on September 22, 2020, authorizing the issuance of the Initial Bonds.

Bonds shall mean the Initial Bonds and any Additional Bonds.

Building Loan Agreement shall mean the Building Loan Agreement (Cromwell Facility), dated as of even date herewith, among the Issuer, the Institution and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and herewith.

Business Day shall mean any day that shall not be:

- (a) a Saturday, Sunday, or legal holiday;
- (b) a day on which banking institutions in the City are authorized by law or executive order to close; or
- (c) a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is closed.

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

Closing Date shall mean December 22, 2020, the date of the initial issuance and delivery of the Initial Bonds.

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.

Completion Deadline shall mean (i) with respect to the Cromwell Facility, December 22, 2023, and (ii) with respect to the Gerard Avenue Facility, and the 165th Street Facility the Closing Date.

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.

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.

CDMA shall mean the Construction Disbursement and Monitoring Agreement, dated as of December 22, 2020, between the Institution, the Developer and the Construction Monitor.

Construction Monitor shall mean Anser Advisory LLC, or any other independent, individual, licensed architect or engineer or independent, licensed engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Organization for other purposes) selected by the Organization as evidenced to the Trustee by a written certificate containing the specimen signature of the authorized signatory for the Construction Monitor's firm.

Continuing Disclosure Agreement shall mean the Continuing Disclosure Agreement, dated December 22, 2020, between the Institution and the Trustee.

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.

Covenant Agreement shall mean the Covenant Agreement, dated as of December 1, 2020, between the Organization and the Trustee.

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 fee; counsel fees (including bond counsel, counsel to the Underwriter, Trustee's counsel, Issuer's counsel, Institution's counsel, Organization'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, the Institution or the Organization 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 of 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.

Cromwell Facility shall mean the acquisition of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement), facility, including parking.

Debt Service Reserve Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of this Indenture.

Debt Service Reserve Fund Requirement

(a) with respect to the Initial Bonds, an amount (which amount may take the form of cash, Qualified Investments or any combination thereof) equal to the lesser of:

(i) ten percent (10%) of the Stated Principal Amount (as defined in the Tax Regulatory Agreement) of the Initial Bonds;

(ii) one hundred percent (100%) of the greatest amount required to pay the sum of the scheduled principal and interest payable on Initial Bonds; or

(iii) one hundred twenty-five percent (125%) of the Institution's average annual debt service on the Initial Bonds; provided, that the amount to be deposited into each subaccount of the Debt Service Reserve Fund for the Initial Bonds shall be a proportionate amount of the total amount based on the relative par amounts of each Series of Initial Bonds.

(b) with respect to any Series of Additional Bonds, such amount as shall be set forth in the Supplemental Indenture entered into in connection with the issuance of such Additional Bonds.

Debt Service Reserve Fund Valuation Date shall mean May 15th and November 15th of each year, commencing on May 15, 2021.

Default Rate shall mean the interest rate on the Bond, as applicable, plus five percent (5%) per annum

Defaulted Interest shall have the meaning specified in Section 2.02(f).

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

Depositary Agreement shall mean the Depositary Agreement, dated December 22, 2020, between the Institution and the Depositary Bank.

Depositary Bank shall mean The Bank of New York Mellon, its successors and/or assigns.

Design-Builder shall mean Gilbane Building Company, a Rhode Island business corporation, and its successors and assigns.

Determination of Taxability shall mean:

(a) (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 or HB Foundation have participated or have been given the opportunity to participate, and which ruling or memorandum the Institution and or HB Foundation, in their 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 or HB Foundation have participated or has been a party, or have been given the opportunity to participate or be a party; or

(D) the admission in writing by the Institution or HB Foundation;

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 this Indenture;

provided, however, that no such Determination of Taxability described in clauses (i)(B) or (i)(C) hereof shall be considered to exist unless (1) the Institution or Foundation involved in such proceeding (a) gives the Holder or former Holder of the Bond 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.

Developer shall mean FLACS IV Project Development, LLC, a Utah limited liability company.

Development Agreement shall mean the Development Agreement, dated as of December 1, 2020, between the Developer and the Institution.

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.

Earnings Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

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.

Environmental Indemnity Agreement shall mean the Environmental Indemnity Agreement, dated as of December 1, 2020, from the Institution to the Trustee.

Event of Default shall have the meaning specified in Section 8.01(a).

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.

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 Section 3.2 of the Loan Agreement and described in Exhibit B - "Description

of the Facility Personalty”, 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 provisions of Sections 3.5 and 6.4 of 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 in compliance with Section 3.5 of the Loan Agreement.

Facility Realty shall mean, collectively, the Land and the Improvements.

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.

FLACS IV Guaranty shall mean that certain FLACS IV Guaranty from the Organization to the Trustee providing for financial support during the ramp up of the Cromwell Facility.

FLACS IV Lease shall mean that certain FLACS IV Lease Agreement between the Organization and the Institution, as assigned to the Trustee, providing for occupancy of the Cromwell Facility.

Funds shall mean the special trust funds established pursuant to Section 5.01 of this Indenture.

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.

Gerard Avenue Facility shall mean the acquisition, construction, furnishing and equipping of an existing 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York.

Gerard Avenue Lease Agreement shall mean that certain Lease Agreement for the Gerard Avenue Facility dated as of even date herewith, and from the Institution to the Organization.

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:

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

(b) 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

(c) 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.

Guaranty Agreement shall mean that certain Unlimited Guaranty Agreement delivered by the Organization to the Trustee guaranteeing the payment in full of the Organization's obligations under the Lease Agreements.

HB Foundation shall mean HB Foundation, Inc., a New York not-for-profit corporation, exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, as sole member of the Institution.

Improvements shall mean:

(a) all buildings, structures, foundations, related facilities, fixtures and other improvements of every nature whatsoever existing on the Closing Date and hereafter erected or situated on the Land;

(b) any other buildings, structures, foundations, related facilities, fixtures and other improvements constructed or erected on the Land (including any improvements or demolitions made as part of the Project Work pursuant to Section 3.2 of the Loan Agreement); and

(c) all replacements, improvements, additions, extensions, substitutions, restorations and repairs to any of the foregoing.

Indenture shall mean this Indenture of Trust, dated as of December 1, 2020, between the Issuer and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI.

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).

Initial Bonds shall mean collectively, the Series 2020A Bonds, the Series 2020B Bonds, and the Series 2020C Bonds authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

Institution shall mean Highbridge Facilities, LLC, a Delaware limited liability company that is a disregarded entity for federal income tax purposes, having as its sole member, the HB Foundation, 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 Section 8.9 or 8.20 of the Loan Agreement.

Institution Documents shall mean the Bond Purchase Agreement, the Loan Agreement, each Promissory Note, each Mortgage, the Building Loan Agreement, the Tax Regulatory Agreement, the Account Control Agreement, the Continuing Disclosure Agreement, each Lease Agreement, each Assignment of Lease, the Depositary Agreement, the Pledge and Security Agreement.

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Interest Payment Date shall mean, with respect to the Initial Bonds, June 1 and December 1 of each year, commencing June 1, 2021, 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.

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,

(a) 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;

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

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

(d) 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;

(e) the right of the Issuer to amend with the Institution the provisions of Section 5.1 of the Loan Agreement without the consent of the Trustee or any Bondholder;

(f) 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 V, Article VI, Article VIII (except for Section 8.26), Article IX, Article X and Sections 11.1, 11.3 and 11.5, and Article XII (except Section 12.2); and

(g) 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 Section 9.2(b) of the Loan Agreement.

Land shall mean collectively, that certain lot, piece or parcel of land in the Borough of Bronx, Tax Block 2857 and Lot 1, generally known by the street address 1400 Cromwell Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of Bronx, Tax Block 2344 and Lot 110, generally known by the street address 370-372 Gerard Avenue, Bronx, New York, that certain lot, piece or parcel of land in the Borough of Bronx, Tax Block 2342 and Lot 80, generally known by the street address 316 East 165th Street, Bronx, New York, and those certain lots, pieces or parcels of land in the Borough of Bronx, Tax Block 2433 and Lots 40 and 79, generally known by the street address 325 East 165th Street (a/k/a 321 East 165th Street) and 335 East 165th Street, all as more particularly described in Exhibit A — "Description of the Land", together with all easements, rights and interests now or hereafter appurtenant or beneficial thereto; but excluding, however, any real property or interest therein released pursuant to Section 8.10(c) of the Loan Agreement.

Lease Agreement shall mean, collectively (i) the FLACS IV Lease, (ii) the Gerard Avenue Lease Agreement, and (iii) the 165th Street Lease 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.

Limited Enforcement Period shall mean the period of time beginning on the Closing Date until the earlier of (i) December 31, 2024, or (ii) the Project Completion Date of the Cromwell Facility as evidenced by the completion certificate and other documents required by Section 3.2(f) of the Loan Agreement.

Loan shall mean the loan made by the Issuer to the Institution pursuant to the Loan Agreement as described in Section 4.1 thereof.

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

Loan Payment Date shall mean each January 5, March 5, May 5, July 5, September 5 and November 5 of each year.

Loss Event shall have the meaning specified in Section 6.1 of the Loan Agreement.

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.

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.

Mortgage shall mean, collectively, (i) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Acquisition Loan), (ii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Building Loan), and (iii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Indirect Loan), (iv) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Acquisition Loan), (v) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Indirect Loan), (vi) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Acquisition Loan) and (vii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Indirect Loan), relating to the Facility, each dated as of even date herewith, and each from the Institution to the Issuer and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with this Indenture.

Mortgaged Property shall have the meaning specified in the Mortgage.

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.

Obligated Group Guaranty means the Obligated Group Guaranty Agreement, dated as of December 1, 2020, from the Organization to the Trustee.

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.

Organization shall mean Family Life Academy Charter Schools Corporation, a New York not-for-profit corporation, exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Organization DACA shall mean collectively, (i) a certain Deposit Account Control Agreement, dated as of December 1, 2020, between the Organization, the Trustee and Ponce Bank, a federal bank, as depositary bank, and (ii) the Deposit Account Control Agreement between the Organization, the Trustee and The Bank of New York Mellon, a New York banking corporation, as depositary bank, dated as of December 1, 2020.

Organization Documents shall mean, collectively, the Tax Regulatory Agreement, the Covenant Agreement, the Continuing Disclosure Agreement, each Lease Agreement, the Organization PSA, and the Organization DACA.

Organization PSA shall mean the Organization Pledge and Security Agreement, dated as of even date herewith, from the Organization to the Institution, as assigned to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with this Indenture.

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 this Indenture, except:

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

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

(i) moneys, and/or

(ii) 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 this 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 Article III,

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 hereunder 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.

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 the Trustee and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to this Indenture.

Permitted Encumbrances shall mean:

(a) the Mortgage (as assigned by the Assignment of Mortgage), the Building Loan Agreement, the Lease Agreement and any other Project Document;

(b) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not yet due and payable;

(c) 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 Section 8.11(b) of the Loan Agreement;

(d) 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;

(e) those exceptions to title to the Mortgaged Property enumerated in the title insurance policy delivered pursuant to Section 3.7 of the Loan Agreement insuring the Trustee's mortgagee interest in the Mortgaged Property, a copy of which is on file at the offices of the Issuer and at the designated corporate trust office of the Trustee;

(f) liens arising by reason of good faith deposits with the Institution in connection with the tenders, leases of real estate, if permitted under the terms of the Loan Agreement, 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;

(g) 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 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;

(h) any purchase money security interest in movable personal property, including equipment leases and financing, if permitted by the terms of the Loan Agreement;

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

(j) (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, so long as not first in right to the lien of the Mortgages, as confirmed by a nationally recognized title insurance company reasonably acceptable to the Trustee;

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

Person shall mean an individual or any Entity.

Pledge and Security Agreement shall mean the Pledge and Security Agreement, dated as of even date herewith, from the Institution to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with this Indenture.

Pledged Collateral shall mean all assets of the Institution.

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Project shall mean shall mean (1) the acquisition of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement), facility, including parking; (2) the acquisition, construction, furnishing and equipping of an existing 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York; (3) the acquisition, construction, furnishing and equipping of an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street; (4) funding the initial deposit into the Debt Service Reserve Fund, and (5) paying for certain costs related to the issuance of the Bonds.

Project Costs shall mean:

(a) 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;

(b) 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;

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

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

(e) the cost of acquisition of the Facility Realty;

(f) all costs of title insurance as provided in Section 3.7 of the Loan Agreement;

(g) the payment of the Costs of Issuance with respect to the Initial Bonds;

(h) the payment of the fees and expenses of the Trustee during the period of construction and renovation of the Project;

(i) 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

(j) 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 Institution Documents, the Organization Documents and the Security Documents.

Project Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Project Work shall mean (i) the design, construction and/or renovation of the Improvements, 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, collectively, (a) that certain Series 2020A-1 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (b) that certain Series 2020A-2 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (c) that certain Series 2020B-1 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (d) that certain Series 2020B-2 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (e) that certain Series 2020C-1 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, and (f) that certain Series 2020C-2 Promissory Note from the Institution to the Issuer including the endorsement of Promissory Note from the Issuer to the Trustee, (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 this Indenture.

Purchase Price shall mean an amount equal to the Redemption Price that would be applicable to the Initial Bonds being purchased pursuant to Section 2.03(g) if such Initial Bonds were being optionally redeemed pursuant to Section 2.03(a) on the date such Initial Bonds are being so purchased, plus accrued interest thereon to the date of purchase.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

- (a) Government Obligations
- (b) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from S&P and Moody's, of A1 and P1, respectively;
- (c) repurchase and reverse repurchase agreements collateralized with Government Obligations, including those of the Trustee or any of its affiliates;

(d) investments in money market mutual funds having a rating at time of investment in the highest investment category granted thereby from 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 (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(e) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit or bankers acceptances of depository institutions, including the Trustee or any of its affiliates, rated in the AA long-term ratings category or higher by S&P or Moody's or which are fully FDIC-insured;

(f) direct and general long-term obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by Moody's or S&P;

(g) direct and general short-term obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in the highest rating category by Moody's and S&P; and

(h) other obligations, interest on which is excludable from gross income for purposes of federal income taxation, which are rated in the two highest rating categories by S&P and Moody's.

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 Section 5.01.

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 Section 5.01.

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 this 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 this Indenture.

Refunding Bonds shall have the meaning assigned to that term in Section 2.07(c).

Reimbursement Resolution shall mean the resolution adopted by the Issuer on September 22, 2020 with respect to the Project and the debt financing thereof.

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

Renewal Fund shall mean the special trust fund so designated, established pursuant to Section 5.01.

Repair and Replacement Fund shall mean the special trust fund so designated, established pursuant to Section 5.01 of this Indenture.

Repair and Replacement Requirement shall mean an amount equal to (a) \$115,500 per annum commencing with the Fiscal Year ending June 30, 2021 through the Fiscal Year ending June 30, 2023, and (b) \$211,500 per annum commencing with the Fiscal Year ending June 30, 2024, subject to change pursuant to Section 5(Q) of the Covenant Agreement, Section 8.31 of the Loan Agreement and Section 5.14 of this Indenture, provided that such amounts shall not be decreased so long as the Bonds are Outstanding.

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

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 this 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.

Revenue Fund means the special trust fund so designated, established pursuant to Section 5.01.

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.

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.

Security Documents shall mean, collectively, the Loan Agreement, the Promissory Note, the Pledge and Security Agreement, this Indenture, the Account Control Agreement, the Depositary Agreement, the Covenant Agreement, the Lease Agreement, the Tax Regulatory Agreement, the Building Loan Agreement, the FLACS IV Guaranty, the Guaranty Agreement, the Organization PSA, the Environmental Indemnity Agreement, the Organization DACA, the CDMA, the Development Agreement, the Assignment of Construction Contract, the Assignment of Development Agreement, the Mortgage and the Assignment of Mortgage.

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 this Indenture.

Series 2020A Bonds shall mean collectively, the Series 2020A-1 Bonds and the 2020A-2 Bonds.

Series 2020A-1 Bonds shall mean the Issuer's \$69,760,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-1, authorized, issued, executed, authenticated and delivered on the Closing Date under this Indenture.

Series 2020A-2 Bonds shall mean the Issuer's \$2,125,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-2, authorized, issued, executed, authenticated and delivered on the Closing Date under this Indenture.

Series 2020A Bonds Capitalized Interest Account shall mean the special trust account of the Project Fund so designated, established pursuant to Section 5.01.

Series 2020A Bonds Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020A Bonds Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020A Bonds Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020A Bonds Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to Section 5.01.

Series 2020B Bonds shall mean collectively, the Series 2020B-1 Bonds and the Series 2020B-2 Bonds.

Series 2020B-1 Bonds shall mean the Issuer's \$13,085,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-1, authorized, issued, executed, authenticated and delivered on the Closing Date under this Indenture.

Series 2020B-2 Bonds shall mean the Issuer's \$340,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-2, authorized, issued, executed, authenticated and delivered on the Closing Date under this Indenture

Series 2020B Bonds Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020B Bonds Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020B Bonds Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020B Bonds Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to Section 5.01.

Series 2020C Bonds shall mean collectively, the Series 2020C-1 Bonds and the Series 2020C-2 Bonds.

Series 2020C-1 Bonds shall mean the Issuer's \$38,175,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-1, authorized, issued, executed, authenticated and delivered on the Closing Date under this Indenture.

Series 2020C-2 Bonds shall mean the Issuer's \$1,620,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-2, authorized, issued, executed, authenticated and delivered on the Closing Date under this Indenture

Series 2020C Bonds Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020C Bonds Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020C Bonds Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01.

Series 2020C Bonds Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to Section 5.01.

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 this Indenture. The portion of any such Sinking Fund Installment of a Series of Bonds remaining after the deduction of any amounts credited pursuant to this 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 Section 5.01.

Special Record Date shall have the meaning specified in Section 2.02(f).

State shall mean the State of New York.

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

Taxable Bonds shall mean the Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds and any other such Additional Bonds that shall be issued as taxable bonds under this Indenture.

Taxable Rate shall mean nine and six tenths of a percent (9.6%) per annum.

Tax-Exempt Bonds shall mean the Series 2020A-1 Bonds, the Series 2020B-1 Bonds and the Series 2020C-1 Bonds and any other such Additional Bonds that shall be issued as tax-exempt bonds under this Indenture.

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 this Indenture.

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

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

Underwriter shall mean D. A. Davidson & Co.

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

Section 1.02. Construction.

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Indenture, refer to this Indenture, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the Closing Date.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships and limited liability partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(e) Unless the context indicates otherwise, references to designated “Exhibits”, “Articles”, “Sections”, “Subsections”, “clauses” and other subdivisions are to the designated Exhibits, Articles, Sections, Subsections, clauses and other subdivisions of or to this Indenture.

(f) The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(g) The word “will” shall be construed to have the same meaning and effect as the word “shall”.

(h) Any definition of or reference to any agreement, instrument or other document herein shall be construed to refer to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein or herein).

(i) Any reference to any Person, or to any Person in a specified capacity, shall be construed to include such Person’s successors and assigns or such Person’s successors in such capacity, as the case may be.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.01. Authorized Amount of Bonds; Pledge Effected by this Indenture. (a) No Bond may be authenticated and delivered under the provisions of this Indenture except in accordance with this Article. Except as provided in Sections 2.07 and 3.07, the total aggregate principal amount of Bonds that may be authenticated and delivered hereunder 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 Revenue Fund, Earnings Fund, to the Bond Fund, to the Debt Service Reserve Fund, to the Renewal Fund, the Repair and Replacement Fund or to certain special funds, including the investments, if any, thereof (subject to disbursements from such Funds in accordance with the provisions of this Indenture) are pledged by this 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 hereof. 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 all of the Issuer's right, title and interest in and to the Loan Agreement (excluding the Issuer's Reserved Rights). Pursuant to the terms of the Lease Agreement, the Institution has directed the Organization to make the Base Rent payments (as defined in the Lease Agreement) directly to the Trustee and to make Additional Rent payments (as defined in the Lease Agreement) directly to the Institution's bank account that is subject to the Account Control Agreement. Pursuant to the terms of an Account Control Agreement, the Institution will grant a security interest in the Institution's operating account to the Trustee and also authorize the Trustee to transfer the amounts required under this Indenture and the Loan Agreement to the Revenue Fund. Further, the Institution has granted a lien and security interest in the Pledged Collateral to the Trustee pursuant to the Pledge and Security Agreement. In addition, the Institution has granted a mortgage lien on and security interest in its fee interest in the Mortgaged Property to the Issuer and the Trustee pursuant to the Mortgage, and the Issuer has assigned its right, title and interest in the Mortgage to the Trustee pursuant to the Assignment of Mortgage.

In no event shall any obligations of the Issuer under this 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 this Indenture.

Section 2.02. Issuance and Terms of the Initial Bonds. (a) The Initial Bonds in the Authorized Principal Amount shall be issued under and secured by this Indenture. The Initial Bonds shall be issuable in fully registered form without coupons substantially in the form set forth in Exhibit C and shall be dated as provided in Section 3.01.

(b) The Initial Bonds shall mature on the dates and in the principal amounts and bear interest at the annual rates, as set forth below:

	<u>Maturity Dates</u>	<u>Principal Amount</u>
Series 2020A-1 Bonds	June 1, 2040	\$20,370,000
	June 1, 2055	\$49,390,000
Series 2020A-2 Bonds	June 1, 2028	\$2,125,000
Series 2020B-1 Bonds	June 1, 2040	\$4,480,000
	June 1, 2055	\$8,605,000
Series 2020B-2 Bonds	June 1, 2024	\$340,000
Series 2020C-1 Bonds	June 1, 2040	\$12,665,000
	June 1, 2055	\$25,510,000
Series 2020C-2 Bonds	June 1, 2025	\$1,620,000

(c) Interest shall be payable on each Interest Payment Date and shall be computed on the basis of a 360-day year of twelve 30-day months. Notwithstanding anything herein to the contrary, the interest rate borne by the Initial Bonds shall not exceed the maximum permitted by, or enforceable under, applicable law.

(d) If there shall occur, and for so long as there shall continue to exist, an Event of Default (other than by reason of a failure to redeem the Initial Bonds in whole if there shall occur a Determination of Taxability), the rate of interest on the Initial Bonds shall be the Default Rate commencing with the date of the occurrence of the Event of Default and any additional interest thereby due with respect to a period of time for which interest has already been paid shall be payable on the Interest Payment Date next following the Event of Default. Any former Bondholder who was a Bondholder commencing on or after the date of the occurrence of the Event of Default, but who subsequent to such date sold or otherwise disposed of its Initial Bonds or whose Initial Bonds were redeemed or matured, shall be entitled to receive from the Institution under the Loan Agreement the following, in an amount allocable to such period during which it held the Initial Bonds subsequent to the Event of Default and the date upon the Initial Bonds were sold, or otherwise disposed of, or redeemed or matured: the difference between the rate of interest borne by the Initial Bonds prior to the Event of Default and the rate borne by the Initial Bonds on and subsequent to such date.

(e) If there shall occur a Determination of Taxability, the rate of interest on the Tax-Exempt Bonds shall be the Taxable Rate commencing with the date of the Event of Taxability and any additional interest thereby due with respect to a period of time for which interest has already been paid shall be payable on the Interest Payment Date next following the Determination of Taxability. Any former Bondholder who was a Bondholder commencing on or after the date of the occurrence of an Event of Taxability, but who subsequent to such date sold or otherwise disposed of its Tax-Exempt Bonds or whose Tax-Exempt Bonds were redeemed or matured, shall

be entitled to receive from the Institution under the Loan Agreement the following, in an amount allocable to such period during which it held the Tax-Exempt Bonds subsequent to the Event of Taxability and the date upon which the Tax-Exempt Bonds were sold, or otherwise disposed of, or redeemed or matured: the difference between the rate of interest borne by the Tax-Exempt Bonds prior to the Event of Taxability and the rate borne by the Tax-Exempt Bonds on and subsequent to such date.

(f) The Series 2020A-1 Bonds shall be numbered from A-1R-1 upward in consecutive numerical order, the Series 2020A-2 Bonds shall be numbered from A-2R-1 upward in consecutive numerical order, the Series 2020B-1 Bonds shall be numbered from B-1R-1 upward in consecutive numerical order, the Series 2020B-2 Bonds shall be numbered from B-2R-1 upward in consecutive numerical order, and the Series 2020C-1 Bonds shall be numbered from C-1R-1 upward in consecutive numerical order, the Series 2020C-2 Bonds shall be numbered from C-2R-1 upward in consecutive numerical order. Each Initial Bond issued upon any exchange or transfer hereunder shall be numbered in such manner as the Trustee in its discretion shall determine.

(g) The principal, Purchase Price or Redemption Price of, and Sinking Fund Installments for, all Initial 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 Initial Bonds are registered on the bond registration books maintained by the Trustee as Bond Registrar at the maturity or redemption date thereof, provided, however, that the payment in full of any Initial Bond either at final maturity or upon redemption in whole shall only be payable upon presentation and surrender of such Initial Bonds at the designated corporate trust office of the Trustee or of any Paying Agent.

The interest payable on each Initial Bond on any Interest Payment Date shall be paid by the Trustee to the registered owner of such Initial Bond as shown on the bond registration books of the Trustee as Bond Registrar at the close of business on the Regular 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 Initial Bonds are held by a Securities Depository or, at the written request addressed to the Trustee by any registered owner of Initial 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 Regular Record Date for any interest payment.

Interest on any Initial 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 Initial Bond on the relevant Regular Record Date and shall be payable to the owner in whose name such Initial 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 in the following manner. The Trustee may fix the Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than five (5) days prior to the date of the proposed payment. The Trustee shall promptly notify the Institution and DTC of such Special Record Date and, in the name and at the expense of the Institution, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage

prepaid, to each owner of an Initial Bond entitled to such notice at the address of such owner as it appears on the bond registration books not less than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Initial Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Initial Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Initial Bond and each such Initial Bond shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

(h) The Initial Bonds are issuable in the form of fully registered bonds in the Authorized Denominations.

(i) Anything in the Initial Bonds or in this Indenture to the contrary notwithstanding, the obligations of the Issuer hereunder and under the Initial Bonds shall be subject to the limitation that payments of interest or other amounts on the Initial Bonds shall not be required to the extent that receipt of any such payment by a Holder of an Initial Bond would be contrary to the provisions of law applicable to such Holder which would limit the maximum rate of interest which may be charged or collected by such Holder of an Initial Bond.

Section 2.03. Redemption of Initial Bonds.

(a) General Optional Redemption.

(i) The Series 2020A-1 Bonds, the Series 2020B-1 Bonds and the Series 2020C-1 Bonds shall be subject to redemption, on or after December 1, 2030 in whole or in part at any time (but if in part in integral multiples of \$5,000 and in the minimum principal amount of \$100,000) 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 pursuant to Section 4.3(c) thereof), at the Redemption Price of one hundred percent (100%) of the principal amount of the Series 2020A-1 Bonds, the Series 2020B-1 Bonds or the Series 2020C-1 Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption.

(ii) The Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds are not subject to optional redemption.

(b) **Extraordinary Redemption.** Each Series of Initial Bonds corresponding to the respective Facility 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 pursuant to Section 4.3(c) thereof), as a whole on any date, upon notice or waiver of notice as provided in this Indenture, at a Redemption Price of one hundred percent (100%) of the unpaid principal amount thereof plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

(i) The Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 the Cromwell Facility, the Gerard Avenue Facility or the 165th Street Facility respectively, for a period of one year from the date of such damage or destruction, or (C) the restoration cost of the Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 any Series of the Initial 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 corresponding to such Series of Initial Bonds for its intended purposes.

(c) Mandatory Sinking Fund Installment Redemption. (i) The Series 2020A-1 Bonds maturing on June 1, 2040 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2028	\$1,115,000	2035	1,620,000
2029	1,190,000	2036	1,705,000
2030	1,255,000	2037	1,795,000
2031	1,320,000	2038	1,890,000
2032	1,390,000	2039	1,990,000
2033	1,465,000	2040	2,095,000*
2034	1,540,000	(*Final Maturity)	

(ii) The Series 2020A-1 Bonds maturing on June 1, 2055 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2041	\$2,205,000	2049	3,380,000
2042	2,325,000	2050	3,570,000
2043	2,455,000	2051	3,765,000
2044	2,590,000	2052	3,970,000
2045	2,730,000	2053	4,190,000
2046	2,880,000	2054	4,420,000
2046	3,040,000	2055*	4,665,000
2048	3,205,000	(Final Maturity*)	

(iii) The Series 2020A-2 Bonds maturing on June 1, 2028 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund Installment
2026	\$1,025,000
2027	1,080,000
2028*	20,000
(Final Maturity*)	

(iv) The Series 2020B-1 Bonds maturing on June 1, 2040 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund Installment	Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund Installment
2024	\$155,000	2032	255,000
2025	185,000	2033	270,000
2026	190,000	2034	285,000
2027	200,000	2035	300,000
2028	210,000	2036	315,000
2029	220,000	2037	330,000
2030	235,000	2038	345,000
2031	245,000	2039	360,000
		2040*	380,000
		(Final Maturity*)	

(v) The Series 2020B-1 Bonds maturing on June 1, 2055 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2041	\$400,000	2050	620,000
2042	420,000	2051	650,000
2043	440,000	2052	680,000
2044	460,000	2053	715,000
2045	485,000	2054	750,000
2046	510,000	2055*	790,000
2047	535,000		
2048	560,000		
2049	590,000		
(Final Maturity*)			

(vi) The Series 2020B-2 Bonds maturing on June 1, 2024 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>
2022	\$155,000
2023	165,000
2024*	20,000
(Final Maturity*)	

(vii) The Series 2020C-1 Bonds maturing on June 1, 2040 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund <u>Installment</u>	Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund <u>Installment</u>
2025	\$390,000	2034	840,000
2026	570,000	2035	885,000
2027	600,000	2036	925,000
2028	630,000	2037	975,000
2029	660,000	2038	1,020,000
2030	690,000	2039	1,070,000
2031	725,000	2040*	1,125,000
2032	760,000	(Final Maturity*)	
2033	800,000		

(viii) The Series 2020C-1 Bonds maturing on June 1, 2055 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund <u>Installment</u>	Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund <u>Installment</u>
2041	\$1,180,000	2050	1,835,000
2042	1,240,000	2051	1,925,000
2043	1,305,000	2052	2,020,000
2044	1,370,000	2053	2,125,000
2045	1,435,000	2054	2,230,000
2046	1,510,000	2055*	2,340,000
2047	1,585,000		
2048	1,665,000		
2049	1,745,000		
		(Final Maturity*)	

(ix) The Series 2020C-2 Bonds maturing on June 1, 2025 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date (June 1)	Sinking Fund Installment
2022	\$465,000
2023	490,000
2024	515,000
2025*	150,000
(Final Maturity*)	

(d) Mandatory Redemption from Excess Proceeds and Certain Other Amounts.

The Initial Bonds shall be redeemed at any time in whole or in part by lot prior to maturity in the event and to the extent:

(i) excess Series 2020A Bond proceeds shall remain after the completion of the Project, or

(ii) excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the Loan Agreement and this Indenture, or

(iii) excess proceeds shall remain after the release or substitution of Facility Realty or Facility Personalty that was financed with Bond proceeds, unless the Issuer and the Trustee shall receive (i) an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee substantially to the effect that such release or substitution of Facility Realty or Facility Personalty that was financed with Bond proceeds nor any transaction directly related thereto will adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for purposes of federal income taxation, and (ii) such other opinions, certificates or documentation as the Issuer or the Trustee (acting with the advice of its counsel) may require;

in each case at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Initial Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

(e) Mandatory Redemption Upon Failure to Operate the Facility for the Approved Project Operations, Material Violation of Material Legal Requirements, False Representation or Failure to Maintain Liability Insurance. The Initial 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 shall determine 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 shall fail 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 shall fail 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 shall be made upon notice or waiver of notice to the Bondholders as provided in this Indenture, at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Initial Bonds, together with interest accrued thereon to the date of redemption.

(f) Mandatory Taxability Redemption. Upon the occurrence of a Determination of Taxability for any Series of Tax-Exempt Bonds, then such Series of Tax-Exempt Bonds shall be redeemed prior to maturity on any date within one hundred twenty (120) days following such Determination of Taxability, at a Redemption Price equal to one hundred five percent (105%) of the principal amount thereof, together with accrued interest at the Taxable Rate from the occurrence of the Event of Taxability to the date of redemption. The Series of Tax-Exempt Bonds subject to the Determination of Taxability shall be redeemed in whole unless redemption of a portion of such Series of Tax-Exempt Bonds Outstanding would have the result that interest payable on the Tax-Exempt Bonds remaining Outstanding after such redemption would not be includable in the gross income of any Holder of such Tax-Exempt Bonds. In such event, any such Series of Tax-Exempt Bonds shall be redeemed in such amount as is deemed necessary in the opinion of Nationally Recognized Bond Counsel to accomplish that result.

(g) Purchase in Lieu of Optional Redemption. In lieu of calling the Tax-Exempt Bonds for optional redemption, the Tax-Exempt 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 December 1, 2030, at a Purchase Price equal to the applicable Redemption Price for any optional redemption of such Tax-Exempt Bonds as provided in Section 2.03(a), plus accrued interest to the purchase date. Purchases of tendered Tax-Exempt Bonds may be made without regard to any provision of this Indenture relating to the selection of Tax-Exempt Bonds in a partial optional redemption. The Tax-Exempt Bonds purchased pursuant to any mandatory tender(s) are not required to be cancelled, and if not so cancelled (subject to Section 11.6 of 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 this Indenture relating to the selection of the Tax-Exempt 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 this 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 Tax-Exempt Bonds for purposes of federal income taxation, and (ii) such other opinions, certificates or documentation as the Issuer or the Trustee (acting with the advice of its counsel) may require.

(h) Redemption of the Tax-Exempt Bonds permitted or required by this Article II shall be made as follows, and the Trustee shall give the notice of redemption required by Section 6.03 in respect of each such redemption:

(i) Redemption shall be made pursuant to the general optional redemption provisions of Section 2.03(a) or (b) at such times as are permitted under such Section and, in the case of Section 2.03(a), in such principal amounts, as the Institution shall request in a written notice to the Trustee in accordance with Section 4.3(c) of the Loan Agreement.

(ii) Redemption shall be made pursuant to the mandatory Sinking Fund Installment redemption provisions of Section 2.03(c) as and when required by this Section without the necessity of any request by, or notification from the Issuer or from the Institution, but subject to the provisions of Section 5.07(d) and (f).

(iii) Redemption shall be made pursuant to the mandatory redemption provisions of Section 2.03(d) at the earliest possible date following the deposit of the excess proceeds or other amounts in the Redemption Account of the Bond Fund, without the necessity of any instructions or further act of the Issuer or the Institution.

(iv) Redemption shall be made pursuant to the mandatory redemption provisions of Section 2.03(e) on the date specified therein in the event redemption is required under such circumstances, without the necessity of any instructions or further act of the Institution.

(v) Redemption shall be made pursuant to the mandatory taxability redemption provisions of Section 2.03(f) at the earliest possible date, but no later than one hundred twenty (120) days following the Determination of Taxability, without the necessity of any instructions or further act of the Issuer or the Institution.

Section 2.04. Delivery of Initial Bonds. The Initial Bonds shall be executed in the form and manner set forth in this Indenture and 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 the Initial Bonds including the interest, if any, accrued on the Initial Bonds to the Closing Date, the Initial Bonds shall be delivered by the Trustee on behalf of the Issuer to or upon the order of the purchaser(s) thereof, but only upon receipt by the Trustee of:

(a) a copy, duly certified by the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel, of the Bond Resolution;

(b) an original executed counterpart of all Security Documents;

(c) a written opinion by Nationally Recognized Bond Counsel to the effect that the issuance of the Initial Bonds and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled; and

(d) the written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and deliver the Initial Bonds to the purchaser(s) therein identified upon

payment to the Trustee for the account of the Issuer of the purchase price therein specified, plus accrued interest, if any.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chairman, Vice Chairman, Executive Director, Deputy Executive Director or General Counsel of the Issuer, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the manual or facsimile signature of the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel of the Issuer. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of said Bonds. In case one or any of the officers who shall have signed or attested the Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Bonds so signed and attested shall have been actually issued and delivered, the Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on the Bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Issuer nor any person executing the Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 2.06. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication, in substantially the form set forth in the Form of Initial Bond in Exhibit C, duly executed by the Trustee, shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until such certificate of authentication on such Bond shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Indenture. The Trustee shall note, with respect to each Bond to be authenticated under this Indenture in the space provided in the certificate of authentication for such Bond, the date of the authentication and delivery of such Bond. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds.

Section 2.07. Additional Bonds. (a) So long as the Promissory Note, the Loan Agreement and the other Security Documents are each in effect, and either (a)(i) compliance by the Organization with the requirements of Section 5(k) of the Covenant Agreement, and (ii) compliance by the Institution with Section 11.01 of the Loan Agreement, or (b) the prior written consent of the Holders of at least sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Outstanding Bonds shall have been obtained, 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) 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, and (b) an amendment to the Lease Agreement providing for an increase in the rent thereunder 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.

(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 to the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(i) 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;

(ii) 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, the Loan Agreement and the Mortgage, 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;

(iii) 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;

(iv) 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 each Security Document to which it is a party continues in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;

(v) the requirements of Section 5(k) of the Covenant Agreement are satisfied;

(vi) 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;

(vii) an original, executed counterpart of the new Promissory Note and the amendment to each Security Document; and

(viii) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

(c) (i) Upon the request of the Institution, one or more Series of Additional Bonds may be authenticated and delivered 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 this Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under this Section 2.07 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 Section 6.02.

(ii) A Series of Refunding Bonds may be authenticated and delivered upon receipt by the Trustee (in addition to the receipt by it of the documents required by Section 2.07(b), 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 Section 6.03 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:

(1) 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

(2) 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 Article X, and any moneys required pursuant to said Section (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 Article X.

(iii) 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 this Section shall be equally and ratably secured under this Indenture with the Initial Bonds and all other Series of Additional Bonds, if any, issued pursuant to this Section, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by this Indenture.

(e) No Series of Additional Bonds shall be issued unless the Promissory Note, the Loan Agreement, the Mortgage 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 2.08. CUSIP Numbers. The Issuer in issuing the Bonds may use CUSIP numbers (if then generally in use), and, if so, the Trustee shall use such CUSIP numbers in notices of redemption as a convenience to registered owners; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Bonds, and any such redemption shall not be affected by any defect in or omission of such numbers. The Issuer will promptly notify the Trustee of any change in the CUSIP numbers of which it has actual knowledge.

Section 2.09. Book Entry Bonds. (a) Except as provided in Section 2.09(c), the Holder of all of the Initial Bonds shall be DTC (the “**Securities Depository**”) and the Initial Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest for any Initial Bond registered in the name of Cede & Co. shall be made by wire transfer of New York Clearing House or equivalent same day funds to the account of Cede & Co. on the Interest Payment Date for the Initial Bonds at the address indicated for Cede & Co. in the registration books of the Issuer kept by the Trustee. It is anticipated that during the term of the Initial Bonds, the Securities Depository will make book entry transfers among its Participants and receive and transmit payment of principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on the Initial Bonds to the Participants until and unless the Trustee authenticates and delivers replacement bonds to the Beneficial Owners as described in Section 2.09(c).

(b) The Initial Bonds shall be initially issued in the form of a separate single authenticated fully registered certificate for each maturity thereof. Upon initial issuance, the ownership of such Initial Bonds shall be registered in the registration books of the Issuer kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee, the Bond Registrar, the Paying Agent and the Issuer shall treat DTC (or its nominee) as the sole and exclusive Holder of the Initial Bonds registered in its name for the purposes of payment of the principal, Sinking Fund Installments, Redemption Price of or interest on the Initial Bonds, selecting the Initial Bonds or

portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Indenture, registering the transfer of Initial Bonds, obtaining any consent or other action to be taken by Holders of the Initial Bonds and for all other purposes whatsoever; and neither the Trustee, the Bond Registrar, the Paying Agent, the Institution nor the Issuer shall be affected by any notice to the contrary. All notices with respect to such Initial Bond shall be made and given, respectively, to DTC as provided in the Representations Letter. Neither the Trustee, the Bond Registrar, the Paying Agent nor the Issuer shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Initial Bonds under or through DTC or any Participant, or any other Person that is not shown on the registration books of the Trustee as being a Holder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment of DTC or any Participant of any amount in respect of the principal, Sinking Fund Installments, Redemption Price of or interest on the Initial Bonds; any notice that is permitted or required to be given to Bondholders under this Indenture or any other Security Documents; the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption of the Initial Bonds; or any consent given or other action taken by DTC as Bondholder. The Trustee shall pay all principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on the Initial Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State) DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on the Initial Bonds to the extent of the sum or sums so paid. Except as otherwise provided in Section 2.09(c), no Person other than DTC shall receive an authenticated Initial Bond certificate evidencing the obligation of the Issuer to make payments of principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on the Initial Bonds pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Indenture with respect to transfers of Bonds, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In the event the Issuer, with the consent of the Majority Holders, determines that it is in the best interest of the Beneficial Owners that they be able to obtain Initial Bond certificates, the Issuer may notify DTC and the Trustee, whereupon DTC will notify the Participants, of the availability through DTC of Initial Bond certificates. In such event, the Trustee shall issue, transfer and exchange Initial Bond certificates as requested by DTC in appropriate amounts within the guidelines set forth in this Indenture. DTC may determine to discontinue providing its services with respect to the Initial Bonds at any time by giving written notice to the Issuer and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Issuer and the Trustee shall be obligated to deliver Initial Bond certificates as described in this Indenture. In the event Initial Bond certificates are issued, the provisions of this Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on such certificates. Whenever DTC requests the Issuer and the Trustee to do so, the Issuer will direct the Trustee (at the sole cost and expense of the Institution) to cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Initial Bonds to any DTC Participant having Initial Bonds credited to its DTC account or (ii)

to arrange for another securities depository to maintain custody of certificates evidencing the Initial Bonds.

(d) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture or any other Security Document by the Issuer or the Trustee with respect to any consent or other action to be taken by Bondholders, the Issuer or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Such notice to DTC shall be given only when Cede & Co., as nominee for DTC, is the sole Bondholder.

(e) NEITHER THE ISSUER, THE INSTITUTION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, SINKING FUND INSTALLMENTS, REDEMPTION PRICE OF OR INTEREST ON THE INITIAL BONDS; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS INDENTURE TO BE GIVEN TO BONDHOLDERS; OR (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE INITIAL BONDS.

(f) SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE INITIAL BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE INITIAL BONDHOLDERS OR REGISTERED HOLDERS OF THE INITIAL BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE INITIAL BONDS.

(g) For so long as the Holder of all of the Initial Bonds shall be DTC, and all Initial Bonds shall be registered in the name of Cede & Co. as nominee for DTC, (i) only DTC may tender Initial Bonds upon redemption or retirement in whole and (ii) unless all Initial Bonds are being redeemed or retired in whole, Initial Bonds shall not be required to be presented to the Trustee for payment of principal, Sinking Fund Installments or Redemption Price except upon final maturity or redemption in whole.

(h) In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository that is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Trustee upon its receipt of an Initial Bond or Bonds for

cancellation shall cause the delivery of an Initial Bond or Bonds to the successor Securities Depository in appropriate Authorized Denominations and form as provided herein.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.01. Date of Bonds. The Initial Bonds shall be dated their date of original issuance (subject to the provisions set forth below with respect to transfers and exchanges) and will bear interest from their date at the applicable rate or rates until the entire principal amount of the Initial Bonds has been paid. Bonds authenticated prior to the first Interest Payment Date shall bear interest from their date of original issuance. Bonds issued in exchange for or upon the registration of transfer of Bonds on or after the first Interest Payment Date thereon shall bear interest from and including the Interest Payment Date next preceding the date of the authentication thereof, unless the date of such authentication shall be an Interest Payment Date to which interest on the Bonds has been paid in full or duly provided for, in which case they shall bear interest from and including such Interest Payment Date; provided that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, Bonds issued in exchange for or upon the registration of transfer of Bonds shall bear interest from the date to which interest has been paid in full on the Bonds, or if no interest has been paid on the Bonds, the date of the first delivery of fully executed and authenticated Bonds hereunder.

Section 3.02. Form and Denominations. Bonds shall be issued in fully registered form, without coupons, in any Authorized Denomination not exceeding the aggregate principal amount of Bonds of the same series, maturity and interest rate as the Bond for which the denomination is to be specified. Subject to the provisions of Section 3.03, the Initial Bonds shall be in substantially the form set forth in Exhibit C-1 and Exhibit C-2, with such variations, omissions and insertions as are permitted or required by this Indenture.

Section 3.03. Legends. Each Bond shall contain on the face thereof a statement to the effect that (i) "THIS BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS 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 SHALL BE LIABLE HEREON, NOR SHALL THIS BOND BE PAYABLE OUT OF ANY FUNDS OF THE BUILD NYC RESOURCE CORPORATION OTHER THAN THOSE PLEDGED THEREFOR"; and, (ii) "THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO AN "ACCREDITED INVESTOR" AS SUCH TERM IS DEFINED IN RULE 501 OF REGULATION D OF THE SECURITIES ACT OF 1933 OR A "QUALIFIED INSTITUTIONAL BUYER" AS THAT TERM IS DEFINED UNDER RULE 144A OF THE SECURITIES EXCHANGE COMMISSION." Provided that in the event that the Bonds obtain an investment grade rating by any Rating Agency, the legend in subsection (ii) will no longer be required and any Bondholder may exchange their Bond for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate in accordance with the provisions of Section 3.06 of this Indenture. The Bonds may in addition contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom or otherwise as may be determined by the Issuer prior to the delivery thereof.

Section 3.04. Medium of Payment. The principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. Such payment may be made as provided in Section 2.02.

Section 3.05. Bond Details. Subject to the provisions hereof, the Bonds shall be dated, shall mature in such years and such amounts, shall bear interest at such rate or rates per annum, shall be subject to redemption on such terms and conditions and shall be payable as to principal or Redemption Price, if any, Sinking Fund Installments, and interest at such place or places as shall be specified in this Indenture.

Section 3.06. Interchangeability, Transfer and Registry. (a) Each Bond shall be transferable only upon compliance with the restrictions on transfer set forth on such Bond and only upon the books of the Issuer, which shall be kept for the 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 Bond together with a written instrument of transfer in the form appearing on such Bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15. Upon the transfer of any Bond the Trustee shall prepare and issue in the name of the transferee one or more new Bonds of the same aggregate principal amount, related Series, maturity and interest rate as the surrendered Bond.

(b) Any Bond, upon surrender thereof at the designated corporate trust office of the Trustee in the City with a written instrument of transfer in the form appearing on such Bond, duly executed by the registered owner or his duly authorized attorney-in-fact, with a guaranty of the signature thereon by a member of the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any other Authorized Denominations. However, the Trustee will not be required to (i) transfer or exchange any Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Bonds to be redeemed, or (ii) transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

(c) The Issuer, the Bond Registrar, the Trustee and any Paying Agent may deem and treat the Person in whose name any Bond shall be registered as the absolute owner of such Bond, whether such 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, Sinking Fund Installments for, and interest on such 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 Bond to the extent of the sum or sums so paid, and neither the Issuer, the Institution, the Bond Registrar, the Trustee nor any Paying Agent shall be affected by any notice to the contrary.

(d) In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Issuer or the Trustee may make a charge sufficient to reimburse it for any expenses and any tax, fee or other governmental charge required to be paid in connection therewith; any such expenses shall be paid by the Institution but any such tax, fee or other governmental charge shall be paid by the Holder requesting such transfer or exchange.

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer shall execute, and thereupon the Trustee shall authenticate and deliver, a new Bond of like Series, maturity, unpaid principal amount and interest rate as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence reasonably satisfactory to it that such Bond has been destroyed, stolen or lost, and upon furnishing the Issuer and the Trustee with indemnity (an undertaking from an insurance company acceptable to the Trustee and the Issuer) satisfactory to the Trustee and to the Issuer and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Issuer and the Trustee may incur. All Bonds so surrendered to the Trustee shall be cancelled by it. Every new Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is destroyed, lost or stolen, shall, with respect to such Bond, constitute an additional contractual obligation of the Issuer whether or not the destroyed, lost or stolen Bond shall be found and shall be enforceable at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder. In the event any such destroyed, stolen or lost Bond shall have matured, or be about to mature, the Issuer may, instead of issuing a new Bond, cause the Trustee to pay the same without surrender thereof upon compliance with the condition in the first sentence of this Section out of moneys held by the Trustee and available for such purpose. All Bonds shall be held and owned upon the express condition (to the extent lawful) that the foregoing provisions are exclusive with respect to the replacement or payment of any mutilated, destroyed or lost or stolen Bond and shall preclude any and all other rights and remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 3.08. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled shall be destroyed by the Trustee.

Section 3.09. Requirements With Respect to Transfers. In all cases in which the privilege of transferring Bonds is exercised, the Issuer shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such transfer shall forthwith be cancelled by the Trustee. For every such transfer of Bonds, the Issuer or the Trustee may, as a condition precedent to the privilege of making such transfer, make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer and may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such transfer, which sum or sums shall be paid by the Person requesting such transfer.

Section 3.10. Bond Registrar. The Trustee shall also be Bond Registrar for the Bonds, and shall maintain a register showing the names of all registered Holders of Bonds, Bond numbers and amounts, and other information appropriate to the discharge of its duties hereunder. The Trustee shall make available to the Institution for its inspection during normal business hours the registration books for the Bonds, as may be requested by the Institution in connection with any purchase or tender offer by it with respect to the Bonds.

Section 3.11. Payments Due on Saturdays, Sundays and Holidays. In any case where any payment date of principal, Sinking Fund Installment and/or interest on the Bonds, or the date fixed for redemption of any Bonds, shall be a day other than a Business Day, then payment of such principal, Sinking Fund Installment and/or interest or the Redemption Price, if applicable, need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the principal, Sinking Fund Installment and/or Interest Payment Date or the date fixed for redemption, as the case may be, except that interest shall continue to accrue on any unpaid principal.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

Section 4.01. Application of Proceeds of Initial Bonds.

(a) Upon the receipt by the Trustee of the original proceeds of the sale and delivery of the Series 2020A-1 Bonds, including the amount received as accrued interest, if any, thereon, the Trustee shall apply such proceeds as follows:

(i) \$9,733,279.57, shall be deposited in the Series 2020A-1 Bonds Capitalized Interest Account of the Project Fund;

(ii) \$4,579,176.21, being an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2020A-1 Bonds, shall be deposited in the Series 2020A-1 Account of the Debt Service Reserve Fund;

(iii) \$830,481.42, shall be deposited in the Series 2020A-1 Costs of Issuance Account of the Project Fund and applied to Costs of Issuance; and

(iv) \$54,052,344.22, being the balance of the proceeds of the Series 2020A-1 Bonds, shall be deposited in the Project Fund and applied to Costs of the Project.

(b) Upon the receipt by the Trustee of the original proceeds of the sale and delivery of the Series 2020A-2 Bonds, including the amount received as accrued interest, if any, thereon, the Trustee shall apply such proceeds as follows:

(i) \$296,820.58, shall be deposited in the Series 2020A-2 Bonds Capitalized Interest Account of the Project Fund;

(ii) \$139,488.95, being an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2020A-2 Bonds, shall be deposited in the Series 2020A-2 Account of the Debt Service Reserve Fund; and

(iii) \$1,179,608.94, being the balance of the proceeds of the Series 2020A-2 Bonds, shall be deposited in the Series 2020A-2 Costs of Issuance Account of the Project Fund and applied to Costs of Issuance.

(c) Upon the receipt by the Trustee of the original proceeds of the sale and delivery of the Series 2020B-1 Bonds, including the amount received as accrued interest, if any, thereon, the Trustee shall apply such proceeds as follows:

(i) \$858,923.75, being an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2020B-1 Bonds, shall be deposited in the Series 2020B-1 Account of the Debt Service Reserve Fund;

(ii) \$159,898.42, shall be deposited in the Series 2020B-1 Costs of Issuance Account of the Project Fund and applied to Costs of Issuance;

(iii) \$2,845.75, shall be deposited in the Series 2020B-1 Interest Account of the Bond Fund; and

(iv) \$12,300,986.00, being the balance of the proceeds of the Series 2020B-1 Bonds, shall be deposited in the Project Fund and applied to Costs of the Project.

(d) Upon the receipt by the Trustee of the original proceeds of the sale and delivery of the Series 2020B-2 Bonds, including the amount received as accrued interest, if any, thereon, the Trustee shall apply such proceeds as follows:

(i) \$22,318.23, being an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2020B-2 Bonds, shall be deposited in the Series 2020B-2 Account of the Debt Service Reserve Fund;

(ii) \$2,307.63, shall be deposited in the Series 2020B-2 Interest Account of the Bond Fund; and

(iii) \$220,299.79, being the balance of the proceeds of the Series 2020B-2 Bonds, shall be deposited in the Series 2020B-2 Costs of Issuance Account of the Project Fund and applied to Costs of Issuance.

(e) Upon the receipt by the Trustee of the original proceeds of the sale and delivery of the Series 2020C-1 Bonds, including the amount received as accrued interest, if any, thereon, the Trustee shall apply such proceeds as follows:

(i) \$2,505,878.04, being an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2020C-1 Bonds, shall be deposited in the Series 2020C-1 Account of the Debt Service Reserve Fund;

(ii) \$466,400.73, shall be deposited in the Series 2020C-1 Costs of Issuance Account of the Project Fund and applied to Costs of Issuance;

(iii) \$2,123.42, shall be deposited in the Series 2020C-1 Interest Account of the Bond Fund; and

(iv) \$35,885,865.00, being the balance of the proceeds of the Series 2020C-1 Bonds, shall be deposited in the Project Fund and applied to Costs of the Project.

(f) Upon the receipt by the Trustee of the original proceeds of the sale and delivery of the Series 2020C-2 Bonds, including the amount received as accrued interest, if any, thereon, the Trustee shall apply such proceeds as follows:

(i) \$106,339.82, being an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2020C-2 Bonds, shall be deposited in the Series 2020C-2 Account of the Debt Service Reserve Fund;

(ii) \$653,022.70, shall be deposited in the Series 2020C-2 Costs of Issuance Account of the Project Fund and applied to Costs of Issuance;

(iii) \$3,813.74, shall be deposited in the Series 2020C-2 Interest Account of the Bond Fund; and

(iv) \$575,000.00, being the balance of the proceeds of the Series 2020C-2 Bonds, shall be deposited in the Project Fund and applied to Costs of the Project.

ARTICLE V

CUSTODY AND INVESTMENT OF FUNDS

Section 5.01. Creation of Funds and Accounts. (a) The Issuer hereby establishes and creates the following special trust Funds and Accounts comprising such Funds:

(i) Revenue Fund

(ii) Project Fund

(A) a Costs of Issuance Account, and within such Costs of Issuance Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount;

(B) Series 2020A-1 Bonds Capitalized Interest Account;

(C) Series 2020A Project Account, Series 2020B Project Account and a Series 2020C Project Account;

(iii) **Bond Fund**

(A) a Principal Account, and within such Principal Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount;

(B) a Interest Account, and within such Interest Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount;

(C) a Sinking Fund Installment Account, and within such Sinking Fund Installment Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount;

(D) a Redemption Account, and within such Redemption Account, a Series 2020A-1 subaccount, a Series 2020A-2 subaccount, a Series 2020B-1 subaccount, a Series 2020B-2 subaccount, a Series 2020C-1 subaccount and a Series 2020C-2 subaccount;

(iv) **Renewal Fund;**

(v) **Earnings Fund;**

(vi) **Rebate Fund;**

(vii) **Debt Service Reserve Fund**

(A) **Series 2020A-1 Account**

(B) **Series 2020A-2 Account**

(C) **Series 2020B-1 Account**

(D) **Series 2020B-2 Account**

(E) **Series 2020C-1 Account**

(F) **Series 2020C-2 Account**

(viii) **Repair and Replacement Fund.**

(b) All of the Funds and Accounts created hereunder 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 this Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of this Indenture, and

while held by the Trustee shall constitute part of the Trust Estate (subject to the granting clauses of this Indenture), other than the Rebate Fund, and be subject to the lien hereof.

Section 5.02. Payments into the Revenue Fund. Unless otherwise provided herein, the Trustee shall promptly deposit all amounts received from the Institution or the Organization on behalf of the Institution, or transferred pursuant to Sections 5.01(b), the Account Control Agreement, the Lease Agreements or the Loan Agreement into the Revenue Fund.

Section 5.03. Application of Revenue Fund Moneys.

(a) Amounts in the Revenue Fund shall be transferred by the Trustee on each Loan Payment Date commencing on the January 5, 2021 Loan Payment Date, to the following Funds and Accounts in the following manner and in the order of priority indicated, provided that in the event funds in on any Loan Payment Date are insufficient to make any one or more of such transfers, any and all of such deficiencies will be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future Loan Payment Date:

(i) First, to the Bond Fund:

(A) For deposit into the Interest Account of the Bond Fund, an amount equal (i) to one-third (1/3) (or such other pro-rated amount, adjusted as necessary) of the amount of interest that will become due on the Bonds on the next Interest Payment Date, including default interest (after taking into account any amounts on deposit in the Interest Account of the Bond Fund, and as shall be available to pay interest on the Bonds on such next succeeding Interest Payment Date); and

(B) commencing on that Loan Payment Date as shall precede the first principal payment date (including such principal as shall become due as a mandatory Sinking Fund Installment payment) by six (6) Loan Payment Dates, for deposit into the Principal Account of the Bond Fund, an amount equal to at least one sixth (1/6) (or such other pro-rated amount, adjusted as necessary) of the amount of the principal payment or Sinking Fund Installment of the Bonds Outstanding becoming due;

(ii) Second, an amount equal to replenish any deficiencies in the Debt Service Reserve Fund, if any;

(iii) Third, to the Rebate Fund to pay any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement;

(iv) Fourth, to the Repair and Replacement Reserve Fund (a) beginning on the Closing Date until January 1, 2028, an amount required to fund the annual amount of the Repair and Replacement Fund Requirement (or such other pro-rated amount, adjusted as necessary) of the amount equal to the Repair and Replacement Fund Requirement, and (b) beginning on January 1, 2028, one-thirtieth (1/30) (or such other pro-

rated amount, adjusted as necessary) of the amount equal to the Repair and Replacement Fund Requirement; and

(v) Fifth, all remaining funds shall be paid to the Institution and used for any authorized purpose.

Section 5.04. Project Fund. (a) There shall be deposited in the Project Fund any and all amounts required to be deposited therein pursuant to Sections 4.01, 5.08 and 5.09 or otherwise required to be deposited therein pursuant to the Loan Agreement, or this Indenture.

The Trustee shall apply the amounts on deposit in 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 (excluding interest on the Bonds during the period of Project construction and renovation) to the extent requisitioned under subsection (b) hereto. The Trustee shall automatically transfer amounts on deposit in the Series 2020A-1 Bonds Capitalized Interest Account of the Project Fund to the Series 2020A-1 subaccount of the Interest Account of the Bond Fund in an amount up to the amount of interest due and payable on the Series 2020A-1 Bonds on the next succeeding Interest Payment Date on or prior to such Interest Payment Date.

(b) The Trustee is hereby authorized to disburse from 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 Project Fund for the Project Costs, upon a requisition submitted to the Trustee, signed by an Authorized Representative of the Institution and approved by the Construction Monitor; provided, however, that the Trustee shall retain in the Project Fund an amount equal to the lesser of (i) one percent (1%) of the original principal amount of the Series 2020A-1 Bonds or (ii) \$500,000, until an Authorized Representative of the Institution shall have delivered the completion certificate and other documents required by Section 3.2(f) of the Loan Agreement.

Except with respect to the initial purchase of the Gerard Avenue Facility, the 165th Street Facility and the purchase of the land for the Cromwell Facility by the Institution on the date of issuance of the Initial Bonds and the disbursement of a portion of the proceeds of the Initial Bonds on such date, 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" 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.

In addition to the foregoing, any requisition submitted to the Trustee for costs of construction, improving and/or renovating the Facility Realty shall be accompanied by a notice of

title continuation or an endorsement to the title insurance policies theretofore delivered pursuant to Section 3.7 of the Loan Agreement, indicating that since the last preceding disbursement of any amounts held in the Project Fund, there has been no change in the state of title and no exceptions not theretofore approved by the Issuer and the Trustee, which notice or endorsement shall contain no exception for inchoate mechanic's liens (and such affirmative insurance relating thereto as the Issuer and/or the Trustee shall require) and shall have the effect of redating such policies to the date of the disbursement then being made and increasing the coverage of the policies by an amount equal to the disbursement then being made if the policies do not by their terms provide for such an increase.

(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 Section 3.2(f) of the Loan Agreement including the filing of the certificate of an Authorized Representative of the Institution referred to therein. 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 Section 4.6 of the Tax Regulatory Agreement and Section 5.09, be deposited by the Trustee in the Redemption Account of the Bond Fund for the Tax-Exempt Bonds, pro rata. 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, and after depositing in the Series 2020A-1 Account of the Debt Service Reserve Fund an amount equal to any deficiency therein, be deposited in the Redemption Account of the Bond Fund to be applied to the redemption of the Series 2020A-1 Bonds, at the earliest practicable date. Unless the Institution files a certificate with the Trustee indicating that amounts remaining in the Costs of Issuance subaccounts of the Project Fund, if any, are needed or expected to be needed to pay Costs of Issuance, then any amounts remaining in any Costs of Issuance subaccounts of the Project Fund remaining six (6) months after the Closing Date, if any, shall be deposited in the applicable subaccount of the Interest Account of the Bond Fund to be applied to pay interest on the Initial Bonds, at the earliest practicable date. The Trustee shall promptly notify the Institution of any amounts so deposited in the Redemption Account of the Bond Fund pursuant to this Section 5.04(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 Section 4.6 of the Tax Regulatory Agreement and Section 5.09) and in the subaccounts of the Debt Service Reserve Fund shall be deposited in the respective Redemption

Account of the Bond Fund for each Series of Bonds. In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default hereunder, subject to Section 8.02(d), the balance in the Series 2020A Project Fund and in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to Section 4.6 of the Tax Regulatory Agreement and Section 5.09) and in the subaccounts of the Debt Service Reserve Fund shall be deposited in the Bond Fund as provided in Section 8.03.

(g) Except as provided in Section 5.08, 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 5.05. Payments into Renewal Fund; Application of Renewal Fund.

(a) The Net Proceeds resulting from any Loss Event with respect to the Facility, together with any other amounts so required to be deposited therein under the Loan Agreement or the Mortgage, shall be deposited in the Renewal Fund (except as otherwise provided in Section 3.11 of the Mortgage).

(b) In the event the Bonds shall be subject to redemption in whole (either by reason of such Loss Event or otherwise) pursuant to the terms thereof or this Indenture, and the Institution shall have so directed the Trustee in writing within ninety (90) days of the occurrence of such Loss Event, the Trustee shall, after making any transfer to the Rebate Fund as directed pursuant to Section 4.6 of the Tax Regulatory Agreement and Section 5.09, transfer the amounts deposited in the Renewal Fund to the Redemption Account of the Bond Fund.

If, on the other hand,

(i) the Bonds shall not be subject to optional redemption in whole (whether by reason of such Loss Event or otherwise), or

(ii) the Bonds shall be subject to optional redemption in whole (whether by reason of such Loss Event or otherwise) and the Institution shall have failed to take action to effect such redemption, or

(iii) the Institution shall have notified the Trustee of its intent to rebuild, replace, repair and restore the Facility,

the Trustee shall apply the amounts on deposit in the Renewal Fund, after making any transfer to the Rebate Fund as directed pursuant to Section 4.6 of the Tax Regulatory Agreement and Section 5.09, to such rebuilding, replacement, repair and restoration.

(c) If an Event of Default shall exist at the time of the receipt by the Trustee of the Net Proceeds in the Renewal Fund, the Trustee shall promptly request the written direction of the Majority Holders and shall thereupon apply such Net Proceeds, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and Section 5.09, to the rebuilding, replacement, repair and restoration of the Facility, or for deposit, on a pro rata basis, in the subaccounts of the Redemption Account of the Bond Fund, as directed by the Majority Holders

(or if no such direction shall be received within ninety (90) days after request therefor by the Trustee shall have been made, for deposit, on a pro rata basis, in the subaccounts of the Redemption Account of the Bond Fund).

(d) The Trustee is hereby authorized to apply the amounts in the Renewal 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 the costs required for the rebuilding, replacement, repair and restoration of the Facility upon written instructions from the Institution so long as no Event of Default shall have occurred and be continuing. The Trustee is further authorized and directed to issue its checks for each disbursement from the Renewal Fund upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Institution. Each such requisition shall be accompanied by bills, invoices or other evidences or documentation satisfactory to the Trustee. The Trustee shall be entitled to rely on such requisitions. The Trustee shall keep and maintain adequate records pertaining to the Renewal Fund and all disbursements therefrom and shall furnish copies of same to the Issuer and the Institution upon reasonable written request therefor.

(e) The date of completion of the restoration of the Facility shall be evidenced to the Issuer and the Trustee by a certificate of an Authorized Representative of the Institution stating (i) the date of such completion, (ii) that all labor, services, machinery, equipment, materials and supplies used therefor and all costs and expenses in connection therewith have been paid for or arrangement for payment, reasonably satisfactory to the Trustee, has been made, (iii) that the Facility has been rebuilt, replaced, repaired or restored to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, (iv) that all property constituting part of the Facility is subject to the terms of the Loan Agreement, and that all property constituting part of the Mortgaged Property is subject to the mortgage lien and security interest of the Mortgage, subject to Permitted Encumbrances, (v) the Rebate Amount applicable with respect to the Net Proceeds and the earnings thereon (with a statement as to the determination of the Rebate Amount and a direction to the Trustee of any required transfer to the Rebate Fund), and (vi) that the restored Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the Institution against third parties which exist at the date of such certificate or which may subsequently come into being, (y) that it is given only for the purposes of this Section and Section 6.4 of the Loan Agreement, and (z) that no Person other than the Issuer or the Trustee may benefit therefrom. Such certificate shall be accompanied by (i) a certificate of occupancy (either temporary or permanent, provided that if is a temporary certificate of occupancy, the Institution will proceed with due diligence to obtain a permanent certificate of occupancy), if required, and any and all permissions, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by the Loan Agreement; (ii) a certificate of an Authorized Representative of the Institution that all costs of rebuilding, repair, restoration and reconstruction of the Facility have been paid in full, together with releases of mechanics' liens by all contractors and materialmen who supplied work, labor, services, materials or supplies in connection with the rebuilding, repair, restoration and reconstruction of the Facility (or, to the extent that any such costs shall be the subject of a bona fide dispute, evidence to the Trustee that such costs have been appropriately bonded or that the Institution shall have posted a surety or security at least equal to the amount of such costs); and (iii) a search prepared by a title company, or other evidence satisfactory to the Trustee, indicating that there has not been filed with respect to the Facility any mechanic's,

materialmen's or any other lien in connection with the rebuilding, replacement, repair and restoration of the Facility and that there exist no encumbrances other than those encumbrances consented to by the Issuer and the Trustee.

(f) All earnings on amounts on deposit in the Renewal 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 Renewal Fund.

(g) Any surplus remaining in the Renewal Fund after the completion of the rebuilding, replacement, repair and restoration of the Facility shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and Section 5.09, and after depositing, on a pro rata basis, in the accounts of the Debt Service Reserve Fund an amount equal to any deficiency therein, be transferred, on a pro rata basis, by the Trustee to the subaccounts of the Redemption Account of the Bond Fund, so long as no Event of Default shall then exist hereunder.

Section 5.06. 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 respective 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 Series 2020A-1 Bonds Subaccount of the Interest Account of the Bond Fund and applied to the payment of interest on the Series 2020A-1 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 Section 5.09, or to the Debt Service Reserve Fund to the extent of any deficiency therein) (i) in the applicable subaccount of the Redemption Account of the Bond Fund pursuant to Section 5.04(e) or the first sentence of Section 5.04(f), which shall be kept segregated from any other moneys within such Account, or (ii) in the applicable subaccounts of the accounts of the Bond Fund pursuant to the second sentence of Section 5.04(f).

(d) Loan payments received by the Trustee pursuant to Section 4.3(a)(i), (ii), (iii), (iv) or (v), or Section 4.3(i), of the Loan Agreement or transfers from the Revenue Fund, which shall be deposited in and credited, to the extent necessary pro rata, first to the subaccounts of the Interest Account, second to the subaccounts of the Principal Account, and third to the subaccounts of the Sinking Fund Installment Account of the Bond Fund.

(e) Advance loan payments received by the Trustee pursuant to Section 4.3(c) of the Loan Agreement, which shall be deposited in and credited to the applicable subaccounts of the Redemption Account of the Bond Fund.

(f) Any amounts transferred from the Earnings Fund pursuant to Section 5.08(c), which shall be deposited in and credited pro rata to the applicable subaccounts of the Interest Account of the Bond Fund.

(g) The excess amounts referred to in Section 5.07(d), 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 Section 5.05(h), which shall be deposited to the applicable subaccounts of 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 by Section 5.05 or by the Mortgage 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 Section 5.09 or to the Debt Service Reserve Fund to the extent of any deficiency therein) to the applicable subaccounts of the Redemption Account of the Bond Fund pursuant to Section 5.05(g).

(j) All other receipts when and if required by the Loan Agreement or by this Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in Section 8.03) to the Redemption Account of the Bond Fund.

(k) Any amounts transferred from the accounts of the Debt Service Reserve Fund pursuant to Section 5.15, which shall be deposited in and credited to the respective subaccounts of the Interest Account, the Principal Account, the Sinking Fund Installment Account or the Redemption Account, as the case may be, of the Bond Fund.

Section 5.07. Application of Bond Fund Moneys. (a) The Trustee shall (i) on each Interest Payment Date pay or cause to be paid out of the applicable subaccount of the Interest Account in the Bond Fund the interest due on the Bonds, and (ii) further pay out of the applicable subaccounts 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 applicable subaccounts 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 applicable subaccounts of 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 applicable subaccounts of 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 Article VI, 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 subaccounts of 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 subaccounts of 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 subaccounts of 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 Article X) shall be transferred to the applicable subaccount of 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 this Indenture. The Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in Section 6.02. Amounts in the subaccounts of 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. Notwithstanding the foregoing, to the extent there has been a "deliberate action" (as defined in Section 1.141-2 of the Income Tax Regulations) which results in the deposit of amounts in the subaccounts of the Redemption Account of the Bond Fund for the Tax-Exempt Bonds, then such amounts shall only be applied to redeem or defease Tax-Exempt Bonds in such manner as required by Nationally Recognized Bond Counsel to preserve the exclusion from gross income of interest on the Tax-Exempt Bonds for purposes of federal income taxation.

(e) In connection with purchases of Bonds out of the Bond Fund as provided in this Section, 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 related subaccount of the Redemption Account of the Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the related subaccount of 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 Section 5.07(d) 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 subaccounts 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 Section 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.

Section 5.08. Payments into Earnings Fund; Application of Earnings Fund.

(a) All investment income or earnings on amounts held in the Project Fund, the Renewal Fund, the Debt Service Reserve Fund or any other special fund (other than the Rebate Fund or the Bond Fund) shall be deposited upon receipt by the Trustee into the Earnings Fund. The Trustee shall keep separate accounts of all amounts deposited in the Earnings Fund and by journal entry indicate the Fund or Account source of the income or earnings.

(b) On the first Business Day following each Computation Period (as defined in the Tax Regulatory Agreement), the Trustee shall withdraw from the Earnings Fund and deposit to the Rebate Fund an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the Computation Period. In the event of any deficiency, the balance required shall be provided by the Institution pursuant to the Tax Regulatory Agreement. Computations of the amounts on deposit in each Fund and of the Rebate Amount shall be furnished to the Trustee by the Institution in accordance with the Tax Regulatory Agreement.

(c) The foregoing notwithstanding, the Trustee shall not be required to transfer amounts from the Earnings Fund to the Rebate Fund (and shall instead apply such amounts in the Earnings Fund as provided in the immediately following sentence), if the Institution shall deliver to the Trustee a certificate of an Authorized Representative of the Institution to the effect that (x) the applicable requirements of a spending exception to rebate has been satisfied as of the

relevant semiannual period as set forth in the Tax Regulatory Agreement, (y) the proceeds of the Tax-Exempt Bonds have been invested in obligations the interest on which is not included in gross income for federal income tax purposes under Section 103 of the Code or (z) the proceeds of the Tax-Exempt Bonds have been invested in obligations the Yield on which (calculated as set forth in the Tax Regulatory Agreement) does not exceed the Yield on such Tax-Exempt Bonds (calculated as set forth in the Tax Regulatory Agreement). Any amounts on deposit in the Earnings Fund following the transfers to the Rebate Fund required by this Section shall be deposited in the Project Fund until the completion of the Project as provided in Section 3.2(f) of the Loan Agreement, and thereafter pro rata in the Interest Account of the Bond Fund.

Section 5.09. 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 (as defined in the Tax Regulatory Agreement) from an Authorized Representative of the Institution, shall deposit in the Rebate Fund within sixty (60) days following each Computation Date (as defined in the Tax Regulatory Agreement), 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 Section 3.2(f) of the Loan Agreement or the restoration of the Facility pursuant to Section 5.05, at any time during a Bond Year, 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 Section 3.2(f) of the Loan Agreement, or, after the completion of the Project, deposit it pro rata 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 Tax-Exempt Bonds as of the date of such payment and (ii) notwithstanding the provisions of Article X, not later than thirty (30) days after the date on which all Tax-Exempt Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment.

Section 5.10. Transfer to Rebate Fund. The Trustee shall have no obligation under this Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from an Authorized Representative of the Institution to make such transfer.

Section 5.11. Investment of Funds and Accounts. (a) Amounts in any Fund or Account established under this 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, and provided, further, that any investment of amounts held in the accounts of the Debt Service Reserve Fund shall be limited to Government Obligations. Any investment herein authorized is subject to the condition that no portion of the proceeds derived from the sale of the Tax-Exempt Bonds shall be used, directly or indirectly, in such manner as to cause any Tax-Exempt Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code. In particular, unexpended Tax-Exempt Bond proceeds transferred from the Project Fund (or from the Earnings Fund with respect to amounts deposited therein from the Project Fund) to the Redemption Account of the Bond Fund pursuant to Section 5.04(e) may not be invested at a Yield (as defined in the Tax Regulatory Agreement) which is greater than the Yield on the applicable Tax-Exempt 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 hereunder 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, (iii) the Repair and Replacement Fund with respect to the investment of amounts held in the Repair and Replacement Fund, and (iv) 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 this Article. The Trustee shall not be liable for losses incurred as a result of actions taken in good faith in accordance

with this Section 5.11(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 this Indenture. The investments authorized by this Section 5.11 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.

(f) In the case of the Debt Service Reserve Fund, a “surplus” means the amount by which the amount on deposit therein is in excess of the Debt Service Reserve Fund Requirement. On each Debt Service Reserve Fund Valuation Date, and upon any withdrawal from the Debt Service Reserve Fund, the Trustee shall determine the amount on deposit in the Debt Service Reserve Fund. If on any such date a deficiency exists, the Trustee shall notify the Issuer and the Institution of such deficiency and that such deficiency must be replenished by the Institution as required by Section 4.3(a)(vi) of the Loan Agreement. If a surplus exists, so long as no Event of Default shall exist hereunder, the Trustee shall notify the Issuer and the Institution thereof and, subject to the requirements of Section 4.6 of the Tax Regulatory Agreement, shall upon written instructions of the Institution transfer an amount equal to such surplus to the Project Fund until the completion of the Project as provided in Section 3.2(f) of the Loan Agreement and thereafter shall transfer such amount to the Interest Account of the Bond Fund.

(g) Although the Issuer and the Institution each recognize that it may obtain a broker confirmation or written statement containing comparable information at no additional cost,

the Issuer and the Institution hereby agree that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Section 5.12. Application of Moneys in Certain Funds for Retirement of Bonds. If on any Interest Payment Date or redemption date the amounts held in the Funds established under this Indenture (other than the Earnings Fund and the Rebate Fund) are sufficient to pay one hundred percent (100%) of the principal or Redemption Price, as the case may be, of all Outstanding Bonds and the interest accruing on such Bonds to the next date on which such Bonds are redeemable or payable, as the case may be, whichever is earlier, the Trustee shall so notify the Issuer and the Institution. Upon receipt of written instructions from an Authorized Representative of the Institution directing such redemption, the Trustee shall proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by this Indenture.

Section 5.13. Repayment to the Institution from the Funds. After payment in full of the Bonds (in accordance with Article X) and the payment of all fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents and all other amounts required to be paid hereunder and under each of the Security Documents, and the payment of any amounts which the Trustee is directed to rebate to the federal government pursuant to this Indenture and the Tax Regulatory Agreement, all amounts remaining in any Fund shall be paid to the Institution upon the expiration or sooner termination of the term of the Loan Agreement as provided in Section 4.3(g) of the Loan Agreement.

Section 5.14. 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 this 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 this 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 5.15. Debt Service Reserve Fund. (a) If on any Interest Payment Date or redemption date on the Bonds the amount in the applicable subaccount of the Interest Account of the Bond Fund (after taking into account amounts available to be transferred to such subaccount of the Interest Account of the Bond Fund from the Project Fund) shall be less than the amount of

interest then due and payable on the Bonds, or if on any principal payment date on the Bonds the amount in the applicable subaccount of the Principal Account of the Bond Fund shall be less than the amount of principal of the Bonds then due and payable, or if on any Sinking Fund Installment payment date for the Bonds the amount in the applicable subaccount of the Sinking Fund Installment Account of the Bond Fund shall be less than the amount of the Sinking Fund Installment then due and payable on the Bonds of the related Series, in each case, after giving effect to all payments received by the Trustee in immediately available funds by 10:00 a.m. (New York City time) on such date from or on behalf of the Institution or the Issuer on account of such interest, principal or Sinking Fund Installment, the Trustee may, and upon the written request of the Majority Holders shall, proceed to transfer moneys from the applicable subaccount of the Debt Service Reserve Fund, first, to such Interest Account, second to such Principal Account, and third, to such Sinking Fund Installment Account, all to the extent necessary to make good any such deficiency.

(b) The Trustee shall give to the Institution on or prior to each Loan Payment Date on which the Institution is obligated pursuant to Section 4.3(a)(vi) of the Loan Agreement to pay to the Trustee amounts in respect of any deficiency in the Debt Service Reserve Fund, telephonic notice (to be promptly confirmed in writing) specifying any such deficiency in the Debt Service Reserve Fund. The failure of the Trustee to deliver such notice or any defect in such notice shall not relieve the Issuer from any of its obligations hereunder or the Institution or the Organization from any of its obligations under any of the Security Documents to which it is a party.

(c) In the event that the Institution shall deliver written notice to the Trustee of its intention to redeem Tax-Exempt Bonds, the Institution may direct the Trustee to apply such amounts in the Debt Service Reserve Fund to effect such redemption such that the amount remaining in the Debt Service Reserve Fund upon such redemption shall not be less than the reduced Debt Service Reserve Fund Requirement as will be applicable to the remainder of the Bonds Outstanding.

(d) Notwithstanding any provision hereof to the contrary, during the occurrence and continuance of an Event of Default, the Trustee may use any moneys on deposit in the Debt Service Reserve Fund for payment of its fees and expenses as provided in Section 9.04 of this Indenture.

Section 5.16. Repair and Replacement Fund.

(a) There shall be deposited into the Repair and Replacement Fund as and when received (a) all payments by the Institution pursuant to Sections 4.3(a)(iii) and 8.31 of the Loan Agreement and all transfers received pursuant to Section 5.03, (b) all other moneys deposited into the Repair and Replacement Fund pursuant to the Loan Agreement or this Indenture, and (c) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into the Repair and Replacement Fund. There shall also be retained in the Repair and Replacement Fund, interest and other income received on investment of moneys in the Repair and Replacement Fund to the extent provided in this Section 5.16.

(b) The Repair and Replacement Fund shall be in the custody of the Trustee, and, absent an Event of Default hereunder, the Trustee is hereby authorized and directed to make each disbursement authorized or required by the provisions of this Section 5.16 and to issue its checks therefor. The Trustee shall keep and maintain adequate records pertaining to the Repair and Replacement Fund and all disbursements therefrom and shall annually file an accounting thereof with the Issuer and the Institution.

(c) Payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of a written requisition from an Authorized Representative of the Institution setting forth the amount and the payee for the purpose of paying the cost of maintenance and replacements which may be required to keep each Facility in sound condition, including but not limited to repair or replacement of equipment, repair or replacement of any roof or other structural component, painting, carpeting, flooring, and the repair or replacement of heating, air conditioning, plumbing and electrical equipment.

(d) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Repair and Replacement Fund shall be credited to the Repair and Replacement Fund.

(e) Notwithstanding any provision hereof to the contrary, during the occurrence and continuance of an Event of Default, the Trustee may use any moneys on deposit in the Repair and Replacement Fund for payment of its fees and expenses as provided in Section 9.04 of this Indenture.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.01. Privilege of Redemption and Redemption Price. Bonds or portions thereof subject to redemption prior to maturity shall be redeemable, upon mailed notice as provided in this Article, at the times, at the Redemption Prices and upon such terms in addition to and consistent with the terms contained in this Article as shall be specified in this Indenture and in said Bonds.

Section 6.02. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of the same Series and maturity, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that (i) Bonds of a Series to be redeemed from Sinking Fund Installments shall be redeemed by lot, and (ii) to the extent practicable, the Trustee shall select Bonds of a Series for redemption such that no Bond of such Series shall be of a denomination of less than the Authorized Denomination for such Series of Bonds. In the event of redemption of less than all the Outstanding Bonds of the same Series stated to mature on different dates, the principal amount of such Series of Bonds to be redeemed shall be applied ratably by maturity and then by lot within a maturity. The portion of Bonds of any Series to be redeemed in part shall be in the principal amount of the minimum Authorized Denomination thereof or some integral multiple thereof and, in selecting Bonds of a particular Series for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of such Series which is obtained by

dividing the principal amount of such registered Bond by the minimum Authorized Denomination thereof (referred to below as a “unit”) then issuable rounded down to the integral multiple of such minimum Authorized Denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Bond or Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Section 6.03. Notice of Redemption. When redemption of any Bonds is requested or required pursuant to this Indenture, the Trustee shall give notice of such redemption in the name of the Issuer, specifying the name of the Series, CUSIP number, Bond numbers, the date of original issue of such Series, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the 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 Bonds or portions thereof to be payable and, if less than all of the Bonds of any maturity are to be redeemed, the numbers of such 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 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, (i) 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 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 of Bonds with respect to which proper mailing was effected; and (ii) provide such notice to DTC and to the national information service that disseminates redemption notices, currently the Electronic Municipal Market Access (“EMMA”). Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion. If any Bond shall not be presented for payment of the Redemption Price within sixty (60) days of the redemption date, the Trustee shall mail a second notice of redemption to such Holder by first class mail, postage prepaid. Any amounts held by the Trustee due to non-presentment of Bonds for payments on or after any redemption date shall be retained by the Trustee for a period of at least one year after the final maturity date of such Bonds.

If notice of redemption shall have been given as aforesaid, the Bonds of such Series called for redemption shall become due and payable on the redemption date, provided, however,

that with respect to any optional redemption of the Bonds of a Series, such notice 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 Bonds of such Series 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 Bonds of such Series. 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 Bonds of such Series so called for redemption at the place or places of payment, such Series of Bonds shall be redeemed.

Under no circumstances shall the Trustee be required to expend any of its own funds for any purpose for which funds are to be disbursed under this Indenture.

So long as the Securities Depository is effecting book entry transfers of the Bonds, the Trustee shall provide the notices specified above only to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Trustee, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Section 6.04. Payment of Redeemed Bonds. (a) Notice having been given in the manner provided in Section 6.03, the 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 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 Bonds or portions thereof so called for redemption shall cease to accrue and become payable, (ii) the Bonds or portions thereof so called for redemption shall cease to be entitled to any lien, benefit or security under this Indenture, and (iii) the Holders of the 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 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.

(b) Payment of the Redemption Price plus interest accrued to the redemption date shall be made to or upon the order of the registered owner only upon presentation of such Bonds for cancellation and exchange as provided in Section 6.05; provided, however, that any Holder of at least \$1,000,000 in original aggregate principal amount of the Initial Bonds may, by written request to the Trustee no later than five (5) days prior to the date of redemption, direct that payments of Redemption Price and accrued interest to the date of redemption be made by wire

transfer as soon as practicable after tender of the Bonds in federal funds at such wire transfer address as the owner shall specify to the Trustee in such written request.

Section 6.05. Cancellation of Redeemed Bonds. (a) All Bonds redeemed in full under the provisions of this Article, shall forthwith be cancelled and returned to the Issuer and no Bonds shall be executed, authenticated or issued hereunder in exchange or substitution therefor, or for or in respect of any paid portion of a Bond.

(b) If there shall be drawn for redemption less than all of a Bond, as described in Section 6.02, the Issuer shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds of like Series and maturity in any of the authorized denominations.

Section 6.06. No Partial Redemption After Default. Anything in this Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default hereunder, there shall be no redemption of less than all of the Bonds Outstanding without the consent of the Majority Holders.

ARTICLE VII

PARTICULAR COVENANTS

Section 7.01. Payment of Principal and Interest. The Issuer covenants that it will from the sources herein contemplated promptly pay or cause to be paid the principal, Purchase Price or Redemption Price of, and Sinking Fund Installments for, the Bonds, together with interest accrued thereon, at the place, on the dates and in the manner provided in this Indenture and in the Bonds according to the true intent and meaning thereof.

Section 7.02. Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly its Organizational Documents, to issue the Bonds authorized hereby and to execute this Indenture, to make the Loan to the Institution pursuant to the Loan Agreement and the Promissory Note, to assign the Loan Agreement and the Promissory Note, to execute and deliver the Assignment of Mortgage, and to pledge the loan payments, revenues and receipts hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special limited revenue obligations of the Issuer according to the import thereof.

Section 7.03. Books and Records; Certificate as to Defaults. The Issuer and the Trustee each covenant and agree that, so long as any of the Bonds shall remain Outstanding, proper books of record and account will be kept showing complete and correct entries of all transactions relating to the Project and the Facility, and that the Bondholders shall have the right at all

reasonable times to inspect all records, accounts and data relating thereto. In this regard, so long as the Loan Agreement is in full force and effect, records furnished by the Issuer and the Institution to, or kept by, the Trustee in connection with its duties as such shall be deemed to be in compliance with the Issuer's obligations under this Section 7.03. Within thirty (30) days after receiving the certificate from the Institution as provided in Section 8.26(b) of the Loan Agreement, the Trustee shall render to the Issuer a statement that moneys received by the Trustee pursuant to the Loan Agreement and the Promissory Note were applied by it to the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest on the Bonds, at the place, on the dates and in the manner provided in this Indenture and that the Trustee has no knowledge of any defaults under this Indenture, the Promissory Note or the Loan Agreement or any other Security Document or specifying the particulars of such defaults which may exist.

Upon reasonable written request, the Trustee shall make available to the Institution for its inspection during normal business hours, its records with respect to the Project and the Facility.

The Trustee agrees that, upon the written request of the Institution or the Issuer, it will, not more than twice in each calendar year, provide a statement to the requesting party setting forth the principal amount of Bonds Outstanding as of the date of such statement.

Section 7.04. Loan Agreement. An executed copy of the Loan Agreement will be on file in the office of the Issuer and in the designated corporate trust office of the Trustee. Reference is hereby made to the Loan Agreement for a detailed statement of the terms and conditions thereof and for a statement of the rights and obligations of the parties thereunder. All covenants and obligations of the Institution under the Loan Agreement shall be enforceable either by the Issuer (with respect to the Issuer's Reserved Rights) or by the Trustee, to whom, in its own name or in the name of the Issuer, is hereby granted the right, to the extent provided therefor in this Section 7.04 and subject to the provisions of Section 9.02, to enforce all rights of the Issuer and all obligations of the Institution under the Loan Agreement, whether or not the Issuer is enforcing such rights and obligations. The Trustee shall take such action in respect of any matter as is provided to be taken by it in the Loan Agreement (including, without limitation, Sections 3.5, 6.3 and 8.10 thereof) upon compliance or noncompliance by the Institution and the Issuer with the provisions of the Loan Agreement relating to the same.

Section 7.05. Creation of Liens; Indebtedness. It is the intention of the Issuer and the Trustee that the Mortgage is and will continue to be a mortgage lien upon the Mortgaged Property. 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 in accordance with and pursuant to this Indenture and the other Security Documents.

Section 7.06. Ownership; Instruments of Further Assurance. The Trustee on behalf of the Institution, subject to Section 7.04 and only upon the written direction of any Bondholder, shall defend the interests of the Holders of the Bonds, to the extent permitted by law, against the claims and demands of all Persons whomsoever. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further acts, instruments and transfers as the Trustee may

reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property described herein and in the remainder of the Trust Estate, subject to the liens, pledge and security interests of this Indenture and of the other Security Documents and the loan payments, revenues and receipts pledged hereby to the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest on the Bonds. Any and all property hereafter acquired which is of the kind or nature herein provided to be and become subject to the lien, pledge and security interest hereof (other than the Institution's Property as defined in the Loan Agreement) and of the other Security Documents shall ipso facto, and without any further conveyance, assignment or act on the part of the Issuer or the Trustee, become and be subject to the lien, pledge and security interest of this Indenture and the Mortgage as fully and completely as though specifically described herein and therein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the Issuer heretofore made by this Section 7.06.

Section 7.07. Security Agreement; Filing. (a) This Indenture constitutes a "security agreement" within the meaning of Article 9 (Secured Transactions) of the New York State Uniform Commercial Code. The address of the Issuer, as debtor, and the address of the Trustee, as secured party, may be found in Section 13.02 hereof. The security interest of the Trustee, as created by this Indenture, in the rights and other intangible interests described herein, shall be perfected by the filing of a financing statement by the Institution, at the direction of the Issuer, in the office of the Secretary of State of the State in the City of Albany, New York, which financing statement shall be in accordance with the New York State Uniform Commercial Code-Secured Transactions. Subsequent to the foregoing filings, this Indenture shall be re-indexed, and financing and continuation statements shall be filed and re-filed, by the Trustee whenever in the Opinion of Counsel (which opinion shall be reasonably acceptable to and addressed to the Trustee) such action is necessary to preserve the lien and security interest hereof. Any such filings or re-filings shall be prepared and filed by the Institution and delivered to the Trustee (if electronic filing is not elected by the Issuer) on a timely basis accompanied by any fees or requisite charges and the Opinion of Counsel referred to above. The Trustee will thereupon effect any such filings and re-filings of financing and continuation statements in said office of the Secretary of State, and promptly notify the Institution of any such filings.

(b) The Issuer and the Trustee acknowledge that, as of the Closing Date,

(i) Section 9-515 of the New York State Uniform Commercial Code provides that an initial financing statement filed in connection with a "public-finance transaction" is effective for a period of thirty (30) years after the date of filing if such initial financing statement indicates that it is filed in connection with a public-finance transaction,

(ii) Section 9-102(67) of the New York State Uniform Commercial Code defines a "public-finance transaction" as a secured transaction in connection with which (x) debt securities are issued, (y) all or a portion of the debt securities issued have an initial stated maturity of at least twenty (20) years, and (z) the debtor, obligor, secured party, account debtor or other person obligated on collateral, assignor or assignee of a security interest is a state or a governmental unit of a state, and

(iii) subject to any future change in law, the initial financing statement as shall be filed with respect to the security interest described above shall therefore have an effective period of thirty (30) years after the date of filing, for the purpose of determining the date by which continuation statements shall be filed.

(c) The parties hereto acknowledge and agree that, because the foregoing financing statements evidence collateral for the Initial Bonds, and because the Initial Bonds are municipal debt securities with a term that is at least twenty (20) years in duration, there is no need under the Uniform Commercial Code of the State of New York to re-file such financing statements in order to preserve the liens and security interests that they create for the period commencing with the Closing Date and terminating on the thirtieth anniversary of the Closing Date.

Subsequent to the initial filings, if it is necessary to re-file financing statements and/or file continuation statements and/or take any other actions to preserve the lien and security interest of this Indenture (individually or collectively, the “**Continuation Action(s)**”), then the Institution in a timely manner shall: (A) as applicable, (i) prepare and deliver to the Trustee all necessary instruments and filing papers, together with remittances equal to the cost of required filing fees and other charges, so that the Trustee may perform the Continuation Actions, or (ii) electronically perform the Continuation Actions and deliver to the Trustee written certification (upon which the Trustee may conclusively rely) that such performance has occurred, specifying the Continuation Actions performed, or (iii) perform some of the Continuation Actions in the manner described in clause “(i)” and the others in the manner described in clause “(ii)”; and (B) if requested by the Trustee (acting at the direction of the Majority Holders) or the Issuer, deliver or cause to be delivered to the Issuer and the Trustee the Opinion of Counsel as described below. The Trustee may conclusively rely upon in all instances, an Opinion of Counsel. In the event the Institution chooses to have the Trustee perform all or some of the Continuation Actions, as provided in clause “(A)(i)”, the Trustee shall reasonably promptly perform such Continuation Actions at the Institution’s sole expense. The Institution shall perform the obligations described hereinabove in clauses “(A)” (in every case) and “(B)” (if so requested) no later than ten (10) days prior to (i)(y) the thirtieth (30th) anniversary of the Closing Date, and (z) each fifth (5th) anniversary thereafter, and/or (ii) the date (not covered by clause “(i)”) on which a Continuation Action is to be taken to preserve the lien and security interest of this Indenture.

If an Opinion of Counsel is requested pursuant to this Section then the Opinion of Counsel shall be addressed to the Issuer and the Trustee. If so requested, the Institution shall deliver successive Opinions of Counsel in respect of (i)(y) the thirtieth (30th) anniversary of the Closing Date, and (z) every five-year anniversary thereafter through the term of the Initial Bonds, and/or (ii) the date of any required Continuation Action not covered by clause “(i),” in each case not later than fifteen (15) days prior to the date on which a Continuation Action is required to be taken. In the Opinion of Counsel to the Institution, counsel shall opine as to: (i) what Continuation Actions are necessary; and (ii) the deadline dates for the required Continuation Actions; and (iii) the jurisdictions in which the Continuation Actions must be effected. Counsel in such opinion shall additionally opine that, upon performance of the Continuation Actions by, as the case may be, (i) the Trustee with instruments and papers prepared by the Institution, or (ii) the Institution through electronic filing, or (iii) the Trustee as to some Continuation Actions, and the Institution as to the others through electronic filings, all appropriate steps shall have been taken on the part of the Institution, the Issuer and the Trustee then requisite to the maintenance of the perfection of

the security interest of the Trustee in and to all property and interests which by the terms of this Indenture are to be subjected to the lien and security interest of this Indenture.

(d) Any filings with respect to Uniform Commercial Code financing statements may be made electronically, and the Issuer shall have the right to designate a company (which shall be reasonably acceptable to the Trustee) to facilitate the filing of Uniform Commercial Code financing statements.

(e) The Trustee acknowledges and agrees (on behalf of itself and the Bondholders) that neither the Issuer, nor any of its directors, members, officers, employees, servants, agents, persons under its control or supervision, or attorneys (including Nationally Recognized Bond Counsel to the Issuer), shall have any responsibility or liability whatsoever related in any way to the filing or re-filing of any Uniform Commercial Code financing statements or continuation statements, or the perfection or continuation of perfection of any security interests, or the recording or rerecording of any document, or the failure to effect any act referred to in this Section, or the failure to effect any such act in all appropriate filing or recording offices, or the failure of sufficiency of any such act so effected.

(f) All costs (including reasonable attorneys' fees and expenses) incurred in connection with the effecting of the requirements specified in this Section shall be paid by the Institution.

Section 7.08. 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.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS

Section 8.01. Events of Default; Acceleration of Due Date. (a) Each of the following events is hereby defined as and shall constitute an "Event of Default":

(i) Failure in the payment of the interest on any Bond when the same shall become due and payable;

(ii) 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;

(iii) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or hereunder on its part to be performed (except as set forth in Section 8.01(a)(i) or (ii)) 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

(iv) 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, 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 a majority (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 this Indenture or in any of the Bonds contained to the contrary notwithstanding.

(c) If there shall occur an Event of Default under Section 9.1(d) or (e) of 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 a majority (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 this Article VIII, 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 hereunder, 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.

(f) Pursuant to the Account Control Agreement, upon the happening and continuance of any Event of Default, the Trustee, as Secured Party under the Account Control Agreement, or under the Organization DACA, may withdraw any funds on deposit in the Accounts and use any such proceeds in accordance with Section 8.03 of this Indenture.

Section 8.02. Enforcement of Remedies. (a) Except as provided in 8.02(d), 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, this 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 this Indenture or in any other Security Document or in aid of the execution of any power granted in this 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 this Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee hereunder 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 this 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 this Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the Default Rate, together with any and all costs and expenses of collection and of all proceedings under this 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 this 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 this 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 this Indenture or under any other Security Document by any acts which may be unlawful or in violation of this 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 this Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

(d) Notwithstanding anything else in this Indenture to the contrary, the Trustee's enforcement of remedies shall be limited as described in this 8.02(d) during the Limited Enforcement Period. During the Limited Enforcement Period:

(i) any occurrence and continuance of an Event of Default caused by (A)(1) the failure of the Cromwell Facility to satisfy the Project Completion Date conditions by the Completion Deadline, (2) the stopping of construction of the Cromwell Facility for more than 90 consecutive days, or (3) the abandonment of the construction of the Cromwell Facility, or (B) any other Event of Default under any Security Document or the Construction Contract related to the construction of the Cromwell Facility, including any covenant default or Event of Default caused by the failure of the Institution to occupy the Cromwell Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon (w) the Cromwell Facility collateral, (x) the FLACS IV Guaranty, (y) all Funds and Accounts related to the Series 2020A Bonds, and (z) a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020A Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date). For the avoidance of doubt, during the Limited Enforcement Period and during the occurrence and continuance of an Event of Default under subsection (A) or (B) above, the Trustee shall not be entitled to pursue any remedies or enforce against the Gerard Avenue Facility collateral or the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds (including the subaccounts for such Series of Bonds in the Bond Fund, the Debt Service Reserve Fund and the Renewal Fund), except as specifically authorized in subparagraph (ii) below;

(ii) any occurrence and continuance of an Event of Default under any Security Document related to the Series 2020B Bonds, the Series 2020C Bonds, the Gerard Avenue Facility or the 165th Street Facility shall only permit the Trustee to pursue any remedies or enforce its remedies and realize upon the Gerard Avenue Facility collateral or the 165th Street Facility collateral and any Funds and Accounts related to the Series 2020B Bonds or the Series 2020C Bonds and a proportionate amount of the Repair and Replacement Fund (calculated as a percentage by taking the amount of the Series 2020B Bonds and the Series 2020C Bonds issued on the Closing Date to the total amount of Initial Bonds issued on the Closing Date);

upon the expiration of the Limited Enforcement Period, then upon the occurrence and continuance of any Event of Default hereunder or under any other Security Document, 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 the Trustee shall proceed to protect and enforce its rights and the rights of the Bondholders under the Bonds, the Loan Agreement, this 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 this Indenture or in any other Security Document or in aid of the execution of any power granted in this 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 this Indenture or under any other Security Document.

Section 8.03. 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 this Article or under any other Security Document shall, after payment of the cost and expenses of the Trustee, including costs of its attorneys or 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 Section 9.04, as follows:

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 this 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.

Whenever moneys are to be applied pursuant to the provisions of this Section, 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 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 Section 8.01, 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 8.04. Actions by Trustee. All rights of actions under this Indenture, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions of Section 8.03, be for the equal benefit of the Holders of the Outstanding Bonds.

Section 8.05. Majority Holders Control Proceedings.

(a) Notwithstanding any provision hereof to the contrary, 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 this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

(b) Notwithstanding any provision hereof to the contrary, in the case of any provision of this Indenture providing for the consent or approval of the Holder of any Bond, or in connection with any request for a waiver of any provision hereof, the Issuer acknowledges and the Trustee acknowledges and agrees that the granting, approval, rejection or withholding of any requested consent, waiver or authorization to take or refrain from taking any action contemplated or required hereunder, may be withheld or granted in the Holder's sole and absolute discretion; provided, however, the Bondholders and the Trustee acknowledge and agree that this provision shall not be deemed to alter, impair or affect the Issuer's Reserved Rights which may be exercised by the Issuer in its sole and absolute discretion.

Section 8.06. 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 (ii) with respect to the Bonds, this Indenture or any other Security Document, (iii) for the enforcement of any provisions of the Bonds, this Indenture or of any other Security Document, (iv) for the execution of any trust under this Indenture or (v) for any remedy under the Bonds, this 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 this Article, 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, this 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 this Indenture, or to enforce any right under this Indenture except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of the Bonds or this Indenture shall be instituted, had and maintained in the

manner provided in this Indenture and, subject to the provisions of Section 8.03, be for the equal benefit of all Holders of the Outstanding Bonds.

(b) Nothing in this 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 herein and in said Bonds expressed.

Section 8.07. Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Institution, the Issuer, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights hereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Section 8.08. Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

Section 8.09. Delay or Omission. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Article to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Section 8.10. 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, and also provide notice to DTC and EMMA. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by this Section.

Section 8.11. Waivers of Default. The Trustee shall waive any default hereunder 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 75% of 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 hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 8.12. Issuer Approval of Certain Remedies. Notwithstanding any provision hereof or of under any other Security Document, upon the occurrence of an Event of Default, no such remedy or other action (whether exercised by the Trustee, the Majority Holders or the Holders of the Bonds) shall have the effect of (x) continuing the exemption from the mortgage recording tax of the Mortgage upon any restructuring of the underlying indebtedness secured by the Mortgage (a “**Mortgage Restructuring**”), (y) amending or terminating any Security Document (other than through a forbearance) to which the Issuer is a party (a “**Security Document Action**”) or (z) substituting for the Institution and/or the Organization, as applicable, a new Entity to either be a counterparty to the Issuer under the Loan Agreement or as a user or lessee all or a portion of the Facility (a “**Substitute Entity**”), unless, in either case, a reasonable description of such Mortgage Restructuring, Security Document Action and/or Substitute Entity shall have been set forth in a writing delivered to the Issuer together with a request for approval (a “**Section 8.12 Notice**”) and (i) the Mortgage Restructuring, Security Document Action and/or Substitute Entity shall be approved in writing by the Issuer, such approval not to be unreasonably withheld or delayed (and which approval may, in the sole discretion of the Issuer, be subject to action by the Issuer’s Board of Directors), and (ii) there shall be delivered to the Issuer and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such Mortgage Restructuring, Security Document Action and/or Substitute Entity shall not cause the interest on any Outstanding Tax-Exempt Bonds to become subject to federal income taxation by reason of either such Mortgage Restructuring, Security Document Action and/or Substitute Entity. For the avoidance of doubt, except as limited by Section 8.02(d) hereof, no Issuer consent is required hereby for the entry into a forbearance agreement by the Trustee, the commencement of a foreclosure action under the Mortgage or the appointment of a receiver over the Institution or Organization or any collateral for the Bonds. Failure of the Issuer to respond on any Section 8.12 Notice within sixty (60) calendar days shall constitute approval thereof. In connection with the retirement or surrender for cancellation of all of the outstanding Bonds (other than as a result of the payment in full of all Outstanding Bonds), the Trustee hereby agrees to provide written notice to the Issuer of such retirement or cancellation no later than fourteen (14) Business Days after the occurrence of the earlier of: (A) the Trustee’s receipt of direction to effectuate such retirement or cancellation, and (B) the Trustee’s receipt of surrendered Bonds for cancellation.

ARTICLE IX

TRUSTEE, BOND REGISTRAR AND PAYING AGENTS

Section 9.01. Appointment and Acceptance of Duties of Trustee. The entity identified as the Trustee on the cover page hereof is hereby appointed as Trustee. The Trustee shall signify its acceptance of the duties and obligations of the Trustee hereunder and under each Security Document by executing this Indenture and agrees to perform said trusts as a corporate trustee ordinarily would under a corporate mortgage subject to the express terms and conditions herein. All provisions of this Article IX shall be construed as extending to and including all the rights, duties and obligations imposed upon the Trustee under the Loan Agreement and under any

other Security Document to which it shall be a party as fully for all intents and purposes as if this Article IX were contained in the Loan Agreement and each such other Security Document.

Section 9.02. Indemnity of Trustee. Except as directed by the Majority Holders, the Trustee shall be under no obligation to institute any suit, or to take any remedial or legal action under this Indenture or under or pursuant to any other Security Document or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers or fulfillment of any extraordinary duties under this Indenture, or under any other Security Document, until it shall be indemnified to its reasonable satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct or gross negligence.

Section 9.03. Responsibilities of Trustee. (a) The Trustee shall have no responsibility in respect of the validity or sufficiency of this Indenture, any offering statement or of any other Security Document or the security provided hereunder or thereunder or the due execution of this Indenture by the Issuer, or the due execution of any other Security Document by any party (other than the Trustee) thereto, or in respect of the title or the value of the Facility, or in respect of the validity of the Bonds authenticated and delivered by the Trustee in accordance with this Indenture or to see to the recording or filing of any document or instrument whatsoever except as otherwise provided in Section 7.07. The recitals, statements and representations contained in this Indenture and in the Bonds shall be taken and be construed as made by and on the part of the Issuer and not by the Trustee, and the Trustee does not assume any responsibility for the correctness of the same; provided, however, that the Trustee shall be responsible for its representation contained in its certificate on the Bonds and for its responsibility as to filing or re-filing as contained in Section 7.07.

(b) The Trustee shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Indenture or by any other Security Document or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depository other than itself in which such moneys shall have been deposited under this Indenture or the Tax Regulatory Agreement. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with this Indenture or the Tax Regulatory Agreement or for any loss resulting from any such investment. The Trustee shall not be liable in connection with the performance of its duties under the Loan Agreement, under this Indenture or under any other Security Document except for its own willful misconduct or gross negligence. The immunities and exemptions from liability of the Trustee shall extend to its directors, officers, employees, agents and servants and persons under the Trustee's control or supervision.

(c) The Trustee, prior to the occurrence of an Event of Default and after curing of all Events of Default which may have occurred, if any, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise under the circumstances in the conduct of his own affairs. The Trustee shall not be charged with knowledge of the occurrence of an Event of Default unless, (i) the Trustee has not

received any certificate, financial statement, insurance notice or other document regularly required to be delivered to the Trustee under the Loan Agreement or any other Security Document, (ii) the Trustee has not received payment of any amount required to be remitted to the Trustee under the Loan Agreement or any other Security Document, (iii) a Responsible Officer of the Trustee has actual knowledge thereof, or (iv) the Trustee has received written notice thereof from the Institution, the Issuer or any Bondholder. The Trustee shall not be charged with the knowledge of a Determination of Taxability unless the Trustee has received written notice thereof from the Internal Revenue Service, the Institution, the Issuer or any Bondholder or former Bondholder.

(d) The Trustee shall not be liable or responsible for the failure of the Institution to effect or maintain insurance on the Facility as provided in the Loan Agreement or the Mortgage nor shall it be responsible for any loss by reason of want or insufficiency in insurance or by reason of the failure of any insurer in which the insurance is carried to pay the full amount of any loss against which it may have insured the Issuer, the Institution, the Trustee or any other Person, provided, however, that the Trustee shall take such action as may be required to confirm that the Institution has renewed all required insurance.

(e) The Trustee shall execute and cause to be filed those continuation statements, any additional financing statements and all other instruments required by it by Section 7.07 at the expense of the Institution.

(f) The Trustee shall on the same date as it shall render the statement required of it by Section 7.03, make annual reports to the Issuer and the Institution of all moneys received and expended during the preceding year by it under this Indenture and of any Event of Default known to it under the Loan Agreement or this Indenture or under any other Security Document.

(g) With respect to the Tax Regulatory Agreement, the Trustee shall not be required to make any payment of a Rebate Amount or any transfer of funds or take any other action required to be taken thereunder except upon the receipt of a written certificate of direction of an Authorized Representative of the Institution delivered to the Trustee in accordance with the terms of the Tax Regulatory Agreement. Notwithstanding any provision of the Tax Regulatory Agreement or any other Security Document, nothing in the Tax Regulatory Agreement, either expressed or implied, shall be deemed to impose upon the Trustee any responsibility for the legal sufficiency of the Tax Regulatory Agreement to effect compliance with the Code nor any duty to independently review or verify any information or calculation furnished to the Trustee by the Institution.

(h) The permissive right of the Trustee to do things enumerated in this Indenture or the other Security Documents shall not be construed as a duty, and in doing or not doing so the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

Section 9.04. Compensation of Trustee, Bond Registrar and Paying Agents.

The Trustee, the Bond Registrar and Paying Agents shall be entitled to receive and collect from the Institution as provided in the Loan Agreement payment or reimbursement for reasonable fees for services rendered hereunder and under each other Security Document and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee, the Bond

Registrar or Paying Agents in connection therewith. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a first right of payment prior to payment on account of the principal of or interest on any Bonds, upon the Trust Estate and any amount held in any Fund or Account created hereunder (except the Rebate Fund) (but not including any amounts held by the Trustee under Section 5.14, 6.04 or Article X) for its foregoing advances, fees, costs and expenses incurred.

Section 9.05. Evidence on Which Trustee May Act. (a) In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action, or doing or not doing anything, as such Trustee, and in any case in which this Indenture provides for permitting or taking any action, it may rely upon any certificate required or permitted to be filed with it under the provisions of this Indenture, and any such certificate shall be evidence of such fact to protect it in any action that it may or may not take, or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact.

(b) The Trustee may conclusively rely and shall be fully protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or, at the sole cost and expense of the Institution, and when determined necessary in the reasonable discretion of the Trustee, upon the written opinion of any attorney (who may be an attorney for the Issuer or the Trustee), engineer, appraiser, architect or accountant believed by the Trustee to be qualified in relation to the subject matter.

Section 9.06. Trustee and Paying Agents May Deal in Bonds. Any national banking association, bank or trust company acting as a Trustee or Paying Agent, and its respective directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if such association, bank or trust company were not such Trustee or Paying Agent.

Section 9.07. Resignation or Removal of Trustee. The Trustee may resign and thereby become discharged from the trusts created under this 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 Section 9.08.

The Trustee may be removed at any time with thirty (30) days' notice 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 Section 9.08.

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 this Indenture, together with a full accounting thereof, (ii) all records, files, correspondence, registration books, Bond inventory, all information relating to this 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) a complete bond transcript, all Security Documents and other documents or agreements, including, without limitation, all Uniform Commercial Code Financing Statements (or filing information therefor), 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 9.08. 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 or be removed, the Majority Holders shall select a replacement Trustee within thirty (30) days by written notice to the Issuer. Any successor Trustee selected by the Majority Holders shall be appointed by the Issuer as the 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 by the Majority Holders within sixty (60) days of such vacancy or notice of resignation, 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 foregoing provisions of this Section 9.08, 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 this Section 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 this 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 this Section 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 in accordance with the provisions of Section 9.07.

(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 Section 9.04, 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 this 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 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 this 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 9.09. Paying Agents. The Trustee and any successor thereto is hereby appointed as Paying Agent for the Bonds.

Section 9.10. Appointment of Co-Trustee. (a) It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or under any other Security Document, and in particular in case of the enforcement of any powers, rights or remedies on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional institution as a separate trustee or co-trustee. The following provisions of this Section are adapted to these ends.

(b) The Trustee may appoint an additional institution as a separate trustee or co-trustee, with the consent of the Majority Holders. In the event that the Trustee appoints an

additional institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them. Such co-trustee may be removed by the Trustee at any time, with or without cause, with the consent of the Majority Holders.

(c) Should any instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed or removed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

(d) No trustee shall be liable for the acts or omissions of any other trustee hereunder.

Section 9.11. Patriot Act. The Trustee hereby acknowledges that in accordance with Section 326 of the U.S.A. Patriot Act (being the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, as amended, and signed into law October 26, 2001), each depository bank, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with a depository bank. The Trustee hereby acknowledges that it shall obtain such information from the other Notice Parties as may be required in order for it to satisfy the requirements of the U.S.A. Patriot Act.

ARTICLE X

DISCHARGE OF INDENTURE; DEFEASANCE

Section 10.01. 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 this Indenture, and all fees and expenses and other amounts due and payable under this Indenture and the Loan Agreement, and any other amounts required to be rebated to the federal government pursuant to the Tax Regulatory Agreement or this 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 this Indenture and the estate and rights hereby granted, and all covenants, agreements and other obligations of the Issuer to the Bondholders hereunder 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 hereunder, 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 this Indenture and of the Mortgage 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 this 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 this 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) of this Section, 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 this 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 10.02. Defeasance Opinion and Verification. Prior to any defeasance becoming effective as provided in Section 10.01(b), there shall have been delivered to the Issuer and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and (B) a verification from an independent certified public accountant or firm of independent certified public accountants (in each case reasonably satisfactory to the Issuer and the Trustee) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, Sinking Fund Installments for, interest on, and redemption premium, if any, of the Bonds to be defeased.

Section 10.03. No Limitation of Rights of Holders. No provision of this Article X, including any defeasance of Bonds, shall limit the rights of the Holder of any Bonds under Section 3.06, 3.07 or 3.09 until such Bonds shall have been paid in full.

ARTICLE XI

AMENDMENTS OF INDENTURE

Section 11.01. Limitation on Modifications. This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article.

Section 11.02. Supplemental Indentures Without Bondholders' 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 but with 21 days' prior written notice from the Trustee to Bondholders (which notice shall be posted by the Trustee to EMMA), for any of the following purposes:

(i) To cure any formal defect, omission or ambiguity in this Indenture or in any description of property subject to the lien hereof, if such action in the Opinion of Counsel is not materially adverse to the interests of the Bondholders.

(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 lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect.

(iii) To add to the covenants and agreements of the Issuer in this Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect.

(iv) To add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect.

(v) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture, of the properties of the Facility, or revenues or other income from or in connection with the Facility or of any other moneys, securities or funds, or to subject to the lien or pledge of this Indenture additional revenues, properties or collateral.

(vi) To modify or amend such provisions of this Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure that the interest on the Bonds not be includable in gross income for federal income tax purposes.

(vii) To modify, amend or supplement this Indenture or any Supplemental Indenture in such manner as to permit the qualification hereof and thereof 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 this 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.

(b) Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to this Section, 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 this Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms.

Section 11.03. Supplemental Indentures With Bondholders' Consent.

(a) Subject to the terms and provisions contained in this Article, 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 herein. Nothing herein contained 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 Holders of 75% of the then Outstanding Bonds, (ii) the creation of a lien upon or pledge of the Trust Estate other than the liens or pledge created by this Indenture and the other Security Documents, except as provided in this Indenture with respect to Additional Bonds, without the consent of the Holders of 75% of the then Outstanding Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds without the consent of the Holders of 100% of the then Outstanding Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the Holders of 100% of the then Outstanding Bonds, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this Section 11.03(a), without, in the case of items (i) through and including (iii) of this Section 11.03(a), the written consent of seventy-five percent (75%) of the Holders of the Outstanding Bonds, and, in the case of items (iv) through and including (v) of this Section 11.03(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 of this Section, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders and the Trustee shall post such notice to EMMA. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall include a copy thereof for inspection by all Bondholders.

(c) Within three months 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 required percentage of the Holders of the 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 this 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 this 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 this Section shall have consented to and approved the execution thereof as herein provided, 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 this Section, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under this Indenture, subject in all respects to such modifications and amendments.

Section 11.04. Supplemental Indenture Part of this Indenture. Any Supplemental Indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provisions authorized to be contained therein shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes. The Trustee shall execute any Supplemental Indenture entered into in accordance with the provisions of Section 11.02 or 11.03.

ARTICLE XII

AMENDMENTS OF RELATED SECURITY DOCUMENTS

Section 12.01. Rights of Institution. Anything herein to the contrary notwithstanding, any Supplemental Indenture entered into pursuant to Article XII which materially and adversely affects any rights, powers and authority of the Institution under the Loan Agreement or requires a revision of the Loan Agreement shall not become effective unless and until the Institution shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of the Institution.

Section 12.02. Amendments of Related Security Documents Not Requiring Consent of Bondholders. The Issuer and the Trustee may, without the consent of or notice to the Bondholders, but with 21 days' prior written notice to Bondholders (and the Trustee shall post

such notice to EMMA) 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; or (v) to make any change required in connection with a permitted amendment to a Related Security Document. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this Section. 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 (y) is authorized or permitted by this Indenture and complies with its terms and the terms of the Related Security Document being amended, and (z) 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. Amendments of Related Security Documents Requiring Consent of Bondholders. Except as provided in Section 12.02, 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 in Section 11.03 set forth; 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 Article XI with respect to Supplemental Indentures and post notice of such amendment to EMMA. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall include a copy of the instrument embodying the same 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 (y) is authorized or permitted by this Indenture and complies with its terms and the terms of the Related Security Document being amended, and (z) 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.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Evidence of Signature of Bondholders and Ownership of Bonds.

(a) Any request, consent, revocation of consent, approval, objection or other instrument which this Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by any Bondholder in person or by his duly authorized attorney appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of this Indenture (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by the certification of any officer of a Bondholder that the person signing such request is duly authorized to do so. Solely for the purposes of the transfer or exchange of any Bond, the fact and date of the execution of the Bondholder or his attorney of the instrument of transfer shall be proved by a guarantee of the signature thereon by a member of the Stock Exchanges Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15.

(b) The ownership of Bonds and the amount, numbers and other identification shall be proved by the registry books.

(c) Except as otherwise provided in Section 11.03 with respect to revocation of a consent, any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer or the Trustee or any Paying Agent in accordance therewith.

Section 13.02. Notices. Any notice, demand, direction, certificate, request, instrument or other communication authorized or required by this Indenture to be given to or filed with the Issuer, the Institution or the Trustee shall be sufficient if sent (i) by return receipt requested or registered or certified United States mail, postage prepaid, (ii) by a nationally recognized overnight delivery service for overnight delivery, charges prepaid or (iii) by hand delivery, addressed, as follows:

(1) if to the Issuer, to

Build NYC Resource Corporation
One Liberty Plaza
New York, New York 10006
Attention: General Counsel

with a copy to

Build NYC Resource Corporation
One Liberty Plaza
New York, New York 10006
Attention: Executive Director

- (2) if to the Institution, to

Highbridge Facilities, LLC
14 West 170 Street
Bronx, New York 10452
Attention: Chief Financial Officer

with a copy to

Smith Buss & Jacobs
733 Yonkers Avenue, Suite 200
Yonkers, New York 10704
Attention: Tom Smith, Esq., and

- (3) if to the Trustee, to

The Bank of New York Mellon
240 Greenwich Street, Floor 7E
New York, New York 10286
Attention: Corporate Trust Administration

The Issuer, the Institution and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice, certificate or other communication hereunder shall, except as may expressly be provided herein, be deemed to have been delivered or given (i) three (3) Business Days following posting if transmitted by mail, (ii) one (1) Business Day following sending if transmitted for overnight delivery by a nationally recognized overnight delivery service, or (iii) upon delivery if given by hand delivery, with refusal by an Authorized Representative of the intended recipient party to accept delivery of a notice given as prescribed above to constitute delivery hereunder.

Section 13.03. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Issuer, the Institution, the Trustee, the Bond Registrar, the Paying Agents and the Holders of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof. All covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Institution, the Trustee, the Bond Registrar, the Paying Agents and the Holders of the Bonds.

Section 13.04. Partial Invalidity. If any one or more of the provisions of this Indenture or of the Bonds shall be ruled illegal or invalid by any court of competent jurisdiction, the illegality or invalidity of such provision(s) shall not affect any of the remaining provisions

hereof or of the Bonds, but this Indenture and the Bonds shall be construed and enforced as of such illegal or invalid provision had not been contained herein.

Section 13.05. Effective Date; Counterparts. The date of this Indenture shall be for reference purposes only and shall not be construed to imply that this Indenture was executed on the date first above written. This Indenture was delivered on the Closing Date. This Indenture shall become effective upon its delivery on the Closing Date. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.06. Laws Governing Indenture. This Indenture shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without regard or giving effect to the principles of conflicts of laws thereof.

Section 13.07. No Pecuniary Liability of Issuer or Members; No Debt of the State or the City. Every agreement, covenant and obligation of the Issuer under this 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 in this Indenture specified and nothing in the Bonds, in the Loan Agreement, in this 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 this 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 this Indenture or in the Bonds or any obligations herein or therein imposed 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 herein 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 hereunder 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 13.08. Priority of Indenture Over Liens. This Indenture and the Mortgage are given in order to secure funds to pay for the Project and by reason thereof, it is intended that this Indenture and the Mortgage shall be superior to any laborers', mechanics' or

materialmen's liens which may be placed upon the Facility subsequent to the recordation of the Mortgage. In compliance with Section 13 of the Lien Law, the Issuer will receive the advances secured by this Indenture and the Mortgage 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 13.09. Consent to Jurisdiction. Each party hereto irrevocably and unconditionally (i) agrees that any suit, action or other legal proceeding arising out of or related to this Indenture may be brought in the courts of record of the State in New York County or the United States District Court for the Southern District of New York; (ii) consents to the jurisdiction of each such court in any such suit, action or proceeding; (iii) waives any objection which it may have to the venue of any such suit, action or proceeding in such courts; and (iv) waives and relinquishes any rights it might otherwise have (x) to move to dismiss on grounds of forum non conveniens, (y) to remove to any federal -court other than the United States District Court for the Southern District of New York, and (z) to move for a change of venue to a New York State Court outside New York County.

Section 13.10. Waiver of Trial by Jury. Each party hereto hereby expressly waives all rights to a trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of this Indenture or any matters whatsoever arising out of or in any way connected with this Indenture. The provisions of this Indenture relating to waiver of trial by jury shall survive the termination or expiration of this Indenture.

Section 13.11. Legal Counsel; Mutual Drafting. Each party acknowledges that this Indenture is a legally binding contract and that it was represented by legal counsel in connection with the drafting, negotiation and preparation of this Indenture. Each party acknowledges that it and its legal counsel has cooperated in the drafting, negotiation and preparation of this Indenture and agrees that this Indenture and any provision hereof shall be construed, interpreted and enforced without regard to any presumptions against the drafting party. Each party hereby agrees to waive any rule, doctrine or canon of law, including without limitation, the *contra preferentum* doctrine, that would require interpretation of any ambiguities in this Indenture against the party that has drafted it.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Build NYC Resource Corporation, New York, New York, has caused these presents to be executed in its name and behalf by its Chairman, Vice Chairman, Executive Director, Deputy Executive Director or General Counsel and, to evidence its acceptance of the trust hereby created, the Trustee has caused these presents to be signed in its name and behalf by an authorized representative and its corporate seal to be hereunto affixed, all as of the day and year first above written.

BUILD NYC RESOURCE CORPORATION

By: _____
Krishna Omolade
Executive Director

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On the ____ day of December, of the year 2020, before me, the undersigned, personally appeared **Krishna Omolade** known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon the behalf of whom the individual acted, executed the instrument.

Notary Public

Signature Page 1 of 2
Indenture of Trust

**THE BANK OF NEW YORK MELLON, as
Trustee**

By: _____
Name: Latoya S. Elvin
Title: Vice President

STATE OF NEW JERSEY)
 : ss.:
COUNTY OF PASSAIC)

On the ____ day of December, in the year 2020, before me, the undersigned, personally appeared **Latoya S. Elvin** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon the behalf of whom the individual acted, executed the instrument.

Notary Public

Signature Page 2 of 2
Indenture of Trust

APPENDICES

EXHIBIT A

DESCRIPTION OF THE LAND

1400 Cromwell, Bronx, New York

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, KNOWN AS BLOCK 2857 LOT 1, AS THE TAX MAP WAS ON 9/20/1977, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT THE CORNER FORMED BY THE INTERSECTION OF THE NORTHERLY SIDE OF WEST 170TH STREET WITH THE WESTERLY SIDE OF INWOOD AVENUE;

RUNNING THENCE WESTERLY ALONG THE NORTHERLY SIDE OF WEST 170TH STREET, 169.67 FEET TO THE CORNER FORMED BY THE INTERSECTION OF THE NORTHERLY SIDE OF WEST 170TH STREET WITH THE EASTERLY SIDE OF CROMWELL AVENUE;

THENCE NORTHERLY ALONG THE EASTERLY SIDE OF CROMWELL AVENUE, 106.71 FEET;

THENCE EASTERLY ALONG A LINE WHICH FORMS AN INTERIOR ANGLE OF 89° 59' 49.3" WITH THE LAST MENTIONED COURSE, 172.05 FEET TO THE WESTERLY SIDE OF INWOOD AVENUE;

THENCE SOUTHERLY ALONG THE WESTERLY SIDE OF INWOOD AVENUE, 81.22 FEET TO THE CORNER FORMED BY THE INTERSECTION OF THE WESTERLY SIDE OF INWOOD AVENUE WITH THE NORTHERLY SIDE OF WEST 170TH STREET, THE POINT OR PLACE OF BEGINNING.

370 Gerard Avenue, Bronx, New York

REAL PROPERTY IN THE CITY OF NEW YORK, COUNTY OF BRONX, STATE OF NEW YORK, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY SIDE OF GERARD AVENUE DISTANT 202.15 FEET SOUTHERLY FROM THE CORNER FORMED BY THE INTERSECTION OF THE EASTERLY SIDE OF GERARD AVENUE WITH THE SOUTHERLY SIDE OF EAST 144TH STREET;

RUNNING THENCE SOUTHERLY ON THE SAID EASTERLY SIDE OF GERARD AVENUE, 50.07 FEET;

THENCE EASTERLY ON A LINE FORMING AN ANGLE ON ITS NORTHERLY SIDE OF 92° 29' 48" WITH THE SAID EASTERLY SIDE OF GERARD AVENUE, 129.46 FEET;

THENCE NORTHERLY ON A LINE FORMING AN ANGLE ON ITS WESTERLY SIDE OF 91° 54' 00" WITH THE LAST MENTIONED COURSE, 50.07 FEET;

THENCE WESTERLY ON A LINE FORMING AN INTERIOR ANGLE OF 88° 05' 33" WITH THE LAST MENTIONED COURSE 133.30 FEET TO THE POINT OR PLACE OF BEGINNING.

316, 325, 335 E. 165 St, Bronx, New York

REAL PROPERTY IN THE CITY OF NEW YORK, COUNTY OF BRONX, STATE OF NEW YORK, DESCRIBED AS FOLLOWS:

PARCELS I (FOR INFORMATION ONLY: BLOCK 2432 LOT 80 F/K/A LOTS 62, 64, 66, 67, 70 AND 80):

ALL THAT/THOSE CERTAIN PIECE/S OR PARCEL/S OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BRONX, CITY AND STATE OF NEW YORK, DESIGNATED ON THE TAX MAP OF THE CITY OF NEW YORK, FOR THE BOROUGH OF BRONX, AS SAID TAX MAP WAS ON LOT 62- JULY 25, 1972, LOTS 64, 66, 67, 80- DECEMBER 5, 1978, LOT 70 - MARCH 26, 1974.

PARCEL VII (FOR INFORMATION ONLY: BLOCK 2433 LOT 40):

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, MORE PARTICULARLY DESIGNATED ON THE TAX MAP OF THE CITY OF NEW YORK, FOR THE BOROUGH OF BRONX AS SECTIONS 9 TO 12

AND 14 TO 19, AS SERIAL NO. 769 SECTION 9 BLOCK 2433 LOT 40. PARCEL VIII (FOR INFORMATION ONLY: BLOCK 433 LOT 79):

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH AND COUNTY OF BRONX, CITY AND STATE OF NEW YORK, MORE PARTICULARLY DESIGNATED ON THE TAX MAP OF THE CITY OF NEW YORK, FOR THE BOROUGH OF BRONX AS SECTIONS 9 TO 12 AND 14 TO 19 AS SAID TAX MAP WAS ON THE 20TH DAY OF SEPTEMBER, 1977, AS SERIAL NO. 1076 SECTION 9 BLOCK 2433 LOT 79.

EXHIBIT B

DESCRIPTION OF THE FACILITY PERSONALTY

The acquisition of fixtures and other equipment for incorporation and/or use at the building located at 1400 Cromwell Avenue, Bronx, New York (Block 2857 Lot 1), financed with the proceeds of the Build NYC Resource Corporation Revenue Bonds, Series 2020A-1 (Family Life Academy Charter Schools Project) and the Build NYC Resource Corporation Taxable Revenue Bonds, Series 2020A-2 (Family Life Academy Charter Schools Project)

and

The acquisition of fixtures and other equipment for incorporation and/or use at the building located at 370 Gerard Avenue, Bronx, New York (Block 2344 Lot 110), financed with the proceeds of the Build NYC Resource Corporation Revenue Bonds, Series 2020B-1 (Family Life Academy Charter Schools Project) and the Build NYC Resource Corporation Taxable Revenue Bonds, Series 2020B-2 (Family Life Academy Charter Schools Project)

and

The acquisition of fixtures and other equipment for incorporation and/or use at the building located at 316 East 165th Street, Bronx, New York (Tax Block 2432 and Lot 80), 325 East 165th Street, Bronx, New York (a/k/a 321 East 165th Street) (Tax Block 2433 and Lot 40) and 335 East 165th Street, Bronx, New York (Tax Block 2433 and Lot 79) financed with the proceeds of the Build NYC Resource Corporation Revenue Bonds, Series 2020C-1 (Family Life Academy Charter Schools Project) and the Build NYC Resource Corporation Taxable Revenue Bonds, Series 2020C-2 (Family Life Academy Charter Schools Project).

EXHIBIT C-1

FORM OF FULLY REGISTERED TAX-EXEMPT BOND

THIS BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS 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 SHALL BE LIABLE HEREON, NOR SHALL THIS BOND BE PAYABLE OUT OF ANY FUNDS OF THE BUILD NYC RESOURCE CORPORATION OTHER THAN THOSE PLEDGED THEREFOR. THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO AN "ACCREDITED INVESTOR" AS SUCH TERM IS DEFINED IN RULE 501 OF REGULATION D OF THE SECURITIES ACT OF 1933 OR A "QUALIFIED INSTITUTIONAL BUYER" AS THAT TERM IS DEFINED UNDER RULE 144A OF THE SECURITIES EXCHANGE COMMISSION.

**BUILD NYC RESOURCE CORPORATION
REVENUE BOND**

(FAMILY LIFE ACADEMY CHARTER SCHOOLS PROJECT), SERIES 2020[A-1][B-1][C-1]

Bond Date: December 22, 2020

Maturity Date: [June 1, 2040][June 1, 2055]

Registered Owner: Cede & Co.

Principal Amount:

\$[20,370,000][49,390,000][4,480,000][8,605,000][12,665,000][25,510,000]

Interest Rate: [____%]

Bond Number: [A-1R-1][A-1R-2][B-1R-1][B-1R-2][C-1R-1][C-1R-2]

CUSIP: [12008KAA0][12008KAB8][12008KAD4][12008KAE2]
[12008KAG7][12008KAH5]

Promise to Pay. Build NYC Resource Corporation, a 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 (herein called the "**Issuer**"), for value received, hereby promises to pay as hereinafter provided, solely from the loan payments, revenues and receipts as provided in the Indenture of Trust hereinafter referred to, to the Registered Holder identified above or registered assigns, upon presentation and surrender hereof, on the Maturity Date set forth above, the Principal Amount set forth above, and in like manner to pay interest at the Interest Rate set forth above on the unpaid principal balance hereof from the Bond Date set

forth above until the Issuer's obligation with respect to the payment of such Principal Amount shall be discharged. Payment of interest shall be made on June 1 and December 1 in each year, commencing June 1, 2021 (or, if such day is not a Business Day, the immediately succeeding Business Day). Such interest shall be computed on the basis of a 360-day year of twelve 30-day months. In no event shall the interest rate payable hereon exceed the maximum permitted by, or enforceable under, applicable law. Payment shall be made in any coin or currency of the United States of America which, on the respective dates of payment, is legal tender for the payment of public and private debts. Capitalized terms used but not defined in this bond shall have the respective meanings assigned to such terms in the Indenture hereinafter referred to.

This bond shall bear interest from the Bond Date indicated above, if authenticated prior to the first Interest Payment Date. If authenticated on or after the first Interest Payment Date, in exchange for or upon the registration of transfer of Bonds (as defined below), this bond shall bear interest from and including the Interest Payment Date next preceding the date of the authentication hereof, unless the date of such authentication shall be an Interest Payment Date to which interest hereon has been paid in full or duly provided for, in which case, this bond shall bear interest from and including such Interest Payment Date.

If there shall occur, and for so long as there shall continue to exist, an Event of Default (other than by reason of a failure to redeem the Bonds in whole if there shall have occurred a Determination of Taxability), the annual rate of interest on the Bonds shall be the Default Rate commencing with the date of the occurrence of the Event of Default and any additional interest thereby due with respect to a period of time for which interest has already been paid shall be payable on the Interest Payment Date next following the Event of Default. Any former Bondholder who was a Bondholder commencing on or after the date of the occurrence of the Event of Default, but who subsequent to such date sold or otherwise disposed of its Bonds or whose Bonds were redeemed or matured, shall be entitled to receive from the Institution under the Loan Agreement (as such terms are hereinafter defined) the following, in an amount allocable to such period during which it held the Bonds subsequent to the Event of Default and the date upon which the Bonds were sold, or otherwise disposed of, or redeemed or matured: the difference between the rate of interest borne by the Bonds prior to the Event of Default and the rate borne by the Bonds on and subsequent to such date.

If there shall occur a Determination of Taxability, the annual rate of interest on the Tax-Exempt Bonds shall be the Taxable Rate commencing with the date of the Event of Taxability and any additional interest thereby due with respect to a period of time for which interest has already been paid shall be payable on the Interest Payment Date next following the Determination of Taxability. Any former Bondholder who was a Bondholder commencing on or after the date of the occurrence of an Event of Taxability, but who subsequent to such date sold or otherwise disposed of its Tax-Exempt Bonds or whose Tax-Exempt Bonds were redeemed or matured, shall be entitled to receive from the Institution under the Loan Agreement the following, in an amount allocable to such period during which it held the Tax-Exempt Bonds subsequent to the Event of Taxability and the date upon which the Tax-Exempt Bonds were sold, or otherwise disposed of, or redeemed or matured: the difference between the rate of interest borne by the Tax-Exempt Bonds prior to the Event of Taxability and the rate borne by the Tax-Exempt Bonds on and subsequent to such date.

Method of Currency. The principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on the Bonds shall be payable in any coin or currency of the United States of America that on the respective dates of payment thereof is legal tender for the payment of public and private debts.

Payments. The principal of, Sinking Fund Installments for, and the Redemption Price, if applicable, on all 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 Bonds are registered on the bond registration books maintained by the Trustee as Bond Registrar at the maturity or redemption date thereof, provided, however, that the payment in full of any Bond either at final maturity or upon redemption in whole shall only be payable upon the presentation and surrender of such Bonds at the designated corporate trust office of The Bank of New York Mellon in New York, New York, as trustee and paying agent (the “**Paying Agent**”), or at the corporate trust office of any successor Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid by the Trustee to the registered owner of such Bond as shown on the bond registration books of the Trustee as Bond Registrar at the close of business on the Regular 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 Bonds are held by a Securities Depository or, at the written request addressed to the Trustee by any registered owner of 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 Regular Record Date for any interest payment.

Interest on any 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 Bond on the relevant Regular Record Date and shall be payable to the owner in whose name such 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.

Authorization and Purpose. This bond is one of an authorized issue of bonds designated as “Build NYC Resource Corporation Revenue Bonds (Family Life Academy Charter Schools Project Project), Series 2020” issued in the aggregate principal amount of \$125,105,000. The Issuer has issued its \$69,760,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”); its \$2,125,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-2 (the “**Series 2020A-2 Bonds**”); its \$13,085,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”); its \$340,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-2 (the “**Series 2020B-2 Bonds**”); its \$38,175,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), and; its \$1,620,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-2 (the “**Series 2020C-2 Bonds**”; and, together with the Series 2020A-1 Bonds, the Series 2020A-2 Bonds, the Series 2020B-1 Bonds, the Series 2020B-2 Bonds and the Series 2020C-1 Bonds, the “**Initial Bonds**” or “**Bonds**”). The Bonds are being issued under and

pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the Not-for-Profit Corporation Law of the State of New York, and under and pursuant to a resolution adopted by the members of the Issuer on September 22, 2020 authorizing the issuance of the Bonds and under and pursuant to an Indenture of Trust, dated as of December 1, 2020 (as the same may be amended or supplemented, the “**Indenture**”), made and entered into by and between the Issuer and The Bank of New York Mellon, as trustee (said bank and any successor thereto under the Indenture being referred to herein as the “**Trustee**”), for the purpose of financing a portion of the cost of the (1) the acquisition of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement), facility, including parking (the “**Cromwell Facility**”); (2) the acquisition, construction, furnishing and equipping of an existing 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York (the “**Gerard Avenue Facility**”); (3) the acquisition, construction, furnishing and equipping of an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street (the “**165th Street Facility**”; and, together with the Cromwell Facility and the Gerard Avenue Facility, the “**Facilities**”); (4) funding the initial deposit into the Debt Service Reserve Fund, and (5) paying for certain costs related to the issuance of the Bonds (the “**Project**”) on behalf Highbridge Facilities, LLC, a single purpose Delaware limited liability company that is a disregarded entity for federal income tax purposes, having as its sole member, the Organization, and its successors and assigns (hereinafter together with any assignee of the Loan Agreement hereafter referred to, called the “**Institution**”). In order to finance a portion of the costs of the Project, the Issuer has made a loan to the Institution in the original principal amount of the Bonds from the proceeds of the Bonds pursuant to a certain Loan Agreement, dated as of December 1, 2020, between the Issuer and the Institution (as the same may be amended or supplemented, the “**Loan Agreement**”), and the Institution has executed certain Promissory Notes each dated the date of original issuance of the Initial Bonds in favor of the Issuer (collectively, as the same may be amended or supplemented, the “**Promissory Note**”) to evidence the Institution’s obligation under the Loan Agreement to repay such loan. Each of the Loan Agreement and the Promissory Note requires the payment by the Institution of loan payments sufficient to provide for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest on the Bonds as the same become due. Copies of the Indenture, the Loan Agreement, the Promissory Note, the Pledge and Security Agreement hereinafter referred to, and the Mortgage hereinafter referred to are on file at the designated corporate trust office of the Trustee in New York, New York, and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of loan payments, the custody and application of the proceeds of the Bonds, the rights and remedies of the holders of the Bonds, and the rights, duties and obligations of the Issuer, the Institution and the Trustee.

Pledge and Security. Pursuant to the Indenture, the Issuer has assigned to the Trustee all of its right, title and interest in and to the Promissory Note and substantially all of its right, title and interest in and to the Loan Agreement, including all rights to receive loan payments sufficient to pay the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest and all other amounts due on the Bonds as the same become due, to be made by the Institution pursuant to the Loan Agreement and the Promissory Note. The Bonds are further

secured by a lien and security interest in all assets of the Institution pursuant to a certain Pledge and Security Agreement, dated as of December 1, 2020, from the Institution to the Trustee (as the same may be amended or supplemented, the “**Pledge and Security Agreement**”). The Bonds are also secured by mortgage liens on and security interests in the Institution’s fee title interest in the Facility pursuant to (i) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Acquisition Loan), (ii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Building Loan), and (iii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Indirect Loan), (iv) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Acquisition Loan), (v) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Indirect Loan), (vi) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Acquisition Loan) and (vii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Indirect Loan), relating to the Facility, each dated as of even date herewith, and each from the Institution to the Issuer and the Trustee (as each of the same may hereafter be amended or supplemented, collectively the “**Mortgage**”). Pursuant to an Assignment of Mortgage (as defined in the Indenture), the Issuer has assigned to the Trustee all of the Issuer’s right, title and interest in and to the Mortgage.

THE BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER AND SHALL NEVER 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 SHALL BE LIABLE THEREON, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR.

Reference is hereby made to the Indenture for the definition of any capitalized word or term used but not defined herein and for a description of the property pledged, assigned and otherwise available for the payment of the Bonds, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer, the Trustee and the holders of the Bonds, and the terms upon which the Bonds are issued and secured.

Additional Bonds. As provided in the Indenture, upon satisfying certain conditions including compliance with the Covenant Agreement and obtaining certain prescribed Bondholder consents, a Series of Additional Bonds may be issued from time to time in one or more series for the purpose of financing the cost of completing the Project, 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, providing extensions, additions or improvements to the Facility, or refunding outstanding Bonds (to the extent that such Bonds shall be subject to earlier redemption). All bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and covenants made therein, except as may otherwise be expressly provided in the Indenture.

General Interest Rate Limitation. Anything herein or in the Indenture to the contrary notwithstanding, the obligations of the Issuer hereunder and under the Indenture shall be subject to the limitation that payments of interest or other amounts hereon shall not be required to the extent that receipt of any such payment by a holder of this bond would be contrary to the

provisions of law applicable to such holder of this bond which would limit the maximum rate of interest which may be charged or collected by such holder of this bond.

Redemption of Bonds. (A) **General Optional Redemption.** The Series 2020A-1 Bonds, the Series 2020B-1 Bonds and the Series 2020C-1 Bonds shall be subject to redemption, on or after December 1, 2030 in whole or in part at any time 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 pursuant to Section 4.3(c) thereof), at the Redemption Price of one hundred percent (100%) of the principal amount of the Series 2020A-1 Bonds, the Series 2020B-1 Bonds or the Series 2020C-1 Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption. The Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds are not subject to optional redemption.

(B) **Extraordinary Redemption.** The 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 a Redemption Price of one hundred percent (100%) of the unpaid principal amount thereof plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

(i) The Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 the Cromwell Facility, the Gerard Avenue Facility or the 165th Street Facility for a period of one year from the date of such damage or destruction, or (C) the restoration cost of the Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 Cromwell Facility, the Gerard Avenue Facility or the 165th Street 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 of New York or of legislative or executive action of said 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 any Series of 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 corresponding to such Series of Initial Bonds for its intended purposes.

(a) (C) Mandatory Sinking Fund Installment Redemption. (i) The Series 2020A-1 Bonds maturing on June 1, 2040 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund <u>Installment</u>	Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund <u>Installment</u>
2028	\$1,115,000	2035	1,620,000
2029	1,190,000	2036	1,705,000
2030	1,255,000	2037	1,795,000
2031	1,320,000	2038	1,890,000
2032	1,390,000	2039	1,990,000
2033	1,465,000	2040	2,095,000*
2034	1,540,000	(*Final Maturity)	

(i) The Series 2020A-1 Bonds maturing on June 1, 2055 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2041	\$2,205,000	2049	3,380,000
2042	2,325,000	2050	3,570,000
2043	2,455,000	2051	3,765,000
2044	2,590,000	2052	3,970,000
2045	2,730,000	2053	4,190,000
2046	2,880,000	2054	4,420,000
2046	3,040,000	2055*	4,665,000
2048	3,205,000		
		(Final Maturity*)	

(ii) The Series 2020B-1 Bonds maturing on June 1, 2040 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2024	\$155,000	2032	255,000
2025	185,000	2033	270,000
2026	190,000	2034	285,000
2027	200,000	2035	300,000
2028	210,000	2036	315,000
2029	220,000	2037	330,000
2030	235,000	2038	345,000
2031	245,000	2039	360,000
		2040*	380,000
		(Final Maturity*)	

(iii) The Series 2020B-1 Bonds maturing on June 1, 2055 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2041	\$400,000	2050	620,000
2042	420,000	2051	650,000
2043	440,000	2052	680,000
2044	460,000	2053	715,000
2045	485,000	2054	750,000
2046	510,000	2055*	790,000
2047	535,000		
2048	560,000		
2049	590,000		

(Final Maturity*)

(iv) The Series 2020C-1 Bonds maturing on June 1, 2040 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2025	\$390,000	2034	840,000
2026	570,000	2035	885,000
2027	600,000	2036	925,000
2028	630,000	2037	975,000
2029	660,000	2038	1,020,000
2030	690,000	2039	1,070,000
2031	725,000	2040*	1,125,000
2032	760,000		
2033	800,000		

(Final Maturity*)

(v) The Series 2020C-1 Bonds maturing on June 1, 2055 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date	Sinking Fund Installment	Sinking Fund Installment Payment Date	Sinking Fund Installment
<u>(June 1)</u>	<u>Installment</u>	<u>(June 1)</u>	<u>Installment</u>
2041	\$1,180,000	2050	1,835,000
2042	1,240,000	2051	1,925,000
2043	1,305,000	2052	2,020,000
2044	1,370,000	2053	2,125,000
2045	1,435,000	2054	2,230,000
2046	1,510,000	2055*	2,340,000
2047	1,585,000		
2048	1,665,000		
2049	1,745,000	(Final Maturity*)	

(D) Mandatory Redemption from Excess Proceeds and Certain Other Amounts.

The Bonds shall be redeemed at any time in whole or in part by lot prior to maturity in the event and to the extent:

- (i) excess Bond proceeds shall remain after the completion of the Project,
- (ii) excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the Loan Agreement and the Indenture, or
- (iii) excess proceeds shall remain after the release or substitution of Facility Realty or Facility Personalty that was financed with Bond Proceeds, unless the Issuer and the Trustee shall receive (i) an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee substantially to the effect that such release or substitution of Facility Realty or Facility Personalty that was financed with Bond proceeds nor any transaction directly related thereto will adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for purposes of federal income taxation, and (ii) such other opinions, certificates or documentation as the Issuer or the Trustee (acting with the advice of its counsel) may require;

in each case at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

(E) Mandatory Redemption Upon Failure to Operate the Facility for the Approved Project Operations, Material Violation of Material Legal Requirements, False Representation or Failure to Maintain Liability Insurance. The 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 shall determine 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 shall fail 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 shall fail 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 shall be made upon notice or waiver of notice to the Bondholders as provided in the Indenture, 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.

(F) Mandatory Taxability Redemption. Upon the occurrence of a Determination of Taxability, the Tax-Exempt Bonds shall be redeemed prior to maturity on any date within one hundred twenty (120) days following such Determination of Taxability, at a Redemption Price equal to one hundred five percent (105%) of the principal amount thereof, together with accrued interest at the Taxable Rate from the occurrence of the Event of Taxability to the date of redemption. The Tax-Exempt Bonds shall be redeemed in whole unless redemption of a portion of the Tax-Exempt Bonds Outstanding would have the result that interest payable on the Tax-Exempt Bonds remaining Outstanding after such redemption would not be includable in the gross income of any holder of a Bond. In such event, the Tax-Exempt Bonds shall be redeemed in such amount as is deemed necessary in the opinion of Nationally Recognized Bond Counsel to accomplish that result.

(G) Purchase in Lieu of Optional Redemption. In lieu of calling the Tax-Exempt Bonds for optional redemption, the Tax-Exempt 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 December 1, 2030, at a Purchase Price equal to the applicable Redemption Price for any optional redemption of such Tax-Exempt Bonds as provided in the Indenture, plus accrued interest to the purchase date. Purchases of tendered Tax-Exempt Bonds may be made without regard to any provision of this Indenture relating to the selection of Tax-Exempt Bonds in a partial optional redemption. The Tax-Exempt Bonds purchased pursuant to any mandatory tender(s) are not required to be cancelled, and if not so cancelled (subject to Section 11.6 of 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 this Indenture relating to the selection of the Tax-Exempt 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 Bonds for purposes

of federal income taxation, and (ii) such other opinions, certificates or documentation as the Issuer or the Trustee (acting with the advice of its counsel) may require.

Redemption Procedures. If any of the Bonds are to be called for redemption, the Indenture requires a copy of the redemption notice to be mailed at least thirty (30) days prior to such redemption date to the registered owner of each Bond to be redeemed at the address shown on the registration books. All Bonds so called for redemption will cease to bear interest after the date fixed for redemption if funds for their redemption are on deposit at the place of payment at that time. If notice of redemption shall have been given as aforesaid, the Bonds called for redemption shall become due and payable on the redemption date, provided, however, that with respect to any optional redemption of the Bonds as provided in this bond, such notice 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 such 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 such 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 Bonds so called for redemption at the place or places of payment, such Bonds shall be redeemed.

Amendment of Indenture. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the holders of the Bonds at any time by the Issuer with the consent of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding thereunder. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer thereof, whether or not notation of such consent is made thereon.

Denominations. The Bonds are issuable in the form of fully registered bonds in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof.

Exchange of Bonds. The holder of this bond may surrender the same, at the designated corporate trust office of the Trustee, in exchange for an equal aggregate principal amount of Bonds of any of the Authorized Denominations of the same maturity and maturities and interest rate as this bond or the Bonds so surrendered, subject to the conditions and upon payment of the charges provided in the Indenture. However, the Trustee will not be required to (i) transfer or exchange any Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Bonds to be redeemed, or (ii) transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

Transfer of Bonds. This bond is transferable, as provided in the Indenture, only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Trustee by the registered owner hereof in person, or by his duly authorized attorney-in-fact, upon

surrender of this bond (together with a written instrument of transfer in the form appearing on this bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15, and thereupon a new fully registered Bond in the same aggregate principal amount and maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Indenture and upon payment of the charges therein prescribed. The Issuer, the Bond Registrar, the Trustee and any Paying Agent may deem and treat the Person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof, the Sinking Fund Installments therefor, and interest due hereon and for all other purposes whatsoever, 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 Bond to the extent of the sum or sums so paid, and neither the Issuer, the Institution, the Bond Registrar, the Trustee nor any Paying Agent shall be affected by any notice to the contrary.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Issuer or the Trustee may make a charge sufficient to reimburse it for any expenses and any tax, fee or other governmental charge required to be paid in connection therewith; any such expenses shall be paid by the Institution but any such tax, fee or other governmental charge shall be paid by the Holder requesting such transfer or exchange.

Book Entry System. The Bonds are being issued by means of a book entry system with no physical distribution of bond certificates to be made except as provided in the Indenture. One Bond certificate with respect to each date on which the Bonds are stated to mature, registered in the nominee name of the Securities Depository, is being issued and required to be deposited with the Securities Depository and immobilized in its custody or in the custody of its agent. The book entry system will evidence positions held in the Bonds by the Securities Depository's Participants, beneficial ownership of the Bonds in Authorized Denominations being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository and its Participants. The Issuer and the Trustee will recognize the Securities Depository nominee, while the registered owner of this bond, as the owner of this bond for all purposes, including (i) payments of principal of, Sinking Fund Installments for, if any, redemption premium, if any, and interest on, this bond, (ii) notices, and (iii) voting. Transfer of principal, Sinking Fund Installments, interest and any redemption premium payments to Participants of the Securities Depository, and transfer of principal, Sinking Fund Installments, interest and any redemption premium payments to Beneficial Owners of the Bonds by Participants of the Securities Depository will be the responsibility of such Participants and other nominees of such Beneficial Owners. The Issuer and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its Participants or persons acting through such Participants. While the Securities Depository nominee is the owner of this bond, notwithstanding the provision hereinabove contained, payments of principal of, Sinking Fund Installments, if any, redemption premium, if any, and interest on this bond shall be made in accordance with existing arrangements among the Issuer, the Trustee and the Securities Depository.

Acceleration of Bonds. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds and Additional Bonds issued under the Indenture and then Outstanding may be declared and may become due and payable before the stated maturities thereof, together with accrued interest thereon.

Limitation on Bondholder Enforcement Rights. The holder of this bond shall have no right to enforce the provisions of the Indenture, to institute action to enforce the provisions and covenants thereof or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Special Obligation of the Issuer. This bond and the issue of which it forms a part are special limited revenue obligations of the Issuer, payable by the Issuer solely out of the loan payments, revenues or other receipts, funds or moneys of the Issuer pledged under the Indenture and from any amounts otherwise available under the Indenture for the payment of the Bonds.

Estoppel Clause. It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed, and that the issuance of this bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

No Personal Liability. Neither the members, directors, officers or agents of the Issuer nor any person executing this bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

Authentication by Trustee. This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Build NYC Resource Corporation has caused this bond to be executed in its name by the manual or facsimile signature of its Chairman, Vice Chairman, Executive Director, Deputy Executive Director or General Counsel and its official seal or a facsimile thereof to be hereunto impressed or imprinted hereon and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel, all as of the Bond Date indicated above.

BUILD NYC RESOURCE CORPORATION

By: _____
Authorized Signatory

(SEAL)

ATTEST:

Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the issue described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON
as Trustee

By: _____
Authorized Signatory

Date of Authentication: December 22, 2020

(FORM OF ASSIGNMENT)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

(Please print or typewrite name, address and taxpayer identification number of transferee)

the within bond and does hereby irrevocably constitute and appoint _____
Attorney to transfer such bond on the books kept for the registration thereof, with full power of
substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment
must correspond with the name as it appears
on the face of the within bond in every
particular, without alteration or enlargement
or any change whatever.

**SIGNATURE GUARANTEED
MEDALLION GUARANTEED**

Authorized Signature
(Signature Guarantee Program Name)

[Signature Guarantee must be by a
member of the Stock Exchange
Medallion Program or the New York
Stock Exchange, Inc. Signature Program
in accordance with Securities and
Exchange Commission Rule 17Ad-15]

[END OF FORM OF TAX-EXEMPT BONDS]

EXHIBIT C-2

FORM OF FULLY REGISTERED TAXABLE BOND

THIS BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS 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 SHALL BE LIABLE HEREON, NOR SHALL THIS BOND BE PAYABLE OUT OF ANY FUNDS OF THE BUILD NYC RESOURCE CORPORATION OTHER THAN THOSE PLEDGED THEREFOR. THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO AN “ACCREDITED INVESTOR” AS SUCH TERM IS DEFINED IN RULE 501 OF REGULATION D OF THE SECURITIES ACT OF 1933 OR A “QUALIFIED INSTITUTIONAL BUYER” AS THAT TERM IS DEFINED UNDER RULE 144A OF THE SECURITIES EXCHANGE COMMISSION.

BUILD NYC RESOURCE CORPORATION
TAXABLE REVENUE BOND
(FAMILY LIFE ACADEMY CHARTER SCHOOLS PROJECT), SERIES 2020[A-2][B-2][C-2]

Bond Date: December 22, 2020
Maturity Date: June 1, [2028][2024][2025]
Registered Owner: Cede & Co.
Principal Amount: \$[2,125,000][340,000][1,620,000]
Interest Rate: 5.25%
Bond Number: [A-2R-1][B-2R-1][C-2R-1]
CUSIP: [12008KAC6][12008KAF9][12008KAJ1]

Promise to Pay. Build NYC Resource Corporation, a 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 (herein called the “**Issuer**”), for value received, hereby promises to pay as hereinafter provided, solely from the loan payments, revenues and receipts as provided in the Indenture of Trust hereinafter referred to, to the Registered Holder identified above or registered assigns, upon presentation and surrender hereof, on the Maturity Date set forth above, the Principal Amount set forth above, and in like manner to pay interest at the Interest Rate set forth above on the unpaid principal balance hereof from the Bond Date set forth above until the Issuer’s obligation with respect to the payment of such Principal Amount shall be discharged. Payment of interest shall be made on June 1 and December 1 in each year,

commencing June 1, 2021 (or, if such day is not a Business Day, the immediately succeeding Business Day). Such interest shall be computed on the basis of a 360-day year of twelve 30-day months. In no event shall the interest rate payable hereon exceed the maximum permitted by, or enforceable under, applicable law. Payment shall be made in any coin or currency of the United States of America which, on the respective dates of payment, is legal tender for the payment of public and private debts. Capitalized terms used but not defined in this bond shall have the respective meanings assigned to such terms in the Indenture hereinafter referred to.

This bond shall bear interest from the Bond Date indicated above, if authenticated prior to the first Interest Payment Date. If authenticated on or after the first Interest Payment Date, in exchange for or upon the registration of transfer of Bonds (as defined below), this bond shall bear interest from and including the Interest Payment Date next preceding the date of the authentication hereof, unless the date of such authentication shall be an Interest Payment Date to which interest hereon has been paid in full or duly provided for, in which case, this bond shall bear interest from and including such Interest Payment Date.

If there shall occur, and for so long as there shall continue to exist, an Event of Default (other than by reason of a failure to redeem the Bonds in whole if there shall have occurred a Determination of Taxability), the annual rate of interest on the Bonds shall be the Default Rate commencing with the date of the occurrence of the Event of Default and any additional interest thereby due with respect to a period of time for which interest has already been paid shall be payable on the Interest Payment Date next following the Event of Default. Any former Bondholder who was a Bondholder commencing on or after the date of the occurrence of the Event of Default, but who subsequent to such date sold or otherwise disposed of its Bonds or whose Bonds were redeemed or matured, shall be entitled to receive from the Institution under the Loan Agreement (as such terms are hereinafter defined) the following, in an amount allocable to such period during which it held the Bonds subsequent to the Event of Default and the date upon which the Bonds were sold, or otherwise disposed of, or redeemed or matured: the difference between the rate of interest borne by the Bonds prior to the Event of Default and the rate borne by the Bonds on and subsequent to such date.

Method of Currency. The principal, Purchase Price or Redemption Price of, Sinking Fund Installments for, and interest on the Bonds shall be payable in any coin or currency of the United States of America that on the respective dates of payment thereof is legal tender for the payment of public and private debts.

Payments. The principal of, Sinking Fund Installments for, and the Redemption Price, if applicable, on all 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 Bonds are registered on the bond registration books maintained by the Trustee as Bond Registrar at the maturity or redemption date thereof, provided, however, that the payment in full of any Bond either at final maturity or upon redemption in whole shall only be payable upon the presentation and surrender of such Bonds at the designated corporate trust office of The Bank of New York Mellon in New York, New York, as trustee and paying agent (the “**Paying Agent**”), or at the corporate trust office of any successor Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid by the Trustee to the registered owner of such Bond as shown on the bond registration books of the Trustee as Bond Registrar at the close of business on the Regular 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 Bonds are held by a Securities Depository or, at the written request addressed to the Trustee by any registered owner of 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 Regular Record Date for any interest payment.

Interest on any 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 Bond on the relevant Regular Record Date and shall be payable to the owner in whose name such 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.

Authorization and Purpose. This bond is one of an authorized issue of bonds designated as “Build NYC Resource Corporation Revenue Bonds (Family Life Academy Charter Schools Project Project), Series 2020” issued in the aggregate principal amount of \$125,105,000. The Issuer has issued its \$69,760,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”); its \$2,125,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-2 (the “**Series 2020A-2 Bonds**”); its \$13,085,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”); its \$340,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-2 (the “**Series 2020B-2 Bonds**”); its \$38,175,000 Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), and; its \$1,620,000 Taxable Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-2 (the “**Series 2020C-2 Bonds**”; and, together with the Series 2020A-1 Bonds, the Series 2020A-2 Bonds, the Series 2020B-1 Bonds, the Series 2020B-2 Bonds and the Series 2020C-1 Bonds, the “**Initial Bonds**” or “**Bonds**”).” The Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the Not-for-Profit Corporation Law of the State of New York, and under and pursuant to a resolution adopted by the members of the Issuer on September 22, 2020 authorizing the issuance of the Bonds and under and pursuant to an Indenture of Trust, dated as of December 1, 2020 (as the same may be amended or supplemented, the “**Indenture**”), made and entered into by and between the Issuer and The Bank of New York Mellon, as trustee (said bank and any successor thereto under the Indenture being referred to herein as the “**Trustee**”), for the purpose of financing a portion of the cost of the (1) the acquisition of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement), facility, including parking (the “**Cromwell Facility**”); (2) the acquisition, construction, furnishing and equipping of an existing 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York (the “**Gerard Avenue Facility**”); (3) the acquisition, construction, furnishing and equipping of an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East

165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 325 East 165th Street and 335 East 165th Street (the “**165th Street Facility**”; and, together with the Cromwell Facility and the Gerard Avenue Facility, the “**Facilities**”); (4) funding the initial deposit into the Debt Service Reserve Fund, and (5) paying for certain costs related to the issuance of the Bonds (the “**Project**”) on behalf Highbridge Facilities, LLC, a single purpose Delaware limited liability company that is a disregarded entity for federal income tax purposes, having as its sole member, the Organization, and its successors and assigns (hereinafter together with any assignee of the Loan Agreement hereafter referred to, called the “**Institution**”). In order to finance a portion of the costs of the Project, the Issuer has made a loan to the Institution in the original principal amount of the Bonds from the proceeds of the Bonds pursuant to a certain Loan Agreement, dated as of December 1, 2020, between the Issuer and the Institution (as the same may be amended or supplemented, the “**Loan Agreement**”), and the Institution has executed certain Promissory Notes each dated the date of original issuance of the Initial Bonds in favor of the Issuer (collectively, as the same may be amended or supplemented, the “**Promissory Note**”) to evidence the Institution’s obligation under the Loan Agreement to repay such loan. Each of the Loan Agreement and the Promissory Note requires the payment by the Institution of loan payments sufficient to provide for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest on the Bonds as the same become due. Copies of the Indenture, the Loan Agreement, the Promissory Note, the Pledge and Security Agreement hereinafter referred to, and the Mortgage hereinafter referred to are on file at the designated corporate trust office of the Trustee in New York, New York, and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of loan payments, the custody and application of the proceeds of the Bonds, the rights and remedies of the holders of the Bonds, and the rights, duties and obligations of the Issuer, the Institution and the Trustee.

Pledge and Security. Pursuant to the Indenture, the Issuer has assigned to the Trustee all of its right, title and interest in and to the Promissory Note and substantially all of its right, title and interest in and to the Loan Agreement, including all rights to receive loan payments sufficient to pay the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest and all other amounts due on the Bonds as the same become due, to be made by the Institution pursuant to the Loan Agreement and the Promissory Note. The Bonds are further secured by a lien and security interest in all assets of the Institution pursuant to pursuant to a certain Pledge and Security Agreement, dated as of December 1, 2020, from the Institution to the Trustee (as the same may be amended or supplemented, the “**Pledge and Security Agreement**”). The Bonds are also secured by mortgage liens on and security interests in the Institution’s fee title interest in the Facility pursuant to (i) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Acquisition Loan), (ii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Building Loan), and (iii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Cromwell Indirect Loan), (iv) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Acquisition Loan), (v) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Gerard Ave. Indirect Loan), (vi) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Acquisition Loan) and (vii) the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (E. 165th St. Indirect Loan), relating to the Facility, each dated as of even date herewith, and each from the Institution to the Issuer and the Trustee (as each of the same may hereafter be

amended or supplemented, collectively the “**Mortgage**”). Pursuant to an Assignment of Mortgage (as defined in the Indenture), the Issuer has assigned to the Trustee all of the Issuer’s right, title and interest in and to the Mortgage.

THE BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER AND SHALL NEVER 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 SHALL BE LIABLE THEREON, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR.

Reference is hereby made to the Indenture for the definition of any capitalized word or term used but not defined herein and for a description of the property pledged, assigned and otherwise available for the payment of the Bonds, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer, the Trustee and the holders of the Bonds, and the terms upon which the Bonds are issued and secured.

Additional Bonds. As provided in the Indenture, upon satisfying certain conditions including compliance with the Covenant Agreement and obtaining certain prescribed Bondholder consents, a Series of Additional Bonds may be issued from time to time in one or more series for the purpose of financing the cost of completing the Project, 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, providing extensions, additions or improvements to the Facility, or refunding outstanding Bonds (to the extent that such Bonds shall be subject to earlier redemption). All bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and covenants made therein, except as may otherwise be expressly provided in the Indenture.

General Interest Rate Limitation. Anything herein or in the Indenture to the contrary notwithstanding, the obligations of the Issuer hereunder and under the Indenture shall be subject to the limitation that payments of interest or other amounts hereon shall not be required to the extent that receipt of any such payment by a holder of this bond would be contrary to the provisions of law applicable to such holder of this bond which would limit the maximum rate of interest which may be charged or collected by such holder of this bond.

Redemption of Bonds. (A) General Optional Redemption. The Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds are not subject to optional redemption.

(B) Extraordinary Redemption. The 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 a Redemption Price of one hundred percent (100%) of the unpaid principal amount thereof plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

(ii) The Cromwell Facility, the Gerard Facility and the 165th Street 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 Cromwell Facility, the Gerard Facility and the 165th Street 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 the Cromwell Facility, the Gerard Facility and the 165th Street Facility for a period of one year from the date of such damage or destruction, or (C) the restoration cost of the Cromwell Facility, the Gerard Facility and the 165th Street 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 Cromwell Facility, the Gerard Facility and the 165th Street 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 Cromwell Facility, the Gerard Facility and the 165th Street 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 of New York or of legislative or executive action of said 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 any Series of 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 corresponding to such Series of Bonds for its intended purposes.

(C) Mandatory Sinking Fund Installment Redemption. (i) The Series 2020A-2 Bonds maturing on June 1, 2028 shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund Installment
2026	\$1,025,000
2027	1,080,000
2028*	20,000
(Final Maturity*)	

(iv) The Series 2020B-2 Bonds maturing on June 1, 2024, shall be 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 Sections 5.07(d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund Installment
2022	\$155,000
2023	165,000
2024*	20,000
(Final Maturity*)	

(v) The Series 2020C-2 Bonds maturing on June 1, 2025 shall be 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 Sections 5.07d) and (f):

Sinking Fund Installment Payment Date <u>(June 1)</u>	Sinking Fund Installment
2022	465,000
2023	490,000
2024	515,000
2025*	150,000
(Final Maturity*)	

(D) Mandatory Redemption from Excess Proceeds and Certain Other Amounts.

The Bonds shall be redeemed at any time in whole or in part by lot prior to maturity in the event and to the extent:

- (i) excess Bond proceeds shall remain after the completion of the Project,
- (ii) excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the Loan Agreement and the Indenture, or
- (iii) excess proceeds shall remain after the release or substitution of Facility Realty or Facility Personalty,

in each case at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

(E) Mandatory Redemption Upon Failure to Operate the Facility for the Approved Project Operations, Material Violation of Material Legal Requirements, False Representation or Failure to Maintain Liability Insurance.

The 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 shall determine 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 shall fail 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 shall fail 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 shall be made upon notice or waiver of notice to the Bondholders as provided in the Indenture, 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.

(F) Reserved.

(G) Reserved.

Redemption Procedures. If any of the Bonds are to be called for redemption, the Indenture requires a copy of the redemption notice to be mailed at least thirty (30) days prior to such redemption date to the registered owner of each Bond to be redeemed at the address shown on the registration books. All Bonds so called for redemption will cease to bear interest after the date fixed for redemption if funds for their redemption are on deposit at the place of payment at that time. If notice of redemption shall have been given as aforesaid, the Bonds called for

redemption shall become due and payable on the redemption date, provided, however, that with respect to any optional redemption of the Bonds as provided in this bond, such notice 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 such 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 such 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 Bonds so called for redemption at the place or places of payment, such Bonds shall be redeemed.

Amendment of Indenture. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the holders of the Bonds at any time by the Issuer with the consent of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding thereunder. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer thereof, whether or not notation of such consent is made thereon.

Denominations. The Bonds are issuable in the form of fully registered bonds in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof.

Exchange of Bonds. The holder of this bond may surrender the same, at the designated corporate trust office of the Trustee, in exchange for an equal aggregate principal amount of Bonds of any of the Authorized Denominations of the same maturity and maturities and interest rate as this bond or the Bonds so surrendered, subject to the conditions and upon payment of the charges provided in the Indenture. However, the Trustee will not be required to (i) transfer or exchange any Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Bonds to be redeemed, or (ii) transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

Transfer of Bonds. This bond is transferable, as provided in the Indenture, only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Trustee by the registered owner hereof in person, or by his duly authorized attorney-in-fact, upon surrender of this bond (together with a written instrument of transfer in the form appearing on this bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15, and thereupon a new fully registered Bond in the same aggregate principal amount and maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Indenture and upon payment of the charges therein prescribed. The Issuer, the Bond Registrar, the Trustee and any Paying Agent may deem and treat the Person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving

payment of, or on account of, the principal or Redemption Price hereof, the Sinking Fund Installments therefor, and interest due hereon and for all other purposes whatsoever, 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 Bond to the extent of the sum or sums so paid, and neither the Issuer, the Institution, the Bond Registrar, the Trustee nor any Paying Agent shall be affected by any notice to the contrary.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Issuer or the Trustee may make a charge sufficient to reimburse it for any expenses and any tax, fee or other governmental charge required to be paid in connection therewith; any such expenses shall be paid by the Institution but any such tax, fee or other governmental charge shall be paid by the Holder requesting such transfer or exchange.

Book Entry System. The Bonds are being issued by means of a book entry system with no physical distribution of bond certificates to be made except as provided in the Indenture. One Bond certificate with respect to each date on which the Bonds are stated to mature, registered in the nominee name of the Securities Depository, is being issued and required to be deposited with the Securities Depository and immobilized in its custody or in the custody of its agent. The book entry system will evidence positions held in the Bonds by the Securities Depository's Participants, beneficial ownership of the Bonds in Authorized Denominations being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository and its Participants. The Issuer and the Trustee will recognize the Securities Depository nominee, while the registered owner of this bond, as the owner of this bond for all purposes, including (i) payments of principal of, Sinking Fund Installments for, if any, redemption premium, if any, and interest on, this bond, (ii) notices, and (iii) voting. Transfer of principal, Sinking Fund Installments, interest and any redemption premium payments to Participants of the Securities Depository, and transfer of principal, Sinking Fund Installments, interest and any redemption premium payments to Beneficial Owners of the Bonds by Participants of the Securities Depository will be the responsibility of such Participants and other nominees of such Beneficial Owners. The Issuer and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its Participants or persons acting through such Participants. While the Securities Depository nominee is the owner of this bond, notwithstanding the provision hereinabove contained, payments of principal of, Sinking Fund Installments, if any, redemption premium, if any, and interest on this bond shall be made in accordance with existing arrangements among the Issuer, the Trustee and the Securities Depository.

Acceleration of Bonds. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds and Additional Bonds issued under the Indenture and then Outstanding may be declared and may become due and payable before the stated maturities thereof, together with accrued interest thereon.

Limitation on Bondholder Enforcement Rights. The holder of this bond shall have no right to enforce the provisions of the Indenture, to institute action to enforce the provisions and covenants thereof or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Special Obligation of the Issuer. This bond and the issue of which it forms a part are special limited revenue obligations of the Issuer, payable by the Issuer solely out of the loan payments, revenues or other receipts, funds or moneys of the Issuer pledged under the Indenture and from any amounts otherwise available under the Indenture for the payment of the Bonds.

Estoppel Clause. It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed, and that the issuance of this bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

No Personal Liability. Neither the members, directors, officers or agents of the Issuer nor any person executing this bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

Authentication by Trustee. This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Build NYC Resource Corporation has caused this bond to be executed in its name by the manual or facsimile signature of its Chairman, Vice Chairman, Executive Director, Deputy Executive Director or General Counsel and its official seal or a facsimile thereof to be hereunto impressed or imprinted hereon and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel, all as of the Bond Date indicated above.

BUILD NYC RESOURCE CORPORATION

By: _____
Authorized Signatory

(SEAL)

ATTEST:

Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the issue described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON
as Trustee

By: _____
Authorized Signatory

Date of Authentication: December 22, 2020

(FORM OF ASSIGNMENT)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

(Please print or typewrite name, address and taxpayer identification number of transferee)

the within bond and does hereby irrevocably constitute and appoint _____
Attorney to transfer such bond on the books kept for the registration thereof, with full power of
substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment
must correspond with the name as it appears
on the face of the within bond in every
particular, without alteration or enlargement
or any change whatever.

**SIGNATURE GUARANTEED
MEDALLION GUARANTEED**

Authorized Signature
(Signature Guarantee Program Name)

[Signature Guarantee must be by a
member of the Stock Exchange
Medallion Program or the New York
Stock Exchange, Inc. Signature Program
in accordance with Securities and
Exchange Commission Rule 17Ad-15]

[END OF FORM OF TAXABLE BONDS]

EXHIBIT D

Form of Requisition from the Project Fund

REQUISITION NO.

TO: The Bank of New York Mellon, as Trustee

FROM: Highbridge Facilities, LLC

Ladies and Gentlemen:

You are requested to draw from the Project Fund, established by Section 5.01 of the Indenture of Trust, dated as of December 1, 2020 (the “**Indenture**”), between Build NYC Resource Corporation (the “**Issuer**”) and yourself, a check or checks or wire transfer, as applicable, in the amounts, payable to the order of those persons and for the purpose of paying those costs set forth on Schedule A attached hereto. All capitalized terms used in this Requisition not otherwise defined herein shall have the meanings given such terms by the Indenture or by the Loan Agreement referred to in the Indenture.

I hereby certify that

- (i) I am an Authorized Representative of Highbridge Facilities, LLC (the “Institution”);
- (vi) the number of this Requisition is ____;
- (vii) the items of cost set forth on Schedule A attached hereto are correct and proper under Section 5.04 of the Indenture and under Section 3.2 of the Loan Agreement and each such item has been properly paid or incurred as an item of Project Cost;
- (viii) none of the items for which this Requisition is made has formed the basis for any disbursement heretofore made from the Project Fund;
- (ix) the payees and amounts stated in Schedule A attached hereto are true and correct and each item of cost so stated is due and owing;
- (x) each such item stated in Schedule A attached hereto is a proper charge against the Project Fund;
- (xi) each such item in Schedule A attached hereto represents the value of work actually furnished, or labor or services actually rendered and no item relates to materials, that are not incorporated into the improvement or deposits toward same;
- (xii) each item of cost set forth in Schedule A attached hereto is consistent in all material respects with the Tax Regulatory Agreement;

(xiii) if the payment herein requested is a reimbursement to the Institution for costs or expenses of the Institution incurred by reason of work performed or supervised by officers or employees of the Institution or any Affiliate, such officers or employees were specifically employed for such purpose and the amount to be paid does not exceed the actual cost thereof to the Institution and such costs or expenses will be treated by the Institution on its books as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis;

(xiv) no portion of the proceeds of the Bond will be applied to reimburse the Institution for Project Costs paid more than sixty (60) days prior to _____, 20__, the date the [Issuer] [Institution] adopted its reimbursement resolution for the Project, except for amounts which do not exceed twenty percent (20%) of the Project Costs financed with the proceeds of the Bonds which were applied to finance certain preliminary expenses with respect to the Project. Preliminary expenses, for purposes of this exception, include architectural, engineering, surveying, soil testing and similar costs incurred prior to the commencement of construction or rehabilitation of the Project, but do not include land acquisition, site preparation and similar costs incident to the commencement of construction or rehabilitation of the Project. No portion of the proceeds of the Bonds will be applied to reimburse the Institution for a cost (other than preliminary expenditures) paid more than eighteen (18) months prior to the date of this requisition or the date the Facility to which the cost relates was placed in service, whichever is later. In no event shall the proceeds of the Bonds be applied to reimburse the Institution for a Project Cost paid more than three (3) years prior to the date of issuance of the Bonds, unless such cost is attributable to a preliminary expenditure, as described above;

(xv) no Determination of Taxability has occurred, and no Event of Default exists and is continuing under the Indenture or the Loan Agreement or any other Security Document nor any condition, event or act which, with notice or lapse of time or both, would constitute such an Event of Default;

(xvi) I have no knowledge of any vendor's lien, mechanic's lien or security interest which should be satisfied or discharged before the payment herein requested is made or which will not be discharged by such payment or, to the extent that any such costs shall be the subject of a bona fide dispute, for which such costs have not been appropriately bonded or for which a surety or security has not been posted which is at least equal to the amount of such costs;

(xvii) each item which payment under this requisition is to be made when added to all other payments previously made from the Project Fund, will not result in less than 95% of the proceeds of the Bonds (exclusive of costs of issuance of the Bonds or any reasonably required reserve) (including any earnings thereon) being used for the acquisition, construction, reconstruction or improvement of land or property that is subject to the allowance for depreciation provided in section 167 of the Code;

(xviii) such item of cost for which payment is herein requested is chargeable to the capital account of the Facility for federal income tax purposes, or would

be so chargeable either with an election by the Institution or but for the election of the Institution to deduct the amount of such item; and

(xix) the representations and warranties made by the Institution in the Security Documents are correct on and as of the date of such disbursement as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

Attached to this Requisition is a schedule of or a copy of bills, invoices or other documents evidencing and supporting this Requisition.

Dated: December __, 2020

HIGHBRIDGE FACILITIES, LLC

By: HB Foundation, Inc. its sole member

Kevin Kearns
Chief Financial Officer

SCHEDULE A TO REQUISITION NO. ____

Amount

Payee (with address or wire information)

Purpose

Receipt is hereby acknowledged of a payment in the amount of \$_____ in connection with the submission of the attached Requisition.

HIGHBRIDGE FACILITIES, LLC

By: HB Foundation, Inc. its sole member

Kevin Kearns
Chief Financial Officer

Date: December ___, 2020

COVENANT AGREEMENT

between

**FAMILY LIFE ACADEMY CHARTER SCHOOL,
as lessee (the “Organization”),**

and

**THE BANK OF NEW YORK MELLON,
as Trustee**

Dated as of December 1, 2020

Relating to:

\$69,760,000	\$2,125,000
Build NYC Resource Corporation	Build NYC Resource Corporation
Revenue Bonds, Series 2020A-1	Taxable Revenue Bonds, Series 2020A-2
(Family Life Academy Charter Schools Project)	(Family Life Academy Charter Schools Project)
\$13,085,000	\$340,000
Build NYC Resource Corporation	Build NYC Resource Corporation
Revenue Bonds, Series 2020B-1	Taxable Revenue Bonds, Series 2020B-2
(Family Life Academy Charter Schools Project)	(Family Life Academy Charter Schools Project)
\$38,175,000	\$1,620,000
Build NYC Resource Corporation	Build NYC Resource Corporation
Revenue Bonds, Series 2020C-1	Taxable Revenue Bonds, Series 2020C-2
(Family Life Academy Charter Schools Project)	(Family Life Academy Charter Schools Project)

TABLE OF CONTENTS

	Page
Section 1. Defined Terms	2
Section 2. Term of Agreement; Compliance with the Leases; Compliance with Tax Regulatory Agreement	14
Section 3. Representations and Warranties.....	15
Section 4. . The Organization represents and covenants as follows:	15
Section 4. Maintenance, Taxes and Insurance	20
Section 5. Additional Covenants	25
Section 6. Environmental Indemnity and Covenants.....	42
Section 7. Events of Default	48
Section 8. Remedies on Default.....	50
Section 9. Termination.....	53
Section 10. Severability	53
Section 11. Governing Law	53
Section 12. Third Party Beneficiaries.	54
Section 13. Prior Agreements Superseded.....	54
Section 14. Organization Statements, Representations and Warranties.	54
Section 15. Headings	54
Section 16. Financing Statements.....	54
Section 17. Execution and Counterparts.....	54
Section 18. No Waiver; Cumulative Remedies	55
Section 19. Waivers, Amendments.....	55
Section 20. Notices	55
Section 21. Electronic Signatures	56

COVENANT AGREEMENT

This COVENANT AGREEMENT, dated as of December 1, 2020 (this “**Covenant Agreement**”) is made by FAMILY LIFE ACADEMY CHARTER SCHOOL, a New York nonprofit education corporation and 501(c)(3) organization (the “**Organization**”), for the benefit of THE BANK OF NEW YORK MELLON, a state banking corporation (the “**Trustee**”), not in its individual or corporate capacity but solely as trustee under that certain Indenture of Trust, dated as of December 1, 2020 (the “**Indenture**”), between the Trustee and the Issuer, as hereinafter defined.

WHEREAS, Build NYC Resource Corporation, a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York (the “**State**”) at the direction of the Mayor of The City of New York (the “**Issuer**”), has agreed to issue its (i) Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”), in the aggregate principal amount of \$69,760,000; (ii) Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020A-2 (Taxable) (the “**Series 2020A-2 Bonds**” and together with the Series 2020A-1 Bonds, the “**Series 2020A Bonds**”), in the aggregate principal amount of \$2,125,000; (iii) Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”), in the aggregate principal amount of \$13,085,000; (iv) Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020B-2 (Taxable) (the “**Series 2020B-2 Bonds**” and together with the Series 2020B-1 Bonds, the “**Series 2020B Bonds**”), in the aggregate principal amount of \$340,000; (v) Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), in the aggregate principal amount of \$38,175,000; and (vi) Revenue Bonds (Family Life Academy Charter Schools Project), Series 2020C-2 (Taxable) (the “**Series 2020C-2 Bonds**” and together with the Series 2020C-1 Bonds, the “**Series 2020C Bonds**”), in the aggregate principal amount of \$1,620,000. The Series 2020A-1 Bonds, the Series 2020B-1 Bonds and the Series 2020C-1 Bonds are collectively referred to herein as the “**Series 2020 Tax-Exempt Bonds**”. The Series 2020A-2 Bonds, the Series 2020B-2 Bonds and the Series 2020C-2 Bonds are collectively referred to herein as the “**Series 2020 Taxable Bonds**”. The Series 2020 Tax-Exempt Bonds and the Series 2020 Taxable Bonds are collectively referred to herein as the “**Initial Bonds**”; and

WHEREAS, the Initial Bonds and any Additional Bonds are collectively referred to herein as the “**Bonds**”; and

WHEREAS, the Initial Bonds will be issued by the Issuer pursuant to the terms of (i) the resolution of the governing body of the Issuer (the “**Resolution**”) and (ii) the Indenture; and

WHEREAS, the proceeds of the Initial Bonds will be loaned by the Issuer to Highbridge Facilities, LLC, a limited liability company organized and existing under the laws of the State of Delaware (the “**Institution**”) pursuant to a Loan Agreement, dated as of December 1, 2020 (the “**Loan Agreement**”); and

WHEREAS, proceeds of the Initial Bonds will be used by the Institution for the purposes of: (i) financing the acquisition by the Institution of a parcel of land located at 1400 Cromwell Avenue, Bronx, New York, and the construction, furnishing and equipping of an educational facility thereon (the “**FLACS IV Facility**”), serving students in kindergarten through grade 8;

(ii) financing or refinancing the acquisition by the Institution of an existing educational facility located at 370 Gerard Avenue, Bronx, New York (the “**FLACS III Facility**”), serving students in grades kindergarten through grade 4; (iii) financing or refinancing the acquisition by the Institution of an existing educational facility located at 316 East 165th Street, Bronx, New York (the “**FLACS II MS Facility**” and together with the FLACS IV Facility and the FLACS III Facility, the “**Facilities**”), serving students in grades 5 through 8; and (iv) a debt service reserve fund for the Bonds; and (v) pay for certain costs related to the issuance of the Initial Bonds (collectively, the “**Project**”); and

WHEREAS, (i) the FLACS IV Facility will be owned by the Institution and leased by the Institution to the Organization for use as a public charter school pursuant to a Lease Agreement, dated as of the December 22, 2020 (the “**FLACS IV Lease**”); (ii) the FLACS III Facility will be owned by the Institution and leased by the Institution to the Organization for use as a public charter school pursuant to a Lease Agreement, dated as of the December 22, 2020 (the “**FLACS III Lease**”); and (iii) the FLACS II MS Facility will be owned by the Institution and leased by the Institution to the Organization for use as a public charter school pursuant to a Lease Agreement, dated as of the December 22, 2020 (the “**FLACS MS Lease**” and together with the FLACS IV Lease and the FLACS III Lease are collectively referred to herein as the “**Leases**”); and

WHEREAS, in connection with the issuance of the Initial Bonds, the Organization will also enter into (i) the Leases, (ii) this Covenant Agreement, (iii) the Organization Depository Agreement; (iv) the Organization PSA, and (v) Organization DACA (as such terms are defined in the Indenture); (vi) the Tax Regulatory Agreement; and (vii) the Continuing Disclosure Agreement (collectively, the “**Organization Documents**”); and

WHEREAS, the Initial Bonds were issued pursuant to the Indenture; and

WHEREAS, in consideration of the issuance of the Initial Bonds by the Issuer and the entry into the Indenture by the Trustee, the Organization is required to deliver this Covenant Agreement to the Trustee and the Organization has agreed to fulfill certain covenants and agreements set forth in this Covenant Agreement in order to provide additional security for the timely payments of amounts due by the Organization under the Leases;

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which is acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Capitalized terms shall have the meanings defined herein. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Leases, the Loan Agreement, or the Indenture.

“**Accountant**” means initially, Mengel Metzger Barr & Co. LLP, or thereafter any other Independent certified public accounting firm licensed to practice in the State (which may be the firm of accountants that regularly audits the books and accounts of the Organization) from time to time selected by the Organization.

“**Accountant’s Certificate**” means a report, certificate or opinion by the Accountant.

“Additional Bonds” means any additional bonds issued and secured in accordance with the Indenture on a parity with the Outstanding Initial Bonds.

“Additional Rent” has the meaning assigned to it in the Leases.

“Annual Debt Service Requirements” of any specified Person means, for any Fiscal Year, the principal of (and premium, if any) and interest and other debt service charges (which include for purposes hereof, any fees or premiums for any letter of credit, surety bond, policy of insurance, bond purchase agreement, or any similar credit or liquidity support secured in connection therewith payable in such Fiscal Year) on all Indebtedness of such Person coming due during such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply:

(1) In the case of Balloon Debt that bears interest at a variable rate, then for the purpose of calculating what future annual debt service requirements will be, the weighted average rate of interest borne by such variable rate Balloon Debt during the ninety (90) day period ending on the date prior to the date of calculation shall be presumed to apply for all future dates and, any installment of principal of (and premium, if any) and interest and other debt service charges on such Balloon Debt shall be evenly allocated over the life of the Balloon Debt with equal principal payments plus the calculated rate of interest deemed due each year;

(2) Principal of (and premium, if any) and interest and other debt service charges on Indebtedness, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, interest, or other debt service charges are payable from funds irrevocably deposited or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust or escrowed with the Trustee, or any Independent Person approved by the Trustee);

(3) As to any Indebtedness other than Balloon Debt that bears interest at a variable interest rate, then for the purpose of calculating what future annual debt service requirements will be, an interest rate equal to the weighted average rate of interest born by such Indebtedness during the preceding ninety (90) day period ending on the date prior to the date of calculation shall be presumed to apply for all future dates and the principal shall be amortized based upon the established payment schedule for such variable rate Indebtedness; and

(4) In the case of any guarantees or other Indebtedness described in clause (c) of the definition of Indebtedness, the principal of (and premium, if any) and interest and other debt service charges on such Indebtedness for any Fiscal Year shall be deemed to be 25% of the principal of (and premium, if any) and interest and other debt service charges on the Indebtedness guaranteed due in such Fiscal Year; provided, however, that if the Organization is actually required to make any payment in respect of such Indebtedness, the total amount payable by the Organization in respect of such guarantee or other obligation in such Fiscal Year shall be included in any computation of the Annual Debt Service Requirements of the Organization for such year and the amount payable by the

Organization in respect of such guarantee or other obligation in any future Fiscal Year shall be included in any computation of the estimated Annual Debt Service Requirements for such Fiscal Year.

“Authorized Representative” in the case of the Institution has the meaning assigned to it in the Loan Agreement.

“Authorized Representative of the Organization” means a person named in Exhibit I(A) — “Authorized Representative”, or any other officer or employee of the Organization who is authorized to perform specific duties hereunder or under any other Organization Documents and of whom another Authorized Representative of the Organization has given written notice to 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 this Covenant Agreement, 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.

“Authorizer” means The State University of New York, or any successor thereto.

“Balloon Debt” means Indebtedness where the principal of (and premium, if any) and interest and other debt service charges on such Indebtedness due (or payable in respect of any required purchase of such Indebtedness by such Person on demand) in any Fiscal Year either (i) are equal to at least 25% of the total principal of (and premium, if any) and interest and other debt service charges on such Indebtedness or (ii) exceed by more than 50% the greatest amount of principal of (and premium, if any) and interest and other debt service charges on such Indebtedness due in any preceding or succeeding Fiscal Year.

“Base Rent” has the meaning assigned to it in the Leases

“Board” means the Board of Trustees of the Organization.

“Bond Buyer Revenue Bond Index” shall mean the daily index of municipal bond prices created by the Chicago Board of Trade and published by The Bond Buyer, based on the prices of 40 recently issued and actively traded long-term municipal bonds.

“Bond Counsel” means 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.

“Bonds” means the Initial Bonds and any Additional Bonds.

“Cash on Hand” means the sum of unrestricted cash, unrestricted cash equivalents, unrestricted liquid investments and unrestricted marketable securities (valued at the lower of cost or market) of the Organization related solely to the Obligated Group. Cash on Hand shall not include any Trustee-held funds, proceeds of Indebtedness or any cash of the Organization not specifically related to the Obligated Group.

“Charter Contract” means the charter agreement between Organization and the Authorizer, as revised and accepted by the Authorizer, together with any subsequent applications to modify or renew the Charter Contract.

“Charter Schools Act” means Article 56 of the New York Education Law, as amended.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code is deemed to include (i) any successor internal revenue law and (ii) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations, whether final, temporary or proposed, under such provision or successor provision.

“Construction Monitor” means Anser Advisory, LLC, or any other Independent, individual, licensed architect or engineer or independent, licensed engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Organization for other purposes) selected by the Organization as evidenced to the Trustee by a written certificate containing the specimen signature of the authorized signatory for the Construction Monitor’s firm.

“Construction Monitoring Agreement” means the Construction Disbursement and Monitoring Agreement, dated as of December 1, 2020, by and among the Institution, the FLACS IV Project Development, LLC, and the Construction Monitor.

“Construction Monitor’s Certificate” means a written opinion or report signed by the Construction Monitor.

“Construction Window” means the period between the Closing Date and ending on the earlier of (i) the date on which the Institution receives a temporary certificate of occupancy for the FLACS IV Facility or (ii) December 31, 2022.

“Continuing Disclosure Agreement” means as to the Initial Bonds, the Continuing Disclosure Agreement dated as of December 22, 2020, entered into by the Organization, the Institution, and the Dissemination Agent, and as to any Series of Additional Bonds, the continuing disclosure undertaking or agreement entered into by the Organization and the Institution in connection with such Series of Additional Bonds.

“DACA Bank” means Ponce Bank, a federally chartered bank, and its successors or assigns.

“Days Cash on Hand” means as of any date of determination, the product of 365 times a fraction: (i) the numerator of which equals Cash on Hand, and (ii) the denominator of which equals the sum of total Operating Expenses plus all principal payments and premium, if any, due on any Indebtedness during the Fiscal Year at issue, in each case, for the period of four fiscal quarters ended on June 30 of each Fiscal Year, and determined based upon the Cash on Hand on June 30 of each Fiscal Year as stated in the audited financial statements of the Organization for the Obligated Group.

“Depository Bank” means The Bank of New York Mellon, as depository, and its successors and assigns.

“Dissemination Agent” means Digital Assurance Certification, and its successors and assigns or any successor Dissemination Agent appointed by the Organization pursuant to the provisions of the Continuing Disclosure Agreement.

“DOE” means the New York City Department of Education, its successors and assigns.

“Environmental Damages” means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, Liens, privileges, costs, and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement or judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys’ fees and expert consultants’ fees and disbursements, any of which are incurred at any time as a result of the existence of Regulated Chemicals upon, about, beneath or migrating, or threatening to migrate, onto or from the Facilities, or the existence of a violation of Environmental Requirements pertaining to the Facilities, regardless of whether or not such Environmental Damages were caused by or within the control of the Organization.

“Environmental Law” means the Comprehensive Environmental Response, Compensation and Liability Act of 1976, 42 U.S.C. §§ 6901 et seq., Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by SARA, 42 U.S.C. §§ 1820 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1810 et seq., the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §§ 6901, et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251, et seq., the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. §§ 11001, et seq., the Clean Water Act, 33 U.S.C. §§ 1251 et seq., the National Environmental Policy Act of 1975, 42 U.S.C. § 4321 et seq., the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651, et seq., and the Clean Air Act, 42 U.S.C. §§ 7412 et seq., and any other applicable federal or state laws pertaining to the protection of the environment, as any such laws may be amended, modified or supplemented and any regulations promulgated pursuant to any of the foregoing.

“Environmental Report” means any Environmental Assessment Tests (each as defined in Section 6 hereof), or other environmental report or audit conducted at the Facilities for any reason.

“Environmental Requirements” means all applicable federal, State, regional or local laws, statutes, rules, regulations or ordinances, concerning public health, safety or the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601, et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §§ 6901, et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251, et seq., the Toxic Substances

Control Act of 1976, 15 U.S.C. §§ 2601, et seq., the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. §§ 11001, et seq., the Clean Air Act of 1966, as amended, 42 U.S.C. §§ 7401, et seq., the National Environmental Policy Act of 1975, as amended, 42 U.S.C. § 4321, et seq., the Rivers and Harbors Act of 1899, 33 U.S.C. §§ 401 et seq., the Endangered Species Act of 1973, as amended 16 U.S.C. §§ 1531, et seq., the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651, et seq., the Safe Drinking Water Act of 1974, as amended 42 U.S.C. §§ 300(f), et seq., and all rules, regulations, policies and guidance documents promulgated or published thereunder, and any State, regional or local statute, law, rule, regulation or ordinance relating to public health, safety or the environment, including, without limitation those relating to:

- (a) releases, discharges, emissions or disposals to air, water, land or groundwater;
- (b) the withdrawal or use of groundwater;
- (c) the use, handling, or disposal of polychlorinated biphenyls (“PCBs”), asbestos or urea formaldehyde;
- (d) the transportation, treatment, storage, discharge, disposal, release or management of hazardous substances or materials (including, without limitation, petroleum, its derivatives, by-products or other hydrocarbons), and any other solid, liquid, or gaseous substance, exposure to which is prohibited, limited or regulated, or may or could pose a hazard to the health and safety of the occupants of the Facilities or any property adjacent to or surrounding the Facilities;
- (e) the exposure of persons to toxic, hazardous, or other controlled, prohibited or regulated substances; and
- (f) any Regulated Chemical.

“Event of Default” means those events of default specified in Section 7 hereof.

“Facilities” means the same as defined in the recitals of this Covenant Agreement.

“Facilities Access Payments” means the facilities assistance payments granted to New York City charter schools under State law.

“Facilities Consultant” means an Independent firm of professional property inspection consultants qualified to conduct a physical needs assessment of charter school facilities and assess the good repair, working order and condition of real property and having a favorable reputation for skill and experience in the field of property inspection consultation and which may include a firm with whom the Organization transacts business.

“Financial Products Agreement” means any type of financial management instrument or contract, which shall include, but not be limited to, (a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (b) any contract providing for payments based

on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) any contract to exchange cash flows or payments or a series of payments; (d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk forward supply agreements; and (e) any other type of contract or arrangement that the governing body of the Organization determines is to be used, or is intended to be used, to manage or reduce the cost of debt (including but not limited to a bond insurance policy), to convert any element of debt from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

“Fiscal Year” shall mean a year of 365 or 366 days, as the case may be, commencing on July 1 of each calendar year and ending on June 30 of the next calendar year, or such other Fiscal Year of similar length used by the Organization for accounting purposes.

“FLACS I” means the charter school with the principal location is the FLACS I Facility.

“FLACS I Facility” means the educational facilities located at 14 W 170th St., Bronx, New York.

“FLACS II Facility” means the educational facilities located at 296 E. 140th Street, Bronx, New York.

“FLACS II MS Facility” means the same as defined in the recitals of this Covenant Agreement.

“FLACS II MS Lease” means the same as defined in the recitals of this Covenant Agreement.

“FLACS III Facility” means the same as defined in the recitals of this Covenant Agreement.

“FLACS III Lease” means the same as defined in the recitals of this Covenant Agreement.

“FLACS IV Facility” means the same as defined in the recitals of this Covenant Agreement.

“FLACS IV Guaranty Agreement” means the FLACS IV Guaranty Agreement, dated as of December 1, 2020, by the Organization, for the benefit of the Trustee.

“FLACS IV Lease” means the same as defined in the recitals of this Covenant Agreement.

“GAAP” means those accounting principles applicable in the preparation of financial statements of the Organization, consistently applied, as in effect from time to time and promulgated by the Governmental Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants.

“Gross Revenues” means all funds, money, grants, donations or other distributions received by the Organization from the State, the City of New York or any other sources, together with all other revenues, income or receipts of any kind whatsoever.

“Guaranty Agreements” means the FLACS IV Guaranty Agreement and the Obligated Group Guaranty Agreement.

“Hazardous Materials” means: (a) any substances defined as “hazardous substances,” “pollutants,” “contaminants,” “hazardous materials,” “hazardous wastes,” or “hazardous or toxic substances” or related materials as now or hereafter defined in any Environmental Law; (b) those substances listed or otherwise identified as substances of the type referred to in the preceding subsection (a) in the regulations adopted and publications issued pursuant to any Environmental Law, as the same may be amended, modified or supplemented; (c) any friable asbestos, airborne asbestos in excess of that generally found in the atmosphere, respectively, where the Facilities are located, or any substance or material containing asbestos, excluding any such materials located on the Facilities prior to the date hereof so long as such materials are contained, maintained, abated or removed in compliance with all applicable Environmental Laws; and (d) any substance the presence of which on the Facilities is prohibited by any applicable Environmental Law; provided that Hazardous Material shall not include any such substances used in or resulting from the ordinary operation of the Facilities or for the cleaning of the Facilities, provided that such substances are stored, handled and disposed of in compliance with all applicable Environmental Laws and other applicable laws and regulations.

“Indebtedness” means, with respect to the Obligated Group, (a) obligations for the payment of borrowed money incurred or assumed by the Organization, (b) capital or operating lease obligations of the Organization, including the obligations of the Obligated Group under the Leases, (c) all indebtedness of any type, including capitalized lease obligations, guaranteed, directly or indirectly, in any manner by the Organization, or in effect guaranteed, directly or indirectly, by the Organization through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; (d) any other guaranties or like obligations (other than the FLACS IV Guaranty and the Obligated Group Guaranty), and (e) any other obligation for the payment of money secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon the Facilities, Pledged Revenues or property related thereto owned or leased by the Organization whether or not the Organization has assumed or become liable for the payment thereof.

“Indemnified Persons” means the Registered Owners, the Beneficial Owners and the Trustee, their successors, assigns, trustees, directors, officers, employees, agents, contractors, subcontractors, licensees, and invitees.

“Indenture” means the Trust Indenture, dated as of December 1, 2020, between the Issuer and the Trustee, including any indentures supplemental thereto made in conformity therewith, pursuant to which the Bonds are authorized to be issued and secured.

“Independent” when used with respect to any specified Person means such a Person who (i) does not have any direct financial interest or any material indirect financial interest in the Organization or the Institution, and (ii) is not connected with the Organization or the Institution as an officer, employee, promoter, member of the board of trustees or directors, partner or person performing similar functions.

“Independent Consultant” means an Independent management consultant or certified public accountant selected by the Organization experienced in the management, operation and/or financing of charter schools in New York.

“Initial Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Insurance Consultant” means an Independent insurance consultant and/or risk management firm or an insurance broker or commercial insurance agent (which may be a consultant, firm, broker or agent with whom the Organization regularly transacts business) selected by the Organization and with a reputation for providing commercial insurance services to entities of similar complexity to the Organization.

“Investment Grade Rating” means a rating by S&P or Fitch of “BBB-” or higher, by Moody’s of “Baa3” or higher, or by another Rating Agency of the equivalent rating or higher.

“Leases” means the same as defined in the recitals of this Covenant Agreement.

“Liabilities” means any causes of action (whether in contract, tort or otherwise), claims, costs, damages, demands, judgments, liabilities, losses, suits and expenses (including, without limitation, reasonable costs of investigation, and attorney’s fees and expenses) of every kind, character and nature whatsoever.

“Lien” means any mortgage or pledge of, security interest in, or lien or encumbrance on, any property which secures any Indebtedness or other obligation of the Organization with respect to the Obligated Group or which secures any obligation of any Person other than an obligation to the Organization, excluding Liens created by a Security Document.

“Majority Holder” shall have the meaning assigned to it in the Indenture.

“Management Consultant” means a firm of Independent professional management consultants, an Independent school management organization or an Independent financial advisor, knowledgeable in the operation of public or private schools and having a favorable reputation for skill and experience in the field of public or private school management consultation.

“Maximum Annual Debt Service” means, as of any date of calculation, the highest Annual Debt Service Requirements with respect to all outstanding Indebtedness for any succeeding Fiscal Year.

“Net Income Available for Debt Service” means, for any period of determination thereof, Pledged Revenues for such period minus its total Operating Expenses for such period and minus its interest expense for such period.

“Obligated Group” means the charter schools operating at the FLACS IV Facility, FLACS III Facility, and FLACS II MS Facility, and any other facilities financed with Additional Bonds.

“Obligated Group Guaranty Agreement” means the Obligated Group Guaranty Agreement, dated as of December 1, 2020, by the Organization, for the benefit of the Trustee.

“Operating Expenses” means fees and expenses of the Organization related solely to the operation of the Facilities, including maintenance, repair expenses, utility expenses, real estate taxes, insurance premiums, administrative and legal expenses, miscellaneous operating expenses, interest expense, advertising costs, payroll expenses, the cost of material and supplies used for current operations of the Organization at the Facilities, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Organization at the Facilities not otherwise mentioned herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with GAAP, all as determined in accordance with GAAP, consistently applied; provided, however, “Operating Expenses” shall not include (i) any allowance for depreciation, (ii) spending for items accounted for as capital expenditures under GAAP.

“Organization Custodial Account” means the Depositary Bank account of the Organization created pursuant to the Organization Depositary Agreement in which all State Payments related to the Obligated Group or as otherwise required herein shall be immediately deposited.

“Organization DACA” shall have the meaning assigned to it in the Indenture.

“Organization Depositary Agreement” means the Depositary Agreement, dated as of December 1, 2020, between the Organization and the Depositary Bank.

“Organization Documents” means the same as defined in the recitals of this Covenant Agreement.

“Organization PSA” shall have the meaning assigned to it in the Indenture.

“Permitted Encumbrance” shall have the meaning assigned to it in the Indenture.

“Person” includes an individual, association, corporation, partnership, joint venture or a government or an agency or a political subdivision thereof.

“Pledged Revenues” means the Gross Revenues of the Organization generated from the Obligated Group and deposited into the Organization Custodial Account, excepting therefrom Gross Revenues received that are directly allocable to enrollment at the FLACS I Facility and FLACS II Facility, provided that, beginning with Fiscal Year ending June 30, 2023 and ending when no students from the FLACS I Facility are resident at the FLACS IV Facility, all Gross

Revenues allocable to the FLACS I students shall be deposited into the Organization Custodial Account. State Payments are not pledged hereunder.

“Rating Consultant” means a Management Consultant, the Underwriter, or other consultant experienced in the financing of charter schools.

“Regulated Chemicals” means any substance, the presence of which requires investigation, permitting, control, monitoring or remediation under any federal, State or local statute, regulation, ordinance or order, including without limitation:

(a) any substance defined as **“hazardous waste”** under the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 6901 et seq.);

(b) any substance defined as a **“hazardous substance”** under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. §§ 9601 et seq.);

(c) any substance defined as a **“hazardous material”** under the Hazardous Materials Transportation Act (49 U.S.C. §§ 1800 et seq.);

(d) any substance defined under any New York statute analogous to (a), (b) or (c), to the extent that said statute defines any term more expansively;

(e) asbestos;

(f) urea formaldehyde;

(g) polychlorinated biphenyls;

(h) perfluorakyl substances, and any related derivatives;

(i) petroleum, or any distillate or fraction thereof;

(j) any hazardous or toxic substance designated pursuant to the laws of the State; and

(k) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

“Rent” has the meaning assigned to it in the Leases.

“Repair and Replacement Fund” shall mean the special trust fund so designated, established pursuant to Section 5.01 of this Indenture.

“Repair and Replacement Fund Requirement” means an amount equal to (a) \$115,500 per annum commencing with the Fiscal Year ending June 30, 2021 through the Fiscal Year ending June 30, 2023, and (b) \$211,500 per annum commencing with the Fiscal Year ending June 30, 2024, such amount is subject to change pursuant to Section 5(Q) of this Covenant Agreement, Section 8.31 of the Loan Agreement and Section 5.14 of the Indenture, provided that such amounts shall not be decreased so long as the Bonds are Outstanding.

“Security Documents” shall have the meaning ascribed in the Indenture.

“Series 2020A Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020A-1 Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020A-2 Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020B Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020B-1 Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020B-2 Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020C Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020C-1 Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020C-2 Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020 Taxable Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Series 2020 Tax-Exempt Bonds” means the same as defined in the recitals of this Covenant Agreement.

“Short-Term Indebtedness” means Indebtedness with a maturity date less than a year from the date of incurrence of such Indebtedness.

“State Payments” means any and all payments made by the State or New York City to the Organization pursuant to the Charter Schools Act, but solely related to the Facilities, including, but not limited to any per pupil revenue and Facilities Access Payments, which are permitted to be used as Pledged Revenues, so long as allocable to the Facilities.

“Taxable Bonds” means the Series 2020 Taxable Bonds and any other such Additional Bonds that may be issued as taxable bonds under the Indenture.

“Tax-Exempt Bonds” means the Series 2020 Tax-Exempt Bonds and any Additional Bonds the interest on which is intended to be excluded from gross income for federal income tax purposes.

“Tax Regulatory Agreement” has the meaning assigned to it in the Indenture.

“Underwriter” means D.A. Davidson & Co.

Section 2. Term of Agreement; Compliance with the Leases; Compliance with Tax Regulatory Agreement.

(A) This Covenant Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the payments on the Leases and the Bonds shall have been fully paid or provision is made for full payment of the Bonds pursuant to the Indenture and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds, all fees and expenses of the Issuer accrued and to accrue through final payment of the Bonds and all other liabilities of the Institution or Organization accrued and to accrue through final payment of the Bonds under the Indenture have been paid or provision is made for such payments pursuant to the Indenture; *provided*, however, notwithstanding any other provision hereof (a) the indemnification provisions of Sections 5(E) and 6(A) hereof and the agreements contained in Section 8(C) hereof shall survive the termination of the term of this Covenant Agreement; (b) all agreements, representations and certifications by the Organization as to the excludability from gross income of interest on the Tax-Exempt Bonds shall survive termination hereof until the expiration of statutes of limitation applicable to the liability of the Beneficial Owners of such Bonds for federal and state income taxes with respect to interest on the Tax-Exempt Bonds; and (c) upon the defeasance of the Indenture, all such indemnification provisions shall be enforceable by the Issuer Indemnified Persons, and all such agreements, representations and certifications regarding the excludability from gross income of the interest on the Tax-Exempt Bonds shall be enforceable by the Beneficial Owners of such Bonds, directly against the Organization until the expiration of statutes of limitation applicable to the liability of the Beneficial Owners of such Bonds for federal and state income taxes with respect to the interest on the Tax-Exempt Bonds.

(B) The Organization shall ensure that the Leases remain in force and effect for the term of the Bonds.

(C) The Organization shall comply with all provisions of the Leases, including but not limited to the payment of Rent on the dates and in the amounts required under the terms of the Leases.

(D) The Organization shall enter into the Organization Depositary Agreement with the Depositary Bank to establish an Organization Custodial Account in the name of the Organization into which the Organization hereby agrees to direct the DOE to deposit all revenues associated with the Obligated Group. Deposits shall be made bi-monthly on or about each July 5, September 5, November 5, January 5, March 5, and May 5, commencing January 5, 2021, in accordance with Section 5(FF) hereof.

(E) The Organization shall make or cause to be made all payments required under the Leases by electronic funds transfer (wire transfer, Automated Clearing House, direct debit, or other electronic method) directly from the Organization Custodial Account to the Trustee into the Revenue Fund in accordance with the terms of the Organization Depositary Agreement.

(F) In the event that the deposits in the Revenue Fund are insufficient to satisfy the Intuition's obligation to make all payments due under the Loan Agreement on each Loan Payment Date, the Trustee shall be entitled to immediately direct the Depositary Bank to transfer from the Organization Custodial Account the amount of such shortfall. In addition, upon an Event of Default under the Security Documents, the Trustee may exercise control of and have the right to make withdrawals from the operating accounts subject to the Organization DACA pursuant to the terms thereof.

(G) The Organization shall comply with all provisions of the Tax Regulatory Agreement so that the Tax-Exempt Bonds at all times maintain the excludability from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes.

(H) The Organization hereby acknowledges receipt of each of the Security Documents, has read and approved the same and agrees to be bound by the respective terms thereof and accepts all obligations and duties imposed on the Organization thereby.

Section 3. Representations and Warranties. The Organization represents and covenants as follows:

(A) As of the date of this Covenant Agreement and so long as this Covenant Agreement shall remain in force and effect, that the Organization: (i) is and shall continue to be exempt from federal income taxes under Section 501(a) of the Code or any future section resulting in exemption from such taxes; (ii) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status; (iii) it shall not perform any act, enter into any agreement or use or permit the Facilities to be used in any manner (including in any unrelated trade or business) which would adversely affect the excludability from gross income of interest on the Tax-Exempt Bonds; (iv) it shall not carry on or permit to be carried on in the Facilities or permit the Facilities to be used in or for any trade or business the conduct of which is not substantially related to the exercise of performance by the Organization of the purposes or functions constituting the basis for its exemption under Section 501 of the Code to the extent that such use of the Facilities would adversely affect the excludability from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes; and (v) it is duly organized and existing as a nonprofit corporation under the laws of the State, it is in good standing and authorized to transact business in the State, it will maintain, extend and renew its corporate existence under the laws of the State, and it will not do, suffer or permit any act or thing to be done whereby its right to transact its functions might or could be terminated or its activities restricted.

(B) As of the date of this Covenant Agreement, the Organization is an organization organized and operated (A) exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Code, (B) not for pecuniary profit, and (C) in a manner

that no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the same meaning, respectively, of 15 U.S.C. Section 77(c)(a)(4), Section 3(a)(4) of the Securities Act of 1933, as amended, and of 15 U.S.C. Section 78l(g)(2)(D), Section 12(g)(2)(d) of the Securities Exchange Act of 1934, as amended, and the Organization shall not perform any act or enter into any agreement which shall adversely affect such status as set forth in this paragraph (b) which would cause the Organization to lose its exemption from federal income taxes.

(C) The Organization is organized and operated for the purpose of providing educational services under the Charter Schools Act, and with the power to own, develop, construct, rehabilitate, operate, equip, and maintain its charter school facilities, the Organization has been duly authorized to execute each of the Organization Documents and consummate all of the transactions contemplated thereby, and the execution, delivery, and performance of the Organization Documents will not conflict with or constitute a breach of or default by the Organization under any other instrument or agreement to which the Organization is a party or to which its property is bound.

(D) The governing body of the Organization has, in a public meeting duly called in accordance with State law, approved the execution and delivery of this Covenant Agreement and the other Security Documents to which the Organization is a party. Each of the Security Documents to which the Organization is a party are the legal, valid and binding obligations of the Organization, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency or general principles of equity. The Organization's execution, delivery, and performance of the Organization Documents shall not constitute a violation of any order, rule, or regulation of any court or governmental agency having jurisdiction over the Organization.

(E) There are no pending or, to the Organization's knowledge, threatened actions, suits, or proceedings of any type whatsoever affecting the Organization, the Organization's property, or the Organization's ability to execute, deliver, and perform with respect to any of the Organization's Documents.

(F) The Facilities will constitute and shall be used as a public charter school, and the Project is a permissible project within the provisions of the Charter Schools Act.

(G) Neither the representations of the Organization contained in the Security Documents to which it is a party nor any oral or written statements, furnished by the Organization, nor written statements furnished on behalf of the Organization, to the Issuer, Bond Counsel or the Underwriter in connection with the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading. There are no facts that the Organization has not disclosed to the Issuer and the Underwriter of the Bonds in writing that materially and adversely affect or in the future may (so far as the Organization can now reasonably foresee) materially and adversely affect the properties, business, prospects, profits, or condition (financial or otherwise) of the Organization, or the ability of the Organization to perform its obligations under the Organization Documents or any documents or transactions contemplated hereby or thereby.

(H) To the best of the Organization's knowledge, the use of the Facilities, as it is proposed to be operated, complies with all applicable zoning, development, pollution control, water conservation, environmental, and other laws, regulations, rules, and ordinances of the federal government and the State and the respective agencies thereof and the political subdivisions in which the Facilities are located.

(I) The Organization has obtained all necessary approvals of and licenses, permits, consents, and franchises from federal, state, county, municipal, or other governmental authorities having jurisdiction over the Facilities to acquire, construct, improve, equip, rehabilitate, and operate the Facilities, and to enter into, execute, and perform its obligations under this Covenant Agreement and the other Organization Documents.

(J) The Facilities, as designed and operated or caused to be operated by the Organization, and when constructed or rehabilitated in accordance with such design, will meet all material requirements of law, including requirements of any federal, state, county, city or other governmental authority having jurisdiction over the Facilities or its use and operation.

(K) As of the Closing Date, there has been no material adverse change in the financial condition, prospects, or business affairs of the Organization or the feasibility or physical condition of the Facilities subsequent to the date on which the Issuer adopted its resolution approving the issuance of the Bonds.

(L) The Organization (i) understands the nature of the structure of the transactions related to the financing of the Project; (ii) is familiar with all the provisions of the Security Documents (whether or not the Organization is a party thereto) and such other instruments related to such financing to which the Organization or the Issuer is a party or which the Organization is a beneficiary; (iii) understands the risk inherent in such transactions, including, without limitation, the risk of loss of the Facilities; and (iv) has not relied on the Issuer or the Trustee for any guidance or expertise in analyzing the financial consequences of such financing transactions or otherwise relied on the Issuer or the Trustee in any manner, except to issue the Bonds in order to provide funds for the Loan.

(M) The Organization represents and warrants that it has read and approved each of the Security Documents and agrees to be bound by the respective terms thereof and accepts all obligations and duties imposed on the Organization thereby.

(N) All representations of the Organization contained herein or in any certificate or other instrument delivered by the Organization pursuant hereto, to the Indenture, or in connection with the transactions contemplated thereby, shall survive the execution and delivery thereof and the issuance, sale, and delivery of the Bonds as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

(O) The Organization covenants and agrees to pay, when due, all costs and expenses of the Issuer incurred in connection with the Bonds or the Project not paid from

the Cost of Issuance Accounts of the Project Fund, including, without limitation, each and all of the following:

- (i) all indemnity payments;
- (ii) all expenses incurred by the Issuer in connection with the Project, the Bonds, the Indenture, or any of the Organization Documents, including, without limitation, its attorneys' fees and expenses and its advisors' fees and expenses; and
- (iii) the fees and expenses of the Rebate Analyst.

(P) The Organization will not grant any Liens on the Facilities or the Pledged Revenues (other than the Lien against the Pledged Revenues and Facilities effected by the Security Documents and Permitted Encumbrances).

(Q) Upon the execution by the Organization of the Organization PSA, and upon the filing of UCC-1 financing statements or amendments thereto, the Trustee will have a valid first priority Lien and security interest in the personal property related to the Facilities owned by the Organization subject to no Liens, charges or encumbrances other than the Permitted Encumbrances, and the Organization will take all necessary actions including filing continuation statements to preserve such Lien and security interest. The Organization shall not change its name unless prior to the effective date of such change the Organization shall have delivered to the Trustee an Opinion of Counsel to the effect that all filings and other actions necessary under the Uniform Commercial Code and other applicable law in order to preserve and protect such Lien and security interest following such name change have been made and taken.

(R) Upon the execution by the Institution of the Mortgage and its subsequent recording, and upon the filing of UCC-1 financing statements or amendments thereto, the Trustee will have a valid first priority Lien on the Facilities and a valid first priority security interest in all personal property of the Institution subject to no Liens, charges or encumbrances other than the Permitted Encumbrances.

(S) The Organization covenants to comply fully and in all respects with the provisions of the Charter Schools Act and its Charter Contract so long as any Bonds remain Outstanding.

(T) The Organization and its successors and assigns hereby represent and warrant:

- (i) *Condition of Facilities.* To the best of its knowledge, the Facilities, including all personal property, is free from contamination by Regulated Chemicals, including, but not limited to, friable asbestos, and there has not been thereon a release, discharge or emission, or a threat of release, discharge or emission, of any Regulated Chemical on, under, in, or about the Facilities, nor has any such Regulated Chemical migrated or threatened to migrate from other properties upon, about or beneath the Facilities.

(ii) *Previous Use of Facilities.* To the best of its knowledge, except as may be described in the Phase II Environmental Report on the FLACS IV Facility neither the Organization nor any previous owner, tenant, occupant or user of the Facilities, nor any other Person, has engaged in or permitted any operations or activities upon, or any use or occupancy of the Facilities, or any portion thereof, whether legal or illegal, accidental or intentional, for the purpose of or in any way involving the handling, manufacture, treatment, storage, use, generation, release, discharge, refining, dumping or disposal of any Regulated Chemical, on, under, in or about the Facilities, nor has any such party transported any Regulated Chemical to, from or across the Facilities except for de minimis amounts in the ordinary course of business in compliance with all Environmental Requirements.

(iii) *Property Adjoining Facilities.* Except as may be described in the Phase II environmental Report on the FLACS IV Facility, to the best of its knowledge, any adjoining property has not been used as a manufacturing, storage or disposal site for Regulated Chemicals nor is any other property adjoining the Facilities affected by a violation of Environmental Requirements.

(iv) *Compliance with Environmental Requirements.* To the best of its knowledge, the Facilities owned by the Organization are in compliance with and have at all times been in compliance with all applicable Environmental Requirements and the Organization has all permits and licenses required to be issued under the Environmental Requirements and is in full compliance with the terms and conditions of such permits and licenses; such permits and licenses are in full force and effect; and no changes exist in the facts or circumstances reported or assumed in the application for or granting of such permits or licenses.

(v) *No Notice of Violations of Environmental Requirements.* The Organization has not received any notice, whether written or oral, concerning the Facilities owned by the Organization, for any alleged violation or requiring compliance of Environmental Requirements, whether or not corrected to the satisfaction of the appropriate authority, or notice or other communication concerning alleged liability for Environmental Damages in connection with the Facilities owned by the Organization, and to the best of Organization's knowledge there exists no investigation, administrative order, consent order and agreement, litigation, settlement or judgment, whether proposed, threatened, anticipated or in existence with respect to the Facilities owned by the Organization.

(vi) *Survival of Representations and Warranties.* The representations and warranties set forth in this Section 3(T) shall survive the expiration or termination of the Organization Documents, the payment of the Bonds, and the discharge of any obligations owed by the parties to each other and will survive any transfer of title to the Facilities, whether by foreclosure, or otherwise and shall not be affected by any investigation by or on behalf of the Issuer or the Trustee or any information which the Issuer or the Trustee may have or obtain with respect thereto.

(vii) Moreover, the Organization does hereby and specifically represent and warrant that it has no affirmative knowledge or reason to believe that any condition, previous use, compliance or violation of Environmental Requirements are contrary to the description in Section 3(T)(i), (ii), (iii), (iv), and (v).

Section 4. Maintenance, Taxes and Insurance.

(A) *Maintenance and Modifications of Facilities by Organization.*

(i) The Organization agrees that during the term of this Covenant Agreement the Facilities shall be operated and maintained, in compliance with all governmental laws, building codes, ordinances, and regulations and zoning laws as shall be applicable to the Facilities, unless the same are being contested in good faith by appropriate proceedings which operate to stay any action to foreclose or otherwise realize on any property of the Organization. The Organization agrees that during the term of this Covenant Agreement it will at its own expense (a) keep the Facilities in a safe condition required by law and (b) keep the Facilities in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof all of which shall be accomplished in a workmanlike manner in accordance with all applicable laws.

(ii) The Organization may also, at its own expense, make from time to time any additions, modifications or improvements to the Facilities it may deem desirable for its purposes that do not substantially reduce its value; provided that all such additions, modifications and improvements made by the Organization which are affixed to the Facilities shall become a part of the Facilities. The Organization will not permit the removal of any personal property from the Facilities unless such personal property is de minimis, obsolete, sold for fair market value or will be replaced with personal property of an equal or greater value.

(iii) The Organization will not permit any Liens, security interests or other encumbrances other than Permitted Encumbrances to be established or to remain against the Facilities for labor or materials furnished in connection with the Facilities or any additions, modifications, improvements, repairs, renewals or replacements made by it to the Facilities; provided that if the Organization first notifies the Trustee of its intention to do so, the Organization may, so long as no Event of Default has occurred and is continuing, diligently prosecute, in good faith, at its own expense, a contest of any mechanics' or other Liens filed or established against the Facilities, provided it posts sufficient cash or bond with the Trustee to fully satisfy mechanics' or other Liens, and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Facilities or any part thereof will be subject to loss or forfeiture, in which event the Organization shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Trustee will, at the expense of the Organization, cooperate fully with the Organization in any such contest. In the event that the Organization shall fail to pay any of the foregoing items required

by this Section to be paid by the Organization or the Trustee may (but shall be under no obligation to) pay the same, including from cash or bond posted by the Organization pursuant to this Section, and any amounts so advanced therefor by the Trustee shall become an additional obligation of the Organization under this Covenant Agreement to the one making the advance, which amount the Organization agrees to pay on demand together with interest thereon at a rate which shall be 5% per annum above the highest rate of interest borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

(B) *Taxes, Other Governmental Charges and Utility Charges.* The Organization will pay, as the same become due, (1) all taxes and governmental charges of any kind whatsoever or payments in lieu of taxes that may at any time be lawfully assessed or levied against or with respect to the Facilities or any interest therein, or any machinery, equipment, or other property installed or brought by the Organization therein or thereon which, if not paid, will become a Lien on the Facilities or a charge on the Pledged Revenues prior to or on a parity with the charge thereon under this Covenant Agreement, (2) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities and (3) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a Lien on the Facilities provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Organization shall be obligated to pay only such installments as may have become due during the term of this Covenant Agreement.

(i) The Organization may, at its own expense, but only if no Event of Default hereunder has occurred and is continuing, diligently prosecute and in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom if, in the Opinion of Counsel, the Facilities shall not be subject to loss or forfeiture. In the event that the Organization is not able to obtain such Opinion of Counsel, such taxes, assessments or charges shall be paid promptly or secured by posting cash or a bond equal to one and one-half times the amount at issue with the Trustee in form satisfactory to the Trustee. In the event that the Organization shall fail to pay any of the foregoing items required by this Section to be paid by the Organization, the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Trustee shall become an additional obligation of the Organization payable to the one making the advance, which amount the Organization agrees to pay on demand together with interest thereon at a rate which shall be 5% per annum above the highest rate of interest borne by the Bonds or the maximum rate permitted by law if less than such rate.

(ii) The Organization will do, or cause to be done, all things required by the appropriate government authority to obtain and maintain exemption from payment of real property taxes.

(C) *Insurance Required; Insurance Company Ratings; Insurance Certificate to be Delivered to Trustee.* Throughout the term of this Covenant Agreement, the

Organization shall keep, or cause to be kept, the Facilities insured against the following risks, paying as the same become due and payable all premiums with respect thereto:

(i) *Liability Policy.* Commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Agreement Property, such insurance (A) to be on the so-called "occurrence" form containing minimum limits of \$1,000,000.00 per occurrence for personal injury, bodily injury, death or property damage occurring in any one accident or occurrence upon, in or about the Facilities and \$3,000,000.00 general aggregate; together with \$3,000,000.00 products/completed operations aggregate coverage, and \$10,000,000 umbrella liability, and shall include endorsements for, or shall obtain a policy for, Abuse and Molestation and School Leaders & Educations Errors & Omission; (B) to continue at not less than the aforesaid limit until required to be changed by Trustee in writing by reason of changed economic conditions making such protection inadequate; (C) to cover at least the following hazards, (1) premises and operations, (2) products and completed operations on an "if any" basis, (3) independent contractors, (4) blanket contractual liability for all written and oral contracts, (5) contractual liability covering the indemnities contained herein to the extent the same is available, and (6) all legal liability imposed upon Trustee and all court costs and attorneys' fee incurred in connection with the ownership, operation and maintenance of the Facilities; and (D) to be without any deductible.

(ii) *Business Interruption Insurance.* Coverage for the loss of Base Rent payable under the Leases for the benefit of the Institution and Trustee for a period of twelve (12) months.

(iii) *Workers' Compensation Insurance.* A policy or policies of workers' compensation insurance, in accordance with and in the amounts required by applicable Laws and when applicable to federal laws, voluntary compensation and employer's liability (including occupational disease) coverage with limits not less than \$100,000.00 per occurrence.

(iv) *Automobile.* Comprehensive automobile insurance covering all owned, non-owned and hired automobiles used in connection with the operation of the Facilities (and each of them) and shall have minimum bodily injury and property damage limits of \$1,000,000.00 combined single limit per occurrence.

(v) *Insurance on Personal Property.* A policy providing fire and extended coverage, vandalism, malicious mischief, sprinkler leakage and special extended coverage insurance in an amount adequate to cover the full cost of replacement of all personal property, inventory, decorations, trade fixtures, furnishings, equipment, Organization's improvements and betterments, and other contents in the Facilities.

(vi) *Employee Dishonesty.* With respect to the operations on the Facilities, a policy for employee dishonesty with limits not less than \$250,000.00 per claim.

(vii) *D&O Insurance.* A policy or policies of directors' and officers' liability insurance covering certain liabilities which may be incurred by Organization's officers or directors in the performance of their obligations to Organization, with limits of not less than \$1,000,000.00 per occurrence.

(viii) *Cyber Insurance.* Coverage against cyber instruction or attack, providing coverage limits not less than \$1,000,000.00.

(ix) *Building Insurance.* (a) Property damage insurance, and (B) during any period of construction, reconstruction or substantial renovation of the Facility (to the extent not otherwise covered by property damage insurance), Builders' All Risk Insurance written on "100% builders' risk completed value, non-reporting form" including coverage therein for "completion and/or premises occupancy" and coverage for property damage insurance, all of which insurance shall include coverage for removal of debris, insuring the buildings, structures, facilities, fixtures and other property constituting a part of the Facility against loss or damage to the Facility by all risk of physical loss at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the Issuer, the Debtor, or the Trustee from becoming a co-insurer of any loss under the insurance policies but in any event in amounts equal to the greater of (A) 110% of the actual replacement value of the Facility as determined by a qualified insurance appraiser or insurer (selected by the Debtor) not less often than once every three years, at the expense of the Debtor, and (B) the principal amount of the Outstanding Bonds; any such insurance may provide that the insurer is not liable to the extent of the first \$10,000 with the result that the Debtor is its own insurer to the extent of \$10,000 of such risks;

(b) Boiler and machine property damage insurance in respect of any steam and pressure boilers and similar apparatus located on the Facility from risks normally insured against under boiler and machinery policies and in amounts and with deductibles customarily obtained for similar business enterprises;

(c) To the extent the Facility may be located in a flood zone, or if otherwise required by federal law, flood certification or flood insurance, to the extent not covered by property damage insurance, in an amount equal to the greater of the full replacement cost or the maximum amount then available under the National Flood Insurance Program.

(x) *Construction Period Insurance.* All insurance required by Section 8.01(c) of the Loan Agreement on the date of issuance of the Series 2020 Bonds.

(xi) *Other Insurance Policies.* In addition to the foregoing policies, Organization agrees, at Organization's expense, to maintain such other insurance

policies as Institution or Trustee may reasonably require from time to time during the Term, including, without limitation, terrorism insurance.

All the insurance coverage required by this Section 4(C) may be subject to deductible clauses in such amounts as are customary for facilities of similar size, type and character within the State.

All policies maintained (or caused to be maintained) by the Organization pursuant to this Section 4(C) shall be taken out and maintained with generally recognized, responsible insurance companies rated not less than "A" by A.M. Best, authorized in the State, which may include "captive" insurance companies or governmental insurance pools, selected by the Organization. No self-insurance shall be permitted hereunder. The insurance policies required by this Section 4(C) (other than workers' compensation) shall name the Trustee as an additional insured and, provided further, that all insurance proceeds, except for worker's compensation, shall be paid directly to the Trustee during the occurrence of an Event of Default. Such policies or certificates of insurance shall (i) provide that (except as to workers compensation insurance) the insurer will mail 30 days' written notice to the Issuer and the Trustee of any reduction in amount, material change in coverage or cancellation prior to expiration of such policy.

The Organization shall deliver to the Trustee (a) upon the commencement of the term of this Covenant Agreement, the certificate of insurance which the Organization is then required to maintain pursuant to this Section 4(C), together with written evidence attesting as to the payment of all premiums then due thereon, and (b) promptly upon request by the Trustee, but in any case within 90 days after the end of each Fiscal Year, a certificate of an Authorized Representative of the Organization setting forth the particulars as to all insurance policies maintained by the Organization pursuant to this Section and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of this Section and that all premiums then due thereon have been paid.

At least once every three years beginning in January 2024, the Organization shall employ, at its expense, an Insurance Consultant to review the insurance coverage required by this Section 4(C) and to render to the Trustee and Organization a report as to the adequacy of such coverage and as to its recommendations, if any, for adjustments thereto. The insurance coverage provided by this Section shall be increased or augmented by the Organization if as a result of such review the Insurance Consultant finds that the existing coverage is inadequate. The insurance coverage required by this Section, and modification thereof permitted or required by this paragraph, shall at all times be adequate and customary for charter school facilities of like size and type and within the same geographic area, and the Insurance Consultant shall so certify in the report required by this paragraph, subject in all cases to the minimums set forth in this Section. The Trustee shall have no obligation to monitor or evaluate the sufficiency of any such insurance maintained pursuant to this Section.

(D) *Application of Net Proceeds of Insurance.* The Net Proceeds of insurance carried pursuant to Section 4(C) hereof shall be applied toward extinguishment or

satisfaction of the liability with respect to which such insurance proceeds have been paid, so long as no Event of Default shall have occurred and be continuing.

(E) *Advances by Trustee.* In the event the Organization shall fail to maintain the full insurance coverage required by this Covenant Agreement or shall fail to keep the Facilities in the condition required hereby (except as otherwise herein permitted), the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and all amounts advanced therefor by the Trustee shall become an additional obligation of the Organization under this Covenant Agreement to the one making the advance, which amounts the Organization agrees to pay on demand together with interest thereon at a rate which shall be 5% per annum above the highest interest rate borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

Section 5. Additional Covenants. During the term of the Leases, the Organization shall perform the covenants and agreements imposed under the Leases, the Continuing Disclosure Agreement, and this Covenant Agreement and the ongoing notice and reporting requirements contained therein, including but not limited to:

(A) *Consolidation, Merger, Sale or Conveyance.* The Organization agrees that during the term of this Covenant Agreement it will maintain its corporate existence, will continue to be a nonprofit corporation duly qualified to do business in the State, will not merge or consolidate with, or sell or convey, all or substantially all of its assets to, any Person unless the provisions of (i) and (ii) below have been met:

(i) with respect to Organization;

(a) no Event of Default has occurred and is continuing;

(b) Organization first acquires the consent of the Trustee and the consent of the Majority Holders to such transaction and provides to the Trustee and the Majority Holders notice of its intent at least ninety (90) days in advance of such consolidation, merger, sale or conveyance;

(c) Organization shall provide the Trustee with an opinion of Bond Counsel acceptable to the Trustee to the effect that such merger, consolidation, sale or conveyance, would not adversely affect the validity of any of the Bonds, the excludability from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds;

(d) Organization shall provide the Trustee with an Opinion of Counsel, stating that none of the other Persons which are a party to such consolidation, merger or transfer has any pending litigation other than that arising in the ordinary course of business or, has any pending litigation which might reasonably result in a substantial adverse judgment. For the purposes of the preceding sentence, the term “**substantial adverse judgment**” shall mean a judgment in an amount which exceeds the insurance or reserves therefor by a sum which is more than 2% of the aggregate net worth of the

resulting, surviving or transferee corporation immediately after the consummation of such consolidation, merger or transfer and after giving effect thereto; and

(e) Organization, in the case of a consolidation, merger, sale or conveyance, shall provide evidence to the Trustee that the successor entity can continue to operate the Facilities as a charter school in accordance with the Charter Schools Act, as amended and that the entity is entitled to receive the State Payments.

(ii) and, with respect to the acquirer of such assets or the entity with which it shall be consolidated or the resulting entity in the case of a merger (the “**Successor**”):

(a) the Successor provides to the Trustee a certificate of an authorized representative, accompanied by a confirming Accountant’s Certificate, to the effect that:

(1) the combined Maximum Annual Debt Service for outstanding Indebtedness of the Successor immediately following the merger, consolidation, or acquisition is equal to or less than 10% of the Pledged Revenues of the Organization and the acquirer of such assets or the entity with which it shall be consolidated or the resulting entity in the case of a merger, as the case may be, as determined in their most recent budget(s); or

(2) the Net Income Available for Debt Service of the Organization and the acquirer of such assets or the entity with which it shall be consolidated or the resulting entity in the case of a merger, as the case may be, as determined in their most recent budget(s) must be sufficient to pay an amount representing not less than 120% of the combined Maximum Annual Debt Service for currently outstanding Indebtedness of the Successor; and

(b) the Successor shall assume in writing the performance and observance of all covenants and conditions of this Covenant Agreement; and

(c) the Successor shall deliver to the Trustee within thirty (30) days of the close of such transaction, copies of all documents executed in connection therewith, one document of which shall include an Opinion of Counsel to the Organization that all conditions in this Covenant Agreement have been satisfied and that all liabilities and obligations of the Organization under the Security Documents shall become obligations of the Successor; provided, however, the Organization shall not be released from the same.

(B) *Budgets.* The Organization agrees to annually budget sufficient expenditures to provide for all Rent and other amounts due under the Leases or under this Covenant Agreement.

(C) *Audits; Financial Statements; Reports; Annual Certificate.*

(i) Audits. The Organization agrees that it will have its books and records audited annually, including separate statements for the Obligated Group, commencing with the Fiscal Year ending June 30, 2021, in accordance with GAAP as soon as practicable but no later than one hundred fifty (150) days after the close of such Fiscal Year, and shall furnish its audited financial statements to the Issuer, the Trustee and the Dissemination Agent within one hundred fifty (150) days after the end of each Fiscal Year. The Organization shall cause its Accountants to include in each audit a calculation of the Obligated Group's Days Cash on Hand and Debt Service Coverage Ratio for the applicable Fiscal Year as of the June 30 testing date. The Organization will notify the Issuer, the Dissemination Agent and the Trustee in writing of a change in its Accountant stating the reasons for such change.

(ii) Maintenance of Books and Accounts. The Organization agrees that it will maintain and make available to the Beneficial Owners, the Issuer and the Trustee proper books of records and accounts of all of its operations with full, true and correct entries of all of its dealings in accordance with GAAP, consistently applied, and such other data and information as may reasonably be requested by the Issuer, the Beneficial Owners and the Trustee from time to time. The Organization shall allocate revenues and expenses to the Obligated Group in good faith and consistently with the allocation of State Payments actually received each Fiscal Year. The Organization will maintain separate operating bank accounts for each of the Facilities; provided, that the Organization need not create a separate operating bank account for the FLACS IV Facility until the Construction Window ends.

(iii) Financial Reports. The Organization shall provide to the Issuer, the Dissemination Agent and the Trustee the information in subsections (a) and (e) below on an Organization and Obligated Group basis as set forth below (which may be sent electronically):

(a) a copy of the Organization's adopted annual operating budget and capital budget for the Organization and the Obligated Group's present Fiscal Year within thirty (30) days of its adoption by the governing board;

(b) a copy of revisions, if any, to the Organization's annual budgets or capital budgets for the Organization and the Obligated Group as approved by its governing board within thirty (30) days of adoption by the governing board;

(c) a copy of the allotment memo sent to the Organization on or before the last day of every other month by New York City indicating the amount of the Organization's State Payment for the Organization and the Obligated Group for the next two succeeding months in a format that shows the portions of such payments attributable to the Obligated Group; provided

however such allotment memo will combine FLACS II MS and FLACS II; and

(d) within forty-five (45) days following the end of each calendar quarter, unaudited financial statements for the previous quarter and Fiscal Year to date reflecting revenues and expenses in comparative form with the Organization's then current operating budget for the Organization and the Obligated Group (e.g. actual to budget); and

(e) during the occurrence and continuance of an Event of Default, the Organization shall provide the information within fifteen (15) days following the end of each calendar month, unaudited financial statements for the previous month and Fiscal Year to date reflecting revenues and expenses in comparative form with the Organization's and the Obligated Group's then current operating budget.

(iv) Enrollment Reports. No later than August 31 of each Fiscal Year, the Organization shall provide the Dissemination Agent and the Trustee with a copy (which may be sent electronically) of each of the following reports:

(a) Three years' current enrollment history, broken down by grade and totaled for each of the schools comprising the Obligated Group;

(b) An updated waiting list for enrollment by grade, with each student on such waiting list updated and confirmed electronically or in writing for each of the Obligated Group;

(c) Three years' current re-enrollment data by grade level for each of the Obligated Group;

(d) Attendance data for each school included in the Obligated Group based on an the average enrollment for the prior school year;

(e) In addition to the annual reporting set forth above, the Organization shall provide quarterly enrollment by school within the Obligated Group, and by grade within each school in the Obligated Group, together with waitlist information; and

(f) Any other similar reports as reasonably requested.

(v) Academic Reports. No later than August 31 of each year, the Organization shall provide shall provide the Dissemination Agent and the Trustee with a report (which may be sent electronically) describing the academic ratings to the extent available for each of the schools included in the Obligated Group.

(vi) Organization Report. Further, the Organization will deliver to the Trustee and the Dissemination Agent within one hundred fifty (150) days after the

end of the Organization's Fiscal Year a certificate executed by the Organization's president or chief financial officer stating that:

(a) A review of the activities of the Organization during such Fiscal Year and of performance hereunder has been made under his/her supervision; and

(b) He/She is familiar with the provisions of the Security Documents and to the best of his/her knowledge, based on such review and familiarity, the Organization has fulfilled all of its obligations thereunder throughout the Fiscal Year, and there have been no defaults under the Security Documents or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to him/her and the nature and status thereof and the actions taken or being taken to correct such default.

(vii) Charter Contract Report. Within ten (10) Business Days of receipt from the Authorizer, the Organization will deliver to Trustee and Issuer any notice or report with respect to charter compliance, including (1) copies of all written complaint notifications or other material correspondence from its Authorizer and copies of any and all of the Organization's responses to such complaint notifications; (2) notices of any meeting at which the Organization is before the Authorizer for issues of non-compliance; and (3) copies of the minutes of any meeting of the Authorizer referenced in (2) above.

(viii) Educational Testing Report. Simultaneously with delivery to the Authorizer or the State, and in any event within thirty (30) days of receipt by the State, the Organization will deliver to the Dissemination Agent and the Trustee the result of any educational testing relating to the schools in the Obligated Group required by State or federal law.

(ix) Board Meeting Minutes. The Organization will deliver to the Trustee copies of the meeting minutes of the Board of Directors of the Organization within thirty (30) days of approval by the Organization. Such meeting minutes shall include updates regarding the construction of the FLACS IV Facility until the FLACS IV Facility is placed in service.

(x) Repair and Replacement Fund Withdrawals. Together with any request for withdrawal from the Repair and Replacement Fund to pay all or a portion of the capital expenditures related to the maintenance and replacements which may be required to keep each of the Facilities in sound condition, including but not limited to repair or replacement of equipment, repair or replacement of any roof or other structural component, painting, carpeting, flooring, and the repair or replacement of heating, air conditioning, plumbing and electrical equipment, for any month, the Organization will deliver to the Trustee and the Dissemination Agent notice of such withdrawal and the reason(s) therefor.

(xi) Compliance Certificate. Organization shall, not later than June 30 of each year hereafter, beginning June 30, 2021, file with the Trustee, the Issuer and the Dissemination Agent, a compliance certificate stating that Organization is in compliance with the Security Documents, in the form attached hereto as *Exhibit 5(C)(x)* hereto.

(xii) Construction Reports. The Organization shall cause all reports of the Construction Monitor to be prepared and delivered to the Trustee and the Dissemination Agent by the fifteenth day of each month during the construction period for the FLACS IV Facility pursuant to the terms of the Construction Monitoring Agreement. Such reports shall contain the following information:

(a) brief description of construction activity for applicable reporting period, including:

(1) construction work performed on site during reporting period,

(2) status of procurement of equipment,

(3) material issues with vendor performance (including delivery issues, performance problems or material cost overruns);

(b) adherence to expected construction timeline (including estimated number of days ahead or behind);

(c) adherence to expected construction budget (including material work order, dollar or percentage deviation from budget); and

(d) if applicable, brief narrative description of the reasons behind any material delays indicated in Subsection (5)(CC)(ii) and (5)(CC)(iii) above; and

(e) promptly upon sending or receipt, copies of any material correspondence between the Borrower and any governmental entity regarding compliance with Environmental Regulations, potential material violations of state or local law, or other material correspondence relating to the Borrower's construction of or operations of the Facility.

Neither the Trustee nor the Dissemination Agent shall have any duty regarding such information delivered in accordance with this subsection other than to retain any such information that it receives and transmit same in accordance herewith.

(D) *Release and Indemnification Covenants*.

(i) The Organization agrees to pay, defend, protect, indemnify, and hold each of the Indemnified Persons harmless for, from and against any and all Liabilities directly or indirectly arising from or relating to the Loan, the Leases, this

Covenant Agreement, the Project, the Mortgages, and the Tax Regulatory Agreement, and any and all Liabilities directly or indirectly arising from or relating to the Bonds, the Indenture or any document related to the issuance and sale of the Bonds, including, but not limited to, the following:

- (a) Any injury to or death of any person or damage to property in or upon the Facilities or growing out of or connected with the use, non-use, condition, or occupancy of the Facilities or any part thereof;
- (b) Violation of any agreement, covenant, or condition of any of the Security Documents;
- (c) Violation of any agreement, contract, or restriction relating to the Project;
- (d) Violation of any law, ordinance, or regulation affecting the Facilities or any part thereof or the ownership, occupancy, or use thereof;
- (e) The issuance and sale of the Bonds or any of them;
- (f) Any statement, information, or certificate furnished by the Organization to the Issuer or the Trustee which is misleading, untrue, incomplete, or incorrect in any respect;
- (g) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;
- (h) any declaration of taxability of interest on the Tax-Exempt Bonds, or allegations that interest on the Tax-Exempt Bonds is taxable or any regulatory audit or inquiry regarding whether interest in the Tax-Exempt Bonds is taxable; and
- (i) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party.
- (ii) The Organization also agrees to pay, defend, protect, indemnify, and hold each of the Indemnified Persons harmless for, from, and against any and all Liabilities directly or indirectly arising from or relating to (A) any errors or omissions of any nature whatsoever contained in any legal proceedings or other

official representation or inducement made by or to the Issuer pertaining to the Bonds, and (B) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer relating to the issuance of the Bonds or pertaining to the financial condition of the Organization which, if known to the original purchaser of the Bonds or the Underwriter, might be considered a material factor in such Person's decision to purchase the Bonds.

(iii) Paragraphs (i) and (ii) above are intended to provide indemnification to each Indemnified Party for his or her active or passive negligence or misconduct; provided, however, nothing in paragraphs (i) and (ii) above shall be deemed to provide indemnification to any Indemnified Party with respect to any Liabilities arising from the successful allegation of fraud, gross negligence, or willful misconduct of such party.

(iv) Any party entitled to indemnification hereunder shall notify the Organization of the existence of any claim, demand, or other matter to which the Organization's indemnification obligation applies, and shall give the Organization a reasonable opportunity to defend the same at its own expense and with counsel satisfactory to the Indemnified Party, as applicable, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense. If the Indemnified Party is advised in an Opinion of Counsel that there may be legal defenses available to either of them which are different from or in addition to those available to the Organization or if the Organization shall, after receiving notice of the Organization's indemnification obligation and within a period of time necessary to preserve any and all defenses to any claim asserted, fails to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, as applicable, the Indemnified Party, as applicable, shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Organization. The Organization shall be responsible for the reasonable counsel fees, costs, and expenses of the Indemnified Party in conducting its defense.

Notwithstanding the foregoing, the Organization shall not be considered an **"Indemnified Party"** for purposes of this Section.

(E) *Authority of Authorized Representative of the Organization.* Whenever under the provisions of this Covenant Agreement, the Leases, the Loan Agreement or the Indenture the approval of the Organization is required, or the Trustee is required to take some action at the request of the Organization, such approval or such request shall be made by the Authorized Representative of the Organization unless otherwise specified in this Covenant Agreement or the Indenture. The Trustee shall be authorized to act on any such approval or request and the Organization shall have no complaint against the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Covenant Agreement or the Indenture by an Authorized Representative of the Organization shall be on behalf of the Organization and shall not result in any personal liability of such Authorized Representative of the Organization.

(F) *Intentionally Omitted.*

(G) *Licenses and Qualifications.* The Organization will do, or cause to be done, all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals and to comply, or cause its lessees to comply, with such permits, licenses and other governmental approvals necessary for operation of the Facilities as a charter school (as defined in the Charter Schools Act), including at all times maintain its Charter Contract for each of the Facilities.

(H) *Right to Inspect.* Following reasonable notice to the Organization, at any and all reasonable times during business hours, the Trustee, and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Facilities, including all books and records of the Organization (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired.

(I) *Lease or other Disposition of the Facilities.* The Organization shall not sublease any part of the Facilities to any other Person nor assign its rights in the Leases to any other Person, without the prior written consent of the Majority Holders.

(J) *Nonsectarian Use.* The Organization covenants to operate the Facilities in accordance with the Charter Schools Act. The Organization will comply with all applicable state and federal laws concerning discrimination on the basis of race, creed, color, sex, sexual orientation, national origin, or religious belief and will respect, permit, and not interfere with the religious beliefs of persons working for the Organization. The Organization may rely upon the Opinion of Counsel acceptable to the Trustee in order to determine whether it is in compliance from time to time with the covenants contained in this paragraph.

(K) *Incurrence of Indebtedness.* Except as otherwise set forth in this subsection, the Organization shall not incur, assume, or otherwise become liable for any capital lease obligations or cause any additional Indebtedness secured in whole or in part by the Facilities or the Pledged Revenues, to be issued for its benefit, other than:

(i) Indebtedness issued upon satisfaction of the following:

(a) No Default: Delivery of a certificate signed by an Authorized Representative of the Organization stating that no Event of Default is then existing under the Security Documents or any debt outstanding or any agreement entered into by the Organization in conjunction with such debt;

(b) Historical Coverage on Outstanding Debt - Delivery of a certificate signed by the Independent Accountant of the Organization for the applicable Fiscal Year stating that, for the most recent Fiscal Year immediately preceding the issuance of the Indebtedness, Net Income Available for Debt Service of the Obligated Group was equal to at least 1.10 times that Fiscal Year's Maximum Annual Debt Service on all Indebtedness

of the Obligated Group then outstanding for such period together with the Indebtedness proposed to be issued; and

(c) **Projected Coverage for Additional Debt** - A Management Consultant selected in Section 5(S) provides a written report setting forth projections which indicate that the estimated Net Income Available for Debt Service of the Obligated Group for the Fiscal Year beginning on the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Indebtedness, based upon a certificate of a Management Consultant, is equal to at least 1.20 times Maximum Annual Debt Service on all Indebtedness of the Obligated Group then outstanding during such Fiscal Year plus the additional Annual Debt Service Requirements for the Indebtedness to be issued.

(ii) The Organization may incur, assume, or otherwise become liable for Indebtedness for the purpose of acquiring equipment for the Obligated Group (such as copiers, laptops and chromebooks) in an amount that does not exceed an outstanding principal amount of \$750,000.00.

(iii) The Organization may maintain a credit line in the maximum amount of \$1,000,0000 for the purpose of funding costs of operation of the school facilities provided that such credit line provides for the repayment of all outstanding principal and interest for a period of at least thirty (30) consecutive days during each Fiscal Year and further provided that if such a credit line is secured by a pledge of any of the assets of the Organization, the Trustee is provided with an agreement by the lender that the pledge to the lender is subordinate to the lien of the Trustee under this Covenant Agreement and the Pledge and Security Agreement.

(iv) The Organization may undertake other subordinate Indebtedness or unsecured Indebtedness only with Majority Holder approval.

The Trustee shall have no duty regarding such information delivered in accordance with this subsection other than to retain any such information that it receives and transmit same in accordance herewith.

Notwithstanding any provision hereof to the contrary, the Organization may not incur additional Indebtedness pursuant to this subsection if an Event of Default shall have occurred and be continuing and, if the Bonds are subject to a rating from a Rating Agency, written confirmation from the Rating Agency that the issuance of the additional Indebtedness will not cause the Rating Agency to lower or withdraw its rating on the Bonds.

(L) *No Guarantees or Loans.* Notwithstanding any provision hereof to the contrary, other than as set forth in the Guaranty Agreements, the Organization shall not guarantee the Indebtedness or obligations of any other Person, nor make loans to any other Person.

(M) *Enrollment Covenant.* The Organization shall maintain enrollment within the Obligated Group, commencing October 15, 2021 and tested annually on each October 15 thereafter, as follows:

Testing Date	Enrollment
October 15, 2022	700
October 15, 2023	1220
October 15, 2024	1430
October 15, 2025	1170
October 15, 2026 and thereafter	1430

In the event the Organization's enrollment at the Obligated Group is less than the amounts set forth above on any testing date as set forth above, the Organization shall engage, at the Organization's expense, a Management Consultant, which shall deliver a written report within ninety (90) days of engagement to the Trustee, the Beneficial Owners, and the Organization containing the recommendations concerning the Organization's:

- (i) operations;
- (ii) financing practices and activities, including Short-Term Indebtedness, lease financing, and investment activities;
- (iii) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Organization's financial condition;
- (iv) governance and administration practices; and
- (v) other factors relevant to maintaining such compliance.

Upon submission of the Management Consultant's report, the Organization is required to arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance of the recommendations of the consultant within thirty (30) days of receiving the report of the Management Consultant. The Organization shall adopt and carry out such recommendations.

If, however, the Organization's enrollment at the Obligated Group is less than the required levels set forth above but greater than or equal to 75% of the enrollment requirements set forth above on any two consecutive testing dates, or if the Organization's enrollment at the Obligated Group is less than 75% of the enrollment requirements set forth above on any testing date, an Event of Default shall be deemed to have occurred hereunder.

(N) *Covenant as to Days Cash on Hand.* The Organization shall maintain forty-five (45) Days Cash on Hand for the Obligated Group. The Obligated Group's Days Cash on Hand shall be tested on June 30 of each year, commencing June 30, 2021. The covenant made in this Section shall be calculated annually by the Accountant based upon the results included in the annual audited financial statements of the Organization for the Obligated Group as of June 30 of each year.

If the Days Cash on Hand of the Obligated Group for any testing date is less than forty-five (45) days, then the Organization will promptly employ a Management Consultant, which shall deliver a written report within ninety (90) days of engagement to the Trustee, the Beneficial Owners, and the Organization containing the recommendations concerning the Obligated Group's:

- (i) operations;
- (ii) financing practices and activities, including lease financing, and investment activities;
- (iii) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Organization's financial condition;
- (iv) governance and administration practices; and
- (v) other factors relevant to maintaining such compliance.

Upon submission of the Management Consultant's report, the Organization is required to arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance of the recommendations of the consultant within thirty (30) days of receiving the report of the Management Consultant. The Organization shall adopt and carry out such recommendations.

So long as the Organization is otherwise in full compliance with its obligations under this Covenant Agreement and the Leases, including following the recommendations of the Management Consultant, it shall not constitute an Event of Default, if the Obligated Group's Days Cash on Hand for any testing date is less than forty-five (45) days for the prior Fiscal Year.

(O) *Coverage Ratio Covenant.* For the Fiscal Year, commencing July 1, 2021, the Organization shall maintain Net Income Available for Debt Service for the Obligated Group in an amount equal to at least 1.1 times the Maximum Annual Debt Service on all Indebtedness for the Obligated Group then outstanding. The covenant made in this Section shall be calculated annually by the Accountant based upon the results included in the annual audited financial statements of the Organization for the Obligated Group as of June 30 of each year.

In the event the Organization's Net Income Available for Debt Service for the Obligated Group for the Obligated Group is less than 1.1 times the Maximum Annual Debt

Service on all Indebtedness for the Obligated Group then outstanding on any testing date as set forth above, the Organization shall engage, at the Organization's expense, a Management Consultant, which shall deliver a written report within ninety (90) days of engagement to the Trustee, the Beneficial Owners, and the Organization containing the recommendations concerning the Obligated Group's:

- (i) operations;
- (ii) financing practices and activities, including lease financing, and investment activities;
- (iii) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Organization's financial condition;
- (iv) governance and administration practices; and
- (v) other factors relevant to maintaining such compliance.

Upon submission of the Management Consultant's report, the Organization is required to arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance of the recommendations of the consultant within thirty (30) days of receiving the report of the Management Consultant. The Organization shall adopt and carry out such recommendations for the Obligated Group.

If, however, the Organization's Net Income Available for Debt Service for the Obligated Group is less than 1.10 but greater than or equal to 1.0 times the Maximum Annual Debt Service on all Indebtedness for the Obligated Group then outstanding on any two consecutive testing dates, or if the Organization's Net Income Available for Debt Service for the Obligated Group is less than 1.0 times the Maximum Annual Debt Service on all Indebtedness for the Obligated Group then outstanding on any testing date, an Event of Default shall be deemed to have occurred hereunder.

(P) *Investor Calls.* The Organization shall organize and schedule a conference call for the benefit of the Beneficial Owners of the Bonds (i) within forty-five (45) days following receipt by the Dissemination Agent of the audited financial statements of the Organization for each Fiscal Year beginning with the Fiscal Year ending June 30, 2021, (ii) quarterly during such period of time there exists breach of a covenant by the Organization under the Security Documents for which the Organization has been given notice, and (iii) monthly during the occurrence and continuance of an Event of Default. The Organization shall cause notice of each such conference call setting forth the date, time and call-in information of each such conference call to be given to the Dissemination Agent, the Issuer, the then-current Beneficial Owners of the Bonds and to the public in general and shall provide or cause the Dissemination Agent to provide notice of each such conference call to be posted on Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB (EMMA) in a timely manner but in no event less than five (5) business days prior to the date set for each such conference call.

(Q) *Capital Needs Assessment.* The Organization shall cause a Facilities Consultant to complete a capital needs assessment of the Organization projecting the Organization's capital needs for the Facilities and the total cost thereof for the five (5) year period commencing on the immediately following January 1 (each a "**Capital Needs Assessment**") no later than December 1, 2027, and every fifth anniversary thereafter as long as the Bonds are Outstanding. The total cost set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Funds, divided by 30, shall be the "**Repair and Replacement Fund Requirement**" for such five (5) year period. The Repair and Replacement Requirement for each future period shall be at least the amount provided for in the definition of Repair and Replacement Fund Requirement for the Facilities.

(R) *Repair and Replacement Fund Deposits.* The Organization hereby covenants to deposit into the Repair and Replacement Fund, a portion of the Base Rents due under the FLACS II MS Lease, the FLACS III Lease and the FLACS IV Lease to fund the Repair and Replacement Fund on the dates set forth therein, until the annual amount of such deposits total the Repair and Replacement Fund Requirement for such year. In addition, commencing January 1, 2028, the Organization shall deposit with the Trustee an amount equal to 1/30th of the Repair and Replacement Fund Requirement bi-monthly under the FLACS II MS Lease, the FLACS III Lease and the FLACS IV Lease, subject to the provisions of Section 5(Q) above. The Organization shall replenish any draws made on the Repair and Replacement Fund by paying or causing to be paid to the Trustee for deposit in the Repair and Replacement Fund in thirty (30) equal bi-monthly amounts as required by the Indenture and Loan Agreement until the Repair and Replacement Fund Requirement is met; provided, however, if amounts on deposit in the Repair and Replacement Fund are in excess of the Repair and Replacement Fund Requirement, the Organization shall not be required to replenish draws on the Repair and Replacement Fund; and, provided, further, however, nothing contained herein, shall prohibit the Organization from depositing amounts into the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement. Additionally, if amounts on deposit in the Repair and Replacement Fund paid from Base Rents are in excess of the Repair and Replacement Fund Requirement on each fifth year anniversary commencing January 1, 2028, the Organization shall use such excess amounts to pay capital expenses necessary to update, repair or maintain the Facilities during such Fiscal Year.

(S) *Selection of Consultants.* For any provision of this Covenant Agreement that requires the Organization to engage an independent expert to assist it, such as a Construction Monitor or Management Consultant (but not including its Accountant), the Organization shall provide notice of the proposed retention of an Independent consultant within three (3) Business Days of such retention to the Trustee, who will provide notice to the Bondholders, which notice shall specify the identity of the proposed consultant to be retained by the Organization. If within twenty-one (21) calendar days of the providing such notice the Majority Holders notify the Trustee in writing that they object to the retention of such proposed consultant, such Independent consultant shall not be retained by the Organization and the Organization shall provide notice of the proposed retention of a different Independent Consultant in the same manner. The process shall continue until the Organization has proposed retention of an Independent Consultant that is not objected

to by the Majority Holders. The Organization shall promptly retain any consultant not objected to by the Majority Holders.

(T) *Financial Product Agreements.* The Organization shall not enter into any Financial Product Agreement.

(U) *Subordination of Management Fees.* The management, operating or license fee, as applicable (“Management Fee”) required to be paid by Organization to any manager, operator or other third party pursuant to the terms of a management agreement or other related agreement are and shall be subordinate to the timely payment by Organization to Institution of all amounts payable under the Lease, and such Management Fee with respect to the Facilities may only be paid to such third party if no Event of Default under the Leases exists; provided, however, if the annual Facilities Access Payments are expected to be less than the annual Debt Service on the Bonds, the Organization’s obligations to pay the Management Fees as Base Rents under the Lease shall be waived and the Organization may elect to pay such amounts from other sources in its sole discretion. Such Management Fee not timely paid by Organization shall remain due and payable, though deferred, and shall be paid by Organization when no Event of Default exists under the Leases and at the earliest possible time that funds are available for such payment. For the avoidance of doubt, Organization covenants and agrees to pay any and all amounts due under the Leases prior to the payment of all or any portion of a Management Fee.

(V) *Continuing Disclosure Agreement.* The Organization shall comply with the terms of the Continuing Disclosure Agreement.

(W) *State and City Funding.* On or before the deadline as provided by applicable State law, City ordinance or regulation as amended from time to time, make all applications or submissions and provide all supporting documentation to the DOE or the State Department of Education (or its successor), as applicable, that are necessary to receive full funding from the State and the City for all legally available general student aid funds, Facilities Access Payments, special education funding or other funding sources included in the Organization’s annual budgeted operating revenues.

(X) *Federal Funding.* The Organization shall use its best efforts to make all necessary applications or submissions, including all supporting documentation, to receive any federal monies included in the Organization’s annual budgeted operating revenues.

(Y) *Notice of Default.* The Organization shall provide notice to the Issuer, Trustee, the Institution and the Beneficial Owners of (i) any notices from the Authorizer to the Organization of noncompliance with or determination not to renew the Charter Contract within ten (10) days of receipt of such notice by the Organization and (ii) any default under any Security Document and the steps to be taken by the Organization to remedy such default, promptly after such default occurs.

(Z) *Facilities Access Payments.* If necessary, under New York law, the Organization shall make application as required to the applicable regulatory body for Facilities Access Payments.

(AA) *Tax-Exempt Status.* The Organization shall maintain its existence as a Tax-Exempt Organization and charter school described in the Charter Schools Act under its Charter Contract and not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Trustee.

(BB) *Guaranty Agreements.*

(i) The Organization hereby agrees to enter into the FLACS IV Guaranty Agreement in favor of the Trustee which shall be effective following completion of construction of the FLACS IV Facility through the date on which enrollment at the FLACS IV Facility is equal to or exceeds 702 students.

(ii) The Organization hereby agrees to enter into the Obligated Group Guaranty Agreement and that such Obligated Group Guaranty Agreement shall remain in effect until the Bonds are no longer deemed Outstanding pursuant to the terms of the Indenture.

(CC) *Organization Custodial Account.* The Organization shall deposit all Gross Revenues, including all State Payments, on receipt into the Organization Custodial Account. With each deposit, the Chief Financial Officer of the Organization shall certify to the Depository Bank and the Trustee the amount each deposit that is attributable to the Obligated Group and the amount attributable to the FLACS II Facility. Such amounts shall be certified on a basis consistent with the calculation of State Payments by New York City allocable to each Facility. Upon such certification, the amount attributable to the FLACS II Facility shall not be considered Pledged Revenues, shall not be pledged for payments of Rent under the Leases and shall be paid by wire to the operating account maintained by the Organization for the FLACS II Facility free and clear of any Liens related to the Bonds.

(DD) *Rating Solicitation Covenant.* Within 60 days of receipt of each of its annual audited financial statements, beginning with the audited financial statements for the Fiscal Year ending June 30, 2024, the Organization shall consult with a Rating Consultant experienced in the financing of charter schools. If such Rating Consultant advises the Organization that such Rating Consultant reasonably believes the Organization may then obtain an Investment Grade Rating, the Organization shall approach any Rating Agency, within 60 days of receipt of such advice from the Rating Consultant, to obtain an Investment Grade Rating. Notwithstanding the foregoing, the requirement to annually consult a Rating Consultant and approach a Rating Agency shall be suspended so long as the Organization maintains an Investment Grade Rating.

(EE) *Subordination of Leases.* The Organization hereby covenants and agrees: (1) the Leases at all times shall automatically be subordinate to each Mortgage, (2) Organization shall attorn to the Trustee and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Facilities by any purchaser at a foreclosure sale or by the mortgagee pursuant to the Mortgage (the “Beneficiary”) in any manner; (3) to execute such further evidences of attornment and subordination as a mortgagee or any purchaser at a foreclosure sale may from time to time

request, including a subordination and attornment agreement in form and substance acceptable to the Beneficiary or any purchaser in its sole discretion; (4) the Leases shall not be terminated by foreclosure or any other transfer of the Facilities, unless directed by the Beneficiary or any purchaser in its sole discretion; (5) after a foreclosure sale of the Facilities, a Beneficiary or any other purchaser at such foreclosure sale may, at the Beneficiary's or such purchaser's option, accept or terminate the Lease and/or Security Documents, as applicable; and (6) the Organization shall, upon receipt after the occurrence of an Event of Default of a written request from the Beneficiary, pay all Rent payable under the Leases to the Beneficiary.

(FF) *Pledge of Operating Accounts; Deposit Account Control Agreement.*

(i) The Organization agrees that, as long as any Rent remains unpaid, all of the Gross Revenues, including all State Payments, received from the Organization Custodial Account under the Organization Depositary Agreement shall be deposited as soon as practicable upon receipt in a bank account or fund designated as an “**Operating Account**” which the Organization shall establish and maintain subject to the provisions of this Section, in an account or accounts at such banking institution or institutions as the Organization shall from time to time designate in writing to the Trustee for such purpose (herein called the “**DACA Bank(s)**”). The Organization hereby pledges and assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest, whether now owned or hereafter acquired, of the Obligated Group in, to, and under each Operating Account, all of the Gross Revenues held therein, all investment property, instruments, money and other property on deposit in or credited to each Operating Account, and all proceeds of the foregoing, to secure the payment of the Loan Payments and the performance by the Organization of its other obligations under this Covenant Agreement and the payment and performance of all obligations of the Organization under any agreement securing Additional Bonds.

(ii) Each Operating Account shall at all times be subject to an Organization DACA. Gross Revenues and other amounts in each Operating Account may be used and withdrawn by the Organization at any time for any lawful purpose, except as hereinafter provided. In the event that the Organization is delinquent for more than one Business Day in the payment or required prepayment of any Rent or any similar payment with respect to Additional Bonds, or any other Event of Default under any Security Document occurs and is continuing; then the Trustee may notify the Issuer, the Organization and the DACA Bank of such event, and may cause the DACA Bank(s) to transfer control of any Operating Account Group to the name and credit of the Trustee in accordance with the terms of the then effective Organization DACA.

(iii) Notwithstanding the transfer of control over an Operating Account to the Trustee, the Organization shall continue to deposit all Gross Revenues, including all State Payments, into each Operating Account until such Event of Default shall be cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon control of each

Operating Account (except for the Gross Revenues required to make such payments or cure such defaults) may be transferred by the Trustee back to the name and credit of the Organization.

(iv) During any period that each Operating Account is held in the name and to the credit and subject to the control of the Trustee, the Trustee may use and withdraw from time to time amounts in the Operating Accounts to make Rent payments and to pay any other amounts due to it under the Indenture. During such period, the Organization agrees that it shall not be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Trustee, in its sole discretion, so directs for the payment of current or past due operating expenses of the Organization. The Organization shall execute and deliver all instruments as may be required to implement this Section.

(v) The Organization further agrees that a failure to comply with the terms of this Section shall cause irreparable harm to the holders from time to time of the Bonds and of Additional Bonds, and shall entitle the Trustee to take immediate action to compel the specific performance of the obligations of the Organization as provided in this Section.

(vi) The Organization further agrees to provide the Trustee with thirty (30) days' prior written notice of any change in the DACA Bank or Operating Account (including, without limitation, a change in account number) together with the execution of a new or amended Organization DACA (which shall be in form acceptable to the Trustee in its sole discretion) subjecting any new deposit account to Trustee control during the occurrence and continuance of an Event of Default.

(GG) *Further Assurances.* The Organization agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Covenant Agreement.

Section 6. Environmental Indemnity and Covenants.

(A) *Environmental Indemnity*

(i) Organization and its successors and assigns, shall and do hereby indemnify and hold harmless and assume the duty to defend the Indemnified Persons, the Registered Owners of the Bonds, the Beneficial Owners and the Trustee, their successors, assigns, trustees, directors, officers, employees, agents, contractors, subcontractors, licensees, and invitees (collectively referred to in this Section 6 as "**Indemnified Persons**"), for, from and against any and all Environmental Damages that the Indemnified Persons may incur as well as any and all loss, costs, damages, exemplary damages, natural resources damages, Liens, and expenses, (including, but not limited to, attorneys' and paralegals' fees, environmental professional's fees and any and all other costs incurred in the investigation, defense and settlement of claims) that Indemnified Persons may incur

as a result of or in connection with the assertion against Indemnified Persons, or against all or a portion of the Facilities, of any claim, civil, criminal or administrative, which:

(a) arises out of the actual, alleged or threatened discharge, dispersal, release, storage, treatment, generation, disposal or escape of any Regulated Chemical on or about the Facilities, including, but not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, medical waste and waste (including materials to be recycled, reconditioned or reclaimed); or

(b) actually or allegedly arises out of the use of any Regulated Chemical on or about the Facilities, the existence or failure to detect the existence or proportion of any Regulated Chemical in the soil, air, surface water or groundwater, or the performance or failure to perform the abatement or removal of any Regulated Chemical or of any soil, water, surface water, groundwater or soil gas vapor containing any Regulated Chemical; or

(c) arises out of the actual or alleged existence of any Regulated Chemical on, in, under, or affecting all or a portion of the Facilities; or

(d) arises out of any misrepresentations of Organization concerning any matter involving Regulated Chemicals or Environmental Requirements; or

(e) arises out of Organization's failure to provide all information, make all submissions and filings, and take all steps required by appropriate government authority under any applicable environmental law, regulation, statute or program, whether federal, state or local, whether currently existing or hereinafter enacted.

(ii) Without prejudice to the survival of any other agreements of the Organization hereunder, this indemnification shall survive any termination, payment, or satisfaction of the indebtedness and the termination of this Covenant Agreement, and any foreclosure or any other transfer of any kind of the Facilities and shall continue and survive ad infinitum.

(iii) Organization's indemnification contained herein shall be effective not only with any existing Environmental Requirements affecting the Organization, Indemnified Persons and/or the Facilities, but also for any hereinafter enacted environmental law, regulation, statute or program, whether federal, state or local affecting Organization, Indemnified Persons and/or the Facilities.

(iv) Organization's indemnification contained herein shall extend to any and all like claims which arise from the acts or omissions of any user, tenant, lessee, agent or invitee of Organization.

(v) The obligations under this Section shall not be affected by any investigation by or on behalf of Indemnified Persons, or by any information which Indemnified Persons may have or obtain with respect thereto.

(vi) Organization's indemnification shall include the duty to defend any and all claims, through counsel designated by the Organization with the consent of the Indemnified Person, which shall not be unreasonably withheld, and Indemnified Persons may participate in the defense of any claim without relieving Organization of any obligation hereunder. This duty to defend shall apply and constitute an obligation of Organization regardless of any challenge by Organization to this provision, the indemnification contained herein, or any other provision of this Covenant Agreement. This duty to defend shall apply regardless of the validity of Organization's indemnification, as may ultimately be determined by a court of competent jurisdiction.

(vii) Notwithstanding anything to the contrary contained in this Section no indemnification shall be required for any Environmental Damages incurred solely as the result of the gross negligence or willful misconduct of the party seeking indemnification or Environmental Damages caused by or through the party seeking indemnification.

(B) *Environmental Covenants.*

(i) *Use of Facilities.* The Organization will not intentionally or unintentionally conduct, or allow to be conducted, any business, operation, or activity on, under, or in the Facilities, or employ or use the Facilities or allow for it to be employed or used, to manufacture, transport, treat, store, discharge, emit or dispose of any Regulated Chemical which would violate or potentially violate Environmental Requirements, including, but not limited to, any action which would:

(a) bring the Organization, or the Facilities, within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §§ 6901, et seq.;

(b) cause, or allow to be caused, a release or threat of release, of hazardous substances on, under, in, or about the Facilities as defined by, and in violation of, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601, et seq.;

(c) violate the Clean Air Act of 1970, as amended, 42 U.S.C. §§ 7401, et seq., or other similar state, regional or local statute, law, regulation, rule or ordinance, including without limitation, the laws of the State, or any other statute providing for the financial responsibility for the assessment,

investigation and cleanup for the release or threatened release of substances provided for thereunder.

(d) The Organization will not do or permit any act or thing, business or operation, that materially increases the dangers, or poses an unreasonable risk of harm, or impairs, or may impair, the value of the Facilities, or any part thereof.

(ii) *Maintenance of Facilities.* The Organization shall maintain the Facilities free from contamination by Regulated Chemicals and shall not intentionally or unintentionally allow the storage, treatment, disposal, or release, discharge or emission, or threat of release, discharge or emission, of any Regulated Chemical on, under, in or about the Facilities, and shall not permit the migration or threatened migration from other properties upon, about or beneath the Facilities to the extent within the Organization's control.

(iii) *Notice of Environmental Problem.* Organization and/or any tenant and/or sublessee shall promptly provide a copy to Trustee, and in no event later than 15 days from Organization's and/or any tenants' and/or sublessee's receipt or submission, of any notice, letter, citation, order, warning, complaint, inquiry, claim or demand that:

(a) the Organization and/or any tenants or sublessees have violated, or are about to violate, any federal, state, regional, parish or local environmental, health, or safety statute, law, rule, regulation, ordinance, judgment or order;

(b) there has been a release, or there is a threat of release, of any Regulated Chemical from the Facilities;

(c) the Organization and/or any tenants or sublessees may be or are liable, in whole or in part, for the costs of cleaning up, remediating, removing or responding to a release of any Regulated Chemical;

(d) any portion of the Facilities is subject to a Lien in favor of any governmental entity for any liability, costs or damages, under Environmental Requirements arising from, or costs incurred by such governmental entity in response to, a release of any Regulated Chemical.

(iv) *Response Action.* The Organization shall take all appropriate responsive action, including any removal and remedial action ("Response Action"), in the event of a release, emission, discharge or disposal of any Regulated Chemical in, on, under or about the Facilities, so as to remain in compliance with the above, and to keep the Facilities free from, and unaffected by, Regulated Chemicals. The Organization shall (i) provide Trustee, within 10 days after providing the notice required under Section 6(B)(iii) above, with a bond, letter of credit or similar financial assurance which is equal to the cost of the Response Action and which may be drawn upon by the Trustee for the purpose of completing the Response

Action if an Event of Default occurs or if the Response Action is not completed within six (6) months of the issuance of the financial assurance and (ii) discharge any assessment, Lien or encumbrance which may be established on the Facilities as a result thereof.

(v) *No Liens or Encumbrances.* The Organization shall prevent the imposition of any Liens or encumbrances against the Facilities for the costs of any response, removal, or remedial action or cleanup of any Regulated Chemicals. Should such a Lien or encumbrance be levied on the Facilities, the Organization shall follow the procedure set forth in subsection (d) above.

(vi) *Compliance with Environmental Requirements.* The Organization shall carry on the business and operations at the Facilities to comply in all respects and will continue to remain in compliance with all applicable Environmental Requirements and maintain all permits and licenses required thereunder.

(vii) *Additional Environmental Reports.* As long as there are any Bonds Outstanding, the Organization shall provide the Trustee and the Issuer with a copy of any Environmental Report performed during that time.

(C) *Additional Environmental Provisions.*

(i) *Right to Notify Agencies.* To the extent the Trustee receives written notice, whether from the Organization or any other party, stating that the Organization is in violation of any environmental law, statute, regulation, ordinance, rule or order, whether federal, state, or local, or that there has been a release or threat of release of any Regulated Chemical from or upon the Facilities, and the Trustee determines that such notice requires notification to the respective governmental agency(ies), the Trustee retains the right but assumes no obligation to so notify the respective agency(ies). The Trustee agrees to make written demand upon the Organization, as circumstances may require, to notify the respective agency(ies), however, the Trustee retains the right to separately notify the respective agency(ies), and the Organization shall have no cause of action against the Trustee as a result of any such notification.

(ii) *Right of Inspection.*

(a) Trustee at any time and from time to time, with reasonable cause and notice, either after the occurrence of any Event of Default hereunder or prior to any Event of Default hereunder but no more frequently than once every three years during the Term, may require the Organization to submit to the Trustee within 90 days of either the notice required under Section 6(C)(iii) hereof or a written request from the Trustee, a written report of a site assessment and environmental audit (“Environmental Assessment”), in scope, form and substance, and prepared by an independent, competent and qualified engineer, satisfactory to the Trustee, showing that the engineer made all appropriate inquiry consistent with good commercial and

customary practice, such that consistent with generally accepted engineering practice and procedure, no evidence or indication came to light which would suggest there was a release of substances on, under, in, or about any Facilities which could necessitate an environmental response action, and which demonstrates that the Facilities complies with, and does not deviate from, all applicable environmental statutes, laws, ordinances, rules and regulations, including any licenses, permits or certificates required thereunder, and that the Organization is in compliance with, and has not deviated from, the representations and warranties set forth in Section 3(T) and this Section 6.

(b) The Organization hereby grants, and will cause any tenants or users of the Facilities to grant, to Trustee, its agents, attorneys, employees, consultants and contractors, upon reasonable notice, and under reasonable conditions established by Organization, which do not impede the performance of the Environmental Assessment, an irrevocable license and authorization to enter upon and inspect the Facilities, and perform such sampling, tests, and analysis ("Tests") including without limitation, subsurface testing, soils and groundwater testing, and other tests which may physically invade the Facilities, as the Trustee, or its agents determine is necessary, but if no Event of Default has occurred and not been cured, no more frequently than once every three years during the Term.

(c) Organization will cooperate with the consultants and supply to the consultants such historical and operational information as may be reasonably requested by the consultants, together with any notices, permits or other written communications pertaining to violations of Environmental Requirements and any and all necessary information and make available personnel having knowledge of such matters as may be required by the Trustee, Trustee's agents, consultants and engineers to complete an Environmental Assessment.

(d) Should the Organization fail to perform an Environmental Assessment within the time period set forth in this Section 6(C)(ii)(a) hereof, Trustee shall have the right but not the obligation to retain an environmental consultant to perform said Environmental Assessment. Trustee shall have no liability for failure to retain such consultant.

(e) The cost of performing any Environmental Assessment shall be paid by the Organization upon demand of Trustee and any such obligations shall be included in the indebtedness.

(iii) *Event of Default.* If an Environmental Assessment reveals any violations of Environmental Requirements (other than violations, if any, revealed to the Trustee in writing prior to the date hereof or in any Environmental Assessment provided to the Trustee prior to the date hereof) or the Organization receives a notice of a violation of Environmental Requirements, and the Organization fails to cure the violation to the extent required by law in the time

period and the manner specified in Section 10(A)(vi) hereof, such action will constitute an Event of Default.

(iv) *No Assumption of Risk.* The Trustee's rights under this Section shall be exercised by it in its sole discretion and not for the benefit of the Organization. The Trustee shall have no obligation (unless directed and indemnified as provided in the Indenture) to enter into the Facilities thereon or to take any other action which is authorized by this Article for the protection of its security interest. The Organization specifically agrees and acknowledges that any action permitted under this Section shall not be construed to be the management or control of the Facilities by the Trustee.

Section 7. Events of Default.

(A) *Events of Default Defined.* The following shall be "**Events of Default**" under this Covenant Agreement and the term "**Event of Default**" shall mean, whenever it is used in this Covenant Agreement, any one or more of the following events:

(i) Failure by the Organization to pay the Rent required to be paid under the Leases and Section 2 hereunder.

(ii) Failure by the Organization to comply with the provisions of Sections 2, 4(B), 4(C), 5(A), 5(D), 5(I), 5(L), 5(T), 5(CC), and 5(FF) hereof.

(iii) Any failure to deliver all Gross Revenues, including all State Payments, to the Custodial Account when received.

(iv) Failure by the Organization to maintain its status as a 501(c)(3) organization under the Internal Revenue Code.

(v) Any event of default under the Indenture.

(vi) Any event of default under the Security Documents.

(vii) Failure by the Organization or by the Institution on behalf of the Organization, as the case may be, to observe and perform any covenant, condition or agreement on its part to be observed or performed herein other than as referred to in subsection (i) of this Section hereof, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Organization and the Institution by the Issuer or the Trustee; provided, with respect to any such failure covered by this subsection (iii), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Trustee to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby within ninety (90) days of such occurrence.

(viii) The dissolution or liquidation of the Organization, or failure by the Organization promptly to contest and have lifted any execution, garnishment, or attachment of such consequence as will impair its ability to meet its obligations

with respect to the Facilities or to make any payments under this Covenant Agreement. The phrase **“dissolution or liquidation of the Organization,”** as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Organization resulting either from a merger or consolidation of the Organization into or with another domestic corporation or a dissolution or liquidation of the Organization following a transfer of all or substantially all of its assets under the conditions permitting such actions contained in Section 5(A)(i)(d) hereof.

(ix) The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Organization in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Organization or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days.

(x) The commencement by the Organization of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Organization or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of the Organization generally to pay its debts as such debts become due, or the taking of corporate action by the Organization in furtherance of any of the foregoing.

(xi) Failure of the Organization to comply with any covenants of the Organization contained in the Tax Regulatory Agreement.

(xii) Failure to maintain the required enrollment as required by Section 5(M) hereof, failure to maintain the required Days Cash on Hand as required by Section 5(N) hereof, failure to maintain the required Net Income Available for Debt Service as set forth in Section 5(O) hereof.

(xiii) Any representation or warranty made by the Organization herein or made by the Organization in any statement or certificate furnished by the Organization either required hereby or in connection with the execution and delivery of this Covenant Agreement and the sale and the issuance of the Bonds, shall prove to have been untrue in any material respect as of the date of the issuance or making thereof.

(xiv) Judgment for the payment of money in excess of \$250,000.00 (which is not covered in full by insurance) is rendered by any court or other governmental body against the Organization, and the Organization does not discharge same or provide for its discharge in accordance with its terms, or procure

a stay of execution thereof within sixty (60) days from the date of entry thereof, and within said sixty-day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, while providing such reserves therefor as may be required under GAAP.

(xv) Any of Organization's representations and warranties herein or in any of the other Security Documents with respect to environmental matters are false in any material respect.

(xvi) The occurrence and continuation of any event of default under any Indebtedness of the Organization for nonpayment, or the occurrence and continuation of any event of default under any agreement in connection with or securing any Indebtedness of the Organization if, as a result of such event of default, the holder of such Indebtedness would have the right to declare the principal thereof to be immediately due and payable.

(xvii) The Organization ceases operations or the Organization's Charter Contract is terminated, revoked, expires or is not renewed, or Organization receives written notice of an Authorizer's intent to nonrenew the Organization's Charter Contract or notice of probation or similar status with respect to its Charter Contract; provided, however the Organization shall have one year to cure any probation imposed by its Authorizer or notice of intent to nonrenew following the initial date thereof.

Section 8. Remedies on Default.

(A) *Remedies.* Whenever an Event of Default referred to in Section 7 hereof shall have occurred and is continuing, the Trustee, where so provided herein, may, and at the direction of the Majority Holders shall, take any one or more of the following remedial steps:

(i) The Trustee may declare the Rent payable under the Leases to be immediately due and payable, whereupon the same shall become due and payable.

(ii) The Trustee may exercise the power of sale or foreclosure under the Mortgages on the property subject thereto and may exercise all the rights and remedies of a secured party under the New York Uniform Commercial Code with respect thereto and with respect to the Pledged Revenues, the Organization Custodial Account and all assets secured by the Mortgages, the Organization DACA or the Organization PSA.

(iii) Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Registered Owners of the Bonds, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Organization and the Facilities, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Trustee shall be entitled to the possession and control of any cash,

securities or other instruments at the time held by, or payable or deliverable under the provisions of the Leases, the Mortgages, the Organization DACA, the Organization PSA or this Covenant Agreement to the Trustee.

(iv) The Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements, or covenants of the Organization under this Covenant Agreement and all other Security Documents.

Notwithstanding the foregoing, prior to the exercise by the Trustee of any remedy that would prevent the application of this paragraph, the Organization may, at any time, pay all accrued payments hereunder (exclusive of any such payments accrued solely by virtue of declaration pursuant to subsection (a) of the first paragraph of this Section) and fully cure all defaults, and in such event, the Organization shall be fully reinstated to its position hereunder as if such Event of Default had never occurred.

In the event that the Organization fails to make any payment required hereby, the payment so in default shall continue as an obligation of the Organization until the amount in default shall have been fully paid and shall accrue interest at the Default Rate.

Whenever any Event of Default has occurred and is continuing under this Covenant Agreement, the Trustee may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights provided under this Article. In addition, the Trustee shall have available to it all of the remedies prescribed in the Indenture and any other Security Document. If the Trustee is not enforcing the Issuer's rights in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer, then the Issuer may, without the consent of the Trustee, take whatever action at law or in equity may appear necessary or appropriate to enforce the Issuer's rights under this Covenant Agreement. Any amounts collected pursuant to action taken under this paragraph, after reimbursement of any costs incurred by the Issuer or the Trustee in connection therewith, shall be applied in accordance with the provisions of the Indenture.

If the Issuer or the Trustee, shall have proceeded to enforce their rights under this Covenant Agreement or any other Security Document and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Issuer or the Trustee, then and in every such case, the Organization, the Issuer and the Trustee shall be restored to their respective positions and rights hereunder, and all rights, remedies and powers of the Organization, the Issuer and the Trustee shall continue as though no such proceedings had been taken.

(B) *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Covenant Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any

such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required herein or by applicable law. Such rights and remedies given the Trustee hereunder shall also extend to the Beneficial Owners and the Registered Owners of the Bonds, subject to the Indenture.

(C) *Agreement to Pay Attorneys' Fees and Expenses.* In the event the Organization should breach any of the provisions of this Covenant Agreement and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of Rent or the enforcement of performance or observance of any obligation or agreement on the part of the Organization herein contained, the Organization agrees that it will on demand therefor pay to the Issuer or the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses incurred by the Issuer or the Trustee. The obligations of the Organization arising under this Section shall continue in full force and effect notwithstanding the final payment of the Bonds or the termination of this Covenant Agreement for any reason.

(D) *Waiver.* In the event any agreement contained in this Covenant Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. The Issuer shall have no power to waive any Event of Default hereunder without the consent of the Trustee and the Majority Holders.

(E) *Proofs of Claim.* In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Organization or any other obligor upon the Bonds or the property of the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer and/or the Organization for the payment of overdue principal or interest) shall be entitled and empowered, by intervention of such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding; and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

(ii) and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel.

So long as Bonds are outstanding the Trustee is appointed under the terms of the Indenture, and the successive respective Bondholders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Bondholders of the Bonds, with authority to make or file, in the respective names of the Bondholders of the Bonds or on behalf of all Bondholders of the Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Bondholders of the Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claim of the Bondholders of the Bonds against the Issuer, the Organization or any other obligor allowed in receivership, insolvency, liquidation, bankruptcy or other proceeding, to which the Issuer, the Organization or any other obligor, as the case may be, shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

(F) *Treatment of Funds in Bankruptcy.* The Organization acknowledges and agrees that in the event Organization commences a case under the United States Bankruptcy Code located at 11 U.S.C. §§ 101 et. seq. (the “**Bankruptcy Code**”) or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code: (i) amounts on deposit in any of the Funds are not, nor shall they be deemed to be, property of Organization’s bankruptcy estate as defined by § 541 of the Bankruptcy Code; (ii) that in no event shall Organization assert, claim or contend that amounts on deposit in any of the Funds are property of Organization’s bankruptcy estate; and (iii) that amounts on deposit in any of the Funds are held in trust solely for the benefit of the Registered Owners of the Bonds and the Beneficial Owners, shall be applied only in accordance with the provisions of the Indenture and the Organization has no legal, equitable nor reversionary interest in, or right to, such amounts.

(G) *Uniform Commercial Code.* Upon the occurrence of any Event of Default hereunder, the Trustee shall have, in addition to all other rights and remedies provided herein or by law, and the uniform commercial code as adopted in the State and any successor statute(s) thereto (the “UCC”). In addition, the Trustee may, without demand, and without advertisement or notice, all of which the Organization waives, at any time or times, appropriate (by set-off or otherwise) apply all amounts held in the Bond Fund or otherwise under the Indenture to the payment of amounts due under the Loan Agreement in such order and manner as provided in the Indenture.

Section 9. Termination. This Covenant Agreement shall terminate and any amounts on deposit in the Funds and Accounts (other than the Rebate Fund) shall be delivered or transferred to the Organization upon the Institution providing for payment in full of amounts due with respect to the Bonds, whether at their stated maturity or by earlier prepayment and redemption.

Section 10. Severability. In the event any provision of this Covenant Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11. Governing Law. The obligations of the parties under this Covenant Agreement shall be governed by and construed in accordance with the State of New York.

Section 12. Third Party Beneficiaries. Each of the Indemnified Persons are intended “Third Party Beneficiaries” of this Covenant Agreement. Nothing in this Covenant Agreement shall confer any right upon any person other than parties hereto, and those specifically designated as Third Party Beneficiaries of this Covenant Agreement.

Section 13. Prior Agreements Superseded. This Covenant Agreement, together with all agreements executed by the parties concurrently herewith or in conjunction with the initial issuance of the Bonds, shall completely and fully supersede all other prior understandings or agreements, both written and oral, regarding the matters covered herein.

Section 14. Organization Statements, Representations and Warranties. It is understood by the Organization that all such statements, representations and warranties made in this Covenant Agreement shall be deemed to have been relied upon by the Issuer as an inducement to issue the Bonds and by the Trustee as a condition of its entry into the Indenture, and that if any such statements, representations and warranties were false at the time they were made or (with respect to those representations and warranties which are to continue) are breached during the term hereof, such misrepresentation or breach shall constitute a breach of this Covenant Agreement which may give rise to an event of default hereunder.

Section 15. Headings. Section headings in this Covenant Agreement are for convenience of reference only and shall not govern, or be used in, the interpretation of any of the provisions of this Covenant Agreement.

Section 16. Financing Statements. The Organization agrees to execute and deliver to the Trustee such further agreements and assignments or other instruments and do all such other things as the Trustee may deem necessary and appropriate to assure the Trustee of its security interest hereunder, including such financing statement or statements or amendments thereof or supplements thereto or other instruments as the Trustee may from time to time require in order to comply with the UCC. The Organization and the Trustee agree that a carbon, photographic or other reproduction of this Covenant Agreement or any such financing statement is sufficient for filing as a financing statement by the Trustee without notice thereof to the Organization wherever the Trustee in its sole discretion desires to file the same. In the event for any reason the law of any other jurisdiction than the State becomes or is applicable to the Indenture, the Initial Bonds or this Covenant Agreement, the Organization agrees to execute and deliver all such instruments and do all such other things as the Trustee in its sole discretion deems necessary or appropriate to preserve, protect and enforce the security interest of the Trustee under the law of such other jurisdiction to at least the same extent as such security interest would be protected under the UCC. As of the date of this Covenant Agreement the Organization has done all things necessary and appropriate to assure the Trustee of its security interest hereunder, including the filing of such financing statement or statements or other instruments that are required in order to comply with the UCC and the Organization has provided the Trustee with copies of all such recorded filings.

Section 17. Execution and Counterparts. This Covenant Agreement may be executed in multiple counterparts, each of which shall be an original and all of which shall constitute but one and the same document.

Section 18. No Waiver; Cumulative Remedies. The Trustee shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by the Trustee, and then only to the extent therein set forth. A waiver by the Trustee of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Trustee would otherwise have on any further occasion. No failure to exercise nor any delay in exercising by the Trustee of any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

Section 19. Waivers, Amendments. None of the terms or provisions of this Covenant Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the Trustee (acting only with the consent of the Majority Holders) and the Organization.

Section 20. Notices. Unless otherwise provided for in this Covenant Agreement, any notice required or permitted to be given under this Covenant Agreement may be given by certified or registered mail, return receipt requested, or by commercial overnight delivery service, postage prepaid, addressed as follows:

- (1) if to the School, to:

Family Life Academy Charter School
14 W 170th Street
Bronx, New York 10452
Attention: Chair (with a copy to the Chief Financial Officer at the same address)

with a copy to:

Smith Buss & Jacobs LLP
733 Yonkers Avenue, Suite 200
Yonkers, New York 10704
Attention: Tom Smith, Esq.

- (4) if to the Trustee, to:

The Bank of New York Mellon
240 Greenwich Street, Floor 7E
New York, New York 10286
Attention: Corporate Trust Administration

Notices dispatched as provided in this Section shall be deemed effective on the second Business Day after mailing or shipping. Refusal of delivery shall constitute receipt of notice on the date of refusal of delivery. The Organization and the Trustee may designate by writing delivered to the addresses stated in or pursuant to this Section 20, any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notices required

to be sent to the Issuer and the Institution shall be at the addresses set forth in Section 12.05 of the Loan Agreement.

Section 21. Electronic Signatures. The parties agree that the electronic signature of a party to this Covenant Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Covenant Agreement. For purposes hereof: (i) "electronic signature" means a manually signed original signature that is then transmitted by electronic means; and (ii) "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a portable document format ("pdf") or other replicating image attached to an electronic mail or internet message.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have executed this Covenant Agreement as of the date first above written.

**FAMILY LIFE ACADEMY CHARTER
SCHOOL**

By: _____
Name:
Its:

(Signature page to Covenant Agreement – Family Life Academy Charter School 2020)

**THE BANK OF NEW YORK MELLON,
as Trustee**

By: _____
Name:
Its:

(Signature page to Covenant Agreement – Family Life Academy Charter School 2020)

ACKNOWLEDGMENT OF INSTITUTION

The undersigned hereby consents to and acknowledges the foregoing Covenant Agreement dated as of December 1, 2020, between Family Life Academy Charter School and The Bank of New York Mellon.

**HIGHBRIDGE FACILITIES, LLC, as
Institution**

By: HB Foundation, Inc., its sole Member

By: _____
Name:
Its:

(Signature page to Covenant Agreement – Family Life Academy Charter School 2020)

EXHIBIT A(1)
AUTHORIZED REPRESENTATIVE OF THE ORGANIZATION

<u>Name</u>	<u>Title</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____

Exhibit 5(C)(x)

FORM OF COMPLIANCE CERTIFICATE

The undersigned, _____, _____ of Family Life Academy Charter School (the "Organization") hereby certifies, with respect to the Covenant Agreement dated as of December 1, 2020 (the "Covenant Agreement"), between the Organization and The Bank of New York, as trustee, that during the period July 1, _____ through June 30, _____. All capitalized terms used herein, but not defined herein, have the meaning given in the Covenant Agreement.

(a) The Borrower has not used any portion of the Bond proceeds except for the Facilities in furtherance of its purposes consistent with Section 501(c)(3) of the Code and no portion has been used for purposes which will produce "unrelated trade or business income" of Borrower as defined in Section 513(a) of the Code.

(b) The Borrower has not, except with the Issuer's, Trustee's or Majority Holders' written approval, substantially subtracted from any real or personal property of the Facilities.

(c) The Borrower has not permitted the use of any part of the Facilities for any purpose other than as a public school pursuant to the Charter School Act as amended, consistent with the Covenant Agreement and the Tax Regulatory Agreement.

(d) The Borrower has not allowed any Person or organization, other than the Borrower, to become a user of the Facilities, or any portion thereof, nor has the Borrower transferred any portion of the Facilities, except as follows: _____.

(e) Borrower is and continues to be an organization qualified under Section 501(c)(3) of the Code and has received no notice to the contrary from the Internal Revenue Service.

(f) The Borrower is in compliance with all other provisions of the Leases, the Covenant Agreement and the Tax Regulatory Agreement, and all representations contained in the Leases, the Covenant Agreement and the Tax Regulatory Agreement continue to be true and correct in all respects, except as follows: _____.

DATED: _____

**FAMILY LIFE ACADEMY CHARTER
SCHOOL**

By: _____

Name: _____

**FORM OF
LEASE AGREEMENT**

BETWEEN

HIGHBRIDGE FACILITIES, LLC
a Delaware Limited Liability Company

("Institution")

AND

FAMILY LIFE ACADEMY CHARTER SCHOOLS,
a charter public school organized and existing under the laws of the State of New York

("Organization")

For the Lease
of

[PROPERTY ADDRESS],

Effective December __, 2020

TABLE OF CONTENTS

	Page
1. Attachments to Lease and Exhibits.....	1
2. Definitions and Rules of Construction.....	2
3. Demising Clause.	7
4. Purchase Option.	7
5. Permitted Use.....	8
6. Covenant Agreement; Tax Regulatory Agreement.....	8
7. Rent.	8
8. Quiet Possession; Institution Assistance.....	10
9. Subletting and Assigning.	11
10. Utilities.....	11
11. Organization Responsibilities Generally.	11
12. Maintenance and Repairs.	11
13. Damage, Destruction and Condemnation.	11
14. Indemnification Generally.	12
15. Organization to Pay Taxes.	12
16. Alterations and Organization's Liens.	13
17. Restrictive Agreements; REA; Grants of Easements.....	13
18. Estoppel Certificate; Attornment and Priority of Mortgage; Subordination of Lease.	14
19. Organization's Representations and Warranties.....	15
20. Defaults and Remedies.	18
21. Access to Premises.....	21
22. Remedies Cumulative; Legal Expenses; Time of the Essence.	22
23. Notices.	22

24.	Waiver of Performance and Disputes.	23
25.	Termination of Covenant Agreement.	23
26.	No Oral Modifications.	23
27.	Governing Law	23
28.	Estoppel.....	24
29.	Due Authorization by Institution.	24
30.	Limitation on Institution’s Liability.....	24
31.	Waiver of Trial by Jury	24
32.	No Leasehold Mortgages	24
33.	Integration	24
34.	Lease Binding on Successors and Assigns, Etc.	24
35.	Lease Not to Be Recorded	Error! Bookmark not defined.
36.	Joint Preparation	24
37.	Counterparts	25
38.	No Third-Party Beneficiaries	25
39.	Captions	25
40.	Integration	25
41.	Trustee Consent	25

EXHIBIT A	Legal Description of Land
EXHIBIT B	Form of Organization Resolution
EXHIBIT C	Base Rent Payment Schedule

LEASE AGREEMENT

THIS LEASE AGREEMENT (this “**Lease**”), dated as of December __, 2020 (the “**Effective Date**”), is made by and between HIGH BRIDGE FACILITIES, LLC, a Delaware limited liability company (“**Institution**”), and FAMILY LIFE ACADEMY CHARTER SCHOOLS, a charter public school organized and existing under the laws of the State of New York (“**Organization**”).

RECITALS:

A. Institution is the owner of a ____ square foot parcel of real property and the improvements thereon located at _____, in the City of New York, County of Bronx, New York, which real property is legally described on **Exhibit A** attached hereto and by this reference made a part hereof (referred to herein as the “**Land**”). Institution desires to lease to Organization and Organization desires to lease from Institution the Leased Property, on and subject to the terms and conditions set forth in this Lease.

B. Organization is a non-profit corporation, and a public charter school organized and existing in good standing pursuant to the New York State Charter Schools Act of 1998, NY Education Law, Title 2, Article 56, §§ 2850-2857, as amended, and all New York laws and regulations governing charter schools (collectively, the “**Charter School Law**”).

C. Organization is authorized pursuant to the Charter School Law to acquire real property by lease for use as a charter school facility.

D. Organization desires to operate a charter school from the school facilities located on the Leased Property (the “**Improvements**”) all on and subject to the terms and conditions set forth in this Lease.

(E) Pursuant to the Loan Agreement (as defined herein), the Institution has granted, bargained, sold, alienated, pledged, set over and confirmed to the Trustee (as defined herein) all rights and interests of the Lessor in this Lease.

NOW THEREFORE, in consideration of the above premises, the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Institution and Organization hereby agree as follows:

1. Attachments to Lease and Exhibits

Attached to this Lease and hereby made a part hereof are the following:

EXHIBIT A – Legal description of Land

EXHIBIT B - Form of Organization Resolution

EXHIBIT C - Base Rent Payment Schedule

2. Definitions and Rules of Construction.

(A) **Definitions.** Terms used but not otherwise defined herein shall have the meanings assigned to them in the Covenant Agreement, the Indenture or the Loan Agreement as the case may be. The following terms for purposes of this Lease shall have the meanings hereinafter specified:

“**ADA**” shall mean the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. §12101 et seq.

“**Additional Rent**” means the cost of all taxes; insurance premiums; reasonable expenses and fees of the Issuer, the Trustee and the Institution (including, but not limited to, filing fees, licenses, permits, any legal expenses incurred by the Institution, or its officers or directors in their official or personal capacity, and other expenses of the Institution incurred in the performance of its obligations under the Loan Agreement, including payment of the Default Rate); any fees of an Independent Consultant; utility charges; costs of maintenance, upkeep, repair, restoration, modification, improvement and replacement; Rebate Fund payments; payments into the Repair and Replacement Fund required under the Covenant Agreement in excess of amounts paid as Base Rent; costs and expenses incurred by the Institution or by its directors or officers in connection with any investigation, claim, demand, suit, action or proceeding relating to the activities of the Institution, or such directors or officers in their capacity as such, in respect of the Leased Property, the Bonds, this Lease, the Loan Agreement, the Indenture or any matter related thereto; the fees of any Rating Agency then maintaining a rating on the Bonds; and all other charges and costs, including reasonable attorneys’ fees, which the Organization assumes or agrees to pay hereunder with respect to the Leased Property, the Bonds, this Lease, the Loan Agreement, the Indenture or any matter related thereto. Additional Rent does not include the Base Rent.

“**Base Rent**” shall mean the fixed amounts set forth in **Exhibit C** attached hereto.

“**Base Rent Payment Schedule**” is attached hereto as **Exhibit C**.

“**Bonds**” shall have the meaning ascribed in the Indenture.

“**Charter Contract**” has the meaning assigned to it in the Covenant Agreement.

“**Charter School**” shall have the same meaning as used by the U.S. Department of Education’s Public Schools Program (as amended) as follows:

(1) A charter school is a public school that:

(A) in accordance with a specific State statute authorizing the granting of charters to schools, is exempted from significant State or local rules that inhibit the flexible operation and management of public schools, but not from any rules relating to the other requirements of this paragraph;

(B) is created by a developer as a public school, or is adapted by a developer from an existing public school, and is operated under public supervision and direction;

(C) has a specific set of educational objectives determined by the school's developer and agreed to by the authorized public chartering agency;

(D) provides a program of elementary or secondary education, or both;

(E) is nonsectarian in its programs, admissions policies, employment practices, and all other operations, and is not affiliated with a sectarian school or religious institution;

(F) does not charge tuition;

(G) complies with the Age Discrimination Act of 1975, Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, and part B of the Individuals with Disabilities Education Act;

(H) is a school to which parents choose to send their children, and that admits students on the basis of a lottery, if more students apply for admission than can be accommodated;

(I) agrees to comply with the same Federal and State audit requirements as do other elementary and secondary schools in the State, unless such requirements are specifically waived for the purpose of this program;

(J) meets all applicable Federal, State and local health and safety requirements.

(K) operates in accordance with State law; and

(L) has a written performance contract with the authorized public chartering agency in the State that includes a description of how student performance will be measured in charter schools pursuant to State assessments that are required of other schools and pursuant to any other assessments mutually agreeable to the authorized public chartering agency and the charter school.

"Covenant Agreement" means the Covenant Agreement, dated as of December 1, 2020, by the Organization for the benefit of the Trustee

"Default Rate" shall have the meaning ascribed in the Indenture.

"Effective Date" is defined in the introductory paragraph of this Lease.

"Event of Default" is defined in Section 20(A).

"Expiration Date" means the earlier of (i) the date on which the Organization exercises its right to purchase the Leased Property pursuant to Section 4 or (ii) midnight on December 1, 2069.

“FF&E” shall mean all equipment, machinery, fixtures and other items of property owned by the Institution and now or hereafter permanently affixed to or incorporated into the Leased Property, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, together with all replacements, modifications, alterations and addition thereto; all of which to the maximum extent permitted by law, are hereby deemed to constitute real estate.

“Financing Participant” shall mean any Person entering into the Security Documents.

“Fiscal Tax Year” shall mean the 12-month period established as the real estate tax year by the taxing authority having jurisdiction over the Leased Property, which as of the Effective Date is a calendar year.

“FLACS School Facilities” means the educational facilities leased or owned by the Organization for purposes of operating its Charter Schools, as of the Effective Date consisting of four facilities.

“GAAP” shall mean generally accepted accounting principles consistently applied, as in effect from time to time.

“Governmental Authorities” shall mean all federal, state, county, municipal and local departments, commissions, boards, bureaus, agencies and offices thereof, having or claiming jurisdiction over all or any part of the Leased Property or the use thereof.

“Indenture” means the Indenture of Trust, dated as of December 1, 2020, by and between the Issuer and the Trustee, including any amendments or supplements thereto.

“Improvements” shall mean the Leased Property and any and all other buildings and other improvements to the Land constructed thereon.

“Institution” is defined in the introductory paragraph of this Lease.

“Issuer” means 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.

“Land” is defined in the Recitals hereto.

“Laws” shall mean all present and future requirements, administrative and judicial orders, laws, statutes, ordinances, rules and regulations of any Governmental Authorities, including, but not limited to the ADA.

“Lease” is defined in the introductory paragraph of this Lease.

“Leased Property” shall mean the Land and the Institution’s interest therein, all Improvements now existing or hereafter constructed on the Land, all FF&E, appurtenances, rights, easements and privileges thereunto belonging or in any way appertaining, and all other rights, easements and privileges granted to Organization in this Lease.

“Legal Requirements” means the requirements of all present and future Laws, including, but not limited to, all permit and licensing requirements and all covenants, easements, restrictions and conditions, now or hereafter of record which may be applicable to Organization or the Leased Property, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, expansion, repair or restoration of the Leased Property.

“Loan” has the meaning assigned to it in the Loan Agreement.

“Loan Agreement” means, collectively, that certain Loan Agreement of even date herewith by and between the Issuer, as lender, and Institution, as borrower.

“Management Fee” means the management, operating or license fee, as applicable required to be paid by Organization to any Management Company.

“Management Company” shall have the meaning assigned to it in the Covenant Agreement.

“Material Adverse Effect” means with respect to any event or occurrence of whatever nature (including any adverse determination in any litigation, arbitration or governmental investigation or proceeding by a Governmental Authority), a materially adverse effect on the business, operations, revenues, financial condition, or property of Organization or on the ability of Organization to perform its obligations under this Lease or Charter Contract.

“Mortgage” has the meaning assigned to it in the Indenture.

“Notices” is defined in Section 23.

“Organization” is defined in the introductory paragraph of this Lease.

“Purchase Option” means the option to purchase the Leased Property pursuant to Section 4.

“REA” shall mean any applicable reciprocal easement agreement or instrument of similar effect with respect to the Leased Property.

“Rent” shall mean Base Rent, Additional Rent and any other charges, expenses or amounts payable by Organization under this Lease.

“Security Document” has the meaning assigned to it in the Indenture.

“State” shall mean the state in which the Leased Property is located.

“Tax Regulatory Agreement” means has the meaning assigned to it in the Loan Agreement.

“Taxes” shall mean: (a) all ad valorem taxes and assessments and governmental charges (including sewer charges), general or special, ordinary or extraordinary, foreseen or unforeseen, of any kind or nature whatsoever, whether imposed by any Governmental Authorities, which are levied on or charged against the Leased Property, this Lease, personal property or rents, or on the right or privilege of leasing real estate or collecting rents thereon, including any sales or use tax on rents (including the aggregate of any excise, sales, occupancy, franchise, privilege, rental, or transaction privilege tax on, or of any similar tax now or in the future levied, assessed, or imposed by any governmental authority upon, Institution or the Leased Property as a result (and to the extent) of payments comprising Rent under this Lease, or as a result of Organization’s (or any subtenant’s) use or occupancy of the Leased Property) and any other taxes and assessments attributable to the Leased Property or its operation or any tax or assessment or governmental charge imposed or collected in lieu of or in substitution for any such tax, assessment or governmental charge, including without limitation all special assessments, impact fees, development fees, traffic generation fees, parking fees in respect of any Fiscal Tax Year falling wholly within the Term and a portion of any real estate taxes so imposed in respect of any Fiscal Tax Year falling partly within and partly without the Term hereof, equal to the proportion which the number of days of such Fiscal Tax Year falling within the Term hereof bears to the total number of days of such Fiscal Tax Year, and (b) any and all transfer taxes regarding the Leased Property imposed upon and payable by Institution in connection with the conveyance to Institution of fee simple title to the Leased Property, including mortgage tax (unless exempt) and any and all transfer taxes regarding the Leased Property imposed in connection with the creation, grant and conveyance of a leasehold interest (and the grant of any option to purchase) under: (i) any ground lease(s) to the Institution or the Organization regarding the Leased Property, any assignment(s) of such ground leases to any of said parties, and any memoranda of leases regarding the same; (ii) this Lease, any addenda thereto and any memoranda of leases regarding the same; (iii) any other conveyance of leasehold interests to each of Institution and Organization; and (iv) any conveyance of leasehold interests by Organization (any and all transfer taxes in connection with the creation, grant or transfer(s) of the fee simple or leasehold interests regarding the Leased Property as described in this subparagraph (b) or in connection with the recording or filing of the deed or memoranda of leases regarding the same, as applicable, are hereinafter collectively referred to as the “Included Transfer Taxes”); excluding, however, any income, franchise, corporate, capital levy, capital stock, excess profits, revenue, estate, inheritance, gift, devolution or succession tax payable by Institution other than the Included Transfer Taxes.

“Term” or “Term of this Lease” or “term hereof” means the Effective Date through and including the Expiration Date.

“Trustee” shall mean The Bank of New York Mellon, as trustee under the Indenture, and its successor trustees appointed pursuant to the Indenture.

(B) **Rules of Construction.** The following rules of construction shall be applicable for all purposes of this Lease, unless the context otherwise requires:

(i) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms shall refer to this Lease, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this Lease.

(ii) Words of the masculine, feminine or neuter gender shall mean and include the correlative words of the other genders and words importing the singular number shall mean and include the plural number and vice versa.

(iii) The terms “include,” “including” and similar terms shall be construed as if followed by the phrase “without being limited to.”

3. Demising Clause.

(A) Institution hereby leases and demises the Leased Property to the Organization for the Term.

(B) At the expiration of the Term, the Organization may purchase the Leased Property from the Institution for \$1.00 pursuant to Section 4 or shall surrender the Leased Property to the Institution.

So long as there is no default by the Organization, the Institution covenants that the Organization shall lawfully and quietly hold, occupy, and enjoy the Leased Property during the Term without hindrance from the Institution or anyone claiming by, through or under the Institution, subject to Institution’s rights under this Lease.

4. Purchase Option.

(A) So long as this Lease is in effect and the Bonds are Outstanding, the Organization shall have the option to purchase the Leased Property free and clear of the lien of the Mortgage, by paying to the Institution an amount that, together with other amounts then on deposit with the Trustee (excluding amounts held in the Rebate Fund) that are available for such purpose, is sufficient: (a) to pay, in immediately available funds, the redemption price of all Outstanding Bonds that are at such time subject to redemption in accordance with the redemption provisions of the Indenture and/or the amount necessary to defease all Outstanding Bonds that are not at such time subject to redemption in accordance with the defeasance provisions of the Indenture, so as a net result of such transactions, no Bonds are Outstanding under the Indenture; (b) to pay all Additional Rent payable through the date of conveyance of the Leased Property to the Organization or its designee pursuant to this Section; and (c) to pay all fees and expenses of the Issuer, the Trustee and the Institution required for the conveyance of the Leased Property.

(B) If no Lease Default exits, after all Outstanding Bonds have been fully paid or defeased and all obligations of the Institution under the Loan Agreement have been fully satisfied, the Organization shall have the option to purchase the Leased Premises for a purchase price of \$1.00. Such option may be exercised by the Organization prior to the termination of this Lease upon written notice to the Institution. Such option shall be deemed automatically exercised on the date of termination of this Lease unless the Organization notifies the Institution in writing that it does not intend to exercise such option. The closing for such purchase shall take place on (i) a Business Day designated by the Organization that is not less than 21 days nor more than 120 days

from the date of such notice, or the date of termination of this Lease, as the case may be, or (ii) such other date as shall be mutually acceptable to the Organization and the Institution.

(C) Upon the exercise of any option to purchase granted herein, the Institution will deliver to the Organization documents terminating all lease agreements applicable to the property with respect to which such option was exercised and granting the Organization exclusive use and possession thereof, as such property then exists, subject to the following: (a) all easements or other rights, if any, required to be reserved by the Institution under the terms and provisions of the option being exercised by the Organization; (b) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Institution; (c) those liens and encumbrances created by the Organization or to the creation or suffering of which the Organization consented; and (d) those liens and encumbrances resulting from the failure of the Organization to perform or observe any of the agreements or covenants on its part contained in this Lease.

5. Permitted Use.

The Organization shall use the Leased Property solely as a Charter School and for such other uses ancillary thereto. Notwithstanding the foregoing, the Organization shall not at any time use or occupy the Leased Property, or suffer or permit anyone else to use or occupy the Leased Property, (i) in any manner that violates the provisions of this Lease, any Security Document, the Tax Regulatory Agreement, the Certificate of Occupancy, or any applicable law, or (ii) so as to cause waste, or (iii) so as to violate any insurance policy then issued in respect of the Leased Property, or (iv) so as to create a nuisance.

6. Covenant Agreement; Tax Regulatory Agreement.

Contemporaneously with the execution and delivery of this Lease, the Organization has executed and delivered (i) the Covenant Agreement, (ii) the Organization PSA, (iii) the Organization DACA and (iv) the Tax Regulatory Agreement. The Organization shall comply with all requirements of the Covenant Agreement, the Organization PSA, the Organization DACA and Tax Regulatory Agreement, and the provisions of each of those documents are incorporated into this Lease as if set forth in full herein. In the event of any discrepancy between the terms of this Lease and the Covenant Agreement, the terms of the Covenant Agreement shall control.

7. Rent.

(A) **Base Rent.** The Organization shall timely pay to the order of the Institution during the Term, Base Rent in accordance with the Base Rent Payment Schedule attached as **Exhibit C** hereto, without abatement, adjustment or setoff of any type or kind. The Institution hereby directs the Organization to pay all Base Rent in immediately available funds directly to the Trustee on behalf of the Institution by electronic transfer as set forth in the Depositary Agreement. The Organization acknowledges that the Base Rent has been calculated to provide amounts which will be sufficient to pay Debt Service on the Bonds as the same matures and comes due. If on any Interest Payment Date the amount on deposit in the Bond Fund under the Indenture is not sufficient to pay Debt Service on the Bonds due and payable on such Interest Payment Date, the Organization shall immediately deposit the amount of such deficiency in the Bond Fund.

(B) **Additional Rent.** The Organization shall make payments of Additional Rent as follows:

(1) On or prior to each Loan Payment Date on which the Institution is obligated pursuant to Section 4.3(a)(vi) of the Loan Agreement to pay to the Trustee amounts in respect of any deficiency in the Debt Service Reserve Fund, the Organization shall pay to the Trustee such amounts as may be required under Section 5.15(b) of the Indenture to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement; and

(2) The Organization shall pay to the Trustee such amounts as may be required under Section 5.16 of the Indenture and Section 5(R) of the Covenant Agreement to restore the Repair and Replacement Fund to the Repair and Replacement Fund Requirement; and

(3) Within ten days after receipt by the Organization of an invoice therefor, the Organization shall pay to the Trustee (i) the acceptance fee of the Trustee, (ii) the normal fees, charges and expenses of the Trustee, and (iii) any amount to which the Trustee may be entitled under Section 9.04 of the Indenture; and

(4) Within ten days after receipt by the Organization of an invoice therefor, the Organization shall pay to the Issuer the fees and expenses of the Issuer incurred (i) at the request of the Organization, (ii) in the performance of the Issuer's duties under any of the Security Documents, (iii) in connection with any litigation which may at any time be instituted involving the FLACS School Facilities or the Security Documents, or (iv) in the pursuit of any remedies under the Bond Documents; and

(5) The Organization shall also be responsible for reimbursing the Institution for annual accounting costs incurred by the Institution in connection with this Lease, including audits in connection with this Lease, the filing of any necessary governmental forms regarding the Lease and other accounting costs incurred directly or indirectly by the Institution in connection with the Bonds, the Loan Agreement, any Security Document or any transactions or costs contemplated by any of the aforementioned agreements.

All Additional Rent due to Institution under this Lease shall be timely paid to Institution by electronic transfer to an account designated by Institution pursuant to written instructions provided in advance by Institution to Organization or by check payable to Institution at the address set forth in Section 23 hereof, until Organization receives other written instructions from Institution.

Under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Institution be expected or required to make any payment of any kind whatsoever or be under any other obligation or liability hereunder, except as herein otherwise expressly set forth. All of such charges, costs and expenses shall be deemed "Additional Rent" (in addition to the Additional Rent specified in this Section 7(B) hereof) and will be due and payable upon demand, if no other time for payment is specified.

(C) **Triple Net Lease.** This Lease shall be deemed and construed to be a "triple net lease", and Organization shall pay to Institution, net throughout Term of this Lease, the Rent, free of any charges, assessments, impositions or deductions of any kind and without abatement, deduction or set-off whatsoever. The parties intend that the obligations of Organization under this

Lease shall be separate and independent covenants and agreements and shall continue unaffected unless such obligations have been modified or terminated pursuant to an express provision of this Lease.

(D) **Overdue Payments.** Any overdue payment of Rent hereunder shall bear interest from the related payment date until fully paid at the Default Rate.

(E) **Unconditional Obligation of Organization.** The Organization's obligation to make the payments required by this Lease and to perform and observe the other agreements and covenants on its part herein contained shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee, the Institution or any other Financing Participant. The Organization will not suspend or discontinue payment of any Rent or fail to perform and observe any of its other agreements and covenants contained herein or terminate, repudiate or disavow this Lease for any cause whatsoever, including, without limiting the generality of the foregoing, (i) failure to complete construction of the Leased Property, if not so constructed as of the date hereof, (ii) any acts or circumstances that may constitute an eviction or constructive eviction, (iii) failure of consideration or commercial frustration of purpose, (iv) the invalidity of any provision of this Lease, (v) any damage to or destruction of the Facilities or any part thereof, (vi) the taking by eminent domain of title to, or the use of, all or any part of the Facilities, (vii) any change in the laws or regulations of the United States of America, the State or any other governmental authority, or (viii) any failure of any of the Financing Participants to perform and observe any agreement or covenant, whether express or implied, to be performed or observed by them under any of the Security Documents.

(F) **Obligated Group.** Anything contained herein to the contrary notwithstanding, all obligations of the Organization due hereunder are obligations of the Obligated Group payable from Pledged Revenues, State Payments relating to the Obligated Group and amounts held in the Organization Custodial Account or in accounts subject to the Organization DACA.

8. Quiet Possession; Institution Assistance.

(A) Institution represents and warrants to Organization that: provided that no Event of Default has occurred and is continuing, Organization shall have and enjoy, during the Term hereof, the quiet and undisturbed possession of the Leased Property as in this Lease contemplated, free from interference by Institution or any party claiming under Institution.

(B) Institution agrees to execute, without cost to Institution, such customary applications, consents and other instruments as shall be required by Governmental Authorities to permit the operation of the Leased Property as a Charter School, as permitted by this Lease, so long as such applications, consents or other instruments do not impose or subject Institution to any liability or claim, and Organization hereby covenants and agrees to indemnify and hold harmless Institution from and against any and all claims, costs, demands, losses or liabilities (including attorneys' fees) which Institution may suffer or incur by reason of Institution's execution of any such applications, consents or other instruments as Organization may request. If at any time any claims, costs, demands, losses or liabilities are assessed against Institution by reason of

Institution's execution of any such applications, consents or other instruments as Organization may request, Organization will, upon notice from Institution, defend any such claims, costs, demands, losses or liabilities at Organization's sole cost and expense by counsel, selected by Organization, and reasonably acceptable to Institution.

9. **Subletting and Assigning.** The Organization may not assign this Lease or sublet the Leased Property unless the terms and provisions of Section 8.09 of the Loan Agreement have been met.

10. **Utilities.** The Organization shall pay as Additional Rent all charges for gas, electricity, water, sewer service and other utilities used in the Leased Property.

11. **Organization Responsibilities Generally.**

Organization shall comply with all Laws and Legal Requirements, which affect the Leased Property located thereon and the use and occupancy thereof, and shall comply with all laws, licenses and permits related to the operation of the Organization, including those that involve employee, worker or occupant health, safety and/or environmental concerns, including, without limitation, those concerning child-occupied facilities. If Organization receives written notice of any violation of any governmental requirements applicable to the Leased Property, Organization shall give prompt notice thereto to Institution and to the Trustee.

12. **Maintenance and Repairs.**

The Organization shall pay as Additional Rent all costs, expenses, fees and charges incurred in connection with the use or occupancy of the Leased Property, including without limitation, all costs and expenses required to be incurred in the event that any Governmental Authority imposes mandatory controls or guidelines on the Leased Property, or any part thereof, relating to the use or conservation of energy, water, gas, oil and electricity or in the event that Institution is required to make alterations to the Leased Property as required to comply with such mandatory or voluntary obligations and as set forth in Section 6 of the Covenant Agreement. The Institution shall make available to the Organization the funds in the Repair and Replacement Fund to pay for alterations to the Leased Property required to comply with such mandatory or voluntary obligations, so long as no Event of Default shall have occurred hereunder.

13. **Damage, Destruction and Condemnation.**

If the Leased Property is damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, subject to compliance with the provisions of the Section 6.01 of the Loan Agreement, the Mortgage, the Covenant Agreement and the Tax Regulatory Agreement, the Organization agrees to rebuild and repair the Leased Property to operational status, so that such structures and other improvements shall have a value, utility, condition, character as nearly as reasonably practicable to the value, utility condition, character of such structures and other improvements immediately prior to such fire or other casualty (assuming the Leased Property to have been in the condition required by this Lease). No Rent shall be abated in connection with such damage; it is understood that Organization shall carry the business interruption insurance pursuant to the Covenant Agreement. The Institution shall make available

to the Organization the Net Proceeds necessary for the Organization to meet the requirements of this Section, so long as no Event of Default shall have occurred hereunder.

14. Indemnification Generally.

(A) **Organization Indemnity.** Organization agrees to indemnify and save harmless, Trustee, Institution, and their respective trustees, directors, officers, agents and servants from and against all liabilities, costs and expenses (including reasonable attorney's fees and expenses) and all actual damages imposed upon or asserted against the Trustee, and/or Institution, as the owner of the Leased Property, or consequential damages imposed upon or asserted against any Trustee or Institution by unaffiliated third parties, including, without limitation, any liabilities, costs and expenses damages imposed upon or asserted against Trustee or Institution, on account of (i) any failure on the part of Organization to perform or comply with any of the terms of this Lease or use, misuse, non-use, maintenance or repair by Organization of the Leased Property, (ii) any impositions which are the obligation of the Organization to pay pursuant to the applicable provisions of this Lease, (iii) any liability Organization may incur or suffer as a result of the ADA affecting the Leased Property, (iv) any accident, injury to or death of any person or damage to property on or about the Leased Property, except in each instance to the extent the same is caused by any willful or negligent act or omission of Trustee or Institution, their agents, employees or contractors; and (v) any and all liabilities, claims, demands, damages, penalties, expenses (including, without limitation, reasonable costs and attorneys' fees including reasonable costs and attorneys' fees on any appeal), judgments, proceedings and causes of action imposed upon, incurred by, or asserted against Institution or Trustee, which arise out of, or are alleged to have arisen out of, any violation by Organization or Organization's agents, contractors, subtenants, employees, licensees, concessionaires or invitees (collectively, "Organization's Agents") of any of the terms or provisions of any Mortgage. If at any time any claims, costs, demands, losses or liabilities are asserted against Trustee or Institution by reason of any of the matters as to which Organization indemnifies Trustee or Institution hereunder, Organization will, upon notice from Institution, defend any such claims, costs, demands, losses or liabilities at Organization's sole cost and expense by counsel selected by Organization and reasonably acceptable to Trustee and/or Institution.

15. Organization to Pay Taxes.

During the Term of this Lease, the Organization shall pay as Additional Rent the Taxes directly to the appropriate taxing authorities prior to their delinquency. Institution will cooperate with Organization, at the Organization's sole cost and expense, in submitting any applications or other forms to the applicable taxing authority such that the Leased Property may receive a reduction or exemption in Taxes due to the use of the Leased Property as a Charter School. Organization shall have the right (but shall not be obligated) to contest the Taxes or the validity thereof by appropriate legal proceedings or in such other manner as it shall deem suitable, and Institution shall join in such contest, protest or proceeding, but at the Organization's sole cost and expense. Institution shall not, during the pendency of such legal or other proceeding or contest, pay or discharge any Taxes on the Leased Property, or tax lien or tax title pertaining thereto, provided Institution may do so in order to stay a sale of the Leased Property through foreclosure of a tax lien thereon.

16. Alterations and Organization's Liens.

(A) **Minor Alterations.** So long as no Event of Default shall have occurred and be continuing, Organization may, but only if the terms and provisions of Section 3.04 of the Loan Agreement are met, make alterations to the Leased Property, provided that.

(i) **Title to Organization's Alterations.** Any alterations, changes, improvements, and additions made by Organization shall immediately become the property of the Institution and shall be considered a part of the Leased Property.

(ii) **No Organization Liens.** Organization shall not permit any mechanic's, materialman's or other similar lien to be foreclosed against the Leased Property by reason of work, labor, services or materials performed by or furnished to Organization or anyone holding any part of the Leased Property under Organization. If any such lien shall at any time be filed, Organization may contest the same in good faith but Organization shall, prior to foreclosure thereof, cause such lien to be released of record by payment, bond, order of a court of competent jurisdiction or otherwise. Nothing contained in this Lease shall be construed as a consent on the part of Institution to subject Institution's estate in the Leased Property to any lien or liability under the lien laws of the state in which the Leased Property is located. Notwithstanding the foregoing, if any mechanics', materialmen's or other similar lien is filed against the Leased Property, and the amount of such lien claim exceeds \$50,000.00, then Organization shall, within thirty (30) days after the filing thereof, remove, or bond over, or provide such other security satisfactory to Institution, protecting Institution from loss or liability by reason of such lien. Organization hereby covenants and agrees to indemnify and hold harmless Institution from and against any and all claims, costs, demands, losses or liabilities (including attorneys' fees) which Institution may suffer or incur by reason of any such mechanics', materialmen's or other similar lien.

(B) **Institution Elective Improvements.** During the Term of this Lease, Institution shall not be required to build or rebuild any improvements to the Leased Property, or to make any repairs, replacements, alterations, restorations or renewals thereto. In the event that Institution should, in its sole discretion elect to make capital improvements to the Leased Property, it may only do so with Organization's consent, which may be given or withheld in Organization's sole discretion without any adjustment in Rent. Amounts on deposit in the Repair and Replacement Fund shall be available for such purposes subject to the terms and conditions of the Indenture and Loan Agreement.

17. Restrictive Agreements; REA; Grants of Easements.

To the extent there are any Restrictive Agreements or grants of easements related to the Leased Property, Institution and Organization hereby agree as follows:

(A) Institution shall not approve or agree to any amendment of any Restrictive Agreement which materially adversely affects the rights granted to Institution thereunder without Organization's prior consent, which shall not be unreasonably withheld. In no event shall

Organization's consent be required for any easements necessary for the construction of the Leased Property and other improvements to the Leased Property.

(B) Institution shall not unreasonably withhold, condition or delay the grant of utility, access and similar easements which are requested by Organization, to the extent necessary for the use and operation of the Leased Property for the uses permitted hereunder so long as such easements and agreements do not materially reduce the value of the Leased Property. Institution will use commercially reasonable efforts to cause any lender to subordinate their respective lien of its mortgage or deed of trust to any such utility, access and similar easements.

(C) Organization agrees during the Term of this Lease to comply with and promptly perform each and all of the terms and provisions of any Restrictive Agreements, if any, insofar as they relate to the Leased Property. Without limiting the generality of the foregoing, Organization agrees to pay any assessments, costs, common area maintenance and operating charges, lighting charges, all common area cost contributions, and any and all other amounts that Institution or the owner of the Leased Property would otherwise be obligated to pay under any Restrictive Agreement.

(D) Institution agrees to use commercially reasonable efforts, at Organization's expense, to cooperate with Organization in the exercise of any rights or remedies pursuant to the Restrictive Agreements the exercise of which Organization reasonably believes is necessary or prudent with respect to the Leased Property. Organization hereby covenants and agrees to indemnify and hold harmless Institution from and against any and all claims, costs, demands, losses or liabilities (including attorneys' fees) which Institution may suffer or incur by reason of any failure by Organization to pay and perform all of the terms of, or any violation by Organization of or noncompliance by Organization with any of the covenants and agreements contained in, the Restrictive Agreements, or any of them, regardless of whether such provisions are binding upon the Leased Property or the holder of the tenant's interest in this Lease. If at any time any claims, costs, demands, losses or liabilities are asserted against Institution by reason of any failure by Organization to pay and perform all of the terms of, or any violation by Organization of or noncompliance by Organization with any of the covenants and agreements contained in, the Restrictive Agreements, regardless of whether such provisions are binding upon the holder of the tenant's interest in this Lease or the Leased Property, Organization will, upon notice from Institution, defend any such claims, costs, demands, losses or liabilities at Organization's sole cost and expense by counsel reasonably acceptable to Institution. Institution will promptly provide to Organization a copy of any notice received by Institution in connection with any Restrictive Agreement.

18. Estoppel Certificate; Attornment and Priority of Mortgage; Subordination of Lease.

(A) **Estoppel Certificate.** Organization agrees, within twenty-one (21) days after written request by the Institution or Trustee, to execute, acknowledge and deliver to and in favor of the proposed holder of any Mortgage or purchaser of the Leased Property, an estoppel certificate in such form as Institution or Trustee may reasonably require, but stating no less than: (i) whether this Lease is in full force and effect; (ii) whether this Lease has been modified or amended and, if so, identifying and describing any such modification or amendment; (iii) the date

to which rent and any other charges have been paid; and (iv) whether such party knows of any default on the part of the other party or has any claim against the other party and, if so, specifying the nature of such default or claim. Notwithstanding the foregoing, the parties agree that it shall not be reasonable for Institution to require an estoppel certificate that modifies the terms of this Lease.

(B) **Attornment by Organization.** Organization shall, in the event any proceedings are brought for the foreclosure of, or in the event of the exercise of the power of sale under, any Mortgage prior in lien to this Lease, attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Institution under this Lease, provided such purchaser assumes Institution's obligations under this Lease in a written assumption in recordable form, containing a covenant binding upon such purchaser to the effect that as long as Organization shall not be in default under this Lease, this Lease shall not be terminated or modified in any respect whatsoever, nor shall the rights of Organization hereunder or its occupancy of the Leased Property be affected in any way by reason of such foreclosure action or other proceeding that may be instituted in connection with the Mortgage.

(C) **Subordination.** Organization accepts this Lease subject and subordinate to the Mortgage on the Leased Property, and to any renewals, refinancing, extensions and replacements thereof. In further confirmation of this subordination, Organization shall execute and promptly deliver any certificate that Institution or any Trustee may require, and upon request of the holder of any Mortgage, Organization shall confirm the subordination of its rights under this Lease to the lien thereof and to all advances made or hereafter to be made upon the security thereof.

(D) **Other Instruments.** Institution and Organization, upon request of any party in interest shall execute promptly such commercially reasonable instruments or certificates to carry out the provisions of this Section 18; provided, however, neither party shall be required to execute any such instruments or certificates that would in any way modify the terms and provisions of this Lease.

19. Organization's Representations and Warranties. Organization hereby represents and warrants to Institution as follows:

(A) **Organization and Authority.** Organization is a non-profit corporation, duly organized and validly existing in good standing under the laws of the state of its organization identified in the introductory paragraph of this Lease; Organization is duly qualified to do business and is in good standing in every state where the nature or extent of its business or properties require it to be qualified to do business as a foreign limited liability company or corporation (as applicable); Organization has obtained all licenses and permits and has filed all registrations necessary for the lawful operation of its business; and Organization has the corporate power and authority to own its properties and carry on its business as now being conducted.

(B) **Due Authorization.** Organization is duly authorized to execute, deliver, and perform its obligations under this Lease; this Lease has been properly authorized by all requisite corporate action, and its directors; this Lease has been duly executed and delivered on behalf of Organization; this Lease constitutes the legal, valid and binding obligation of Organization, enforceable against Organization in accordance with its terms. Concurrently with

the execution of this Lease, Organization shall provide a duly authorized and executed resolution authorizing the execution of the Lease in the form attached hereto and **Exhibit B**.

(C) **Operations**. Organization's purpose is limited to the operation of Charter Schools in the Bronx, New York area. Organization does not own any other property other than any personal property related to the FLACS School Facilities, and does not lease any asset or property other than the Leased Property and the other FLACS School Facilities; Organization will not engage in any business other than the activities contemplated by this Lease and the operation of the Charter Schools at the FLACS School Facilities; Organization will maintain all of its books, records, financial statements and bank accounts separate from those of its affiliates and any constituent party and Organization will file its own tax returns, provided, however, that Organization's assets may be included in a consolidated financial statement with its affiliates provided that the appropriate notations shall be made on such consolidated financial statement to indicate the separateness of Organization and such affiliates and to indicate that none of such affiliates assets and credit are available to satisfy the debts and other obligations of Organization; Organization will maintain a separate bank account and separate set of books and records for each Charter School it operates; Organization will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any affiliate of Organization, any constituent party of Organization, or any affiliate of any constituent party of Organization), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, shall not identify itself or any of its affiliates as a division or part of the other and shall maintain and utilize a separate telephone number and separate stationery, invoices and checks; Organization will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(D) **Consents; Permits; Licenses**. To its knowledge, all necessary consents have been obtained, and no consent, permit, license, approval or authorization of, or registration, declaration or filing with or notice to, any Governmental Authority is required in connection with the execution, delivery or performance by Organization, or the validity or enforceability against Organization, of this Lease.

(E) **Legal Restraint**. Neither this Lease nor the performance by Organization of the Organization's obligations hereunder violates (i) any Legal Requirements, (ii) the articles of organization, partnership agreement or operating agreement of Organization, or (iii) any agreement, indenture or undertaking to which Organization is a party or by which Organization or any of its respective properties are bound or affected, or constitutes a default thereunder or results in the creation or imposition of any lien.

(F) **Litigation and Proceedings**. There is no pending or, to the knowledge of Organization, threatened action, suit, investigation or proceeding affecting Organization before any court, arbitrator, or Governmental Authority which, if adversely determined, could have a Material Adverse Effect. To the knowledge of Organization, Organization is in compliance with any applicable statute, rule, order, decree or regulation of any arbitrator or Governmental Authority having jurisdiction over Organization, except where failure to comply will not have a Material Adverse Effect.

(G) **No Default.** To its knowledge, Organization is not in default in any respect in the payment or performance of any obligations for any material indebtedness or any other monies borrowed or under any mortgage, deed of trust, indenture, lease, contract or other agreement or undertaking to which Organization is a party or to which Organization may be bound or affected and no default or event of default has occurred and is continuing. To the best of Organization's knowledge, Organization is not in default under any order, award or decree of any arbitrator or Governmental Authority binding upon or affecting Organization or by which Organization's property may be bound or affected, and no such order, award or decree would adversely affect the ability of Organization to carry on its business as now conducted or to perform Organizations' obligations under this Lease.

(H) **Compliance With Laws.** To the knowledge of the Organization, Organization is in compliance in all material respects with all Legal Requirements.

(I) **Tax Liabilities; Governmental Charges.** Organization has filed or caused to be filed all required tax reports and returns required to be filed by it by Governmental Authorities, except where extensions have been properly obtained, and have paid or made adequate provision for payment of all taxes (including, but not limited to, rent taxes), assessments, fees and charges levied upon it or upon its income or properties by any Governmental Authority which are due and payable, including interest and penalties, except such taxes, assessments, fees and other governmental charges, if any, as are being diligently contested in good faith by appropriate proceedings and as to which it has established adequate reserves in conformity with GAAP on their respective books. No tax liens have been filed and, to the knowledge of Organization, no material claims are being asserted with respect to any such taxes, assessments, fees or other governmental charges.

(J) **Material Omissions.** Organization has affirmatively disclosed to Institution all facts material to the Leased Property and its business, operations, property, financial condition or business prospects as related to the Leased Property known to Organization.

(K) **Board of the Organization.** The governing board of the Organization has determined that the Leased Property is necessary and essential to the Organization's operations. The Organization will recognize economic and other benefits by leasing the Leased Property.

(L) **Organization's Charter Contract Compliance.** None of the execution and delivery of this Lease, the fulfillment of or compliance with the terms and conditions of this Lease or the consummation of the transactions contemplated by this Lease, conflicts with or results in a breach of the terms, conditions or provisions of the Organization's Charter Contract, or of any material restriction or any agreement or instrument to which the Organization is now a party or by which the Organization is bound, or constitutes a default under any of the foregoing.

(M) **Representations of Organization.** Neither the representations of the Organization contained in this Lease, nor any oral or written statements, furnished by the Organization, nor written statements furnished on behalf of the Organization, to the Institution, or Institution's counsel in connection with the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading. There are no facts that the Organization has not

disclosed to the Institution in writing that materially and adversely affect or in the future may (so far as the Organization can now reasonably foresee) materially and adversely affect the properties, business, prospects, or condition (financial or otherwise) of the Organization, or the ability of the Organization to perform its obligations under this Lease or any documents or transactions contemplated hereby or thereby.

(N) **Notice of Default.** The Organization will deliver prompt written notice to the Institution and Trustee of the occurrence or existence of any event or state of facts which, with the passage of time or the giving of notice or both, would constitute an Event of Default under this Lease.

20. Defaults and Remedies.

(A) **Organization Default.** The following shall constitute an event of default (an “Event of Default”) under this Lease:

(i) If Organization neglects or fails to pay any Base Rent, Additional Rent, or any other Rent or other charge hereunder on the date due, whether or not the same will have been demanded;

(ii) If Organization neglects or fails to perform or observe any of the other covenants, terms, provisions or conditions on its part to be performed or observed under this Lease, within thirty (30) days after notice of default (or if more than thirty (30) days shall be reasonably required because of the nature of the default, if Organization shall fail to proceed diligently to cure such default after such notice; provided such cure period shall not exceed ninety (90) days);

(iii) Any representation or warranty made by Organization herein or in any certificate, financial statement or document furnished pursuant to the provision hereof shall prove to have been false or misleading in any material respect as of the time made or furnished;

(iv) If Organization (a) admits in writing its inability to pay its debts generally as they become due, (b) commences any case, proceeding or other action seeking to have an order for relief entered on its behalf as debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any federal, state or local law relating to bankruptcy, insolvency, reorganization or relief of debtors, (c) makes an assignment for the benefit of its creditors, (d) is generally unable to pay its debts as they mature, (e) seeks or consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (f) files a petition or answer seeking reorganization or arrangement under an order or decree appointing, without the consent of Organization, a receiver of Organization of the whole or substantially all of its property, and such case, proceeding or other action is not dismissed or stayed within ninety (90) days after the commencement thereof; or

(v) If the estate or interest of Organization in the Leased Property or any part thereof is levied upon or attached in any proceeding and the same is not vacated or discharged or stayed within the later of sixty (60) days after commencement thereof or

thirty (30) days after receipt by Organization of notice thereof from Institution (unless Organization is contesting such lien or attachment in accordance with this Lease); or

(vi) Any event of default under any Security Document shall have occurred and be continuing.

Notwithstanding anything to the contrary contained in this Lease, Organization's cure period under this Lease shall not exceed Institution's corresponding cure period under the Mortgage.

(B) **Institution's Remedies.** Upon the occurrence of an Event of Default, Institution (or the Trustee as assignee hereof) shall have the following rights and remedies:

(i) The Institution may declare all Rent payable hereunder for the remainder of the Term to be immediately due and payable, whereupon the same shall become immediately due and payable; or

(ii) Institution may immediately or at any time thereafter, as permitted by law, give Organization written notice of Institution's termination of this Lease, and, upon such notice, Organization's rights to possession of the Leased Property shall cease and this Lease shall thereupon be terminated, and Institution may re-enter and take possession of the Leased Property as its own property; or

(iii) Institution may remain out of possession of the Leased Property and treat the term of the Lease as subsisting and in full force and effect, in which event Institution shall have all rights and remedies available at law, in equity or hereunder; and as an alternative remedy Institution may, at Institution's election and without terminating this Lease, re-enter the Leased Property or take possession thereof pursuant to legal proceedings or pursuant to any notice provided for by law, and having elected to re-enter or take possession of the Leased Property without terminating the term, or this Lease, Institution shall use reasonable diligence as Organization's agent to relet the Leased Property, or parts thereof, for such term (which may be greater or less than the remaining balance of the then current Term) or terms and at such rental and upon such other terms and conditions (which may include concessions or free rent) as Institution may reasonably deem advisable, with the right to make alterations and repairs to the Leased Property, and no such re-entry or taking of possession of the Leased Property by Institution shall be construed as an election on Institution's part to terminate this Lease, and no such re-entry or taking of possession by Institution shall relieve Organization of its obligation to pay Rent (at the time or times provided herein), or of any of its other obligations under this Lease, all of which shall survive such re-entry or taking of possession, and Organization shall continue to pay Rent provided for in this Lease until the end of the Term and whether or not the Leased Property shall have been relet, less the net proceeds, if any, of any reletting of the Leased Property after deducting all of Institution's expenses in or in connection with such reletting, including without limitation all out-of-pocket repossession costs, brokerage commissions, legal expenses, alterations costs and expenses of preparation for reletting; or

(iv) Having elected either to remain out of possession and treating this Lease as remaining in full force and effect or to re-enter or take possession of Leased Property without terminating the term, or this Lease, Institution may by notice to Organization given at any time thereafter while Organization is in default in the payment of Rent or in the performance of any other obligation under this Lease, elect to terminate this Lease and, upon such notice, this Lease shall thereupon be terminated; or

(v) If, in accordance with any of the foregoing provisions of this section, Institution shall have the right to elect to re-enter and take possession of the Leased Property, Institution may enter and expel Organization and those claiming through or under Organization and remove the effects of both or either (forcibly if necessary, if permitted by law) without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or preceding breach of covenant; or

(vi) The Institution may lease or sublease the Leased Property or any portion thereof or sell any interest the Organization has in the Leased Property; or

(vii) The Institution may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Organization under this Lease; or

(viii) Upon the filing of a bill in equity or other commencement of judicial proceedings, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers, of the Organization, of the rents, revenues, income, products and profits of or related to the Organization, the Leased Property, but, notwithstanding the appointment of any receiver, trustee or other custodian, pending such proceedings, the Institution shall be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Lease to the Institution.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Institution hereunder or of any damage accruing to Institution by reason of the violation of any of the terms, provisions and covenants herein contained. Forbearance by Institution to enforce one or more of the remedies herein provided upon the occurrence of any Event of Default shall not be deemed or construed to constitute a waiver of such Event of Default. Following an Event of Default, all amounts due from Organization to Institution pursuant to this Lease shall bear interest at the Default Rate.

(C) **Institution Default, Cure Rights.** If Institution neglects or fails to perform or observe any of the covenants, terms, provisions or conditions on its part to be performed or observed under this Lease and the Security Documents, or within thirty (30) days after notice of any default (or if more than 30 days shall be reasonably required because of the nature of the default, if Institution shall fail to proceed diligently to cure such default after such notice), then Organization may immediately or at any time thereafter, in addition to any other rights and remedies as may otherwise be provided in this Lease for an Institution default, pursue all rights

and remedies it may have at law and equity generally, provided that notwithstanding any provision hereof to the contrary, Organization shall have no right to terminate this Lease so long as Institution's obligations under the Loan Agreement or any Bonds (as such term is defined in the Indenture) shall remain Outstanding (as such term is defined in the Indenture).

(D) **Application of Funds During Event of Default.** Any amounts collected pursuant to action taken under this Section 20, after reimbursement of any costs incurred by the Institution or the Trustee in connection therewith, shall be applied in accordance with the provisions of the Indenture.

(E) **No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Institution is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Institution to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required herein or by applicable law. Such rights and remedies given the Institution hereunder shall also extend to the Trustee, the Beneficial Owners and the Registered Owners of the Bonds, subject to the Indenture.

(F) **Agreement to Pay Attorneys' Fees and Expenses.** In the event the Organization should breach any of the provisions of this Lease and the Institution or the Trustee should employ attorneys or incur other expenses for the collection of Rent or the enforcement of performance or observance of any obligation or agreement on the part of the Organization herein contained, the Organization agrees that it will on demand therefore pay to the Institution and the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses incurred by the Institution and the Trustee. The obligations of the Organization arising under this Section 20(F) shall continue in full force and effect notwithstanding the final payment of the Bonds or the termination of this Lease for any reason.

(G) **Waiver.** In the event any agreement contained in this Lease should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Institution's rights in and under this Lease to the Trustee under the Indenture, the Institution shall have no power to waive any Event of Default hereunder without the consent of the Trustee.

(H) **Profit from Reletting.** The Organization hereby waives any right to, and Organization agrees that it shall have no right to, any profit that Institution may receive from reletting the Leased Property.

21. Access to Premises.

Organization shall permit Institution and its authorized representatives to enter the Leased Property at all reasonable times (upon 48 hours prior oral or verbal notice, except in the

event of an emergency, in which no prior notice is required prior to entry) for the purposes of (i) serving or posting or keeping posted thereon notices required by Law, (ii) conducting periodic inspections, (iii) performing any work thereon required or permitted to be performed by Institution pursuant to this Lease, and (iv) showing the Leased Property to prospective purchasers or lenders. Institution shall use commercially reasonable efforts to minimize any interference with the Organization's operations at the Leased Property, and comply with the Organization's reasonable rules or requirements for safety and security; and the Organization shall have the right to provide a representative of the Organization to accompany any entry by Institution.

22. Remedies Cumulative; Time of the Essence.

(A) The various rights and remedies given to or reserved to Institution and Organization by this Lease or allowed by law shall be cumulative, irrespective of whether so expressly stated.

(B) Time is of the essence of this Lease.

23. Notices.

All notices, consents, requests, approvals and authorizations (collectively, "Notices") required or permitted hereunder shall only be effective if in writing. All Notices (except Notices of default, which may only be sent pursuant to the methods described in (A) and (B) below) shall be sent (A) by registered or certified mail (return receipt requested), postage prepaid, (B) by Federal Express, U.S. Post Office Express Mail, Airborne or similar nationally recognized overnight courier which delivers only upon signed receipt of the addressee, or (C) sent by email, provided that delivery thereof is acknowledged by the receiving party, evidenced by the sender's receipt of a receipt evidencing delivery from its email program, or the sender of an email notice otherwise does not receive any indication that such email did not get delivered properly to the applicable recipient, and addressed as follows or at such other address, and to the attention of such other person, as the parties shall give notice as herein provided:

If intended for Institution: HIGHBRIDGE FACILITIES, LLC
14 West 170 Street
Bronx, NY 10452
Attention: Chief Financial Officer
Email:

with copies to: Thomas W. Smith, Esq.
Smith Buss & Jacobs, LLP
733 Yonkers Ave.
Yonkers, NY 10704
email: tsmith@sbjlaw.com

If intended for Organization: FAMILY LIFE ACADEMY CHARTER SCHOOLS
14 West 170th Street
Bronx, NY 10452
Attention: Chief Financial Officer

Email:

with copies to:

Thomas W. Smith, Esq.
Smith Buss & Jacobs, LLP
733 Yonkers Ave.
Yonkers, NY 10704
email: tsmith@sbjlaw.com

A notice, request and other communication shall be deemed to be duly received if delivered by a nationally recognized overnight delivery service or email, when delivered to the address of the recipient, or if sent by mail, on the date of receipt by the recipient as shown on the return receipt card; provided that if a notice, request or other communication is served by hand or email on a day which is not a business day, or after 5:00 p.m. on any business day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first business day thereafter. Rejection or other refusal to accept or the inability to deliver because of changed address of which no Notice was given shall be deemed to be receipt of the Notice as of the date of such rejection, refusal or inability to deliver.

24. Covenants by the Institution. The Institution hereby agrees, in favor of the Organization, to provide audited financial statements of the Institution within 150 days of the end of each fiscal year to the Organization, the Trustee and to the Dissemination Agent and to maintain a June 30 fiscal year.

25. Waiver of Performance and Disputes. One or more waivers of any covenant, term or condition of this Lease by either party shall not be construed as a waiver of a subsequent breach of the same or any other covenant, term or condition, nor shall any delay or omission by either party to seek a remedy for any breach of this Lease or to exercise a right accruing to such party by reason of such breach be deemed a waiver by such party of its remedies or rights with respect to such breach. The consent or approval by either party to or of any act by the other party requiring such consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any similar act.

26. Termination of Covenant Agreement. Upon termination of the Covenant Agreement pursuant to Section 9 thereof, the Institution agrees to deliver or transfer any amounts on deposit in the Funds and Accounts (other than the Rebate Fund) to the Organization upon the Institution providing for payment in full of amounts due with respect to the Bonds, whether at their stated maturity or by earlier prepayment and redemption.

27. No Oral Modifications. The terms, covenants and conditions hereof may not be changed orally, but only by an instrument in writing signed by the party against whom enforcement of the change, modification or discharge is sought, or by such party's agent.

28. Governing Law; Severability. This Lease shall be governed by the laws of the State, without giving effect to its conflict of law principles. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

29. **Estoppel**. Institution and Organization each confirm and agree that (a) it has read and understood all of the provisions of this Lease; (b) it is familiar with major sophisticated transactions such as that contemplated by this Lease; (c) it has negotiated with the other party at arm's length with equal bargaining power; and (d) it has been advised by competent legal counsel of its own choosing.

30. **Due Authorization by Institution**. The Institution is duly authorized to execute, deliver, and perform its obligations under this Lease; this Lease has been properly authorized by all requisite corporate action, and its directors; this Lease has been duly executed and delivered on behalf of Institution; this Lease constitutes the legal, valid and binding obligation of Institution, enforceable against Institution in accordance with its terms.

31. **Limitation on Institution's Liability**. Notwithstanding anything to the contrary in this Lease, Organization will look solely to the interest of Institution (or its successor as Institution hereunder) in the Leased Property for the satisfaction of any judgment or other judicial process requiring the payment of money as a result of (i) any negligence (including gross negligence) or (ii) any breach of this Lease by Institution or its successor (including any beneficial owners, partners, shareholders, trustees or others affiliated or related to Institution or such successor) and Institution shall have no personal liability hereunder of any kind.

32. **Waiver of Trial by Jury**. **TENANT AND LANDLORD HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER IN ANY MATTERS ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE AND OCCUPANCY OF THE FLACS SCHOOL FACILITIES, AND ANY CLAIM OF INJURY OR DAMAGE.**

33. **No Leasehold Mortgages**. Organization shall have no right to mortgage or pledge its interest in this Lease in whole or in part with respect to the Leased Property, any attempt to mortgage or pledge its interest in this Lease by the Organization shall be void ab initio.

34. **Integration**. The parties hereto agree that (i) this is a fully integrated Lease, and a single coterminous and unitary agreement; (ii) that this Lease contains economically interdependent terms and (iii) that the parties do not intend any provisions contained herein to be severable, divisible, or apportionable, except as expressly provided herein.

35. **Lease Binding on Successors and Assigns, Etc.** Except as herein otherwise expressly provided, all covenants, agreements, provisions and conditions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their heirs, devisees, executors, administrators, successors in interest and assigns as well as grantees of Institution, and shall be deemed to run with the land. Without limiting the generality of the foregoing, all rights of Organization under this Lease may be granted by Organization to any sublessee of Organization, subject to the terms of this Lease and the Loan Agreement.

36. **Joint Preparation**. This Lease (and all exhibits thereto) is deemed to have been jointly prepared by the parties hereto, and any uncertainty or ambiguity existing herein, if any,

shall not be interpreted against any party, but shall be interpreted according to the application of the rules of interpretation for arm's-length agreements.

37. **Counterparts.** This Lease may be executed at different times and in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Lease by a pdf sent by e-mail shall be as effective as delivery of a manually executed counterpart of this Lease. In proving this Lease, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

38. **No Third-Party Beneficiaries.** Nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person, other than the parties to this Lease and their respective successors and permitted assigns, any rights or remedies under or by reason of this Lease. Notwithstanding the foregoing, the Trustee shall have the right to enforce those sections of the Lease that benefit the Trustee.

39. **Captions.** Captions throughout this instrument are for convenience and reference only and the words contained therein shall in no way be deemed to explain, modify, amplify or aid in the interpretation or construction of the provisions of this Lease.

40. **Integration.** This Lease contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior discussions, agreements, commitments, arrangements, negotiations or understandings, whether oral or written, of the parties with respect thereto.

41. **Trustee Consent.** The Trustee is an intended third-party beneficiary of this Lease. This Lease shall not be amended or terminated without Trustee's prior written consent, which consent may be withheld by the Trustee in its sole and absolute discretion.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Institution and Organization have caused this Lease to be duly executed as of the day and year first above written.

LANDLORD:

HIGHBRIDGE FACILITIES, LLC,
A Delaware limited liability company

By: _____

Name: _____

Title: _____

TENANT:

**FAMILY LIFE ACADEMY CHARTER
SCHOOLS,** a charter public school
organized and existing under the laws of the
State of New York

By: _____

Name: _____

Title: _____

EXHIBIT A TO LEASE AGREEMENT
LEGAL DESCRIPTION OF LAND

Real property in the City of New York, County of Bronx, State of New York, described as follows:

[GERARD LEGAL DESCRIPTION TO BE INSERTED]

EXHIBIT B TO LEASE AGREEMENT
FORM OF TENANT RESOLUTION

RESOLUTION OF BOARD OF DIRECTORS OF _____

The Board of Directors of _____, a _____ non-profit corporation (the “Company”), in accordance with the constituent documents of the Company, hereby resolve, agree and consent to the following resolutions for and on behalf of the Company:

WHEREAS, it is proposed that the Company enter into that certain Lease Agreement with _____, as lessor (“**Lessor**”) pertaining to that certain real property located at _____ (the “**Lease**”), wherein under the terms of the Lease, Lessor shall construct a school facility for the Company as described therein, on the other terms and conditions and rental rate described therein. A copy of the Lease is attached hereto as **Exhibit 1**.

WHEREAS, the Board of Directors of the Company deems it advisable and in the best interests of the Company to approve the execution and delivery of the Lease.

NOW, THEREFORE, BE IT RESOLVED:

1. That the Company shall, and is hereby authorized to enter into the Lease and to execute and deliver and perform the Lease and all of the documents, instruments, change orders and obligations pertaining to the Lease;
2. That _____, [**President of the Company or other officer**] (“**Authorized Person**”), be, and hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to execute and deliver to the landlord under the Lease, and to perform or cause to be performed, all of the obligations of the Company under the Lease, the Lease, and all documents and instruments necessary in connection with the Lease, and is authorized to execute on behalf of the Company the Lease and each such certificate, agreement, instrument, or other document as the Authorized Person deems it appropriate to execute, in connection with the transactions contemplated hereby, with his/her execution thereof being hereby ratified and deemed conclusive evidence of the approval hereof by the Company consistent with the authority hereby granted.
3. That all actions taken on behalf of the Company by the Company’s officers, directors and representatives in furtherance of the foregoing resolutions are hereby ratified and approved in all respects.

IN WITNESS WHEREOF, this Resolution is adopted as of _____, 20__.

BOARD OF DIRECTORS:

[attach **Exhibit 1**]

EXHIBIT C TO LEASE AGREEMENT
BASE RENT PAYMENT SCHEDULE

APPENDIX G
FORM OF BOND COUNSEL OPINION

December 22, 2020

Build NYC Resource Corporation
New York, New York

Re: \$69,760,000
 Build NYC Resource Corporation
 Revenue Bonds, Series 2020A-1
 (Family Life Academy Charter Schools Project)

 \$2,125,000
 Build NYC Resource Corporation
 Taxable Revenue Bonds, Series 2020A-2
 (Family Life Academy Charter Schools Project)

 \$13,085,000
 Build NYC Resource Corporation
 Revenue Bonds, Series 2020B-1
 (Family Life Academy Charter Schools Project)

 \$340,000
 Build NYC Resource Corporation
 Taxable Revenue Bonds, Series 2020B-2
 (Family Life Academy Charter Schools Project)

 \$38,175,000
 Build NYC Resource Corporation
 Revenue Bonds, Series 2020C-1
 (Family Life Academy Charter Schools Project)

 \$1,620,000
 Build NYC Resource Corporation
 Taxable Revenue Bonds, Series 2020C-2
 (Family Life Academy Charter Schools Project)

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, Series 2020A-1 (Family Life Academy Charter Schools Project) in the aggregate principal amount of \$69,760,000 (the “**Series 2020A-1 Bonds**”), its Taxable Revenue Bonds, Series 2020A-2 Bonds (Family Life Academy Charter Schools Project) in the aggregate principal amount of \$2,125,000 (the “**Series 2020A-2 Bonds**”; and, together with the Series 2020A-1 Bonds, the “**Series 2020A Bonds**”), its Revenue Bonds, Series 2020B-1 (Family Life Academy Charter Schools Project) in the aggregate principal amount of \$13,085,000 (the “**Series 2020B-1 Bonds**”), its Taxable Revenue Bonds, Series 2020B-2 Bonds (Family Life Academy Charter Schools Project) in the aggregate principal amount of \$340,000 (the “**Series 2020B-2 Bonds**”; and, together with the Series 2020B-1 Bonds, the “**Series 2020B Bonds**”), its Revenue Bonds, Series 2020C-1

(Family Life Academy Charter Schools Project) in the aggregate principal amount of \$38,175,000 (the “**Series 2020C-1 Bonds**”, and, together with the Series 2020A-1 Bonds and the Series 2020B-1 Bonds, the “**Tax-Exempt Bonds**”), and its Taxable Revenue Bonds, Series 2020C-2 Bonds (Family Life Academy Charter Schools Project) in the aggregate principal amount of \$1,620,000 (the “**Series 2020C-2 Bonds**”; and, together with the Series 2020C-1 Bonds, the “**Series 2020C Bonds**”). The Series 2020A Bonds together with the Series 2020B Bonds and the Series 2020C Bonds are collectively referred to herein as the “**Initial Bonds**”. The Series 2020A-2 Bonds together with the Series 2020B-2 Bonds and the Series 2020C-2 Bonds are collectively referred to herein as the “**Taxable Bonds**”. The Initial 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 adopted on July 28, 2020 as amended on September 22, 2020 (collectively, the “**Resolution**”), and
- (iii) the Indenture of Trust, dated as of December 1, 2020 (the “**Indenture**”), by and between the Issuer and The Bank of New York Mellon, as trustee for the benefit of the Owners of the Initial Bonds (the “**Trustee**”).

The Initial Bonds were issued to finance or refinance the costs of the completion of the acquisition, construction, renovation and equipping of a certain Facility (as defined in the Loan Agreement referenced below) (collectively, the “**Project**”).

The Issuer will loan the proceeds of the Initial Bonds to Highbridge Facilities, LLC (the “**Institution**”), a limited liability company organized and existing under the laws of the State of Delaware that is a disregarded entity for federal tax purposes, having as its sole member, HB Foundation, Inc., a New York not-for-profit corporation (the “**HB Foundation**”), pursuant to the terms of a Loan Agreement, dated as of December 1, 2020 (the “**Loan Agreement**”), between the Issuer and the Institution. The Institution has evidenced its obligation to make loan payments to the Issuer by the issuance and delivery of certain Promissory Notes, each dated December 22, 2020 (collectively, the “**Note**”), each from the Institution to the Issuer and endorsed by the Issuer to the Trustee.

The Institution will (i) lease the 165th Street Facility (as defined in the Loan Agreement) to Family Life Academy Charter Schools (the “**Organization**”), pursuant to a Lease, dated as of December 22, 2020, as assigned to the Trustee, (ii) lease the Cromwell Facility (as defined in the Loan Agreement) to the Organization pursuant to certain FLACS IV Lease Agreement, dated as of December 22, 2020, as assigned to the Trustee, and (iii) lease the Gerard Avenue Facility (as defined in the Loan Agreement) to the Organization pursuant to certain Lease Agreement, dated as of December 22, 2020 (collectively, the “**Lease Agreements**”) as assigned to the Trustee, and the Organization will operate each of the 165th Street Facility, the Cromwell Facility and the Gerard Avenue Facility as a public charter school (all as defined in the Loan Agreement).

The Institution has granted mortgage liens on and security interests in its interest in the Facility to the Issuer and the Trustee pursuant to the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) (Cromwell Facility), the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan) (Cromwell Facility), the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) (Cromwell Facility), the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) (Gerard Avenue Facility), the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) (Gerard Avenue Facility), the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) (165th Street Facility), and the Mortgage, Assignment of

Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) (165th Street Facility), each dated as of December 1, 2020 (collectively, the **"Mortgage"**), and the Issuer has assigned to the Trustee as security for the Initial Bonds, for the benefit of the Owners of the Initial Bonds, all of its rights under the Mortgage pursuant to an Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) (Cromwell Facility), Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Building Loan) (Cromwell Facility), Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) (Cromwell Facility), Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) (Gerard Avenue Facility), Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) (Gerard Avenue Facility), Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Acquisition Loan) (165th Street Facility), and Assignment of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Indirect Loan) (165th Street Facility), each dated as of even date herewith (collectively, the **"Assignment of Mortgage"**), each from the Issuer to the Trustee.

In order to further secure the Initial Bonds, (i) the Institution will grant a lien on and security interest in all of its assets pursuant to the Pledge and Security Agreement, dated as of December 1, 2020 (the **"Pledge and Security Agreement"**), from the Institution to the Trustee and (ii) the Organization, will grant a lien on and security interest in the Pledged Collateral pursuant to an Organization Pledge and Security Agreement, dated as of December 1, 2020 (the **"Organization PSA"**), from the Organization to the Trustee.

The Issuer, the Institution, the Organization and HB Foundation have entered into a Tax Regulatory Agreement, dated the date hereof (the **"Tax Regulatory Agreement"**), in which the Issuer, the Institution, the Organization and HB Foundation have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended (the **"Code"**). D.A. Davidson & Co. (the **"Underwriter"**) has agreed to purchase the Initial Bonds pursuant to the terms of a Bond Purchase Agreement, dated December 11, 2020 (the **"Bond Purchase Agreement"**), among the Issuer, the Underwriter, the Institution and the Organization.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in Section 1.01 of the Indenture.

The Initial Bonds are dated the date hereof, and bear interest from the date thereof pursuant to the terms of the Initial Bonds. The Initial 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 Initial 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 Initial 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 Letter of Representation and Indemnification, dated of even date herewith; and (e) the Continuing Disclosure

Agreement, dated the date hereof (the “**Continuing Disclosure Agreement**”), between the Institution and the Trustee; and (f) the Bond Counsel Due Diligence Questionnaire submitted to us by the Institution and the Organization, as amended and supplemented; (ii) the Organization in (a) the Bond Purchase Agreement; (b) the Tax Regulatory Agreement; (c) Covenant Agreement; (d) the Letter of Representation and Indemnification, dated of even date herewith; and (e) the Continuing Disclosure Agreement; and (f) the Bond Counsel Due Diligence Questionnaire submitted to us by the Institution and the Organization, as amended and supplemented; (iii) the HB Foundation in the Tax Regulatory Agreement; and (iv) the Issuer in (a) the Indenture; (b) the Tax Regulatory Agreement; (c) the Loan Agreement; (d) the Assignment of Mortgage; (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, the Institution, the Organization and the HB Foundation must comply after the date of issuance of the Tax-Exempt Bonds in order for the interest on the Tax-Exempt 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., special counsel to the Institution, Smith Buss & Jacobs LLP, Yonkers, 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 Initial 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 Tax Regulatory Agreement, the Loan Agreement, the Assignment of Mortgage and the Bond Purchase Agreement (collectively, the “**Issuer Documents**”) have been duly authorized, executed and delivered by the Issuer.
5. Assuming the due authorization, execution and delivery of the Issuer Documents by the other parties thereto, the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Assignment of Mortgage and the Bond Purchase Agreement are legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.
6. The Initial 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.
7. The Initial 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.
8. The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Tax-Exempt 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 Tax-Exempt Bonds to be included in gross income for Federal income tax purposes retroactive to the date

of issuance of the Tax-Exempt Bonds. Pursuant to the Indenture, the Loan Agreement and the Tax Regulatory Agreement, the Issuer, the Institution, the Organization and the HB Foundation have covenanted to maintain the exclusion from gross income of the interest on the Tax-Exempt Bonds pursuant to Section 103 of the Code. In addition, the Issuer, the Institution, the Organization and HB Foundation have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Regulatory Agreement. We are also relying on the opinion of counsel to the Institution, HB Foundation and the Organization as to all matters concerning the status of HB Foundation and the Organization as organizations described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code, the treatment of the Institution as a disregarded entity for federal income tax purposes and that the intended use of the facilities financed or refinanced with proceeds of Tax-Exempt Bonds will not constitute an “unrelated trade or business” (within the meaning of Section 513(a) of the Code) of HB Foundation or the Organization. We have not independently verified the accuracy of those certifications and representations or those opinions.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Tax-Exempt 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.

9. Under existing law, interest on the Tax-Exempt Bonds are 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 8 herein.

10. Interest on the Taxable Bonds is not excluded from gross income for Federal income tax purposes under Section 103 of the Code.

11. Interest on the Taxable Bonds is not exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Except as stated in paragraphs 8, 9, 10 and 11, we express no opinion as to any other Federal, state or local tax consequences of the ownership or disposition of the Initial Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Initial Bonds, or the interest thereon, if any action is taken with respect to the Initial 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 Initial Bonds, the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Assignment of Mortgage and the Bond Purchase 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, the HB Foundation, the Organization or the Trustee in connection with the Initial Bonds, the Indenture, the Loan Agreement, the Mortgage, the Tax Regulatory Agreement, the Assignment of Mortgage, the Continuing Disclosure Agreement, the Bond Purchase Agreement, the Pledge and Security Agreement, the Organization PSA, 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.

We express no opinion 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 Initial Bonds.

We express no opinion with respect to whether the Issuer or the Institution (i) have complied with environmental laws, (ii) have obtained any or all necessary governmental approvals, consents or permits in connection with the construction, renovation, equipping, furnishing and operation of the Facility, or (iii) have complied with the New York Labor Law or other applicable laws, rules, regulations, orders and zoning and building codes, all in connection with the construction, renovation, equipping, furnishing and operation of the Facility.

The opinions expressed herein may be relied upon by the addressee and may not be relied upon by any other person without our prior written consent.

Very truly yours,

APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Undertaking Agreement (this “**Agreement**”) is entered into as of this December 22, 2020, by and among Highbridge Facilities, LLC (the “**Borrower**”), Family Life Academy Charter School (the “**School**”) and Digital Assurance Certification, as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of Build NYC Resource Corporation’s (the “**Issuer**”) (i) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”), in the aggregate principal amount of \$69,760,000; (ii) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-2 (Taxable) (the “**Series 2020A-2 Bonds**” and together with the Series 2020A-1 Bonds, the “**Series 2020A Bonds**”), in the aggregate principal amount of \$2,125,000; (iii) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”), in the aggregate principal amount of \$13,085,000; (iv) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-2 (Taxable) (the “**Series 2020B-2 Bonds**” and together with the Series 2020B-1 Bonds, the “**Series 2020B Bonds**”), in the aggregate principal amount of \$340,000; (v) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), in the aggregate principal amount of \$38,175,000; and (vi) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-2 (Taxable) (the “**Series 2020C-2 Bonds**” and together with the Series 2020C-1 Bonds, the “**Series 2020C Bonds**”) in the aggregate principal amount of \$1,620,000. The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2020 (the “**Indenture**”), by and between Build NYC Resource Corporation (the “**Issuer**”) and The Bank of New York Mellon, as trustee (the “**Trustee**”), including any amendments or supplements thereto.

In consideration of the purchase of such Bonds by the owners thereof, the Borrower and the School hereby covenant and agree as follows:

Section 1. Purpose of this Agreement. This Agreement is entered into by the Borrower and the School as of the date set forth below, for the benefit of the holders and owners (the “**Bondholders**”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

Section 2. Definitions. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires. Capitalized terms used but not defined herein shall have the meanings assigned thereto in the Covenant Agreement and Loan Agreement (each as defined below).

“*Annual Financial Information*” means (i) enrollment, attendance, waiting list, and academic performance data for the School for the current year in the form of Exhibit I hereto, (ii) a copy of the audit report of the Borrower and the School as certified by independent public accountants, and (iii) a copy of the certificate addressing compliance with all financial covenants required by the Covenant Agreement, as set forth in Exhibit V hereto.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4(a).

“*Audited Financial Statements*” means the audited consolidated financial statements of the Borrower and the School, prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time, and shall include consolidating schedules reflecting financial statements for the Borrower and the School.

“Commission” means the Securities and Exchange Commission.

“Covenant Agreement” means the Covenant Agreement, dated as of December 1, 2020, by the Trustee and the School.

“Dissemination Agent” means, initially, Digital Assurance Certification, its successors and assigns, and, thereafter, any agent designated as such in writing by the Borrower and the School and which has filed with the Borrower and the School a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fiscal Year” means each year ending June 30, commencing with the Fiscal Year ending June 30, 2021.

“Loan Agreement” means the Loan Agreement dated as of December 1, 2020, among the Issuer, the Borrower and the School.

“Material Event” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit IV.

“Material Events Disclosure” means dissemination of a notice of a Material Event as set forth in Section 5 hereof.

“MSRB” means the Municipal Securities Rulemaking Board.

“Obligated Group” means the charter schools operating at the FLACS IV Facility, FLACS III Facility, and FLACS II MS Facility, and any other facilities financed with additional bonds pursuant to the Indenture.

“Other Information” means the information as set forth in Section 4(c).

“Other Information Disclosure” means the dissemination of disclosure concerning the information as set forth in Section 4(c).

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“Prescribed Form” means, with regard to the filing of Annual Financial Information, Audited Financial Statements, Other Information and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Quarterly Financial Information” means the information as set forth in Section 4(b).

“Quarterly Financial Information Disclosure” means the dissemination of disclosure concerning the information as set forth in Section 4(b).

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of New York.

“State Compliance Office” means the Board of Regents of the State University of New York, or any other body subsequently authorized by the State of New York to grant, revoke, suspend charters.

“Undertaking” means the obligations of the Borrower and the School pursuant to Sections 4 and 5.

Section 3. CUSIP Number/Final Limited Offering Memorandum. The CUSIP Number of the final maturity of the Series 2020A-1 Bonds is 12008E AB8, the Series 2020B-1 Bonds is 12008E AE2, and the Series 2020C-1 Bonds is 12008E AH5. The Final Limited Offering Memorandum relating to the Bonds is dated December 11, 2020 (the “Final Limited Offering Memorandum”).

Section 4. Annual Financial Information Disclosure; Quarterly Financial Information Disclosure; Other Information Disclosure.

(a) Annual Financial Information and Audited Financial Statements. Subject to Section 9 of this Agreement, the Borrower and the School hereby covenant that each will, or will cause the Dissemination Agent to, disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I hereto) by delivering such Annual Financial Information and the Audited Financial Statements to the MSRB within 15 days after the date required for filing the Borrower’s and the School’s audited financial statements with the State, but in no case later than 150 days after the end of each Fiscal Year commencing with Fiscal Year ended June 30, 2021. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with Generally Accepted Accounting Principles as described in the final Limited Offering Memorandum will be included in the Annual Report. It shall be sufficient if the Borrower or the School provides to the MSRB any or all of the Annual Financial Information Disclosure by specific reference to documents previously provided to the MSRB or the Commission and, if such document is a Final Limited Offering Memorandum within the meaning of the Rule, available from the MSRB.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Borrower or the School will, or will cause the Dissemination Agent to, disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

(b) Quarterly Financial Information. Subject to Section 9 of this Agreement, the Borrower and the School shall, or shall cause the Dissemination Agent to, disseminate the Quarterly Financial Information (in the form and by the dates set forth below in subsection (d) and in Exhibit II hereto) by delivering such Quarterly Financial Information to the MSRB within 45 days after the close of each such quarter commencing with the quarter ending December 31, 2020.

(c) Other Information. Subject to Section 9 of this Agreement, the Borrower and the School shall, or shall cause the Dissemination Agent to disseminate Other Information (in the form

and by the dates set forth below in subsection (d) and Exhibit III hereto) by delivering such Other Information Disclosure to the MSRB within the dates specified in Exhibit III hereto.

(d) Disclosure in Prescribed Form. The Borrower and the School are required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

(e) Information Regarding FLACS IV. Notwithstanding any provision hereof to the contrary, Borrower and the School's obligations to provide reporting regarding its operations at the FLACS IV Facility shall commence upon the earlier of (i) the receipt of a temporary certificate of occupancy for the FLACS IV Facility or (ii) the date on which students first attend class in the FLACS IV Facility.

Section 5. Material Events Disclosure. The Borrower and the School hereby covenant that each will, or will cause the Dissemination Agent to, disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture. From and after the Effective Date, the Borrower and the School are required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Agreement.

Section 6. Duty to Update EMMA/MSRB. The Borrower and the School shall determine, in the manner each deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of the Borrower and the School to Provide Information. The Borrower and the School shall, or shall cause the Dissemination Agent to, give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure, Quarterly Financial Information Disclosure or Other Information Disclosure when the same is due hereunder.

In the event of a failure of the Borrower and the School to comply with any provision of this Agreement, the Bondholder of any Bond may seek specific performance by court order to cause the Borrower and the School to comply with their obligations under this Agreement.

If there exists a Dissemination Agent and such Dissemination Agent is unable to verify that any information required to be provided to the MSRB by in Exhibit I and Exhibit II by the date required therein, the Dissemination Agent shall send a notice to the MSRB and the Participating Underwriter in substantially the form attached hereto as Exhibit VI.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Borrower, the School and the Dissemination Agent, if any, may amend this Agreement with the prior written consent of the Majority Holders.

Section 9. Termination of Undertaking. The Undertaking of the Borrower and the School shall be terminated hereunder when the Borrower shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The Borrower shall, or shall cause the Dissemination Agent to, give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Section 10. Dissemination Agent.

(a) The Borrower and the School have appointed Digital Assurance Certification as its Dissemination Agent, and may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower and the School pursuant to this Agreement. Notwithstanding anything to the contrary herein, the Dissemination Agent shall not be responsible for any determination as to the adequacy of the contents or format of any Annual Financial Information Disclosure, Quarterly Financial Information Disclosure or Other Information Disclosure, and as to the materiality of any Material Event.

(b) The duties of the Dissemination Agent are to:

(i) contact the Borrower and the School at least 30 days before each Annual Financial Information Disclosure, Quarterly Financial Information Disclosure, and Other Information Disclosure is due under this Agreement; excluding the Other Information required under Exhibit III(c).

(ii) (A) send the draft templates to Borrower and the School management, with those sections completed that can be obtained from publicly available data for each Annual Financial Information Disclosure, Quarterly Financial Information Disclosure, and Other Information Disclosure in the Prescribed Form; and (B) file such information on EMMA;

(iii) e-mail alert to the Borrower and the School, the Participating Underwriter and the Trustee when any documents are filed on EMMA;

(iv) post notice on EMMA when the Borrower and the School misses a Continuing Disclosure filing deadline in the form set forth in Exhibit VI;

(v) post notice on EMMA when it receives notice of a Material Event at the Borrower and the School listed on Exhibit IV; and

(vi) assist the Borrower and the School to arrange investor calls in coordination with the Participating Underwriter as required under Section 16 hereof.

(c) The Dissemination Agent does not serve as an auditor, financial advisor, broker-dealer or underwriter, is not providing “advice” under Dodd-Frank Wall Street Reform and Consumer Protection Act and does not certify the completeness or accuracy of the Template or any information given by the Borrower and the School to Digital Assurance Certification for filing on EMMA.

(d) In the event of a failure of the Borrower or the School to comply with any provision of this Agreement, the Bondholder of any Bond may seek specific performance by court order to cause the Borrower and the School to comply with their obligations under this Agreement.

(e) The Dissemination Agent is due a one-time set-up fee at closing, and an annual fee payable in advance on the Closing Date and on each anniversary of the Closing Date, subject to Paragraph 9 hereof.

Section 11. Indemnification. The Borrower and the School will indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Agreement and the applicable, related agency agreement, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Dissemination Agent. The obligations of the Borrower and the School under this Section will survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Additional Information. Nothing in this Agreement shall be deemed to prevent the Borrower or the School from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information, Quarterly Information, Other Information, or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Borrower or the School chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Borrower and the School shall not have any obligation under this Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 13. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Borrower, the School, the Dissemination Agent, if any, the Trustee and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 14. Recordkeeping. The Borrower and the School shall maintain records of all Annual Financial Information Disclosure, Quarterly Information Disclosure, Other Information Disclosure, and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 15. Past Compliance. The Borrower and the School represent that this Agreement is their first continuing disclosure undertaking entered into by it pursuant to the Rule.

Section 16. Investor Calls. The Borrower and the School shall arrange a conference call with the Beneficial Owners of the Bonds (i) within forty-five (45) days following receipt by the Dissemination Agent of the audited financial statements of the School for each Fiscal Year ending June 30, beginning with the Fiscal Year ending June 30, 2021, (ii) quarterly during such period of time there exists breach of a covenant by the School under the Security Documents for which the School has given notice of such breach to the Dissemination Agent, and (iii) monthly during the occurrence and continuance of an Event of Default for which the school has given notice of such Even of Default to the Dissemination Agent. The Dissemination Agent shall provide notice of each such conference call to be posted on Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB (EMMA) in a timely manner but in no event less than five (5) business days prior to the date set for each such conference call.

Section 17. Assignment. The Borrower and the School shall not transfer its obligations under the Indenture, the Loan Agreement unless the transferee agrees to assume all obligations of the Borrower or the School under this Agreement or to execute a Continuing Disclosure Undertaking Agreement under the Rule in a form approved by the Majority Holders.

Section 18. No Indebtedness of the State. No indebtedness of any kind incurred or created by the Borrower or the School shall constitute an indebtedness of the State or its political subdivisions, and no

indebtedness of the Borrower or the School shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions.

Section 19. Governing Law. This Agreement shall be governed by the laws of the State.

Dated as of the date first set forth above.

HIGHBRIDGE FACILITIES, LLC

By: _____

Name: _____

Title: _____

**FAMILY LIFE ACADEMY CHARTER
SCHOOL**

By: _____

Name: _____

Title: _____

**DIGITAL ASSURANCE CERTIFICATION, as
Dissemination Agent**

By: _____

Name: _____

Title: _____

[Signature Page to Continuing Disclosure Agreement]

EXHIBIT I

ANNUAL INFORMATION

1. Financial Performance

- a. Annual Audit, which shall include the calculation of the Obligated Group's Days Cash on Hand and Debt Service Coverage Ratio for the applicable Fiscal Year as of the June 30 testing date
- b. A certificate executed by the School's president or chief financial officer stating that:
 - i. A review of the activities of the School during such Fiscal Year and of performance hereunder has been made under his/her supervision; and
 - ii. He/She is familiar with the provisions of the Security Documents and to the best of his/her knowledge, based on such review and familiarity, the School has fulfilled all of its obligations thereunder throughout the Fiscal Year, and there have been no defaults under the Security Documents or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to him/her and the nature and status thereof and the actions taken or being taken to correct such default.

2. Authorizer Relations

- a. Charter expiration date
- b. Material written communications from Authorizer regarding charter status
- c. Contact person at the Authorizer

3. School, Manager or Board Leadership Changes

- a. Any School leadership team changes in the past year
- b. Any Management changes in the past year
- c. Any Board member changes

4. Has a Material Event under Rule 15c2-12 Occurred That Has Not Been Disclosed?

- a. See Exhibit IV

5. Officer's Certificate

- a. See Exhibit V

6. Additional Operational Data

a. Completion of the following tables, to the extent not provide in the Annual Audit:

Charter School Trustees and Officers of the Board			
Name	Position	Initial Start Date	Current Term Expiration (July)

Charter School Administration

TABLE 2 Charter School Employees by School 20__					
	FLACS I	FLACS II	FLACS II MS	FLACS III	FLACS IV
Administration					
Teachers					
Advisors					
Other					

TABLE 3 Charter School Employees by School 20__					
	FLACS I	FLACS II	FLACS II MS	FLACS III	FLACS IV
0-5 Years' Experience					
5-10 Years' Experience					
Over 10 Years' Experience					
Total					

TABLE 4
FLACS I Campus
Historical Teacher Retention Rates ¹

Year	Percent Retained
From 20__ to 20__	%

TABLE 4
FLACS II Campus
Historical Teacher Retention Rates ¹

Year	Percent Retained
From 20__ to 20__	%

TABLE 4
FLACS II MS Campus
Historical Teacher Retention Rates ¹

Year	Percent Retained
From 20__ to 20__	%

TABLE 5
FLACS III Campus
Historical Teacher Retention Rates

Year	Percent Retained
From 20__ to 20__	%

TABLE 5
FLACS IV Campus
Historical Teacher Retention Rates

Year	Percent Retained
From 20__ to 20__	%

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TABLE 6
Enrollment – FLACS I
Campus

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
6 th	
7 th	
8 th	
Total	

TABLE 7
Enrollment – FLACS II
Campus

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
Total	

TABLE 7
Enrollment – FLACS II
MS Campus

Grade	20__ - 20__
5 th	
6 th	
7 th	
8 th	
Total	

TABLE 8
Enrollment – FLACS III
Campus

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
Total	

TABLE 9
Enrollment – FLACS IV
Campus

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
6 th	
7 th	
8 th	
Total	

TABLE 10
Projected Enrollment by Grade
Level – FLACS I

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
6 th	
7 th	
8 th	
Total Enrollment	

TABLE 11
Projected Enrollment by Grade
Level – FLACS II

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
Total Enrollment	

TABLE 11
Projected Enrollment by Grade
Level – FLACS II MS

Grade	20__ - 20__
5 th	
6 th	
7 th	
8 th	
Total Enrollment	

TABLE 12
Projected Enrollment by
Grade Level – FLACS III

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
Total Enrollment	

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TABLE 14
Enrollment by Grade
Level - FLACS IV

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
6 th	
7 th	
8 th	
Total Enrollment	

TABLE 15
Retention Rate by School Year — FLACS I

School Year	Percent Retention from Previous School Year
From 20__ to 20__	%

TABLE 16
Retention Rate by School Year — FLACS II

School Year	Percent Retention from Previous School Year
From 20__ to 20__	%

TABLE 16
Retention Rate by School Year — FLACS II MS

School Year	Percent Retention from Previous School Year
From 20__ to 20__	%

TABLE 17
Retention Rate by School Year — FLACS III

School Year	Percent Retention from Previous School Year
From 20__ to 20__	%

TABLE 16
Retention Rate by School Year — FLACS IV

School Year	Percent Retention from Previous School Year
From 20__ to 20__	%

TABLE 18
Historical Wait List
Summary – FLACS I

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
6 th	
7 th	
8 th	
Total	

TABLE 19
Historical Wait List
Summary – FLACS II

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
Total	

TABLE 21
Historical Wait List
Summary – FLACS II MS

Grade	20__ - 20__
5 th	
6 th	
7 th	
8 th	
Total	

TABLE 20
Historical Wait List
Summary – FLACS III

Grade	20__ - 20__
K	
1 st	
2 nd	
3 rd	
4 th	
Total	

TABLE 20
Historical Wait List
Summary - FLACS IV

<u>Grade</u>	<u>20__ - 20__</u>
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
6 th	
7 th	
8 th	
Total	

TABLE 22
Percentage of students that scored at or above
Level 3 in English Language Arts

	<u>20__ - 20__</u>				
<u>Grade</u>	<u>FLACS</u>	<u>FLACS</u>	<u>FLACS</u>	<u>FLACS</u>	<u>7th</u>
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>District</u>
3 rd	%	%	%		%
4 th					
5 th					

TABLE 23
Percentage of students that scored at or above
Level 3 in Mathematics

	<u>20__ - 20__</u>				
<u>Grade</u>	<u>FLACS</u>	<u>FLACS</u>	<u>FLACS</u>	<u>FL,ACS</u>	<u>7th</u>
	<u>S I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>District</u>
3 rd	%	%	%	%	%
4 th					
5 th					

TABLE 24
Average Student Performance Scores - 8th Grade Science

<u>School Year</u>	<u>FLACS I</u>	<u>FLACS II MS</u>	<u>Score at or above 3%</u>	<u>FLACS IV</u>	<u>State</u>
<u>20__ - 20__</u>	%				%

History of Per Pupil Funding Chart New York State Funding

School Year	Per Pupil Allocation ¹
20__ - 20__	\$

[include previous 4 years for 5 year total]

¹ Per pupil allocation does not include supplemental aid which may have been available in any year

TABLE 25 Network Budgeted and Actual Financial Data

	20__ - 20__ Budget	20__ - 20__ Year to Date ¹
Revenue and Support:		
Per Pupil Revenue		
Special Education Revenue		
Federal Funding		
Local and Other Revenue		
Total Revenue & Support		
Expenses:		
Administrative Staff Personnel		
Instructional Personnel		
Payroll Taxes and Benefits		
Contracted Services		
School Operations		
Facility Operation and Maintenance		
Interest and Depreciation Expense		
Total Expenses		
Net Income		

¹ Year to date unaudited financials through [____], 20__.

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TABLE 25
Original Grant Budgeted and Actual Financial Data

	<u>20__ - 20__</u> <u>Budget</u>	<u>20__ - 20__</u> <u>Year to Date</u> ¹
Revenue and Support:		
Per Pupil Revenue		
Special Education Revenue		
Federal Funding		
Local and Other Revenue		
Total Revenue & Support		
Expenses:		
Administrative Staff Personnel		
Instructional Personnel		
Payroll Taxes and Benefits		
Contracted Services		
School Operations		
Facility Operation and Maintenance		
Interest and Depreciation Expense		
Total Expenses		
Net Income		

¹ Year to date unaudited financials through [____], 20__.

TABLE 26
FLACS II MS Budgeted and Actual Financial Data

	<u>20__ - 20__</u> <u>Budget</u>	<u>20__ - 20__</u> <u>Year to Date</u> ¹
Revenue and Support:		
Per Pupil Revenue		
Special Education Revenue		
Federal Funding		
Local and Other Revenue		
Total Revenue & Support		
Expenses:		
Administrative Staff Personnel		
Instructional Personnel		
Payroll Taxes and Benefits		
Contracted Services		
School Operations		
Facility Operation and Maintenance		
Interest and Depreciation Expense		
Total Expenses		
Net Income		

¹ Year to date unaudited financials through [____], 20__.

TABLE
PLANS II Budgeted and Actual Financial Data

	<u>20__ - 20__</u> Budget	<u>20__ - 20__</u> Year to Date ¹
Revenue and Support:		
Per Pupil Revenue		
Special Education Revenue		
Federal Funding		
Local and Other Revenue		
Total Revenue & Support		
Expenses:		
Administrative Staff Personnel		
Instructional Personnel		
Payroll Taxes and Benefits		
Contracted Services		
School Operations		
Facility Operation and Maintenance		
Interest and Depreciation Expense		
Total Expenses		
Net Income		

¹ Year to date unaudited financials through [_____], 20__.

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TABLE
FLACS Budgeted and Actual Financial Data

	<u>20__ - 20__</u> Budget	<u>20__ - 20__</u> Year to Date ¹
Revenue and Support:		
Per Pupil Revenue		
Special Education Revenue		
Federal Funding		
Local and Other Revenue		
Total Revenue & Support		
Expenses:		
Administrative Staff Personnel		
Instructional Personnel		
Payroll Taxes and Benefits		
Contracted Services		
School Operations		
Facility Operation and Maintenance		
Interest and Depreciation Expense		
Total Expenses		
Net Income		

¹ Year to date unaudited financials through [_____], 20__.

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TABLE
FLACS School Historical Statement of Financial
Position

20__ - 20__

ASSETS

Cash and cash equivalents
Cash in escrow
Grants and other receivables
Prepaid expenses and other current assets
Property and equipment
Security deposits
Due from related parties
Certificate of deposit
TOTAL ASSETS

LIABILITIES

Current portion of capital lease payable
Current portion of long term debt
Capital lease payable
Accounts payable and accrued expenses
Accrued payroll and benefits
Vacation accrual
Deferred revenue
Deferred lease incentive
Long term debt
Deferred rent payable
TOTAL LIABILITIES

NET ASSETS

Unrestricted
Temporarily restricted
TOTAL NET ASSETS

**TOTAL LIABILITIES AND NET
ASSETS**

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TABLE 28
Obligated Group Historical Statement of Financial
Position

20__ - 20__

ASSETS

Cash and cash equivalents
 Cash in escrow
 Grants and other receivables
 Prepaid expenses and other current assets
 Property and equipment
 Security deposits
 Due from related parties
 Certificate of deposit
TOTAL ASSETS

LIABILITIES

Current portion of capital lease payable
 Current portion of long term debt
 Capital lease payable
 Accounts payable and accrued expenses
 Accrued payroll and benefits
 Vacation accrual
 Deferred revenue
 Deferred lease incentive
 Long term debt
 Deferred rent payable
TOTAL LIABILITIES

NET ASSETS

Unrestricted
 Temporarily restricted
TOTAL NET ASSETS

TOTAL LIABILITIES AND NET
ASSETS

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TABLE 3
FLACS HB Historical Statement of Financial Position

20 - 20

ASSETS

Cash and cash equivalents
Cash in escrow
Grants and other receivables
Prepaid expenses and other current assets
Property and equipment
Security deposits
Due from related parties
Certificate of deposit

TOTAL ASSETS

LIABILITIES

Current portion of capital lease payable
Current portion of long term debt
Capital lease payable
Accounts payable and accrued expenses
Accrued payroll and benefits
Vacation accrual
Deferred revenue
Deferred lease incentive
Long term debt
Deferred rent payable

TOTAL LIABILITIES

NET ASSETS

Unrestricted
Temporarily restricted

TOTAL NET ASSETS

**TOTAL LIABILITIES AND NET
ASSETS**

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TABLE 28
FLACS III Historical Statement of Financial Position

20__ - 20__

ASSETS

Cash and cash equivalents
Cash in escrow
Grants and other receivables
Prepaid expenses and other current assets
Property and equipment
Security deposits
Due from related parties
Certificate of deposit

TOTAL ASSETS

LIABILITIES

Current portion of capital lease payable
Current portion of long term debt
Capital lease payable
Accounts payable and accrued expenses
Accrued payroll and benefits
Vacation accrual
Deferred revenue
Deferred lease incentive
Long term debt
Deferred rent payable

TOTAL LIABILITIES

NET ASSETS

Unrestricted
Temporarily restricted

TOTAL NET ASSETS

**TOTAL LIABILITIES AND NET
ASSETS**

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TABLE 28
FEACS IV Historical Statement of Financial Position

20 - 20

ASSETS

Cash and cash equivalents
Cash in escrow
Grants and other receivables
Prepaid expenses and other current assets
Property and equipment
Security deposits
Due from related parties
Certificate of deposit

TOTAL ASSETS

LIABILITIES

Current portion of capital lease payable
Current portion of long term debt
Capital lease payable
Accounts payable and accrued expenses
Accrued payroll and benefits
Vacation accrual
Deferred revenue
Deferred lease incentive
Long term debt
Deferred rent payable

TOTAL LIABILITIES

NET ASSETS

Unrestricted
Temporarily restricted

TOTAL NET ASSETS

**TOTAL LIABILITIES AND NET
ASSETS**

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TABLE 29
FLACS Schools Historical Statements of Activities and
Changes in Net Assets

20 - 20

Revenue and Support:

- Resident student enrollment
- Students with disabilities
- Grants – State and local
- Grants – Federal – Title and IDEA
- Grants – Federal – other
- Food service/Child Nutrition Program
- NYC DOE rental assistance
- Foundations
- Individuals
- Corporations
- In-kind
- Fundraising
- Interest income
- Other income
- Total Revenue & Support

Expenses:

- Program services
- Management and general
- Fundraising and special events
- Total Expenses

Loss from Joint Venture

Change in Net Assets

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TABLE 29
Obligated Group Historical Statements of Activities and
Changes in Net Assets

20__ - 20__

Revenue and Support:

Resident student enrollment
 Students with disabilities
 Grants – State and local
 Grants – Federal – Title and IDEA
 Grants – Federal – other
 Food service/Child Nutrition Program
 NYC DOE rental assistance
 Foundations
 Individuals
 Corporations
 In-kind
 Fundraising
 Interest income
 Other income
Total Revenue & Support

Expenses:

Program services
 Management and general
 Fundraising and special events
Total Expenses

Loss from Joint Venture

Change in Net Assets

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TABLE 29
FLACS IIB Historical Statements of Activities and
Changes in Net Assets

20__ - 20__

Revenue and Support:

Resident student enrollment
 Students with disabilities
 Grants – State and local
 Grants – Federal – Title and IDEA
 Grants – Federal – other
 Food service/Child Nutrition Program
 NYC DOE rental assistance
 Foundations
 Individuals
 Corporations
 In-kind
 Fundraising
 Interest income
 Other income

Total Revenue & Support

Expenses:

Program services
 Management and general
 Fundraising and special events

Total Expenses

Loss from Joint Venture

Change in Net Assets

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TABLE 29
FLACS HUS Local Historical Statements of Activities
and Changes in Net Assets

20__ - 20__

Revenue and Support:

- Resident student enrollment
- Students with disabilities
- Grants – State and local
- Grants – Federal – Title and IDEA
- Grants – Federal – other
- Food service/Child Nutrition Program
- NYC DOE rental assistance
- Foundations
- Individuals
- Corporations
- In-kind
- Fundraising
- Interest income
- Other income
- Total Revenue & Support

Expenses:

- Program services
- Management and general
- Fundraising and special events
- Total Expenses

Loss from Joint Venture

Change in Net Assets

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TABLE 29
FEACS IV Schools Historical Statements of Activities
and Changes in Net Assets

20__ - 20__

Revenue and Support:

- Resident student enrollment
- Students with disabilities
- Grants – State and local
- Grants – Federal -- Title and IDEA
- Grants – Federal – other
- Food service/Child Nutrition Program
- NYC DOE rental assistance
- Foundations
- Individuals
- Corporations
- In-kind
- Fundraising
- Interest income
- Other income
- Total Revenue & Support**

Expenses:

- Program services
- Management and general
- Fundraising and special events
- Total Expenses**

Loss from Joint Venture

Change in Net Assets

EXHIBIT II

QUARTERLY INFORMATION

1. Within forty-five (45) days following the end of each calendar quarter, or as otherwise set forth below, the School shall provide each of the following reports:
 - a. unaudited financial statements for the previous quarter and Fiscal Year to date reflecting revenues and expenses in comparative form with the School's then current operating budget for the School and the Obligated Group (e.g. actual to budget); provided, however upon the occurrence and continuance of an Event of Default, the School shall provide the information within fifteen (15) days following the end of each calendar month, unaudited financial statements for the previous month and Fiscal Year to date reflecting revenues and expenses in comparative form with the School's and the Obligated Group's then current operating budget.
 - b. quarterly enrollment by school within the Obligated Group, and by grade within each school in the Obligated Group, together with waitlist information.
 - c. a statement explaining for any material deviations of the foregoing data.

EXHIBIT III

OTHER INFORMATION

- (a) Annual Report. No later than August 31 of each Fiscal Year, the School shall provide each of the following reports:
- (i) Three years' current enrollment history, broken down by grade and totaled for each of the schools comprising the Obligated Group;
 - (ii) An updated waiting list for enrollment by grade, with each student on such waiting list updated and confirmed electronically or in writing for each of the Obligated Group;
 - (iii) Three years' current re-enrollment data by grade level for each of the Obligated Group;
 - (iv) Attendance data for each school included in the Obligated Group based on an the average enrollment for the prior school year;
 - (v) a report describing the academic ratings to the extent available for each of the schools included in the Obligated Group.
- (b) Monthly Reports. On or before the last day of every other month, commencing January 31, 2021, the School shall provide each of the following reports:
- a copy of the allotment memo sent to the Charter School on or before the last day of every other month by New York City indicating the amount of the Charter School's State Payment for the Charter School and the Obligated Group for the next two succeeding months in a format that shows the portions of such payments attributable to the Obligated Group; provided however such allotment memo will combine FLACS II MS and FLACS II
- (c) Periodic Reports. Within thirty (30) days of such event, the School shall provide each of the following reports:
- (i) A copy of the School's adopted annual operating budget and capital budget for the School and the Obligated Group's present Fiscal Year, within thirty (30) days of its adoption by the governing board, commencing with the Fiscal Year ending June 30, 2022
 - (ii) A copy of revisions, if any, to the School's annual budgets or capital budgets for the School and the Obligated Group as approved by its governing board within thirty (30) days of adoption by the governing board;

- (iii) A copy of any request for withdrawal from the Repair and Replacement Fund to pay all or a portion of the cost of maintenance and replacements which may be required to keep each of the Facilities in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, for any month, including the reason(s) for such withdrawal.
 - (iv) Any changes in the School's Accountant and the reason for such change.
 - (v) Simultaneously with delivery to the Authorizer or the State, and in any event within thirty (30) days of receipt by the State, the result of any educational testing relating to the schools in the Obligated Group required by State or federal law.
- (d) Compliance Certificate. No later than June 30 of each Fiscal Year, the School shall provide a compliance certificate stating that School is in compliance with the Security Documents, in the form attached hereto as Exhibit VII hereto.
- (e) Construction Reports. No later than the fifteenth day of each month during the construction period, for the FLACS IV Facility, commencing January 15, 2021, the School shall provide construction reports that contain the following information:
 - (i) brief description of construction activity for applicable reporting period, including:
 - (1) construction work performed on site during reporting period,
 - (2) status of procurement of equipment,
 - (3) material issues with vendor performance (including delivery issues, performance problems or material cost overruns);
 - (ii) adherence to expected construction timeline (including estimated number of days ahead or behind);
 - (ii) adherence to expected construction budget (including material work order, dollar or percentage deviation from budget); and
 - (iii) if applicable, brief narrative description of the reasons behind any material delays; and
 - (iv) copies of any material correspondence between the Borrower and any governmental entity regarding compliance with Environmental Regulations, potential material violations of state or local law, or other material correspondence relating to the Borrower's construction of or operations of the Facility.

EXHIBIT IV

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-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 security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Borrower or School*
13. The consummation of a merger, consolidation or acquisition involving the Borrower or School or the sale of all or substantially all of the assets of the Borrower or School, 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 Borrower or School, if material, or agreement to covenants, events of default, remedies, priority rights, or other

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower or School in a proceeding under the U.S. Bankruptcy Code or in any other 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 Borrower or School, 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 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 Borrower or School

similar terms of a financial obligation of the Borrower or School, 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 Borrower or School, any of which reflect financial difficulties

EXHIBIT V

CERTIFICATE OF AUTHORIZED REPRESENTATIVE

I, _____, as the Authorized Representative for [BORROWER AND SCHOOL], hereby certifies as of the date hereof that other than as described herein:

1. The information contained in the Template prepared on the date hereof is true and correct in all material respects.
2. There have been no notices of potential adverse actions of which the school has been notified; adopted corrective plans of action, adverse actions or restrictions; charter non-renewals or revocations by the charter authorizer and status updates on appeals or actions taken by the school in response.
3. There have been no notices of investigations or actions taken by regulatory agencies (such as the SEC, for example).
4. There has been no litigation (including any matters of criminal misconduct) against the school, board members or employees to the extent such action is expected to materially affect operations and/or school finances.
5. There have been no casualty losses, to extent daily operations are disrupted for more than 7-10 days, with information about insurance coverage.
6. There have been no non-scheduled terminations by the board, or resignations of, key school administrative personnel and/or management contracts; as well as material changes in members of the board of directors (such as a mass resignation, for example).
7. There have been no building code, or other public health and safety violations in the school (or adjoining property) that disrupt operations in the school for more than 7-10 days.
8. The School is in compliance with the insurance requirements under the Security Documents or Bond Documents.
9. There are no material defaults which exist under the Bond Documents.
10. No Material Events as set forth in Exhibit IV have occurred that have not been disclosed on EMMA.

HIGHBRIDGE FACILITIES, LLC

By: _____
Authorized Representative

FAMILY LIFE ACADEMY CHARTER SCHOOL

By: _____
Authorized Representative

Dated: _____, 20__.

EXHIBIT VI

FORM OF NOTICE TO THE MSRB OF FAILURE TO FILE [_____]

Name of Issuer: Build NYC Resource Corporation

Name of Issue: (i) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-1 (the “**Series 2020A-1 Bonds**”), in the aggregate principal amount of \$69,760,000; (ii) Revenue Bonds (Family Life Academy Charter School Project), Series 2020A-2 (Taxable) (the “**Series 2020A-2 Bonds**” and together with the Series 2020A-1 Bonds, the “**Series 2020A Bonds**”), in the aggregate principal amount of \$2,125,000; (iii) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-1 (the “**Series 2020B-1 Bonds**”), in the aggregate principal amount of \$13,085,000; (iv) Revenue Bonds (Family Life Academy Charter School Project), Series 2020B-2 (Taxable) (the “**Series 2020B-2 Bonds**” and together with the Series 2020B-1 Bonds, the “**Series 2020B Bonds**”), in the aggregate principal amount of \$340,000; (v) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-1 (the “**Series 2020C-1 Bonds**”), in the aggregate principal amount of \$38,175,000; and (vi) Revenue Bonds (Family Life Academy Charter School Project), Series 2020C-2 (Taxable) (the “**Series 2020C-2 Bonds**” and together with the Series 2020C-1 Bonds, the “**Series 2020C Bonds**”) in the aggregate principal amount of \$1,620,000 (collectively, the “**Bonds**”).

Name of Borrower: Highbridge Facilities, LLC

Name of School: Family Life Academy Charter School

Date of Issuance: December 22, 2020

NOTICE IS HEREBY GIVEN that the Borrower has not provided [_____] with respect to the above-named Bonds as required by the Continuing Disclosure Undertaking Agreement with respect to the Bonds. The Borrower has notified the Dissemination Agent that it anticipates [_____] will be filed by _____, 20__.

Dated: _____, 20__.

DIGITAL ASSURANCE CERTIFICATION,
as Dissemination Agent

By: _____
Authorized Signatory

cc: Borrower

EXHIBIT VII

FORM OF COMPLIANCE CERTIFICATE

The undersigned, _____, _____ of Family Life Academy Charter School (the "Organization") hereby certifies, with respect to the Covenant Agreement dated as of December 1, 2020 (the "Covenant Agreement"), between the Organization and The Bank of New York, as trustee, that during the period July 1, _____ through June 30, _____. All capitalized terms used herein, but not defined herein, have the meaning given in the Covenant Agreement.

(a) The Borrower has not used any portion of the Bond proceeds except for the Facilities in furtherance of its purposes consistent with Section 501(c)(3) of the Code and no portion has been used for purposes which will produce "unrelated trade or business income" of Borrower as defined in Section 513(a) of the Code.

(b) The Borrower has not, except with the Issuer's, Trustee's or Majority Holders' written approval, substantially subtracted from any real or personal property of the Facilities.

(c) The Borrower has not permitted the use of any part of the Facilities for any purpose other than as a public school pursuant to the Charter School Act as amended, consistent with the Covenant Agreement and the Tax Regulatory Agreement.

(d) The Borrower has not allowed any Person or organization, other than the Borrower, to become a user of the Facilities, or any portion thereof, nor has the Borrower transferred any portion of the Facilities, except as follows: _____.

(e) Borrower is and continues to be an organization qualified under Section 501(c)(3) of the Code and has received no notice to the contrary from the Internal Revenue Service.

(f) The Borrower is in compliance with all other provisions of the Leases, the Covenant Agreement and the Tax Regulatory Agreement, and all representations contained in the Leases, the Covenant Agreement and the Tax Regulatory Agreement continue to be true and correct in all respects, except as follows: _____.

DATED: _____

**FAMILY LIFE ACADEMY CHARTER
SCHOOL**

By: _____

APPENDIX I

BOOK-ENTRY ONLY SYSTEM

The information in this APPENDIX I concerning DTC (as defined below), Cede & Co. and the Book-Entry System has been furnished by DTC for use in disclosure documents such as this Limited Offering Memorandum. The Issuer and the Underwriter believe such information to be reliable, but neither the Issuer nor the Underwriter takes any responsibility for the accuracy or completeness thereof.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the securities discussed in the body of this Limited Offering Memorandum (the “**Series 2020 Bonds**”). The Series 2020 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 2020 Bond certificate will be issued for each maturity of the Series 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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**”). DTC has a Standard & Poor’s of AA+. 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 the Series 2020 Bonds under the DTC system must be made by or through Direct Participants which will receive a credit for the Series 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2020 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 2020 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 the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 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 the Series 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 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 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2020 Bond documents. For example, Beneficial Owners of the Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 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 Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices are required to be sent to DTC. If less than all of the Series 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2020 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 Issuer and 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2020 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 Issuer or the Trustee on the 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 redemption proceeds, principal and interest payments 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.

A Beneficial Owner will give notice to elect to have its Series 2020 Bonds purchased or tendered, through its Participant, to the Trustee, and will effect delivery of such Series 2020 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2020 Bonds, on DTC's records, to the Trustee.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 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, Series 2020 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy or completeness thereof.

THE INFORMATION ABOVE DISCUSSING THE BOOK-ENTRY SYSTEM HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE ISSUER, THE BORROWER, THE CHARTER SCHOOL OR THE UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE ISSUER, THE BORROWER, THE CHARTER SCHOOL OR THE UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. THE ISSUER HAS NO RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS, OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2020 BONDS, OR FOR ANY PRINCIPAL OF, SINKING FUND INSTALLMENT, REDEMPTION PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.