

Lease Agreement

**NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY**

and

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

LEASE AGREEMENT

Dated as of November 1, 2002

\$15,115,000

New York City Industrial Development Agency
Civic Facility Revenue Bonds
(The Convent of the Sacred Heart School of New York Project), Series 2002

Affecting that real property described in
the Description of Facility Realty in Exhibit B hereto,
in the County, City and State of New York
which is known as Block 1503, Lots 1 and 7
on the Official Tax Map of New York County

RECORD AND RETURN TO:

NIXON PEABODY LLP
437 Madison Avenue
New York, New York 10022
Attention: Scott Singer, Esq.

TABLE OF CONTENTS

Page

ARTICLE I

Definitions and Representations

SECTION 1.1 Definitions... 3
SECTION 1.2 Construction... 5
SECTION 1.3 Representations and Warranties by Agency... 6
SECTION 1.4 Findings by Agency... 6
SECTION 1.5 Representations and Warranties by Lessee... 6

ARTICLE II

The Project

SECTION 2.1 The Project... 9
SECTION 2.2 Completion by Lessee... 10
SECTION 2.3 Issuance of Series 2002 Bonds, Application of Proceeds of Series 2002 Bonds... 11
SECTION 2.4 Title Insurance... 11

ARTICLE III

Lease of Facility and Rental Provisions

SECTION 3.1 Lease and Use of the Facility... 12
SECTION 3.2 Duration of Term... 12
SECTION 3.3 Rental Provisions; Pledge of Agreement and Rent... 12
SECTION 3.4 Obligation of Lessee Unconditional... 14
SECTION 3.5 Grant of Security Interest... 14
SECTION 3.6 Right of Set-Off... 14
SECTION 3.7 Payment of Purchase Price of Tendered Bonds... 14
SECTION 3.8 Letters of Credit... 15

ARTICLE I

Maintenance, Taxes, Payments in Lieu of Taxes and Insurance

SECTION 4.1 Maintenance, Alterations and Improvements... 17
SECTION 4.2 Removal of Property of the Facility... 18
SECTION 4.3 Payment in Lieu of Real Estate Taxes... 19
SECTION 4.4 Taxes, Assessments and Charges... 20
SECTION 4.5 Insurance... 20
SECTION 4.6 Advances by Agency or Bank... 23
SECTION 4.7 Compliance with Law... 23

ARTICLE V

Damage, Destruction and Condemnation

SECTION 5.1 Damage, Destruction and Condemnation... 23

ARTICLE VI
Particular Covenants

SECTION 6.1	Dissolution or Merger of Lessee; Restrictions on Lessee.....	26
SECTION 6.2	Indemnity.	27
SECTION 6.3	Compensation and Expenses of Trustee, Bond Registrar, Paying Agents, Tender Agent, Remarketing Agent, Bank and Agency	30
SECTION 6.4	Retention of Title to Facility; Grant of Easements; Release of Certain Land.	31
SECTION 6.5	Tax Covenants.	31
SECTION 6.6	Financial Statements: No-Default Certificates.	32
SECTION 6.7	Discharge of Liens.	32
SECTION 6.8	Agency's Authority; Covenant of Quiet Environment.	33
SECTION 6.9	No Warranty of Condition or Suitability.	33
SECTION 6.10	Amounts Remaining in Funds.	34
SECTION 6.11	Issuance of Additional Bonds.	34
SECTION 6.12	Non-Discrimination; Employment Information, Opportunities and Guidelines; Scholarship Requirements.	34
SECTION 6.13	Redemption Under Certain Circumstances; Application of Gifts and Grants Relating to the Project.	37
SECTION 6.14	Further Assurances.....	38
SECTION 6.15	Recording and Filing.....	38
SECTION 6.16	Right to Cure Agency Defaults.....	38
SECTION 6.17	Preservation of Exempt Status.....	39
SECTION 6.18	Securities Law Status.....	39

ARTICLE VII
Events of Default; Remedies

SECTION 7.1	Events of Default.	39
SECTION 7.2	Remedies on Default.....	41
SECTION 7.3	Reserved.....	42
SECTION 7.4	Remedies Cumulative.	42
SECTION 7.5	No Additional Waiver Implied by One Waiver.....	42
SECTION 7.6	Effect on Discontinuance of Proceedings.	42
SECTION 7.7	Agreement to Pay Attorneys' Fees and Expenses.	42
SECTION 7.8	Rights of Bank.	43

ARTICLE VIII
Options

SECTION 8.1	Options.....	43
SECTION 8.2	Conveyance on Exercise of Option to Purchase.....	45
SECTION 8.3	Option to Purchase or Invite Tenders of Bonds.....	46
SECTION 8.4	Termination of Agreement.....	46
SECTION 8.5	Recapture of Agency Benefits.	46

ARTICLE IX
Miscellaneous

SECTION 9.1 Indenture; Amendment 47
SECTION 9.2 Force Majeure. 47
SECTION 9.3 Assignment or Sublease..... 48
SECTION 9.4 Priority of Indenture..... 49
SECTION 9.5 Benefit of and Enforcement by Trustee and Bank..... 49
SECTION 9.6 Amendments. 49
SECTION 9.7 Notices. 49
SECTION 9.8 Prior Agreements Superseded..... 50
SECTION 9.9 Severability. 50
SECTION 9.10 Inspection of Facility. 50
SECTION 9.11 Effective Date; Counterparts..... 50
SECTION 9.12 Binding Effect..... 50
SECTION 9.13 Net Lease. 50
SECTION 9.14 Law Governing. 51
SECTION 9.15 Investment of Funds..... 51
SECTION 9.16 Waiver of Trial by Jury..... 51
SECTION 9.17 Reserved..... 51
SECTION 9.18 No Recourse under this Agreement or on Bonds..... 51
SECTION 9.19 Rights of Bank. 51
SECTION 9.20 Date of Agreement for Reference Only..... 52

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into as of November 1, 2002, by and between **NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY**, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and **THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK** (the "Lessee"), a not-for-profit education corporation organized and existing under and by virtue of the laws of the State of New York, having an office at One East 91st Street, New York, New York 10128, party of the second part (the capitalized terms used in the recitals to and within this Lease Agreement and not otherwise defined herein shall have the respective meaning assigned to such terms in the Indenture referred to below):

WITNESSETH:

WHEREAS, the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") authorizes and provides for the creation of industrial development agencies in the several counties, cities, villages and towns in the State of New York and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and furnish land, any building or other improvement, and all real and personal properties, including but not limited to machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial, industrial or civic purposes and which may include or mean an industrial pollution control facility to the end that such agencies may be able to promote, develop, encourage, assist and advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living; and

WHEREAS, pursuant to and in accordance with the provisions of the Enabling Act, the Agency was established by Chapter 1082 of the 1974 Laws of New York, as amended (together with the Enabling Act, the "Act"), for the benefit of The City of New York and the inhabitants thereof;

WHEREAS, to accomplish the purposes of the Act the Agency has entered into negotiations with the Lessee in order to provide for the financing of a portion of the costs of (i) the consolidation, expansion, renovation and equipping of two existing facilities consisting of an approximately 56,000 square foot building on an approximately 14,603 square foot parcel of land located at One East 91st Street and an approximately 25,600 square foot building on an approximately 7,016 square foot parcel of land located at Seven East 91st Street, in Manhattan, by the construction of a tower and related building connecting the two facilities and the addition of classrooms and other renovations to the facilities (collectively, the "Facility") and (ii) the financing of certain costs of issuance relating to the issuance of the Series 2002 Bonds, all for use by the Lessee to further its capacity to provide non-residential educational services to girls from pre-kindergarten through grade twelve (collectively, the "Project"); and in furtherance of said purpose on September 10, 2002 the Agency adopted a resolution (the "Bond Resolution"), authorizing the Project, and permitting the issuance of its revenue bonds to finance such Project and thereupon to lease the Facility from the Lessee pursuant to a lease agreement (the "Company Lease Agreement") and to sublease the Facility back to the Lessee pursuant to this Agreement (the "Lease Agreement"); and

WHEREAS, Agency financing assistance is beneficial for the economy of The City of New York and is reasonably necessary to induce the Lessee to proceed with the Project; and

WHEREAS, the Agency, in order to provide funds for a portion of the cost of the Project and for a portion of the incidental and related costs thereto, will issue and sell its Civic Facility

Revenue Bonds (The Convent of the Sacred Heart School of New York Project), Series 2002 in the aggregate principal amount of \$15,115,000 (the "Series 2002 Bonds") all pursuant to the Act, the Bond Resolution, and an Indenture of Trust dated as of even date herewith (the "Indenture") by and between the Agency and Wachovia Bank, National Association, as trustee (the "Trustee"), securing said Bonds; and

WHEREAS, in order to further secure the payment of the Series 2002 Bonds, the Lessee concurrently with the execution hereof will enter into a Guaranty Agreement, of even date herewith, by the Lessee in favor of the Trustee and the Bank, whereunder the Lessee guarantees the payment of the principal and Purchase Price of, and redemption premium, if any, and interest on, the Series 2002 Bonds; and

WHEREAS, the Series 2002 Bonds are to be secured pursuant to an irrevocable direct pay letter of credit (the "Letter of Credit") to be issued by Allied Irish Banks, p.l.c. (the "Bank") to the Trustee for the benefit of the Holders of the Bonds pursuant to a Letter of Credit Reimbursement Agreement, dated as of even date herewith (the "Reimbursement Agreement"), between the Lessee and the Bank; and

NOW, THEREFORE, in consideration of the premises and the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the Agency herein contained, any obligation it may incur for the payment of money shall not create 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 on any obligation so incurred, but any such obligation shall be payable solely out of the lease rentals, revenues and receipts derived from or in connection with the Facility, including moneys received under this Lease Agreement):

ARTICLE I

DEFINITIONS AND REPRESENTATIONS

SECTION 1.1 Definitions.

Terms not otherwise defined herein shall have the same meanings as used in the Indenture, the Tax Compliance Agreement or the Guaranty Agreement hereinbelow defined. The following terms shall have the following meanings in this Lease Agreement:

Agency 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.

Agreement shall mean this Lease Agreement dated as of November 1, 2002 between the Agency and the Lessee, and shall include any and all amendments and supplements thereto.

Authorized Representative shall mean (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, Vice President of Legal Affairs for the Agency or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, and (ii) in the case of the Lessee, its Headmistress, Chief Executive Officer, Director of Finance and Human Resources, and any other officer of the Lessee so designated in writing by the Head of School to the Agency and the Trustee.

Bank shall mean Allied Irish Banks, p.l.c., its successors and/or assigns in its capacity as issuer of the Letter of Credit, and any other issuer of a Substitute Letter of Credit.

Bonds shall mean the Series 2002 Bonds and any Additional Bonds.

Collateral Documents shall have the meaning ascribed thereto in the Letter of Credit Reimbursement Agreement.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations promulgated thereunder, and any successor codes, statutes or regulations.

Default Rate shall have the meaning ascribed thereto in the Letter of Credit Reimbursement Agreement.

Event of Default shall have the meaning specified in Section 7.1 hereof.

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

Facility Equipment shall mean the machinery, equipment and other tangible personal property acquired and installed as part of the Project pursuant to Section 2.1 hereof, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto, if any, as more particularly described in the Description of Facility Equipment in Exhibit C hereto. Facility Equipment shall, in accordance with the provisions of Sections 4.2 and 5.1 hereof, include all property substituted for or replacing items of Facility Equipment (as provided for in this Agreement) and exclude all items of Facility Equipment so substituted for or replaced.

Facility Realty shall mean the land described in the Description of Facility Realty in the Appendices to the Indenture and this Lease Agreement, and all rights or interests therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures and other improvements now or at any time made, erected or situated thereon (including the improvements made pursuant to Section 2.1 hereof), and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto; but excluding, however, any real property or interest therein released pursuant to Section 6.4 hereof.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on July 1 and ending on June 30, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Guaranty Agreement shall mean the Guaranty Agreement of even date herewith from the Lessee to the Trustee and the Bank, and shall include any and all amendments thereof and supplements thereto.

Indenture shall mean the Indenture of Trust dated as of November 1, 2002 by and between the Agency and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI of the Indenture.

Legal Requirements shall mean the Constitutions of the United States and of the State of New York, all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements (including but not limited to zoning, land use, planning, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter to (i) the Lessee, (ii) the Facility or any part thereof, or (iii) any use or condition of the Facility or any part thereof.

Lessee shall mean The Convent of the Sacred Heart School of New York, a not-for-profit education corporation organized and existing under the laws of the State of New York, and its permitted successors and assigns pursuant to Sections 6.1 or 9.3 hereof (including any surviving, resulting or transferee corporation as provided in Section 6.1 hereof).

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

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean the financing of portion of the costs of (i) the consolidation, expansion, renovation and equipping of two existing facilities consisting of an approximately 56,000 square foot building on an approximately 14,603 square foot parcel of land located at One East 91st Street and an approximately 25,600 square foot building on an approximately 7,016 square foot parcel of land located at Seven East 91st Street, in Manhattan, by the construction of a tower and related building connecting the two facilities and the addition of classrooms and other renovations to the Facility and (ii) the financing of certain costs of issuance relating to the issuance of the Series 2002 Bonds, all for use by the Lessee to further its capacity to provide non-residential educational services to girls from pre-kindergarten through grade twelve, as more particularly described in Exhibits A and C attached hereto.

Project Supervisor shall mean the Headmistress, Chief Executive Officer or the Director of Finance and Human Resources of the Lessee or any other person designated by the Lessee upon written notice to the Agency, the Trustee and the Bank.

Series 2002 Bonds shall mean the \$15,115,000 Civic Facility Revenue Bonds (The Convent of the Sacred Heart School of New York Project), Series 2002 of the Agency issued, executed, authenticated and delivered under the Indenture.

Tax Compliance Agreement shall mean the Tax Compliance Agreement, dated the date of original issuance of the Bonds, executed by Authorized Representatives of the Agency and the Lessee and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and herewith.

Tax-Exempt Organization shall mean a Person 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 Section 501(a) of the Code, or corresponding provisions of Federal income tax laws from time to time in effect.

Trustee Estate shall mean all property, interests, revenue, funds, contracts, rights and other security granted to the Trustee in the granting clauses of the Indenture and under the Security Documents.

Trustee shall mean Wachovia Bank, National Association, in its capacity as Trustee, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

SECTION 1.2 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 date of the execution and delivery of this Agreement.

(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), trusts, corporations 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.

SECTION 1.3 Representations and Warranties by Agency.

The Agency makes the following representations and warranties:

(a) The Agency is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State, and is authorized and empowered to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. By proper action of its members, the Agency has duly authorized the execution and delivery of this Agreement.

(b) In order to finance a portion of the cost of the Project, the Agency agrees to issue the Series 2002 Bonds in the aggregate principal amount of \$15,115,000. The Series 2002 Bonds will mature, bear interest, be redeemable and have the other terms and provisions set forth in the Indenture.

SECTION 1.4 Findings by Agency.

The Agency, based upon the representations and warranties of the Lessee contained in this Agreement and the information contained in the application and other materials heretofore submitted by or on behalf of the Lessee to the Agency, hereby finds and determines that the consolidation, expansion, renovation and equipping of the Facility and the financing thereof by the Agency pursuant to the Act will promote and is authorized by and will be in furtherance of the policy of the State as set forth in said Act and in furtherance of the Agency's policies for the promotion, encouragement and expansion of educational facilities within the City and is necessary to induce the Lessee to proceed with the Project.

SECTION 1.5 Representations and Warranties by Lessee.

The Lessee makes the following representations and warranties:

- (a) The Lessee:
- (i) is a not-for-profit education corporation duly organized, validly existing and in good standing under the laws of the State of New York;
 - (ii) (A) is an organization described in Section 501(c)(3) of the Code ("Exempt Organization"), or corresponding provisions of prior law, and is not a "private foundation", as such term is defined under Section 501(a) of the Code, (B) derives its status as an Exempt Organization from its inclusion on a roster of subordinate organizations included in the group exemption issued to the United States Conference of Catholic Bishops, (C) has received a letter of other notification from the Internal Revenue Service to that effect and such letter or other notification has not been modified, limited or revoked, (D) is in compliance with all terms, limitations and conditions, if any, contained in such letter of other notification and the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (E) is exempt from Federal income taxes under Section 501(a) of the Code;

- (iii) has all requisite legal and corporate right, power and authority and all necessary licenses and permits to own, lease and operate the Facility and to carry on its business as now conducted and as presently proposed to be conducted;
- (iv) is registered with the New York State Education Department and the New York State Board of Regents, has duly qualified and is authorized to conduct its operations and is in good standing in each jurisdiction where the character of the Facility or the nature of its activities makes such qualification necessary; and
- (v) has the full legal and corporate right, power and authority to enter into and, by all necessary action, has duly authorized the execution, delivery and performance by the Lessee of the Security Documents and this Agreement, and no actions to be taken by the Lessee thereunder or hereunder will conflict with or violate any provision of the Lessee's Charter, as amended, or By-laws, as amended, constitute a breach of or default under any agreement, instrument or indenture to which the Lessee is a party or by which it or the Facility may be bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon the Facility under the terms of any such agreement, instrument or indenture, except for Permitted Encumbrances or adversely affect or result in revocation of the Lessee's status as an Exempt Organization or give rise to unrelated trade or business income under Section 512 of the Code.

(b) The execution, delivery and performance of this Agreement, each other Security Document to which it shall be a party and the Remarketing Agreement and the consummation of the transactions herein and therein contemplated have been duly authorized by all requisite corporate action on the part of the Lessee and will not violate any provision of law, any order of any court or agency of government, or the charter or by-laws of the Lessee, or any indenture, agreement or other instrument to which the Lessee is a party or by which it or any of its property is bound, or 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 result in the imposition of any lien, charge or encumbrance of any nature whatsoever other than Permitted Encumbrances.

(c) Expenses for supervision by the officers or employees of the Lessee 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 Lessee as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis.

(d) Except as set forth in the notes to the Lessee's financial statements, there is no action or proceeding pending, or threatened, by or against the Lessee by or before any court or administrative agency that would adversely affect the ability of the Lessee to perform its obligations under this Agreement, each other Security Document to which it shall be a party and the Remarketing Agreement and all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the Lessee as of the date hereof in connection with the execution and delivery of this Agreement, each other Security Document to which the Lessee shall be a party and the Remarketing Agreement or in connection with the performance of the obligations of the Lessee hereunder, under each of the Security Documents and under the Remarketing Agreement have been obtained.

(e) The assistance of the Agency in the financing of a portion of the costs of the Project is reasonably necessary to induce the Lessee to proceed with the Project.

(f) The completion of the Project will not result in the removal of an industrial, manufacturing, warehousing or commercial plant or facility of the Lessee from one area of the State to another area of the State or in the abandonment of one or more of such plants or facilities of the Lessee within the State.

(g) The total cost of the Project to the Lessee is in excess of \$15,115,000.

(h) Except as set forth in the Tax Compliance Agreement, any costs incurred with respect to that part of the Project paid from the proceeds of the sale of the Bonds shall be treated on the books of the Lessee as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis.

(i) The property included in the Facility is either property of the character subject to the allowance for depreciation under Section 167 of the Code or land.

(j) Except as set forth in the Tax Compliance Agreement, no part of the proceeds of the Bonds will be used to finance inventory or will be used for working capital.

(k) The Project is included within the definition of "project" under the Act.

(l) This Agreement, the Remarketing Agreement and the other Security Documents to which the Lessee is a party constitute the legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms.

(m) The Project has been designed, and the operation of the Project will be, in compliance with all applicable Legal Requirements, including all Federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(n) The Lessee is organized and operated exclusively for not-for-profit purposes and no part of the earnings of the Lessee inures to the benefit of any person, private shareholder or individual.

(o) The Facility Realty does not include convention centers or housing facilities within the meaning of the Act.

(p) Except as set forth in the Tax Compliance Agreement, no portion of the proceeds of the Series 2002 Bonds will be used to finance or refinance any cost other than Project Costs.

(q) All consents, approvals or authorizations, if any, of any governmental bodies or agencies required to be obtained on the part of the Lessee in connection with the conveyance of the Facility Realty by the Lessee to the Agency concurrently with the issuance and delivery of the Series 2002 Bonds, have been duly obtained.

(r) The representations set forth in the Tax Compliance Agreement are true and correct as of the date of such Tax Compliance Agreement and are incorporated by reference into this Agreement as if fully set forth herein.

(s) The aggregate square footage of the Facility is approximately 81,600 square feet and the aggregate square footage of the Facility Realty is approximately 21,619 square feet.

(t) The Fiscal Year of the Lessee ends on June 30.

(u) The Lessee may in the course of consolidation, expansion, renovation and equipping of the Project utilize and employ certain of its employees to engage in Project related work, which employees shall be strictly dedicated to working on Project matters. During the term of the Project related work such employee is being utilized for, such employee shall not be utilized on any other Project related work. Additionally, such employee shall be paid or compensated in an amount no more than would be charged by a third party contractor for such services or work. The Lessee shall, when seeking reimbursement for such costs and expenses pursuant to Section 5.02 of the Indenture, certify the continuing accuracy of the foregoing representations to the Agency and Trustee.

(v) Neither the Lessee nor any Affiliate thereof is a Prohibited Person.

ARTICLE II

THE PROJECT

SECTION 2.1 The Project.

(a) The Lessee conveys to the Agency at the time of the delivery and payment of the Series 2002 Bonds good and marketable leasehold title to the Facility Realty, and good and marketable leasehold title to such items of the Facility Equipment (to the fullest extent that the Lessee is capable of doing with regard to any leased Facility Equipment) as shall have been acquired at the time of such delivery and payment, in each case free and clear of all liens, claims, charges, encumbrances, security interests and servitudes other than Permitted Encumbrances, all against payment therefor by the Agency from the proceeds of the Series 2002 Bonds deposited in the Project Fund to the extent permitted in Section 2.2 hereof and Section 5.02 of the Indenture.

(b) As promptly as practicable after receipt of the proceeds of sale of the Series 2002 Bonds and out of said proceeds of sale, the Agency will, subject to the provisions of Section 2.2 hereof, cause the Lessee, on behalf of the Agency, to complete the Project. A portion of the cost of the Project shall be paid from the Project Fund established under the Indenture or as otherwise provided in Section 2.2 hereof.

(c) In order to accomplish the purposes of the Agency, and to assure the effectuation of the Project in conformity with the requirements of the Lessee, the Lessee shall undertake to proceed with the Project to substantial completion. Project work, if any, shall be supervised by the Project Supervisor.

(d) The Lessee shall pay (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance, the delivery of any instruments and documents and their filing and recording, if required, (ii) all taxes and charges payable in connection with the conveyance and transfer, or attributable to periods prior to the conveyance and transfer, to the Agency as set forth in Section 2.1(a) hereof, and (iii) all shipping and delivery charges and other expenses or claims incurred in connection with the Project.

(e) The Lessee covenants that it will obtain or cause to be obtained all necessary approvals from any and all governmental agencies requisite to the completion of the Project and the operation of the Facility, all of which will be done in compliance with all Federal, State and local laws, ordinances and regulations applicable thereto, including, with respect to any item of Facility Equipment, all manufacturers' instructions and warranty requirements, and with the conditions and requirements of all policies of insurance with respect to the Facility and this Agreement.

(f) The Lessee will extend to the Trustee and the Bank all extendable vendors' warranties received by the Lessee in connection with the Project, including any warranties given by contractors, manufacturers or service organizations who perform work with respect to the Project.

(g) The Lessee shall take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts diligently in accordance with the terms of said contracts, including, without limitation, the correcting of any defective work, with all expenses incurred by the Lessee or the Agency in connection with the performance of their obligations under this Section to 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 Construction Account of the Project Fund and made available for payment of Project Costs, or if recovered after such date of completion, be deposited in the Reimbursement Account of the Lease Payments Fund for application in connection with the redemption of Series 2002 Bonds pursuant to Section 2.04 of the Indenture and payments of amounts owed or owing to the Bank under the Reimbursement Agreement or (if the Letter of Credit is no longer in effect, and all amounts owed to the Bank under the Reimbursement Agreement are paid in full unless payment is waived in writing by the Bank) in the Redemption Account of the Bond Fund for the redemption of the Series 2002 Bonds pursuant to said section.

(h) Leasehold title to all materials, equipment, machinery and other property intended to be incorporated or installed as part of the Facility and purchased with proceeds of the Series 2002 Bonds shall vest in the Agency immediately upon delivery to or installation or incorporation into the Facility Realty or payment therefor, whichever shall occur first. The Lessee shall take all action necessary to so vest leasehold title to the Facility Equipment in the Agency and to protect such leasehold title against claims of any third parties.

SECTION 2.2 Completion by Lessee.

(a) The Lessee unconditionally covenants and agrees that it will complete the Project, or cause the Project to be completed, by April 1, 2004, and that such completion will, if applicable, be effected in a first-class workmanlike manner, free of defects in materials or workmanship (including latent defects), in accordance with this Agreement, the Indenture and the Reimbursement Agreement and under the supervision of the Project Supervisor. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the Lessee shall pay that portion of such costs of the Project as may be in excess of the moneys therefor in said Project Fund and shall not be entitled to any reimbursement therefor from the Agency, the Trustee, the Bank or the Holders of any of the Bonds (except from the proceeds of Additional Bonds which may be issued for that purpose), nor shall the Lessee be entitled to any diminution of the rents payable or other payments to be made under this Agreement.

(b) The date of completion for the Project shall be evidenced to the Agency, the Bank and the Trustee by a certificate of an Authorized Representative of the Lessee (based, in part, upon the Lessee's review of Lessee's Architect's certification), in the form of Schedule C attached hereto, stating, except for any costs not then due and payable or the liability for payment of which is being contested or disputed in good faith by the Lessee (i) the date of completion of the Project, (ii) that all labor, services, machinery, equipment, materials and supplies used therefor have been paid for, (iii) that all other facilities necessary in connection with the Project have been completed in accordance with the plans and specifications and all costs and expenses incurred in connection therewith have been paid, and (iv) that the Agency has good and marketable leasehold title, subject only to Permitted Encumbrances, to all property constituting part of the Facility (which certification may be delivered in reliance upon a leasehold title insurance continuation update) and all property of the Facility is

subject to this Agreement. Such certificate shall further certify as to the determination of the Rebate Requirement as provided in the Tax Compliance Agreement and the Indenture and shall direct any transfer to, or make payments of amounts for deposit in, the Rebate Fund. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the Lessee 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 5.02 of the Indenture, and (z) that no Person other than the Agency and the Trustee may benefit therefrom. The certificate of completion shall be accompanied by (1) if required, a temporary certificate of occupancy (if promptly replaced with a permanent certificate of occupancy prior to its expiration) or a permanent certificate of occupancy, and any and all permissions, approvals, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by this Agreement; (2) a bill of sale from the Lessee conveying to the Agency all of the Lessee's right, title and interest, if any, in the Facility Equipment; (3) surveys by a licensed surveyor, which survey shall (i) locate the building structures and improvements constructed as part of the Facility without any encroachment by any building or structural improvement on land outside of the Facility Realty, except the Permitted Encumbrances, (ii) show the location of all building structures and improvements constituting part of the Facility Realty within lot and building lines in compliance with the applicable zoning requirements, and (iii) indicate all rights of way and rights of others of record with respect to the Facility Realty; and (4) a final endorsement to the title insurance policy theretofore delivered, indicating that since the last preceding advance of amounts on deposit in the Project Fund, there has been no change in the state of title and no survey exceptions not theretofore approved by the Bank, which endorsements shall contain no exception for inchoate mechanic's liens (with such affirmative insurance relating thereto as the Bank shall reasonably require) and shall have the effect of redating such policy to the date of such advance and increasing the coverage of the policy by an amount equal to the advance then being made if the policy does not by its terms provide for such an increase.

SECTION 2.3 Issuance of Series 2002 Bonds, Application of Proceeds of Series 2002 Bonds.

(a) Contemporaneously with the execution and delivery of this Agreement the Agency will sell and deliver the Series 2002 Bonds in the aggregate principal amount of \$15,115,000 under and pursuant to a resolution adopted by the Agency on September 10, 2002, authorizing the issuance of the Bonds under and pursuant to the Indenture. The proceeds of sale of the Bonds shall be deposited in the Project Fund and applied to the payment of Project Costs in accordance with the provisions of the Indenture. Pending such application, amounts in the Project Fund may be invested as provided in the Indenture.

(b) The application of the proceeds of the sale of the Series 2002 Bonds is subject to the "trust fund" provisions of Section 13 of the Lien Law of the State. The Lessee shall receive all advances of the proceeds of the Series 2002 Bonds hereunder or under the Indenture and will hold the right to receive the same as a trust fund for the purpose of the cost of the improvement and shall apply the same first to such payment before using any part thereof for any other purpose permitted hereunder or under the Indenture.

SECTION 2.4 Title Insurance.

Prior to the delivery of the Bonds to the original purchaser(s) thereof, the Lessee will obtain (a) leasehold title insurance in an amount not less than \$500,000 insuring the Agency's interest in the Facility Realty against loss as a result of defects in the leasehold title of the Agency, and (b) a current survey of the site of the Facility Realty certified to the Agency, the Lessee, the Bank, the Trustee and the title insurance company. Any proceeds of such leasehold title insurance shall be paid to the

Trustee for the benefit of the Bondholders and the Bank for deposit in the Renewal Fund and applied to remedy the defect in title. If not so capable of being remedied, in the opinion of the Bank (or, if no Letter of Credit exists, the Agency) or if any amounts remain, the amounts in the Renewal Fund shall be deposited by the Trustee in the Reimbursement Account of the Lease Payments Fund to be applied in connection with the redemption of Bonds pursuant to Section 2.04(d) of the Indenture or, if all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund for the redemption of the Series 2002 Bonds pursuant to said section.

ARTICLE III

LEASE OF FACILITY AND RENTAL PROVISIONS

SECTION 3.1 Lease and Use of the Facility.

(a) In consideration of the rental payments, additional payments and any other payments for which provision is made herein and of the covenants, agreements and obligations herein stated, and in reliance upon the representations and warranties contained herein, the Agency hereby leases the Facility to the Lessee and the Lessee hereby leases the Facility from the Agency, for and during the Lease Term and subject to the provisions of this Lease Agreement and the Permitted Encumbrances. During the Lease Term, the Lessee shall have sole and exclusive charge of the operation of the Facility.

(b) The Lessee shall administer, occupy, use, maintain and operate the Facility as a “civic facility” within the meaning of the Act, primarily for educational and administrative purposes in accordance with the terms of this Lease Agreement. The Lessee shall operate the Facility or cause the Facility to be operated during the Lease Term in accordance with this Lease Agreement and all legal Requirements and as a qualified “project” in accordance with and as defined under the Act and knows of no reason why the Facility will not be so operated. The Lessee 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 any agreement applicable to 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.

SECTION 3.2 Duration of Term.

The term of this Agreement shall commence on the date of execution and delivery of this Agreement and shall expire on November 30, 2032 or such earlier or later date as this Agreement may be terminated as hereinafter provided. The Agency hereby delivers to the Lessee and the Lessee hereby accepts sole and exclusive possession of the Facility.

SECTION 3.3 Rental Provisions; Pledge of Agreement and Rent.

(a) The Lessee covenants and agrees to make rental payments in immediately available funds, which the Agency agrees shall be, and directs to be, paid by the Lessee directly to the Trustee for deposit into the Reimbursement Account of the Lease Payments Fund, on the Business Day next preceding each Interest Payment Date, with respect to principal payments due on the Bonds, an amount equal to one-twelfth (1/12) of the principal payments becoming due on the immediately succeeding November 1.

(b) The Lessee covenants and agrees that the Lessee shall make rental payments in immediately available funds, which the Agency agrees shall be paid by the Lessee directly to the Trustee for deposit into the Reimbursement Account of the Lease Payments Fund, with respect to

Bonds bearing interest at the Weekly Interest Rate, on the Business Day next preceding each Interest Payment Date in an amount equal to the interest becoming due on such Bonds Outstanding on such Interest Payment Date and, with respect to Bonds bearing interest at the Fixed Rate, an amount equal to one-sixth (1/6) of the interest becoming due on the next Interest Payment Date, in each case after crediting to such amount investment income earned on the Bond Fund, which investment income or amounts so transferred are available for the payment of such interest.

(c) As security for the performance of its rental payment obligations with respect to the Series 2002 Bonds and not in limitation of its obligations under Sections 3.3(a) and (b) above, the Lessee shall, simultaneously with the issuance and delivery of the Series 2002 Bonds, arrange for the delivery of the Letter of Credit to the Trustee. The Lessee hereby authorizes and directs the Trustee to draw moneys under the Letter of Credit in accordance with the provisions of the Indenture, to the extent and at the times necessary to pay the principal and Purchase Price of and interest on the Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture).

(d) Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Bond Fund is not sufficient to pay the principal of 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 Lessee shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Bond Fund and such payment shall constitute rental payments under this Section 3.3.

(e) In the event the Lessee 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 Lessee until the amount not so paid shall have been fully paid.

(f) The Lessee shall have the option to prepay its rental obligation with respect to the Bonds, in whole or in part at the times and in the manner provided in Article VIII hereof as and to the extent provided in the Indenture for redemption of the Bonds.

(g) Reserved.

(h) No further rental payments need be made to the Agency during the term of this Agreement when and so long as the amount of cash and/or Government Obligations on deposit in the Bond Fund (which, so long as a Letter of Credit for the Bonds is required, must be Priority Amounts) is sufficient to satisfy and discharge the obligations of the Agency under the Indenture and pay the Bonds as provided in Section 10.01 of the Indenture.

(i) The Lessee and the Agency acknowledge their intention to minimize the risk that any payment made to a Bondholder, so long as a Letter of Credit is in effect, from amounts provided by or on behalf of the Lessee may be determined by a bankruptcy court to constitute a preference. To this end the parties agree that, as and to the extent provided in Section 5.06(a) of the Indenture, payments to Bondholders shall be made only from Priority Amounts, except when and to the extent no Priority Amounts are available for the purpose, and payment obligations of the Lessee under Section 3.3(a), (d), (e), (f) and (h) hereof are subject in all respects to the use of Priority Amounts for the payment of the Bonds. Optional prepayments permitted by the Lessee as provided in Article VIII hereof may not be made except from Priority Amounts.

(j) Pursuant to the Indenture, the Agency shall pledge and assign to the Trustee on behalf of the Bondholders and the Bank as security for the Bonds and payment of amounts owed or owing to the Bank under the Reimbursement Agreement all of the Agency's right, title and interest in this Agreement (except for the Agency's Reserved Rights), including all rental payments hereunder and

thereunder, and in furtherance of said pledge the Agency will unconditionally assign such rental payments to the Trustee for deposit in the Lease Payments Fund, in accordance with the Indenture. The Lessee hereby consents to the above-described pledge and assignment of this Agreement.

(k) The Lessee covenants and agrees that it will comply with the provisions of the Indenture with respect to the Lessee and that the Trustee shall have the power, authority, rights and protections provided in the Indenture. The Lessee further covenants to use its best efforts to cause there to be obtained for the Agency any documents or opinions required of the Agency under the Indenture.

(l) The Lessee covenants and agrees to provide to the Trustee for deposit into the Rebate Fund sufficient moneys as necessary to meet the Rebate Requirement described in the Tax Compliance Agreement.

SECTION 3.4 Obligation of Lessee Unconditional.

The obligation of the Lessee to pay the rent and all other payments provided for in this Agreement and to maintain the Facility in accordance with Section 4.1 of this Agreement shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Bank, the Trustee or the Holder of any Bond and the obligation of the Lessee shall arise whether or not the Project has been completed as provided in this Agreement and whether or not the Bank shall honor its obligations under the Letter of Credit. The Lessee will not suspend or discontinue any such payment or terminate this Agreement (other than such termination as is provided for hereunder) for any cause whatsoever, and the Lessee waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender this Agreement or any obligation of the Lessee under this Agreement or the Facility or any part thereof except as provided in this Agreement or to any abatement, suspension, deferment, diminution or reduction in the rentals or other payments hereunder.

SECTION 3.5 Grant of Security Interest.

In order to secure the payment of rentals and all the obligations of the Lessee hereunder, the Lessee hereby grants a security interest to the Agency in all of the Lessee's right, title, if any, and interest in and to the fixtures constituting part of the Facility Realty, and in and to the machinery, equipment and other property constituting part of the Facility Equipment, and in and to the proceeds of each thereof.

SECTION 3.6 Right of Set-Off.

The Lessee hereby grants to the Agency and the Trustee, for the equal and ratable benefit of all Bondholders and the Bank, a lien and right of set-off for all the Lessee's liabilities and obligations under this Agreement and the other Security Documents to which it is a party against all the deposits, credits and property of the Lessee and any collateral of the Lessee now or hereinafter in the possession or under the control of the Agency, the Trustee and the Bank, and agrees that the same may be applied against such liabilities and obligations at any time after an Event of Default has occurred under this Agreement.

SECTION 3.7 Payment of Purchase Price of Tendered Bonds.

(a) The Lessee agrees to cause to be paid to the Trustee, in accordance with Section 3.7(b) hereof, by no later than 1:30 p.m., New York City time, on each day on which a payment of the Purchase Price of a Series 2002 Bond becomes due, all amounts which, together with other

moneys held by the Trustee under the Indenture and available therefor, shall be necessary for the payment of such Purchase Price when due under the Indenture. Each such payment by the Lessee to the Tender Agent in accordance with this Section shall be in immediately available funds and paid to the Tender Agent at its principal corporate trust office on each Purchase Date.

(b) The Lessee shall provide for the payment of the amount to be paid pursuant to this Section 3.7 by delivery of the Letter of Credit to the Trustee, simultaneously with the issuance and delivery of the Series 2002 Bonds. The Lessee hereby authorizes and directs the Trustee to draw moneys under the Letter of Credit in accordance with the provisions of the Indenture and the Letter of Credit to the extent necessary to make such payments when due. The obligation of the Lessee pursuant to this paragraph shall be deemed satisfied and discharged to the extent of any corresponding drawing made by the Trustee on the Letter of Credit and applied to such payment.

(c) The Lessee shall pay to the Trustee for deposit into the Reimbursement Account of the Lease Payments Fund amounts sufficient to reimburse the Bank by the close of business on a Business Day for any amounts drawn on the Letter of Credit to pay the Purchase Price of any Series 2002 Bond; provided, however, that the Lessee shall make such payment in immediately available funds by no later than 1:30 p.m., New York City time, on such Business Day; provided, further, that if reimbursement for such amounts is due and payable under the Reimbursement Agreement, amounts in the Reimbursement Account of the Lease Payments Fund shall be transferred therefor upon the written request of the Bank with a simultaneous copy to the Lessee.

(d) The Lessee hereby approves and agrees to be bound by the provisions of the Indenture regarding the purchase, offer, sale and delivery of Bonds tendered for purchase thereunder. The Lessee shall have all of the rights and obligations provided in the Indenture with respect to the Lessee in connection with such transactions and the appointment of the Tender Agent and the Remarketing Agent thereunder. The Agency shall have no obligation or responsibility with respect to the purchase of Bonds or any related arrangements, except that the Agency at the expense of the Lessee shall cooperate in the making of any such arrangements.

SECTION 3.8 Letters of Credit; Fixed Rate Credit Facility.

(a) In order to secure, evidence or be otherwise in furtherance of the obligations of the Lessee under Sections 3.3 and 3.7 hereof, the Lessee may, but shall not be obligated to, provide, subject to the provisions of Sections 3.8(b) and (c) hereof, one or more Letters of Credit or Fixed Rate Credit Facilities from time to time, and, subject to the provisions of this Section 3.8, may, from time to time, Terminate, or cause or allow to be Terminated, any such Letter of Credit. The Lessee hereby authorizes and directs the Trustee to draw moneys under the Letter of Credit, and to take actions under the Letter of Credit or any Fixed Rate Credit Facility, in accordance with the terms thereof and of the Indenture.

(b) Each Letter of Credit shall be the obligation of the Bank to pay to the Trustee, in accordance with the terms thereof, such amounts as shall be specified therein and available to be drawn thereunder for the timely payment of the principal of and interest on the Series 2002 Bonds, and the Purchase Price of the Series 2002 Bonds, required to be made pursuant to, and in accordance with, the provisions of the Indenture. Upon the initial authentication and delivery of the Series 2002 Bonds, the Lessee shall deliver to the Trustee the Initial Letter of Credit as security for the payment of its obligations under Sections 3.3 and 3.7 hereof. The Initial Letter of Credit shall Expire upon the earlier of November 20, 2007 or the date of occurrence of one of the events specified therein resulting in Expiration thereof.

(c) The Lessee may, at its election, and with the prior written consent of the Bank, provide for one or more extensions of the Letter of Credit in accordance with its terms and the terms of the Reimbursement Agreement.

(d) Subject to the provisions of this Section 3.8(d) and Sections 3.8(e) and (f) below, the Lessee may Terminate or cause or allow a Letter of Credit to be Terminated and to replace a Terminating or Expiring Letter of Credit with a Substitute Letter of Credit, only if on or prior to the fiftieth (50th) day prior to the proposed effective date of such Termination or Expiration:

(i) the Lessee shall deliver to the Agency, the Trustee, the Remarketing Agent and the Bank a notice which (1) states the effective date of such Termination, and (2) directs the Trustee, after taking such actions thereunder as are required to be taken to provide moneys due under the Indenture in respect of the Series 2002 Bonds or the purchase thereof, to surrender any evidence of the Letter of Credit to be Terminated to the obligor thereon on the effective date of such Termination, and to thereupon deliver any and all instruments to effect such Termination which may be reasonably requested by such obligor; and .

(ii) the Lessee shall furnish to the Agency, the Trustee and the Remarketing Agent (1) the Substitute Letter of Credit; (2) an opinion of Nationally Recognized Bond Counsel to the effect that substitution of such Substitute Letter of Credit (a) is lawful under the Act and authorized under this Agreement and complies with the terms hereof and of the Indenture and (b) will not adversely affect the exclusion of interest on the Series 2002 Bonds from gross income for Federal income tax purposes or the validity of the Series 2002 Bonds; (3) an opinion of counsel, reasonably satisfactory to the Trustee, for the issuer of the Substitute Letter of Credit to the effect that such Substitute Letter of Credit is a legal, valid and binding obligation of such issuer, enforceable in accordance with its terms; (4) an opinion of Nationally Recognized Bond Counsel experienced in securities law to the effect that such Substitute Letter of Credit does not require registration under any applicable Federal securities laws; and (5) a certificate of the Bank stating that all amounts owing to the Bank under the Reimbursement Agreement have been paid in full.

Any such Substitute Letter of Credit shall be issued by a Bank acceptable to the Agency, shall expire no earlier than one year from the date of its effective date, shall provide that funds can be drawn for the purposes and in the amounts and at the times provided for in the Indenture and shall otherwise be in form and substance reasonably acceptable to the Agency and the Trustee.

The Lessee and the Agency agree that the Series 2002 Bonds shall be subject to mandatory tender for purchase on the fifth (5th) Business Day immediately prior to the substitution of a Substitute Letter of Credit unless not less than thirty (30) days prior to such date the Lessee shall deliver or cause the delivery of a written confirmation from each Rating Agency to the effect that the substitution of the Substitute Letter of Credit will not, by itself, result in a reduction or withdrawal of its ratings then in effect on the Bonds.

(e) For the Fixed Interest Rate Period, the Lessee shall maintain a Fixed Rate Credit Facility meeting the requirements of this Section 3.8 and Section 2.12 of the Indenture, unless (i) the Agency in writing waives such requirement and (ii) the Remarketing Agent determines that maintenance of a Fixed Rate Credit Facility is not necessary for the remarketing of the Bonds upon adjustment to such Fixed Interest Rate Period.

(f) Each Fixed Rate Credit Facility shall be delivered to the Trustee on or prior to the 30th day prior to the proposed effective date of any adjustment to the Fixed Rate, and shall become effective on or prior to such effective date; provided, however, that in accordance with Section 2.03(b) of the Indenture, no such Fixed Rate Credit Facility shall be required if (i) the Agency in writing waives such

requirement and (ii) the Remarketing Agent determines that maintenance of a Fixed Rate Credit Facility is not necessary for the remarketing of the Bonds upon adjustment to the Fixed Interest Rate Period. Each Fixed Rate Credit Facility shall be in form and substance acceptable to the Agency and the Trustee, shall be issued by a bank, insurance company or corporation acceptable to the Agency and shall be accompanied upon delivery with (i) a written confirmation from each Rating Agency to the effect that the delivery of the Fixed Rate Credit Facility will not, by itself, result in a reduction or withdrawal of its Long-Term ratings then in effect on the Series 2002 Bonds, (ii) an enforceability opinion relating to such Fixed Rate Credit Facility, satisfactory to the Agency, the Trustee, the Remarketing Agent and any Rating Agency, (iii) an opinion of Nationally Recognized Bond Counsel that delivery of such Fixed Rate Credit Facility (A) is lawful under the Act and is authorized or permitted by this Indenture and (B) will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes and (iv) such other opinions and certificates relating to the Fixed Rate Credit Facility, the issuer of the Fixed Rate Credit Facility and the Lessee as the Agency, the Trustee or the Remarketing Agent may reasonably require.

(g) No termination of a Letter of Credit described in this Section 3.8 shall take place if moneys described in Section 5.06(a)(i), (ii) or (iii) of the Indenture shall not be available to pay the Purchase Price of the Series 2002 Bonds upon mandatory tender for purchase pursuant to Section 2.06 of the Indenture.

(h) Anything in this Agreement or the Indenture to the contrary notwithstanding, (1) if a Substitute Letter of Credit is to be provided, the Substitute Letter of Credit shall become effective on or before the Termination date of the prior letter of credit, if any, and (2) in the event that the Termination of a letter of credit and the provision of a Substitute Letter of Credit in lieu thereof shall require a mandatory tender for purchase of Series 2002 Bonds pursuant to Section 2.06 of the Indenture, the Termination of such Letter of Credit shall not occur until the Trustee shall have made such drawings, if any, or taken such other actions, if any, thereunder as shall be required under the Indenture in order to provide sufficient moneys for such mandatory tender for purchase of Series 2002 Bonds on the date fixed for such mandatory tender for purchase, and such moneys shall have been provided to the Trustee.

ARTICLE IV

MAINTENANCE, TAXES, PAYMENTS IN LIEU OF TAXES AND INSURANCE

SECTION 4.1 Maintenance, Alterations and Improvements.

(a) During the term of this Agreement, the Lessee will keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by this Agreement and in a careful, prudent and efficient manner, and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure that the security for the Bonds shall not be impaired. All replacements, renewals and repairs shall be equal in quality, class and value to the original work and be made and installed in compliance with the requirements of all governmental bodies. The Agency 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 Lessee hereby agrees to assume full responsibility therefor.

(b) Subject to applicable provisions of the Reimbursement Agreement (and the Collateral Documents, as defined therein), the Lessee shall have the privilege of making such alterations or additions to the Facility 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) the fair market value of the Facility is not reduced below its value immediately before such alteration or addition and the usefulness, structural integrity or operating efficiency of the Facility is not impaired, (ii) such additions or alterations are effected with due diligence, in a good and efficient manner and in compliance with all applicable legal requirements, (iii) such additions or alterations are promptly and fully paid for by the Lessee in accordance with the terms of the applicable contract(s) therefor, and in order that the Facility shall at all times be free of any mortgage, lien, charge, encumbrance, security interest or claim other than Permitted Encumbrances, (iv) such additions or alterations are made, in case the estimated cost of such alteration or addition exceeds \$250,000, under the supervision of an Independent Engineer and in accordance with plans, specifications and cost estimates approved by the Bank (or, if the Letter or Credit is no longer in effect, and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, the Agency and the Trustee) which approvals shall not be unreasonably withheld or delayed and only after the Lessee shall have furnished to the Bank or the Agency and the Trustee, as applicable, if requested, a labor and materials payment bond, or other security, reasonably satisfactory to the Bank or the Agency and the Trustee and (v) such additions or alterations do not change the nature of the Facility so that it would not constitute a "civic facility" and a qualified "project" as defined in and as contemplated by the Act. All alterations of and additions to the Facility shall constitute a part of the Facility, subject to this Agreement, the Indenture and the other Security Documents, and the Lessee shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to convey leasehold title to such property to the Agency and to subject such property to this Agreement, free and clear of all liens, charges, encumbrances, security interests or claims other than Permitted Encumbrances.

(c) The Lessee shall have the right to install or permit to be installed at the Facility Realty machinery, equipment and other personal property (the "Lessee's Property") without conveying leasehold title to such property to the Agency or subjecting such property to this Agreement. The Agency shall not be responsible for any loss of or damage to the Lessee's Property. Except as may be provided expressly to the contrary in the Reimbursement Agreement and the Collateral Documents, the Lessee 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 Lessee's Property.

(d) The Lessee shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the Facility or any part thereof, or the interest of the Lessee in the Facility or this Agreement except for Permitted Encumbrances.

SECTION 4.2 Removal of Property of the Facility.

(a) Subject to the Reimbursement Agreement and the Collateral Documents, the Lessee shall have the privilege from time to time of removing from the Facility any fixture constituting part of the Facility Realty or any machinery, equipment or other property constituting part of the Facility Equipment (the "Existing Facility Property"), provided that:

(i) such Existing Facility Property is substituted or replaced by property (A) having equal or greater fair market value, operating efficiency and utility, and (B) being free of all mortgages, liens, charges, encumbrances, claims and security interests other than Permitted Encumbrances; or

(ii) if such Existing Facility Property is not to be substituted or replaced by other property but is instead to be sold, scrapped, traded in or otherwise disposed of in an arms' length, bona fide transaction, and the aggregate fair market value of such items so removed for any Fiscal Year of the Lessee exceeds \$250,000, the Lessee shall pay to the Trustee for deposit in the Reimbursement Account of the Lease Payments Fund (or, if no Letter of Credit

is in effect, and all amounts owed to the Bank under the Reimbursement Agreement have been paid in full, in the Redemption Account of the Bond Fund) for application in connection with the redemption of Bonds or payment of amounts owed or owing to the Bank under the Reimbursement Agreement the amounts derived from such sale or scrapping, the trade-in value credit received or the proceeds received from such other disposition;

provided, however, no such removal as set forth in paragraph (i) or (ii) above shall be effected if (w) such removal would change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, (x) such removal would impair the usefulness, structural integrity or operating efficiency of the Facility, (y) such removal would reduce the fair market value of the Facility below its value immediately before such removal (except by the amount deposited in the Reimbursement Account of the Lease Payments Fund or in the Redemption Account of the Bond Fund pursuant to paragraph (ii) above), or (z) if there shall exist and be continuing an Event of Default hereunder or an Event of Default under and as defined in the Reimbursement Agreement.

(b) The removal from the Facility of any Existing Facility Property pursuant to the provisions of Section 4.2(a) hereof shall not entitle the Lessee to any abatement or reduction in the rentals and other amounts payable by the Lessee under this Agreement.

(c) Within 120 days after the close of each Fiscal Year of the Lessee (i) during which Fiscal Year action was taken by the Lessee pursuant to Section 4.1(b) or 4.2(a) hereof, the Lessee shall furnish to the Agency, the Bank and the Trustee a written report of an Authorized Representative of the Lessee summarizing the action taken by the Lessee during such preceding Fiscal Year and stating that, in his opinion, such action complied with the applicable provisions of Section 4.1(b) or 4.2(a) hereof, as the case may be; or (ii) during which Fiscal Year of the Lessee no action was taken by the Lessee pursuant to Section 4.1(b) or 4.2(a) hereof, the Lessee shall furnish to the Agency, the Bank and the Trustee a certificate of an Authorized Representative of the Lessee certifying to the fact that no such action was taken by the Lessee pursuant to such Section 4.1(b) or 4.2(a) during such preceding Fiscal Year.

SECTION 4.3 Payment in Lieu of Real Estate Taxes.

(a) Description and Address of Project:

The Project consists of the (i) the consolidation, expansion, renovation and equipping of two existing facilities consisting of an approximately 56,000 square foot building on an approximately 14,603 square foot parcel of land located at One East 91st Street and an approximately 25,600 square foot building on an approximately 7,016 square foot parcel of land located at Seven East 91st Street, in Manhattan, by the construction of a tower and related building connecting the two facilities and the addition of classrooms and other renovations to the facilities and (ii) the financing of certain costs of issuance relating to the issuance of the Series 2002 Bonds, all for use by the Lessee to further its capacity to provide educational services.

(b) Payments in Lieu of Real Estate Taxes, generally:

It is recognized that, under the provisions of the Act, the Agency is required to pay no real estate taxes upon any of the property acquired by it or under its jurisdiction or control or supervision or upon its activities. In the event the Agency's interest in the Facility Realty shall exempt any portion of the Facility Realty from the payment of real estate taxes, then, so long as the Lessee remains an eligible not-for-profit education corporation pursuant to the regulations of the New York City Department of Finance for purposes of determining exemption from New York City real estate taxes, and until the earlier of (i) the payment in full of all the Bonds Outstanding in accordance with Section 10.01 of the Indenture, and (ii) the date on which the Agency no longer has an interest in the

Facility Realty, the Lessee shall make no payments in lieu of real estate taxes on the land, buildings and improvements constituting part of the Facility Realty.

SECTION 4.4 Taxes, Assessments and Charges.

The Lessee shall pay when the same shall become due, and promptly provide to the Agency and the Bank evidence of such payment, all taxes and assessments, general and specific, if any, levied and assessed upon or against the Facility, this Agreement, any estate or interest of the Agency or the Lessee in the Facility or the rentals hereunder during the term of this Agreement, 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, all of which are herein called "Impositions". The Agency shall promptly forward to the Lessee and the Bank any notice, bill or other statement received by the Agency concerning any Imposition. The Lessee may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

SECTION 4.5 Insurance.

(a) At all times throughout the term of this Agreement, including without limitation during any period of construction or reconstruction of the Facility, the Lessee shall maintain insurance, with insurance companies licensed to do business in the State, against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other entities of like size and type as that of the Lessee. In addition to this general requirement, such insurance shall, for purposes of subsections (b) through (g), inclusive, of this Section 4.5, include, without limitation the insurance coverages described in paragraphs (i) through (viii) immediately below (hereinafter, "Specific Coverage"):

(i) During any period of construction, renovation, improvement or reconstruction of the Facility, to the extent not covered by the General Liability insurance referred to below, Owners & Contractors Protective Liability Insurance for the benefit of the Lessee, the Agency and the Trustee in a minimum amount of \$10,000,000 aggregate coverage for bodily and personal injury and property damage;

(ii) (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, equipment, furniture, 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 Lessee, the Agency 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) 100% of the actual replacement value of the Facility as determined by a qualified insurance appraiser or insurer (selected by the Lessee) not less often than once every three years, at the expense of the Lessee, 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 \$50,000 with the result that the Lessee is its own insurer to the extent of \$50,000 of such risks;

(iii) General Liability insurance (including contractual liability coverage, together with any Umbrella Liability insurance), naming the Lessee a primary insured, in accordance

with customary insurance practices for similar operations with respect to the Facility and the business thereby conducted in a minimum amount of \$10,000,000 per occurrence per location aggregate, which insurance (A) will also provide coverage of the Lessee's obligations of indemnity under Section 6.2 hereof (excluding, however, those obligations of the Lessee (1) requiring payment of taxes, (2) set forth in Section 6.2(a)(i) or (iv) hereof, (3) under Section 6.2(a)(viii) hereof to the extent not available to the Lessee at commercially reasonable rates), and (B) may be effected under overall blanket or excess coverage policies of the Lessee or any Affiliate thereof, provided, however, that at least \$500,000 is effected by a General Liability insurance policy, and (C) shall not contain any provisions for a deductible amount;

(iv) Workers' compensation insurance, disability benefits insurance and such other forms of insurance that the Lessee or the Agency is required by law to provide covering loss resulting from injury, sickness, disability or death of the employees of the Lessee or any Affiliate thereof, or any contractor or subcontractor performing work with respect to the Facility; the Lessee shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by law;

(v) 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;

(vi) Boiler and machinery property damage insurance in respect to any steam and pressure boilers and similar apparatus located at the Facility from risks normally insured against under boiler and machinery policies and in amounts and with deductions customarily obtained for similar business enterprises;

(vii) Automobile liability insurance, to the extent not covered by General Liability insurance, in the amount of \$10,000,000 covering the Lessee for all owned, non-owned and/or hired automobiles, forklifts and other drivable machinery and/or vehicles used in connection with the Facility; and

(viii) Such other insurance in such amounts and against such insurable hazards as the Agency or the Trustee at the direction of the Holders of a majority in aggregate principal amount of the Bonds Outstanding from time to time may reasonably require.

(b) All Specific Coverage required by Section 4.5(a) above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State and having an A.M. Best rating of "A-/X" or better.

(c) Each of the policies or binders evidencing the Specific Coverage required above to be obtained shall:

(i) designate (except in the case of workers' compensation insurance) the Lessee, the Trustee and the Agency as additional insureds as their respective interests may appear;

(ii) provide that all insurance proceeds in excess of \$250,000 with respect to loss or damage to the property of the Facility be endorsed and made payable to the Trustee and shall name the Trustee as a loss payee under the standard loss payee clause and as a mortgagee under the terms of a standard mortgagee clause, which insurance proceeds shall be paid over to the Trustee and deposited in the Renewal Fund;

(iii) provide that there shall be no recourse against the Agency or the Trustee for the payment of premiums or commissions or (if such policies or binders provide for the payment thereof) additional premiums or assessments;

(iv) provide that in respect of the respective interests of the Agency and the Trustee in such policies, the insurance shall not be invalidated by any action or inaction of the Lessee or any other Person and shall insure the Agency and the Trustee regardless of, and any losses shall be payable notwithstanding, any such action or inaction;

(v) provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried by the Agency or the Trustee to the extent that such other insurance provides the Agency or the Trustee, as the case may be, with contingent and/or excess liability insurance with respect to its respective interest as such in the Facility;

(vi) provide that if the insurers cancel such insurance for any reason whatsoever, including the insured's failure to pay any accrued premium, or the same is allowed to lapse or expire, or there be any reduction in amount, or any material change is made in the coverage, such cancellation, lapse, expiration, reduction or change shall not be effective as to the Agency or the Trustee until at least thirty (30) days, or ten (10) days if due to nonpayment of premium, after receipt by the Agency and the Trustee, respectively, of written notice by such insurers of such cancellation, lapse, expiration or change;

(vii) waive any right of subrogation of the insurers thereunder against any Person insured under such policy, and waive any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any Person insured under such policy; and

(viii) contain such other terms and provisions as any owner or operator of facilities similar to the Facility would, in the prudent management of its properties, require to be contained in policies, binders or interim insurance contracts with respect to facilities similar to the Facility owned or operated by it.

(d) The Net Proceeds of any Specific Coverage received with respect to any loss or damage to the property of the Facility shall be deposited in the Renewal Fund and applied in accordance with Section 5.1 hereof and the Indenture.

(e) Concurrently with the original issuance of the Series 2002 Bonds, the Lessee shall deliver or cause to be delivered to the Agency and the Trustee the following documents evidencing compliance with the Specific Coverage requirements of this Section 4.5: (i) on or prior to the execution and delivery of this Agreement, (A) a broker's certificate of coverage, confirming that the Lessee, as of the date of Closing, has obtained specific coverage in accordance with the requirements of this Section 4.5, and (B) certificate of liability insurance, evidence of property insurance, and certificates or other evidence of other required insurance, and, (ii) as soon as practicable thereafter, duplicate copies of insurance policies and/or binders. At least seven (7) Business Days prior to the expiration of any such policy, the Lessee shall furnish the Agency and the Trustee with evidence that such policy has been renewed or replaced or is no longer required by this Agreement.

(f) The Lessee shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Agency or the Trustee to collect from insurers for any loss covered by any insurance required to be obtained by this Section 4.5. The Lessee shall not do any act, or suffer or permit any act to be done, whereby any Specific Coverage required by this Section 4.5 would or might be suspended or impaired.

(g) THE AGENCY DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED HEREIN, WHETHER IN SCOPE OR COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE BUSINESS OR INTEREST OF THE LESSEE.

SECTION 4.6 Advances by Agency or Bank.

In the event the Lessee fails to make any payment or perform or observe any obligation required of it under this Agreement, the Agency or the Bank, after first notifying the Lessee of any such failure on its part, may (but shall not be obligated to), and without waiver of any of the rights of the Agency or the Bank under this Agreement, the Indenture or any other Security Documents, make such payment or otherwise cure any failure by the Lessee to perform and observe its other obligations hereunder. All amounts so advanced therefor by the Agency or the Bank shall become an additional obligation of the Lessee to the Agency or to the Bank, as the case may be, which amounts, together with interest thereon at the Default Rate from the date advanced, the Lessee will pay upon demand therefor by the Agency or the Bank, as the case may be. Any remedy herein vested in the Agency or the Bank for the collection of the rental payments or other amounts due hereunder shall also be available to the Agency and the Bank for the collection of all such amounts so advanced.

SECTION 4.7 Compliance with Law.

The Lessee shall not use or occupy, and will not permit any use or occupancy of, the Facility, or any part thereof, contrary to any Legal Requirements. The Lessee shall, throughout the term of this Lease Agreement and at its sole cost and expense, promptly observe and comply with all Legal Requirements, and shall observe and comply with all conditions, requirements, and schedules necessary to preserve and extend all rights, licenses, permits (including without limitation zoning variances, special exception and non-conforming uses), privileges, franchises and concessions. The Lessee shall not, without the prior written consent of the Agency and the Bank, initiate, join in or consent to any private restrictive covenant, zoning ordinance, or other public or private restrictions, limiting or defining the uses which may be made of the Facility or any part thereof.

The Lessee may contest in good faith the validity, existence or applicability of any of the foregoing if (i) such contest shall not result in the Facility or any part of any thereof or interest therein being in any danger of being sold, forfeited or lost, (ii) such contest shall not result in the Lessee, the Agency, the Bank or the Trustee being in any danger of any civil or any criminal liability other than normal accrual of interest, for failure to comply therewith, and (iii) the Lessee shall have furnished such security, if any, as may be reasonably requested by the Agency, the Bank or the Trustee to protect the security intended to be offered by the Security Documents.

ARTICLE V

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 5.1 Damage, Destruction and Condemnation.

(a) In the event that at any time during the term of this Agreement 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 between the Agency and those authorized to exercise such right (to which agreement the Lessee shall have consented in writing), or if the temporary use of the Facility shall be so taken by condemnation or agreement (to which agreement the Lessee shall have consented in writing) (a "Loss Event"):

(i) the Agency shall have no obligation to rebuild, replace, repair or restore the Facility,

(ii) there shall be no abatement, postponement or reduction in the rent or other amounts payable by the Lessee under this Agreement, and

(iii) the Lessee will promptly give written notice of such Loss Event to the Agency, the Bank and the Trustee, generally describing the nature and extent thereof.

(b) Upon the occurrence of a Loss Event, the Net Proceeds in excess of \$250,000 derived therefrom shall be paid to the Trustee for the benefit of the Bondholders and the Bank and deposited in the Renewal Fund and, subject to the applicable provisions of the Reimbursement Agreement, the Lessee shall either:

(i) at its own cost and expense (except to the extent paid from the Net Proceeds deposited in the Renewal Fund as provided below and in Section 5.03 of the Indenture), but subject to applicable provisions of the Reimbursement Agreement, promptly and diligently rebuild, replace, repair or 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, regardless of whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the Lessee shall not by reason of payment of any such excess costs be entitled to any reimbursement from the Agency, the Bank, the Trustee or any Bondholder (other than from the proceeds of Additional Bonds as may be issued for such purpose or as otherwise provided in the Indenture), nor shall the rent or other amounts payable by the Lessee under this Agreement be abated, postponed or reduced, or

(ii) if, to the extent and upon the conditions permitted to do so under Section 8.1 hereof and under the Indenture, exercise its option to purchase the Facility, terminate the Agency's interest in the Facility and make advance rental payments to redeem the Bonds in whole.

Not later than ninety (90) days after the occurrence of a Loss Event, the Lessee shall advise the Agency, the Bank and the Trustee in writing of the action to be taken by the Lessee under this Section 5.1(b), a failure to so timely notify being deemed an election in favor of subdivision (i) above to be exercised in accordance with the provisions of clause (i) above.

Subject to the Reimbursement Agreement, if the Lessee shall elect to or shall otherwise be required to rebuild, replace, repair or restore the Facility as set forth in subdivision (i) above, 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 Lessee, at the election of the Lessee, either as such work progresses or upon the completion thereof, provided, however, the amounts so disbursed by the Trustee to the Lessee shall not exceed the actual cost of such work. If, on the other hand, the Lessee shall, if permitted under the Reimbursement Agreement, this Agreement and the Indenture, exercise its option in subdivision (ii) above, the Trustee shall transfer the Net Proceeds from the Renewal Fund to the Reimbursement Account of the Lease Payments Fund for application in connection with the redemption of Bonds or payment of amounts owed or owing to the Bank under the Reimbursement Agreement (or, if the Letter of Credit is not in effect, and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, to the Redemption Account of the Bond Fund to be applied to the redemption of the Bonds in accordance with the Indenture).

(c) All such rebuilding, replacements, repairs or restorations shall

(i) automatically be deemed a part of the Facility and be subject to this Agreement,

(ii) be in accordance with plans and specifications and cost estimates reasonably approved in writing by the Bank (or, if an amounts owed to the Bank under the Reimbursement Agreement shall be paid in full and the Letter of Credit is no longer in effect, the Agency and the Trustee) which approval shall not be unreasonably withheld or delayed,

(iii) not change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act,

(iv) be preceded by the furnishing by the Lessee to the Agency, the Bank and the Trustee of either (A) a labor and materials payment bond, or other security, reasonably satisfactory to the Agency and the Bank, or (B) a fixed price contract or contracts reasonably satisfactory to the Bank as to content and the contractor thereunder,

(v) be effected 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 Lessee in accordance with the terms of the applicable contract(s) therefor, and

(vi) if the estimated cost of such rebuilding, replacement, repair or restoration be in excess of \$250,000, be effected under the supervision of an Independent Engineer.

(d) 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.

(e) The Agency, the Bank, the Trustee and the Lessee shall cooperate and consult with each other in all matters pertaining to the settlement, compromising, arbitration or adjustment of any claim or demand on account of any Loss Event, and the settlement, compromising, arbitration or adjustment of any such claim or demand shall be subject to the approval of the Lessee, the Bank and the Trustee (or, if all amounts owed to the Bank under the Reimbursement Agreement are paid in full and the Letter of Credit is no longer in effect, the Lessee and the Trustee) (such approvals not to be unreasonably withheld or delayed).

(f) If all or substantially all of the Facility shall be taken or condemned (other than a temporary taking or condemnation for less than six (6) months), or if the taking or condemnation renders the Facility unsuitable for use by the Lessee as contemplated hereby, or if the Lessee is required to direct the Agency to redeem Bonds in accordance with the Reimbursement Agreement, the Lessee shall exercise its option to purchase the Facility pursuant to Section 8.1 hereof, and the amount of the Net Proceeds so recovered shall be transferred from the Renewal Fund and deposited in the Reimbursement Account of the Lease Payments Fund for application in connection with the redemption of Bonds pursuant to Section 2.04 of the Indenture or payment of amounts owed or owing to the Bank under the Letter of Credit and Reimbursement Agreement (or, if the Letter of Credit is not in effect, and an amounts owed to the Bank under the Letter of Credit and Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund) for the redemption of the Series 2002 Bonds pursuant to said section, and the Lessee shall thereupon pay to the Trustee for deposit in the Reimbursement Account of the Lease Payments Fund for application in connection with the redemption of Bonds pursuant to Section 2.04 of the Indenture and payment of amounts owed or owing to the Bank under the Reimbursement Agreement (or, if the Letter of Credit is not in effect, and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund) for the redemption of the Series 2002 Bonds pursuant to said section 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 to pay the expenses of redemption, the fees and expenses of the Agency, the Bond Registrar, the Trustee, the Paying Agents, the Tender Agent and the Remarketing Agent together with all other amounts due under the Indenture, this Agreement and the other Security Documents, if any, and such amount shall be applied, together with such other available moneys in such Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

(g) The Lessee shall be entitled to any insurance proceeds or condemnation award, compensation or damages attributable to improvements, machinery, equipment or other property installed on or about the Facility Realty but which, at the time of such damage or taking, is not part of the Facility and is owned by the Lessee.

(h) The Lessee hereby waives the provisions of Section 227 of the New York Real Property Law or any law of like import now or hereafter in effect.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.1 Dissolution or Merger of Lessee; Restrictions on Lessee.

The Lessee covenants and agrees that, at all times during the term of this Agreement, it will (i) maintain its corporate existence, (ii) continue to be a not-for-profit corporation as shall constitute a Tax-Exempt Organization subject to service of process in the State and either organized under the laws of the State, or organized under the laws of any other state of the United States and duly qualified to do business as a foreign corporation in the State, (iii) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets remaining after the execution and delivery of this Agreement, and (iv) not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it. The Lessee may, however, without violating the foregoing and with the prior written consent of the Bank, consolidate with or merge into another not-for-profit corporation as shall constitute a Tax Exempt Organization, or permit one or more not-for-profit corporations as shall constitute a Tax-Exempt Organization to consolidate with or merge into it, or sell or otherwise transfer all or substantially all of its property, business or assets to another such not-for-profit corporation as shall constitute a Tax-Exempt Organization (and thereafter liquidate, wind-up or dissolve or not, as the Lessee may elect) if (i) the Lessee is the surviving, resulting or transferee not-for-profit corporation as shall constitute a Tax-Exempt Organization, as the case may be, or (ii) in the event that the Lessee is not the surviving, resulting or transferee not-for-profit corporation as shall constitute a Tax-Exempt Organization, as the case may be, (1) such not-for-profit corporation (A) is a solvent not-for-profit corporation subject to service of process in the State and either organized under the laws of the State, or organized under the laws of any other state of the United States and duly qualified to do business as a foreign corporation in the State, (B) is a Tax-Exempt Organization, (C) assumes in writing all of the obligations of the Lessee contained in this Agreement and all other Security Documents to which the Lessee shall be a party, and in the Opinion of Counsel (x) such not-for-profit corporation is a Tax-Exempt Organization and shall be bound by all of the terms applicable to the Lessee of this Agreement and all other Security Documents to which the predecessor Lessee corporation shall have been a party, and (y) such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents, and (D) unless waived in writing by the Bank, has a net worth (as determined in accordance with Generally Accepted Accounting Principles and set forth in an Accountant's Certificate) after the merger, consolidation, sale or transfer at least equal to that of the Lessee immediately prior to such merger, consolidation, sale or transfer, and (2) the Lessee delivers

to the Agency, the Bank and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such action will not adversely affect the validity of the Bonds or the exclusion of interest on the Bonds from gross income for Federal income taxes. The Lessee further covenants and agrees that it is and throughout the term of this Agreement will continue to be duly qualified to do business in the State and that any not-for-profit corporation as shall be a Tax-Exempt Organization succeeding to the rights of the Lessee under this Agreement shall be and continue to be duly qualified to do business in the State.

SECTION 6.2 Indemnity.

(a) The Lessee shall at all times indemnify, defend, protect and hold the Agency, and any director, member, officer, employee, servant, agent (excluding for this purpose the Lessee, which is not obligated hereby to indemnify its own employees, affiliated companies or affiliated individuals) thereof and persons under the Agency's control or supervision, the Trustee, the Bank, the Bond Registrar and the Paying Agents (collectively, the "Indemnified Parties") 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 (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 from August 13, 2002, the date the Agency adopted its inducement resolution for the Project, and continuing throughout the term of this Agreement (subject to Section 6.2(e) hereof), arising from, 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, issuance, sale and remarketing of the Bonds for such purpose,

(ii) the planning, design, acquisition, site preparation, 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, including, but not limited to the LL62/91 violations for Boiler Inspections numbers 050498LL629105079 and 091697LL6291183512 and 031699LL629104615, Department of Buildings violation numbers 2618-74, 8705-68E, 4310-65E, 2547066, Department of Environmental Protection X4J violation numbers 050035450Z, 05003541K, Fire Department of the City of New York missing fuel oil burner permit violation dated October 4, 2002, Department of Buildings Elevator Division violation numbers 062990LL108101867, 010698LL108101090, Environmental Control Board violation number 38121805P, Department of Buildings Elevator violations dated November 7, 2001 and November 9, 2000 as well as New York City Department of Health Food Establishment Inspection Report CAMIS number 40718431 dated October 22, 2001 against permit number 1021891, all of which appear in Title Report NY-00029634-NYNY issued by First American Title Insurance Company of New York on November 20, 2002 (collectively, the "Violations"),

(iii) the maintenance, repair, replacement, restoration, rebuilding, 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 Lessee or any other Person of, or performance by an Indemnified Party, the Lessee or any other Person, as the case may be, of, any of their respective obligations under, this Agreement, the Indenture or any other Security 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 injury to any Person or the personal 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, but limited to, failure to comply with the requirements of the City's zoning resolution and related regulations,

(vii) any damage or injury to the person or property of (A) the Lessee or (B) any other Person or their respective officers, directors, officials, partners, members, employees, attorneys, agents or representatives, or persons under the control or supervision of the Lessee, or (C) any other Person who may be in or about the premises of the Facility,

(viii) the presence, disposal, release, or threatened release of any Hazardous Materials (as hereinafter defined in Section 6.2(d) hereof) 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 Agency or the Trustee, which are based upon or in any way related to such Hazardous Materials including, without limitation, reasonable attorney and consultant fees and expenses, investigation and laboratory fees, court costs, and litigation expenses, or

(ix) any Claim commenced against an Indemnified Party, or other action or proceeding taken by an Indemnified Party, in any case with respect to any of the matters set forth in subparagraphs (i) through (viii) of this Section 6.2(a),

Notwithstanding the foregoing, the Lessee's indemnification and defense requirements set forth in Section 6.2(a) hereof with respect to the Agency shall not apply to any claims for Liability arising from or based upon the failure of the Agency to have complied with either the Constitution of the United States of America or the Constitution of the State in connection with its approval of the Project or the issuance of the Bonds (hereinafter, the "School Proviso").

Such indemnification set forth above shall be binding upon the Lessee for any and all Claims set forth herein and shall survive the termination of this Agreement.

(b) The Lessee releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable to the Lessee or its affiliates for, any Claims 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 6.2(a) hereof, including any Claims or Liability arising from or incurred as a result of the gross negligence or willful misconduct of such Indemnified Party or the Agency's failure pursuant to the School Proviso, or at the direction of the Lessee or any other obligor under any of the Security Documents with respect to any of such matters above referred to. An Indemnified Party shall promptly notify the Lessee in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Lessee pursuant to this Section 6.2; such notice shall be given in sufficient time to allow the Lessee to defend or participate in such claim or action. However, the failure to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of the Lessee under this Section 6.2 if (x) the Indemnified Party shall not have had knowledge or notice of such claim or action, or (y) the Lessee's ability to defend such claim or action shall not thereby be materially impaired. In the event, however, that (i) the Indemnified Party shall not have timely notified the Lessee of any such claim or action, (ii) the Lessee shall not have knowledge or notice of such claim or action, and (iii) the Lessee's ability to defend or participate in such claim or action is materially impaired by reason of

not having received timely notice thereof from the Indemnified Party, then the Lessee's obligation to so defend and indemnify shall be qualified to the extent (and only to the extent) of such material impairment.

(c)(i) In addition to and without being limited by any other representations, warranties and covenants made by the Lessee under this Agreement, the Lessee further represents, warrants and covenants that (A) the Lessee 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 that, to the best of the Lessee's knowledge, no prior owner or occupant of the Facility has used Hazardous Materials, and (B) except as set forth in a certain Phase I Environmental Site Assessment, dated September 11, 2002, prepared by Hillman Environmental Group, L.L.C., a true copy of which has been delivered to the Agency (the "Audit"), to the best of the Lessee'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.

(ii) Without limiting the foregoing, the Lessee 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 Lessee cause or permit, as a result of any intentional or unintentional act or omission on the part of the Lessee or any occupant or user of the Facility, a release of Hazardous Materials onto the Facility or onto any other property.

(iii) The Lessee shall comply with, and ensure 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.

(iv) The Lessee 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.

(v) In the event this Agreement is terminated, the Lessee shall deliver the Facility so that the conditions of the Facility with respect to any and all Hazardous Materials shall conform with all applicable Legal Requirements affecting the Facility.

(d) For purposes of this Section 6.2, the term "Hazardous Materials" includes, without limit, any 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.

(e) The indemnifications and protections set forth in this Section 6.2 shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision. For the purposes of this Section 6.2, the Lessee shall not be deemed an employee, agent or servant of the Agency or a person under the Agency's control or supervision.

(f) To effectuate the purposes of this Section 6.2, the Lessee will provide for and insure, in the public liability policies required in Section 4.5 hereof, not only its own liability in respect of the matters therein mentioned but also the liability pursuant to this Section 6.2 (excluding, however, those obligations of the Lessee (1) requiring payment of taxes, (2) with respect to the financing of the Project, (3) under the Project Documents, and (4) under Section 6.2(c) hereof to the extent not available to the Lessee at commercially reasonable rates). Anything to the contrary in this Agreement notwithstanding, the covenants of the Lessee contained in this Section 6.2 shall remain in full force and effect after the termination of this Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions herein specified.

(g) The provisions of this Section 6.2 shall be in addition to any and all other obligations and liabilities the Lessee may have to any Indemnified Party in any other agreement or at common law, and shall survive the termination of this Agreement.

SECTION 6.3 Compensation and Expenses of Trustee, Bond Registrar, Paying Agents, Tender Agent, Remarketing Agent, Bank, Credit Provider and Agency.

The Lessee shall, to the extent not paid out of the proceeds of the Bonds as financing expenses, pay the following annual 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, (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 and charges of the Trustee for extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, including reasonable counsel fees, (iv) the reasonable fees, costs and expenses of the Bond Registrar, the Tender Agent, the Remarketing Agent, the Bank and the Credit Provider, if any, (v) the fees, costs and expenses (including legal, accounting and other administrative expenses) of the Agency, (vi) the reasonable fees and expenses of the Rating Agencies, and (vii) except to the extent of amounts deposited in the Reimbursement Account of the Lease Payments Fund, any such other amounts payable by the Lessee under the Reimbursement Agreement. The Lessee shall further pay the fees, costs and expenses of the Agency together with any fees and disbursements incurred by the Agency's Bond Counsel and General Counsel in performing services for the Agency in connection with this Agreement or the Indenture or any other Security Document.

On the date of the sale and delivery by the Agency of the Series 2002 Bonds, the Lessee shall pay to the Agency, and the Agency acknowledges receipt of, an initial financing fee in the amount of \$100,575, of which \$2,500 of such fee has been received by the Agency prior to the date hereof as an application fee to the Agency.

The Lessee further agrees to pay to the Agency an annual administrative servicing fee in the amount of \$500 payable initially on the sale and delivery by the Agency of the Bonds and on every anniversary thereof until the termination of this Agreement.

The provisions of this Section shall survive termination of this Agreement and the Indenture.

SECTION 6.4 Retention of Title to Facility; Grant of Easements; Release of Certain Land.

(a) The Agency shall not sell, assign, encumber (other than for Permitted Encumbrances), convey or otherwise dispose of the Facility or any part thereof or interest therein during the term of this Agreement, except as set forth in Sections 4.2 and 7.2 hereof and subject to the applicable provisions of the Reimbursement Agreement, without the prior written consent of the Lessee and the Bank (or, if the Letter of Credit is no longer in effect and all amounts owed to the Bank under the Reimbursement Agreement shall have been paid in full, the Trustee at the written direction of Holders of the Bonds) and any purported disposition without such consent shall be void.

The Agency will, however, at the written request of the Lessee, and with the prior written consent of the Bank and the Trustee, so long as there exists no Event of Default hereunder, grant such rights of way or easements over, across, or under the Facility Realty, or grant such permits or licenses in respect to the use thereof, free from the leasehold estate of this Agreement, as shall be necessary or convenient for the operation or use of the Facility, provided that such leases, rights of way, easements, permits or licenses shall not adversely affect the use or operation of the Facility, and provided, further, that any consideration received by the Agency or the Lessee from the granting of said leases, rights of way, easements, permits or licenses shall be paid to the Trustee and deposited in the Reimbursement Account of the Lease Payments Fund for application in connection with the redemption of Bonds and payment of amounts owed to the Bank under the Reimbursement Agreement (or, if the Letter of Credit is no longer in effect and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund). The Agency agrees, at the sole cost and expense of the Lessee, to execute and deliver and to cause and direct the Trustee to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the leasehold estate of this Agreement.

(b) No conveyance or release effected under the provisions of this Section 6.4 shall entitle the Lessee to any abatement or diminution of the rents payable under Section 3.3 hereof or the other payments required to be made by the Lessee under this Agreement. The consent of the Bank to any release contemplated hereby shall be solely in the Bank's discretion, and the Bank may impose such conditions in addition to those conditions stated herein as it deems desirable prior to consenting to any release contemplated hereby.

SECTION 6.5 Tax Covenants.

(a) The Lessee covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In furtherance of the covenant contained in the preceding sentence, the Lessee agrees to comply with the provisions of the Tax Compliance Agreement as a source of guidance for complying with the Code.

(b) The Lessee covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause such Bonds to be "arbitrage bonds", within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder, as amended from time to time.

(c) The Lessee agrees that it shall promptly pay to the Trustee, as additional sums under this Lease Agreement, the amount of any Rebate Requirement, as defined in the Tax Compliance Agreement, the Agency is obligated to pay to the United States Department of the Treasury.

(d) The obligation of the Lessee to make the payments provided for in this Section shall be absolute and unconditional, and the failure of the Agency, the Bank, 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 Lessee of its obligation under this Section.

(e) Notwithstanding any other provision of the Indenture or this Lease Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes, the covenants contained in this Section shall survive the discharge and satisfaction of the Bonds (in accordance with Section 10.01 of the Indenture) and the term of this Lease Agreement.

SECTION 6.6 Financial Statements: No-Default Certificates.

(a) The Lessee agrees to furnish to the Agency and the Trustee, as soon as available, and in any event within one hundred twenty (120) days after the close of each Fiscal Year of the Lessee all those financial statements required to be furnished to the Bank under the Reimbursement Agreement at the times and in the form and manner prescribed therein.

(b) The Lessee shall deliver to the Agency (at the request of the Agency), the Bank and the Trustee with each delivery of annual financial statements required by Section 6.6(a) hereof (i) a certificate of an Authorized Representative of the Lessee as to whether or not, as of the close of such preceding Fiscal Year of the Lessee, and at all times during such Fiscal Year, the Lessee was in compliance with all the provisions which relate to the Lessee in this Agreement and in any other Security Document to which it shall be a party, and if such Authorized Representative shall have obtained knowledge of any default in such compliance, such Authorized Representative 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 Lessee with respect thereto, and (ii) a certificate of an Authorized Representative of the Lessee that the insurance it maintains complies with the provisions of Section 4.5 of this Agreement, that such insurance has been in full force and effect at all times during the preceding Fiscal Year of the Lessee, and that duplicate copies of all policies or certificates thereof have been filed with the Agency and the Trustee and are in full force and effect. In addition, upon twenty (20) days' prior request by the Agency, the Bank or the Trustee, the Lessee will execute, acknowledge and deliver to the Agency and the Trustee a certificate of an Authorized Representative of the Lessee either stating that to the knowledge of such Authorized Representative no default or breach exists hereunder or specifying each such default or breach of which such Authorized Representative has knowledge.

(c) The Lessee shall immediately notify the Agency, the Bank and 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 Security Document of which it has knowledge. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the Lessee 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 Lessee shall state this fact on the notice.

SECTION 6.7 Discharge of Liens.

(a) If any lien, encumbrance or charge is filed or asserted, 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 Facility or any part of any thereof or the interest therein of the Agency, the Bank, the Lessee or the Trustee or against any of the rentals or other amounts payable under this Agreement or the interest of the Lessee under this Agreement, the Facility other than Liens for Impositions (as defined in Section 4.4) not yet payable,

or payable without the addition of any fine, penalty, interest or cost for non-payment, Permitted Encumbrances, or Liens being contested as permitted by Section 6.7(b), the Lessee 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 Agency, the Bank and the Trustee and take an action (including the payment of money and/or the securing of a bond) at its own cost and expense (subject to the provisions of Section 2.1(g) hereof) as may be necessary or appropriate to obtain the discharge in full thereof 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 Agency for the performance of any labor or services or the furnishing of any materials that would give rise to any Lien against the Agency's or the Lessee's interest in the Facility.

(b) The Lessee may, at its sole expense and subject to applicable provisions of the Reimbursement Agreement and the Collateral Documents, contest (after prior written notice to the Agency, the Bank 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 (1) such proceeding shall suspend the execution or enforcement of such Lien against the Facility, or any part thereof or interest therein, or in the Lease Agreement, of the Agency, the Bank, the Lessee or the Trustee or against any of the rentals or other amounts payable under this Agreement, (2) neither the Facility nor any part thereof or interest therein would be in any danger of being sold, forfeited or lost, (3) neither the Lessee, the Agency, the Bank nor the Trustee would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith, and (4) the Lessee shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Trustee or the Bank to protect the security intended to be offered by the Indenture.

SECTION 6.8 Agency's Authority; Covenant of Quiet Environment.

The Agency covenants and agrees that it has full right and lawful authority to enter into this Agreement for the full term hereof, including the right to grant the options to purchase herein contained, and that, subject to the terms and provisions of the Indenture, so long as the Lessee shall pay the rent and all other sums payable by it under this Agreement and shall duly observe all the covenants, stipulations and agreements herein contained obligatory upon it and an Event of Default shall not exist hereunder, the Lessee shall have, hold and enjoy, during the term hereof, peaceful, quiet and undisputed possession of the Facility, and the Agency (at the sole cost and expense of the Lessee) shall from time to time take all necessary action to that end subject to Permitted Encumbrances.

SECTION 6.9 No Warranty of Condition or Suitability.

THE AGENCY 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 LESSEE OR TO 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 LESSEE ACKNOWLEDGES THAT THE AGENCY IS NOT THE MANUFACTURER OF THE FACILITY EQUIPMENT NOR THE MANUFACTURER'S AGENT NOR A DEALER THEREIN. THE LESSEE IS SATISFIED THAT THE FACILITY IS SUITABLE AND FIT FOR ITS PURPOSES. THE AGENCY SHALL NOT BE LIABLE IN ANY MANNER WHATSOEVER TO THE LESSEE 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.

SECTION 6.10 Amounts Remaining in Funds.

It is agreed by the parties hereto that any amounts remaining in the Rebate Fund, the Lease Payment Fund, the Bond Fund, the Project Fund, the Revenue Fund, or the Renewal Fund upon the expiration or sooner or later termination of the term of this Agreement as provided in this Agreement, after payment in full of the Bonds (in accordance with Section 10.01 of the Indenture), the fees, charges and expenses of the Trustee, the Bond Registrar, the Paying Agents, the Remarketing Agent, the Tender Agent, the Bank, the Credit Provider, if any, and the Agency in accordance with the Indenture and after all rents and all other amounts payable hereunder and under the Reimbursement Agreement shall have been paid in full, and after all amounts required to be paid to the United States government pursuant to the Tax Compliance Agreement or the Indenture shall have been so paid, shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

SECTION 6.11 Issuance of Additional Bonds.

The Agency and the Lessee recognize that under the provisions of and subject to the conditions set forth in the Indenture, the Agency is authorized, with the prior written consent of the Bank (for so long as the Letter of Credit is in effect or any amounts are owed under the Reimbursement Agreement), to enter into a Supplemental Indenture and issue one or more series of Additional Bonds on a parity with the Series 2002 Bonds for the purpose of (i) completing the Project, (ii) providing funds in excess of the Net Proceeds for insurance or eminent domain 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 or (iv) refunding Outstanding Bonds. If there is no Event of Default hereunder, the Agency will consider the issuance 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. If Additional Bonds are to be issued pursuant to the Indenture, the Agency and the Lessee shall enter into an amendment to this Agreement providing, among other things, for the payment by the Lessee of such additional rentals as are necessary in order to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith.

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

SECTION 6.12 Non-Discrimination; Employment Information, Opportunities and Guidelines; Scholarship Requirements.

(a)(i) The Lessee shall ensure that all employees and applicants for employment at the Facility are afforded equal employment opportunity without discrimination.

(ii) At all times during the construction, renovation, maintenance and operation of the Facility, the Lessee shall not discriminate against any employee or applicant for employment because of race, color, creed, age, sex or national origin. The Lessee shall use reasonable efforts to ensure that employees and applicants for employment with the Lessee or any subtenant 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, without limitation, the following: recruited, whether by advertising or other means; compensated, whether in the form of rates or other forms of compensation; selected for training, including apprenticeship; promoted; upgraded; downgraded; demoted; transferred; laid off; and terminated.

(iii) The Lessee shall, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will be considered for employment without regard to race, color, creed or national origin, age or sex.

(iv) The Lessee shall furnish to the Agency all information reasonably required by the Agency pursuant to this Section and will cooperate with the Agency for the purposes of investigation to ascertain compliance with this Section.

(v) The Agency and the Lessee shall, from time to time, mutually agree upon goals for the employment, training, or employment and training of members of minority groups in connection with performing work with respect to the Project.

(b) Except as is otherwise provided by collective bargaining contracts or agreements to which the Lessee is a party, the Lessee shall cause new employment opportunities created as a result of the Project to be listed with the New York State Department of Labor, Community Services Division, and with the administrative entity of the service delivery area created by the Federal Job Training Partnership Act (P.L. 97-300) in which the Project is located. Except as is otherwise provided by collective bargaining contracts or agreements to which the Lessee is a party, the Lessee covenants and agrees, where practicable, to first consider persons eligible to participate in programs under the Federal Job Training Partnership Act (P.L. No. 97-300) who shall be referred to administrative entities or service delivery areas created pursuant to such Federal Job Training Partnership Act or by the Community Services Division of the New York State Department of Labor for such new employment opportunities.

(c) The Lessee hereby authorizes any private or governmental entity, including but not limited to the New York State Department of Labor (“DOL”), to release to the Agency and/or to the New York City Economic Development Corporation (“EDC”), and/or to the successors and assigns of either (collectively, the “Information Recipients”), any and all employment information under its control and pertinent to Lessee and Lessee’s employees to determine compliance of the Project with this Section and to enable the provisions of this Section to be achieved. In addition, upon the Agency’s request, the Lessee shall provide to the Agency any employment information in the Lessee’s possession which is pertinent to the Lessee and the Lessee’s employees to enable the Agency and/or EDC to comply with its reporting requirements pursuant to New York City Local Laws 69, 1993, 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 Lessee itself, 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 Agency, and/or EDC, and/or the successors and assigns of either, and/or The City of New York, 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 New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of this Agreement.

(d) Annually, by August 1 of each year, commencing on August 1, 2003, until the termination of this Agreement, the Lessee shall submit to the Agency an employment 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, substantially in the form of Schedule A hereto, certified as to

accuracy by an Authorized Representative of the Lessee, and shall attach thereto a copy of the Lessee's final payroll report evidencing the total number of employees employed by the Lessee during such reporting period. In addition, upon a redemption of all of the Series 2002 Bonds, the Lessee shall submit to the Agency an employment report, substantially in the form of Schedule A hereto, certified as to accuracy by an Authorized Representative of the Lessee, and shall attach thereto a copy of the Lessee's final payroll report evidencing the total number of employees employed by the Lessee during the most recent period commencing July 1 of the previous year and ending June 30 of the year of the obligation of filing such report.

(e) Scholarship Covenants and Representations.

(i) Annually, by August 1 of each year, commencing on August 1, 2003, until the termination of this Agreement, the Lessee shall deliver to the Agency an annual scholarship certificate, substantially in the form of Schedule D, with respect to the most recently completed academic year.

(ii) The Lessee represents that it is, and covenants that throughout the term of this Agreement it will be, registered with the New York State Department of Education as an eligible education institution.

(iii) The Lessee represents that a plan for the sharing of the Lessee's facilities with one or more New York City public schools has been approved by its Board of Trustees on November 4, 2002 (as the same may be amended or supplemented from time to time, a "Sharing Plan"); that such authorization by the Board of Trustees is in full force and effect; and that a Sharing Plan is either currently being implemented or shall be implemented by no later than the fifth (5th) academic year following the first academic year during which the Facility is opened for use and made available to at least fifty percent (50%) of the students intended to occupy the Facility ("Substantial Occupancy"). Once so implemented, the Lessee covenants that thereafter and throughout the term of this Agreement, a Sharing Plan shall continue to be in effect and shall be implemented.

(iv) The Lessee represents that a program by which the Lessee's trustees, administration, faculty, students and parents of students provide service to the community (in addition to sharing facilities with one or more public schools) has been approved by the Lessee's Board of Trustees on November 4, 2002 (as same may be amended or supplemented from time to time, a "Community Service Program"); that such authorization by the Board of Trustees is in full force and effect; and that a Community Service Program is either currently being implemented or shall be implemented by no later than the fifth (5th) academic year following the first academic year during which Substantial Occupancy of the Facility is achieved. In the alternative, the Lessee represents that it employs or that it shall employ, by no later than the fifth (5th) academic year following the first academic year during which Substantial Occupancy of the Facility is achieved, at least one, full-time, paid staff member whose duties shall be entirely devoted to the administration and implementation of community service activities to be undertaken by the Lessee's trustees, administration, faculty, students and parents of students. Once so implemented, the Lessee covenants that thereafter and through out the term of this Agreement, the Lessee shall either implement a Community Service Program, or it shall employ a staff member as aforesaid.

(v) The Lessee represents, warrants and covenants that with respect to every academic year within the term of this Agreement following the current academic year, at least 20% of the Lessee's students will be residents of New York City.

(vi) The Lessee further represents, warrants and covenants that, by no later than the fifth (5th) academic year following the first academic year during which Substantial Occupancy

of the Facility is achieved, and thereafter throughout the term of this Agreement: (1) at least ten percent (10%) of the Lessee's gross tuition revenues shall be allocated and made available as scholarships to students at the Facility who are New York City residents; (2) at least ten percent (10%) of the students at the Facility who are New York City residents and who receive scholarships from the Lessee shall receive scholarships in an amount equal to at least fifty percent (50%) of their tuition at the Facility; and (3) at least one percent (1%) of the students at the Facility who are New York City residents and who receive scholarships from the Lessee shall receive scholarships in an amount at least equal to seventy-five percent (75%) of their tuition at the Facility.

SECTION 6.13 Redemption Under Certain Circumstances; Application of Gifts and Grants Relating to the Project.

(a) Either (i) upon the determination by resolution of the members of the Agency that the Lessee is operating the Facility or any portion thereof in violation of applicable material law or not as a qualified "project" in accordance with the Act and the failure of the Lessee, within sixty (60) days (or such longer period as may be established pursuant to the proviso to this sentence) of the receipt by the Lessee of written notice of such noncompliance from the Agency, to cure such noncompliance together with a copy of such resolution (a copy of which notice shall be sent to the Trustee), or (ii) in the event the Lessee shall fail to obtain or maintain the public liability insurance with respect to the Facility required under Section 4.5(a)(iii) hereof and the failure of the Lessee, within ten (10) days (or such longer period as may be established pursuant to the proviso to this sentence) of the receipt by the Lessee of written notice of such noncompliance from the Agency, to cure such noncompliance, the Lessee covenants and agrees that it shall, on the immediately succeeding Interest Payment Date following the expiration of such cure period, pay to the Trustee advance rentals 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 such Interest Payment Date, provided, however, that if such noncompliance cannot be cured within such 60-day or 10-day cure period, as the case may be, with diligence (and is capable of being cured) and the Lessee promptly commences the curing of such noncompliance and thereafter prosecutes the curing thereof with diligence and to the Agency's reasonable satisfaction, such period of time within which the Lessee may cure such failure shall be extended for such additional period of time as may be necessary to cure the same with diligence and the Agency shall notify the Trustee of any such extension. With respect to any proposed resolution regarding the matters described in clause (i) of the immediately preceding sentence, the Agency shall give prior written notice of the meeting at which the members of the Agency are to consider such resolution to the Lessee, the Bank and the Trustee, which notice shall be no less than sixty (60) days prior to such meeting.

(b) Upon the circumstances set forth in Section 2.04(e), (f), (g), (h) and (i) of the Indenture, the Lessee shall pay or cause the prepayment of its lease rental obligation upon the circumstances and in the manner set forth in the Indenture.

(c) (i) If, prior to completion of the construction of a component of the Project, the Lessee receives any gift or grant required by the terms thereof to be used to pay any item which is a cost of such component of the Project, the Lessee shall apply such gift or grant to completion of the construction of such component of the Project. In the event that the amount of such gift or grant is in excess of the amount necessary to complete such component of the Project, and to the extent proceeds of the Bonds have been expended on such component of the Project, the Lessee shall deliver to the Trustee for deposit in the Reimbursement Account of the Lease Payments Fund for reimbursement of amounts owed to the Bank under the Reimbursement Agreement in connection with the redemption of Bonds (or, if the Letter of Credit is no longer in effect and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the

Bond Fund) an amount equal to such excess but only to the extent to which proceeds of the Bonds were expended for such component.

(ii) If, after completion of the construction of a component of the Project, the Lessee receives any gift or grant which prior to such completion it reasonably expected to receive and which is required by the terms thereof to be used to pay any item which is a cost of such component of the Project, the Lessee shall, to the extent not inconsistent with the terms of such gift or grant, deliver to the Trustee for deposit in the Reimbursement Account of the Lease Payments Fund for reimbursement of amounts owed to the Bank under the Reimbursement Agreement in connection with the redemption of Bonds (or, if the Letter of Credit is no longer in effect and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund) an amount of money equal to such gift or grant but only to the extent to which proceeds of the Bonds were expended for such component.

SECTION 6.14 Further Assurances.

The Lessee will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, including the preparation and filing of financing statements and extensions thereof under the Uniform Commercial Code, at the sole cost and expense of the Lessee, as the Agency, the Bank or the Trustee deems reasonably necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of this Agreement and any rights of the Agency, the Bank or the Trustee hereunder, under the Indenture or under any other Security Document.

SECTION 6.15 Recording and Filing.

This Agreement as originally executed or a memorandum thereof shall be recorded by the Lessee subsequent to the recordation of the Indenture, in the appropriate office of the Register of the City of New York, or in such other office as may at the time be provided by law as the proper place for the recordation thereof. The security interests of the Agency created herein and the assignment of such security interests to the Trustee shall be perfected by the filing of financing statements by the Lessee which fully comply with the New York State Uniform Commercial Code (Secured Transactions) in the Office of the Secretary of State of New York, in the City of Albany, New York and in the appropriate office of the Register of the City of New York. The Lessee shall file or cause to be filed all necessary continuation statements (and additional financing statements) within the time prescribed by the New York State Uniform Commercial Code (Secured Transactions) in order to continue (or attach and perfect) the security interests created by this Agreement to the end that the rights of the Agency, the Bank, the Holders of the Bonds and the Trustee in the Facility shall be fully preserved as against creditors or purchasers for value from the Agency or the Lessee. The Agency, the Bank and the Trustee are authorized, if permitted by applicable law, to file one or more Uniform Commercial Code financing statements disclosing any security interest in the Facility, this Agreement and the sums due under this Agreement. The Lessee agrees to furnish the Agency, the Bank and the Trustee with the Opinion of Counsel addressed to the Agency and the Trustee to the extent that such Opinion of Counsel may be requested pursuant to Section 7.08 of the Indenture and shall perform all other acts (including the payment of all costs) necessary in order to enable the Agency to comply with Section 7.08 of the Indenture.

SECTION 6.16 Right to Cure Agency Defaults.

The Agency hereby grants the Lessee full authority for account of the Agency to perform any covenant or obligation the non-performance of which is alleged to constitute a default in any notice received by the Lessee, in the name and stead of the Agency, with full power of substitution.

SECTION 6.17 Preservation of Exempt Status.

(a) The Lessee represents and warrants that as of the date of execution of this Agreement: (i) it is an organization described in Section 501(c)(3) of the Code; (ii) it has received a letter of determination from the Internal Revenue Service to that effect; (iii) such letter or determination has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of such letter of determination; (v) the facts and circumstances which form the basis of such letter of determination continue substantially to exist as represented to the Internal Revenue Service; (vi) it is not a “private foundation”, as defined in Section 509 of the Code; and (vii) it is exempt from Federal income taxes under Section 501(a) of the Code and it is in compliance with the provisions of said Code and any applicable regulations thereunder necessary to maintain such status.

(b) The Lessee agrees that (i) it shall not perform any acts, enter into any agreements, carry on or permit to be carried on at the Facility, or permit the Facility to be used in or for any trade or business, which shall adversely affect the basis for its exemption under Section 501 of such Code; (ii) it shall not use more than three percent (3%) of the proceeds of the Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any person or persons who are not governmental units or Section 501(c)(3) organizations; and (iii) the Project conforms to the description contained in the Appendices hereto and it shall not directly or indirectly use the proceeds of the Bonds to make or finance loans to persons other than governmental units or Section 501(c)(3) organizations.

(c) The Lessee (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase the Bonds in an amount related to the amount of the payments due from the Lessee under this Agreement, unless such Bonds are delivered to the Trustee for cancellation as provided in Section 8.3 hereof.

SECTION 6.18 Securities Law Status.

The Lessee affirmatively represents, warrants and covenants that, as of the date of this Agreement, it is an organization organized and operated: (i) exclusively for civic or charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Lessee agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this Section.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

SECTION 7.1 Events of Default.

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

(a) Failure of the Lessee (i) to make any rental payment for deposit in the Reimbursement Account of the Lease Payments Fund that has become due and payable by the terms of Section 3.3(a) or (b) hereof; or (ii) to provide sufficient moneys for the purchase of any Bonds pursuant to Section 3.7 hereof;

(b) Failure of the Lessee to pay any amount (except the obligation to pay rent under Sections 3.3 and 3.7 hereof) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under Section 4.4 or 4.5 hereof and continuance of such failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nature of such default from the Agency, the Trustee or the Holders of more than fifty per centum (50%) in aggregate principal amount of the Bonds Outstanding;

✓(c) Failure of the Lessee to observe and perform any covenant, condition or agreement hereunder on its part to be performed (except as set forth in Section 7.1(a) or (b) above) and, if such failure can be remedied, (1) continuance of such failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nature of such default from the Agency, the Trustee, the Bank or the Holders of more than fifty per centum (50%) in aggregate principal amount of the Bonds Outstanding, or (2) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; provided, however, in any event such failure shall be remedied within sixty (60) days after receipt by the Lessee of the notice referred to above;

(d) The Lessee 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 such 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 Lessee, 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 Lessee 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 sixty (60) days; or any order for relief against the Lessee shall be entered in an involuntary case under such Bankruptcy Code; the terms "dissolution" or liquidation" of the Lessee as used above shall not be construed to prohibit any action otherwise permitted by Section 6.1;

(f) Any representation or warranty made by the Lessee (i) in the application, commitment letter and related materials submitted to the Agency or the initial Purchaser(s) of the Bonds for approval of the Project or its financing, or (ii) in this Agreement or in any of the other Security Documents or (iii) in any document relating to, incorporated in or attached to the Tax Compliance Agreement, or (iv) in any report, certificate, financial statement or other instrument furnished pursuant hereto or any of the foregoing shall prove to be false, misleading or incorrect in any material respect as of the date made;

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

(h) Notification in writing received by the Trustee from the Bank that an "Event of Default" as defined in the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to cause an acceleration of the Bonds.

SECTION 7.2 Remedies on Default.

Whenever any Event of Default referred to in Section 7.1 hereof shall have occurred and be continuing, the Agency, or the Trustee where so provided, may, subject to Section 7.8 hereof and Article VIII of the Indenture, take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in Article VIII of the Indenture, may cause all principal installments of rent payable under Section 3.3 hereof for the remainder of the term of this Agreement 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 7.1(d) or (e) hereof, all principal installments of rent payable under Section 3.3 hereof for the remainder of the term of this Agreement, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Agency, the Bank, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) The Agency (with the prior written consent of the Trustee and the Bank) or the Trustee (with the prior written consent of the Bank) may reenter and take possession of the Facility without terminating this Agreement, and sublease the Facility for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts payable by the sublessee in such subletting, and the rents and other amounts payable by the Lessee hereunder;

(c) The Agency (with the prior written consent of the Trustee and the Bank) may terminate this Agreement and exclude the Lessee from possession of the Facility in which case this Agreement and all of the estate, right, title and interest herein granted or vested in the Lessee shall cease and terminate. No such termination of this Agreement shall relieve the Lessee of its liability and obligations hereunder and such liability and obligations shall survive any such termination;

(d) The Agency, the Bank or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Lessee under this Agreement;

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

(f) The Agency, without the consent of the Trustee or any Bondholder, may proceed to enforce the Agency's Reserved Rights by (i) an action for damages, injunction or specific performance, and/or (ii) conveying all of the Agency's right, title and interest in the Facility to the Lessee, subject to the lien of any other Security Documents.

In the event that the Lessee fails to make any rental payment required in Section 3.3 hereof, the installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid.

No action taken pursuant to this Section 7.2 (including repossession of the Facility or termination of this Agreement pursuant to this Section 7.2 or by operation of law or otherwise) shall, except as expressly provided herein, relieve the Lessee from the Lessee's obligations hereunder, all of which shall survive any such action.

Notwithstanding any provision of this Agreement to the contrary, the Trustee shall not take any action to accelerate the Bonds or dispose of any collateral pledged under the Security Documents except as provided in Article VIII of the Indenture.

SECTION 7.3 Reserved.

SECTION 7.4 Remedies Cumulative.

The rights and remedies of the Agency, the Bank or the Trustee under this Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency, the Bank or the Trustee allowed by law with respect to any default under this Agreement. Failure by the Agency, the Bank 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 Lessee 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 a strict compliance by the Lessee with all of the covenants and conditions hereof, or of the rights to exercise any such rights or remedies, if such default by the Lessee be continued or repeated, or of the right to recover possession of the Facility by reason thereof.

SECTION 7.5 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 Agency, the Bank and/or the Trustee and the Lessee or any delay or omission on the part of the Agency, the Bank 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 Lessee hereby waives the benefit and advantage of, and covenants not to assert against the Agency, the Bank or the Trustee, any valuation, inquisition, stay, appraisal, extension or redemption laws now existing or which may hereafter exist which, but for this provision, might be applicable to any sale or reletting made under the judgment, order or decree of any court or under the powers of sale and reletting conferred by this Agreement or otherwise.

SECTION 7.6 Effect on Discontinuance of Proceedings.

In case any proceeding taken by the Trustee under the Indenture or this Agreement or under any other Security Document on account of any Event of Default hereunder or under the Indenture 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 Agency, the Bank, 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 Trustee shall continue as in effect prior to the commencement of such proceedings.

SECTION 7.7 Agreement to Pay Attorneys' Fees and Expenses.

In the event the Lessee should default under any of the provisions of this Agreement and the Agency, the Bank or the Trustee should employ attorneys or incur other expenses for the collection of rentals or other amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the Agency, the Bank or the Trustee the reasonable fees and disbursements of such attorneys and such other reasonable expenses so incurred.

SECTION 7.8 Rights of Bank.

Notwithstanding anything to the contrary contained herein, and subject to the provisions and limitations of Section 7.10 of the Indenture, neither the Trustee nor the Agency shall (i) take any actions to accelerate the Bonds (except to the extent of a redemption of the Series 2002 Bonds pursuant to Section 2.04(f) of the Indenture), nor (ii) foreclose, release, take possession of or otherwise dispose of any collateral covered by the Security Documents, except with the prior written consent of the Bank; provided, however, the Agency's rights under Section 7.2(f) hereof shall not be subject to the consent of the Bank.

ARTICLE VIII

OPTIONS

SECTION 8.1 Options.

(a) The Lessee has the option to make advance rental payments for deposit in the Reimbursement Account of the Lease Payments Fund for application in connection with the redemption of Bonds or payment of amounts owed to the Bank under the Reimbursement Agreement (or, if the Letter of Credit is no longer in effect and amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund) to effect the retirement of the Bonds in whole or the redemption in whole or in part of the Bonds, all in accordance with the terms of the Indenture; provided, however, that no partial redemption of the Bonds may be effected through advance rental payments hereunder if there shall exist and be continuing an Event of Default hereunder other than Events of Default under Sections 7.1 (c) or (f) hereof. The Lessee shall exercise its option to make such advance rental payments by delivering a written notice of an Authorized Representative of the Lessee to the Trustee, the Agency and the Bank not less than forty-five days prior to the date on which the Bonds are to be redeemed, setting forth (i) the amount of the advance rental payment, (ii) the principal amount of Bonds Outstanding requested to be redeemed with such advance rental payment (which principal amount shall be in such minimum amount or integral multiple of such amount as shall be permitted in the Indenture), and (iii) the date on which such principal amount of Bonds are to be redeemed. Such advance rental payment shall be delivered to the Trustee not less than the forty-fifth day preceding the date set for redemption of the Bonds and shall be paid to the Trustee in legal tender on or before the redemption date and shall be an amount which, when added to the amount on deposit in the Reimbursement Account of the Lease Payments Fund for application in connection with the redemption of Bonds or payment of amounts owed to the Bank under the Reimbursement Agreement (or, if the Letter of Credit is no longer in effect and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account 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 Agency, the Bond Registrar, the Trustee and the Paying Agents in connection with such redemption. In the event the Bonds are to be redeemed in whole or otherwise retired, the Lessee shall further pay on or before such redemption date, in legal tender, to the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Remarketing Agent, the Bank and the Paying Agents, as the case may be, 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, the other Security Documents, the Remarketing Agreement, the Reimbursement Agreement and (ii) any amounts required to be paid to the Federal government pursuant to the Indenture or the Tax Compliance Agreement.

(b) The Lessee shall have the option to purchase the leasehold interest in the Facility commencing on that date upon which the Bonds may first optionally be redeemed in whole and on any date thereafter permitted therefor as provided in the Indenture.

(c) The Lessee shall also have the option to purchase the leasehold interest in the Facility on any date during the term of this Agreement within ninety (90) days of the occurrence of any of the following events:

(1) The Facility shall have been damaged or destroyed to such extent that as evidenced by a certificate of an Independent Engineer filed with the Agency, the Bank and the Trustee (A) the Facility cannot be reasonably restored within a period of one year from the date of such damage or destruction to the condition thereof immediately preceding such damage or destruction, (B) the Lessee is thereby prevented or likely to be prevented from carrying on its normal operation of the Facility for a period of twenty-four (24) months from the date of such damage or destruction, or (C) the restoration cost of the Facility would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction; or

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

(3) 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 Lessee, this Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein or unreasonable burdens or excessive liabilities are imposed upon the Lessee by reason of the operation of the Facility.

(d) The Lessee, in purchasing the leasehold interest in the Facility pursuant to Section 8.1(c) hereof, shall file with the Agency and the Trustee the certificate prescribed by Section 8.1(c)(1) or (2) hereof together with a resolution of the board of directors or executive committee of the Lessee (certified as true and correct by an Authorized Representative of the Lessee) to the effect that, as a result of the occurrence of the event giving rise to the exercise of such option to purchase, the Lessee has discontinued, or at the earliest practicable date will discontinue, the operation of the Facility for its intended purposes, and in the case of Section 8.1(b) or 8.1(c) hereof, the Lessee shall pay to the Trustee as the purchase price, in legal tender, advance rental payments, for deposit in the Reimbursement Account of the Lease Payments Fund for reimbursement of amounts owed to the Bank under the Reimbursement Agreement in connection with the redemption of Bonds or payment of other amounts owed to the Bank under the Reimbursement Agreement (or, if the Letter of Credit is no longer in effect and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund) (if payment in full of the principal of or the Redemption Price, if any, as the case may be, of, and interest on, all the Outstanding Bonds at maturity or upon earlier redemption has not yet been made) equal to the sum of the following:

(1) an amount which, when added to the amount on deposit in the Reimbursement Account of the Lease Payments Fund for reimbursement of amounts owed to the Bank under the Reimbursement Agreement in connection with the redemption of Bonds or payment of other amounts owed to the Bank under the Reimbursement Agreement (or, if the Letter of Credit is no longer in effect and all amounts owed to the Bank under the Reimbursement Agreement are paid in full, in the Redemption Account of the Bond Fund) and available therefor, will be sufficient to pay, retire and redeem the Outstanding Bonds in accordance with the provisions of the Indenture,

including, without limitation, the principal of or the Redemption Price (as the case may be) of, together with interest to maturity or redemption date (as the case may be) on, the Outstanding Bonds or to reimburse the Bank for amounts owed to the Bank under the Reimbursement Agreement in connection therewith;

(2) expenses of redemption, the fees and expenses of the Agency, the Trustee, the Bank, the Bond Registrar, the Remarketing Agent, the Tender Agent and the Paying Agents and all other amounts due and payable under this Agreement, the Reimbursement Agreement, the Remarketing Agreement and the Indenture;

(3) any amounts required to be paid to the Federal government pursuant to the Indenture or the Tax Compliance Agreement; and

(4) one dollar (U.S. \$1).

(e) Upon the payment in full of the principal of and interest on the Outstanding Bonds (whether at maturity or earlier redemption), the Lessee shall have the option to purchase the Facility and shall exercise such option by (1) delivering to the Agency and the Bank prior written notice of an Authorized Representative of the Lessee no more than thirty (30) days after the payment in full of the Bonds of the exercise of such option to purchase, which notice shall set forth a requested closing date for the purchase of the Facility which shall be not later than sixty (60) days after the payment in full of the Bonds, and (2) paying on such closing date a purchase price equal to the sum of one dollar (U.S. \$1), the fees and expenses of the Agency, the Trustee, the Bank, the Bond Registrar, the Remarketing Agent, the Tender Agent and the Paying Agents and any other amounts due and payable under this Agreement, the Reimbursement Agreement, the Remarketing Agreement or the Indenture, together with any amounts required to be paid to the United States government pursuant to the Indenture or the Tax Compliance Agreement. Upon the written request of the Lessee, the Agency may approve the extension or waiver of any of the time periods set forth in this paragraph.

(f) The Lessee shall not, at any time, assign or transfer its option to purchase the leasehold interest in the Facility as contained in this Section 8.1 separate and apart from a permitted assignment of this Agreement pursuant to Section 9.3 hereof without the prior written consent of the Bank, the Agency and the Trustee.

SECTION 8.2 Conveyance on Exercise of Option to Purchase.

At the closing of any purchase of the leasehold interest in the Facility pursuant to Section 8.1 hereof, the Agency will, upon receipt of payment of the purchase price, deliver or cause to be delivered (i) documents conveying to the Lessee all of the rights, title and interest of the Bank and the Trustee in and to the Facility Equipment and, by lease, assignment or termination, good and marketable leasehold title to the real property of the Facility Realty being purchased, as all such property then exists, and all rights, alleys, ways, waters, privileges, appurtenances and advantages to the same belonging or otherwise pertaining, subject to the following: (1) the nature, quality and extent to which title to said property shall have been vested in the Agency; (2) any Permitted Encumbrances to which title to said property was subject when conveyed to the Agency; (3) any liens, easements, security interests, claims, charges and encumbrances created at the request of the Lessee or to the creation or suffering of which the Lessee consented; (4) any liens, security interests, claims, charges and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement; (5) any liens for taxes or assessments not then delinquent; (6) the rights, if any, of any condemning authority; and (ii) documents releasing and conveying to the Lessee all of the Agency's rights and interests in and to any rights of action, or any insurance proceeds or condemnation award, with respect to the Facility. Concurrently with the delivery of such title documents, there shall be delivered by the Agency to the Trustee any

instructions or other instruments required by Section 10.01 of the Indenture to defease and pay the Bonds.

Upon conveyance of the Facility pursuant to this Section 8.2, this Agreement and all obligations of the Lessee hereunder shall be terminated except the obligations of the Lessee under Sections 4.3 (until such time as the Lessee shall again pay taxes as the record owner of the Facility Realty), 6.2 and 8.5 shall survive such termination.

SECTION 8.3 Option to Purchase or Invite Tenders of Bonds.

The Lessee 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 Lessee or by any Affiliate thereof shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase. The Agency shall at all times make available or cause to be made available to the Lessee its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known.

SECTION 8.4 Termination of Agreement.

After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with Section 10.01 of the Indenture and the return of the Letter of Credit, if any, then in effect to the Bank for cancellation, the Lessee may terminate this Agreement by paying the fees and expenses of the Agency, the Bank, the Credit Provider, if any, the Trustee, the Bond Registrar, the Tender Agent, the Remarketing Agent and the Paying Agents and all other amounts due and payable under this Agreement, the other Security Documents, the Remarketing Agreement and the Reimbursement Agreement together with any amounts required to be paid to the United States government pursuant to the Indenture or the Tax Compliance Agreement, and by giving the Agency notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to the survival of the obligations of the Lessee under Sections 3.1, 4.3 (until such time as the Lessee shall again pay taxes as the record owner of the Facility Realty), 6.2 and 8.5 hereof. Upon termination of this Agreement as set forth herein, the Agency shall execute and deliver to the Lessee a termination of lease in recordable form.

SECTION 8.5 Recapture of Agency Benefits.

It is understood and agreed by the parties to this Agreement that the Agency is issuing the Bonds to finance a portion of the Project Costs and is entering into this Agreement in order to accomplish the public purposes of the Act. In consideration therefor, the Lessee hereby agrees as follows:

In the event the Lessee exercises its option to pay in advance all rental payments becoming due hereunder (other than pursuant to Section 5.1 hereof in connection with a Loss Event) and shall thereafter sell all or substantially all of the Facility, or cause all or substantially all of the Facility to be sold within ten (10) years from the date of issuance of the Bonds (other than pursuant to Section 6.1 hereof), or the Lessee vacates all or substantially all of the Facility within ten (10) years from the date of issuance of the Bonds, the Lessee shall pay to the Agency as a return of public benefits conferred by the Agency, the following amounts:

1. one hundred percent (100%) of the Benefits if the Facility is sold or vacated within the first six (6) years after the issuance of the Bonds;

2. eighty percent (80%) of the Benefits if the Facility is sold or vacated during the seventh (7th) year after the issuance of the Bonds;

3. sixty percent (60%) of the Benefits if the Facility is sold or vacated during the eighth (8th) year after the issuance of the Bonds;

4. forty percent (40%) of the Benefits if the Facility is sold or vacated during the ninth (9th) year after the issuance of the Bonds; or

5. twenty percent (20%) of the Benefits if the Facility is sold or vacated during the tenth (10th) year after the issuance of the Bonds.

The term "Benefits" shall mean, collectively, all miscellaneous benefits derived from the Agency's participation in the financing of the costs of the Project as a result of any exemption from filing and recording fees.

The Lessee covenants and agrees to furnish the Agency with written notification upon any sale of all or substantially all of the Facility or any portion thereof or upon the vacating of the Facility by the Lessee within ten (10) years of the issuance of the Bonds. The provisions of this Section 8.5 shall survive the termination of this Agreement for any reason whatsoever, notwithstanding any provision of this Agreement to the contrary.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Indenture; Amendment.

The Lessee shall have and may exercise all the rights, powers and authority stated to be in the Lessee in the Indenture and in the Bonds, and the Indenture and the Bonds shall not be modified, altered or amended in any manner which adversely affects such rights, powers and authority so stated to be in the Lessee or otherwise adversely affects the Lessee without the written consent of the Lessee.

SECTION 9.2 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 and, as long as the Letter of Credit is in effect except that the Project must be completed within three (3) years of the date hereof, 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 the obligations of the Lessee to make the rental payments or other payments required under the terms hereof, or to comply with Sections 4.5 or 6.2 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, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of a public enemy, orders of any kind of the Government of the United States of America or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of

the party claiming such inability. It is understood and agreed that the settlement of existing or impending strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party having the difficulty and that the above requirements that any force majeure shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be fulfilled even though such existing or impending strikes, lockouts and other industrial disturbances may not be settled but could have been settled by acceding to the demands of the opposing person or persons.

SECTION 9.3 Assignment or Sublease.

The Lessee may not at any time assign or transfer this Agreement, or sublet the whole or any part of the Facility without the prior written consent of the Agency, the Trustee and the Bank (or, if all amounts owed to the Bank under the Reimbursement Agreement have been paid in full and the Letter of Credit shall no longer be in effect as permitted hereunder and under the Indenture, the Agency) (which consent shall not be unreasonably withheld); provided, that (1) the Lessee shall nevertheless remain liable to the Agency for the payment of all rent and for the full performance of all of the terms, covenants and conditions of this Agreement and of any other Security Document to which it shall be a party, (2) any assignee or transferee of the Lessee or sublessee in whole of the Facility shall have assumed in writing and have agreed to keep and perform all of the terms of this Agreement on the part of the Lessee to be kept and performed, shall be jointly and severally liable with the Lessee 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, (3) in the Opinion of Counsel, such assignment, transfer or sublease shall not legally impair in any respect the obligations of the Lessee for the payment of all rents nor for the full performance of all of the terms, covenants and conditions of this Agreement or of any other Security Document to which the Lessee shall be a party, nor impair or limit in any respect the obligations of any obligor under any other Security Document, nor cause the interest on the Bonds to become includable in gross income for purposes of Federal income taxes, (4) any assignee, transferee or sublessee shall be a Tax-Exempt Organization and shall utilize the Facility as a qualified "project" within the meaning of the Act, (5) such assignment, transfer or sublease shall not violate any provision of this Agreement, the Indenture, any other Security Document, the Letter of Credit, the Reimbursement Agreement and Collateral Documents, (6) with respect to any subletting in part, the term of each such sublease does not exceed five (5) years and at any given date, no more than an aggregate of twenty percent (20%) of such space would be sub-leased by the Lessee; provided, however, that any subletting in part does not effect the tax exempt status of the Series 2002 Bonds for purposes of Federal income taxes, (7) such assignment, transfer or sublease shall in no way diminish or impair the Lessee's obligation to carry the insurance required under Section 4.5 of this Agreement and the Lessee shall furnish written evidence satisfactory to the Agency, the Trustee and the Bank (or, if all amounts owed to the Bank under the Reimbursement Agreement have been paid in full and the Letter of Credit shall no longer be in effect as permitted hereunder and under the Indenture, the Agency and the Trustee) that such insurance coverage shall in no manner be limited by reason of such assignment, transfer or sublease, and (8) each such assignment, transfer or sublease contains such other provisions as the Agency, the Trustee and the Bank (or, if amounts owed to the Bank under the Reimbursement Agreement have been paid in full and the Letter of Credit shall no longer be in effect as permitted hereunder and under the Indenture, the Agency or the Trustee) may reasonably require. The Lessee shall furnish or cause to be furnished to the Agency, the Bank and the Trustee a copy of any such assignment, transfer or sublease in substantially final form at least thirty (30) days prior to the date of execution thereof.

Any consent by the Agency, the Bank or the Trustee to any act of assignment, transfer or sublease 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 Lessee, or the successors or assigns of the Lessee, to obtain from the Agency, the Bank and the Trustee consent to any other or subsequent

assignment, transfer or sublease, or as modifying or limiting the rights of the Agency, the Bank or the Trustee under the foregoing covenant by the Lessee.

If the Facility or any part thereof shall be sublet or occupied by any Person other than the Lessee, the Agency, in the event of the Lessee's default in the payment of rent may, and is hereby empowered to, collect rent from the undertenant or occupant during the continuance of any such default. In either of such events, the Agency may apply the net amount received by it to the rent herein provided, and no such collection shall be deemed a waiver of the covenant herein against assignment, transfer or sublease of this Agreement, or constitute the acceptance of the under-tenant or occupant as tenant, or a release of the Lessee from the further performance of the covenants herein contained on the part of the Lessee.

The Lessee covenants and agrees not to amend, modify, terminate or assign, or to suffer any amendment, modification, termination or assignment of, any sublease without the prior written consent of the Agency and the Bank.

The Lessee shall file with the Agency by January 1 of each year commencing January 1, 2003, a certificate of an Authorized Representative of the Lessee with respect to all tenancies in effect at the Facility Realty, in the form of the Subtenant Survey attached hereof as Schedule B.

SECTION 9.4 Priority of Indenture.

Pursuant to the Indenture, the Agency will pledge and assign the rentals and certain other moneys receivable under this Agreement to the Trustee, for the benefit of the Bondholders and the Bank, as security for payment of the principal or Redemption Price, if applicable, of and interest on the Bonds and amounts owed or owing to the Bank under the Reimbursement Agreement and this Agreement shall be subject and subordinate to the Indenture and such security interest, pledge and assignment thereunder.

SECTION 9.5 Benefit of and Enforcement by Trustee and Bank.

The Agency and the Lessee agree that this Agreement is executed in part to induce the purchase by others of the Bonds, for the further securing of the Bonds and to induce the Bank to issue the Letter of Credit, and accordingly all covenants and agreements on the part of the Agency and the Lessee 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 the Bank and may be enforced as provided in Article VIII of the Indenture by the Trustee on behalf of the Bondholders or by the Bank to the extent provided herein or in Article VIII of the Indenture.

SECTION 9.6 Amendments.

This Agreement may be amended only with the concurring written consent of the Trustee and the Bank given in accordance with the provisions of the Indenture and only if the Lessee shall assume in writing the obligations of such amended Agreement.

SECTION 9.7 Notices.

All notices, certificates or other communications hereunder shall be sufficient if sent by registered or certified United States mail, postage prepaid, addressed, if to the Agency, to the Chairperson, New York City Industrial Development Agency, 110 William Street, New York, New York with a copy to the Executive Director of the Agency at the same address; if to the Lessee, to the Head of School, The Convent of the Sacred Heart School of New York, One East 91st Street, New

York, New York 10128, Attention: Director of Finance; if to the Trustee, to Wachovia Bank, National Association, 12 East 49th Street, 37th Floor, New York, New York 10017 Attention: Corporate Trust Group – NY 4040, Raymond Delli Colli, Assistant Vice President and if to the Bank, to Allied Irish Banks, p.l.c., 405 Park Avenue, New York, New York 10022, Attention: David Keating, Vice President, with a copy to Windels Marx Lane & Mittendorf, LLP, 156 West 56th Street, New York, New York 10019, Attention: Michael M. Moriarty, Esq. The Agency, the Lessee, the Trustee and the Bank 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 as of the date it shall have been mailed.

SECTION 9.8 Prior Agreements Superseded.

This Agreement shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Agency and the Lessee relating to the Facility.

SECTION 9.9 Severability.

If any clause, provision or section of this Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

SECTION 9.10 Inspection of Facility.

The Lessee will permit the Trustee or the Bank or their respective duly authorized agents, at all reasonable times during regular business hours and upon reasonable notice to enter upon the Facility Realty 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 Lessee will further permit the Agency, or its duly authorized agent, at all reasonable times to enter upon the Facility but solely for the purpose of assuring that the Lessee is operating the Facility, or is causing the Facility to be operated, as a qualified “project” under the Act consistent with the purposes set forth in the recitals to this Agreement and with the public purposes of the Agency, and not for any purpose of assuring the proper maintenance or repair of the Facility as such latter obligation is and shall remain solely the obligation of the Lessee.

SECTION 9.11 Effective Date; Counterparts.

This Agreement shall become effective upon its delivery. 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 9.12 Binding Effect.

This Agreement shall inure to the benefit of, and shall be binding upon, the Agency, the Lessee and their respective successors and assigns.

SECTION 9.13 Net Lease.

It is the intention of the parties hereto that this Agreement be a “net lease” and that all of the rent be available for debt service on the Bonds, and this Agreement shall be construed to effect such intent.

SECTION 9.14 Law Governing.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD OR REFERENCE TO ITS CONFLICTS OF LAWS PRINCIPLES.

SECTION 9.15 Investment of Funds.

Any moneys held as part of the Rebate Fund, the Lease Payments Fund, the Earnings Fund, the Project Fund, the Bond 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 Lessee, be invested and reinvested by the Trustee as provided in the Indenture (but subject to the provisions of the Tax Compliance Agreement). Neither the Trustee (except for its own gross negligence or willful misconduct) nor the Agency 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, fee, tax or other charges arising therefrom.

Interest and profit derived from such investments shall be credited and applied as provided in the Indenture, and any loss resulting from such investments shall be similarly charged.

SECTION 9.16 Waiver of Trial by Jury.

The parties hereby expressly waive all rights to trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of this Agreement or the Facility or any matters whatsoever arising out of or in any way connected with this Agreement.

The provision of this Agreement relating to waiver of a jury trial and the right of reentry or repossession shall survive the termination or expiration of this Agreement.

SECTION 9.17 Reserved.

SECTION 9.18 No Recourse under this Agreement or on Bonds.

All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of, redemption premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Bonds.

All covenants, stipulations, promises, agreements and obligations of the Lessee contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Lessee, and not of any director, officer, employee or agent of the Lessee in his individual capacity, and no recourse shall be had for the payment of the principal of, redemption premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any director, officer, employee or agent of the Lessee.

SECTION 9.19 Rights of Bank.

As between the Bank hereunder and the Lessee, any rights or benefits granted to the Bank are in addition to those contained in any agreements (including the Reimbursement Agreement and the

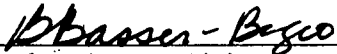
Collateral Documents) executed by the Lessee with or in favor of the Bank, and in the event of a conflict between this Agreement and such other agreements, such other agreements shall control with respect to the rights and obligations between the Bank and the Lessee, but shall in no way diminish the rights of the Agency and the Trustee set forth in this Agreement. In addition, any obligations of the Lessee hereunder shall be in addition to those contained in any agreement between the Lessee and the Bank. Notwithstanding any other provision herein to the contrary, the rights of the Bank hereunder shall be subject to Section 7.10 of the Indenture.

SECTION 9.20 Date of Agreement for Reference Only.

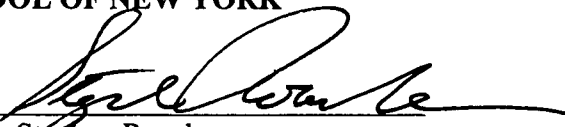
The date of this agreement shall be for reference purposes only and shall not be construed to imply that this Agreement was executed on the date first above written. This Agreement was executed and delivered on November 20, 2002.

IN WITNESS WHEREOF, the Agency has caused its corporate name to be hereunto subscribed to this Lease Agreement by its duly authorized Chairman, Vice Chairman, Executive Director or Deputy Executive Director and the Lessee has caused its corporate name to be subscribed hereto by its duly authorized officer pursuant to a resolution duly adopted by its Board of Directors, all being done as of the year and day first above written.

**NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY**

By: 
Barbara Basser-Bigio
Executive Director


**THE CONVENT OF THE SACRED HEART
SCHOOL OF NEW YORK**

By: 
Stephen Roache
Director of Finance and Human Resources

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

s.s.:

On the 19th day of November in the year two thousand and two, before me, the undersigned, personally appeared Barbara Basser-Bigio, 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 behalf of which the individual acted, executed the instrument.



Notary Public

SHERYL A. JOHNSON
Notary Public State of New York
No. 01JO6039167
Qualified in New York County
Commission Expires March 27, 2006

STATE OF NEW YORK)
)
COUNTY OF NEW YORK) s.s.:

On the 19th day of November in the year two thousand and two before me, the undersigned, personally appeared Stephen Roache, 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.

Marlene K. Siegel

Notary Public

MARLENE K. SIEGEL
NOTARY PUBLIC, State of New York
Registration #: 01SI4972886
Qualified in Monroe County
Certificate Filed in Monroe County
Commission Expires 10/9/20 *06*

DESCRIPTION OF THE PROJECT

The following portions of the Facility, which is an existing five story building (plus basement) at 1 East 91st Street and an existing five story building (plus basement) at 7 East 91st Street, with a new five story infill building and stair tower to connect the two existing buildings (and includes the hallways, stairs, common areas, structural portions and facade of such buildings) to the extent financed from the proceeds of the Series 2002 Bonds, constitute the Project:

1 East 91st Street

- Basement – Kitchen and dining area
- First Floor – one classroom, three bathrooms, a mini-kitchen and nine offices
- Second Floor – theater/assembly hall
- Third Floor – three classrooms, a college guidance office and meeting spaces for academic departments
- Fourth Floor – library and media center for lower and middle school, seven staff offices and three classrooms
- Fifth Floor – fine arts and performing arts complex, photo studio, dark room, three art studios, a ceramics room, a music studio, two practice rooms and staff offices
- Roof – play deck

7 East 91st Street

- Basement – Five science laboratories, a bathroom, a chemical preparation room and science faculty space

DESCRIPTION OF FACILITY REALTY

Parcel I-As to Tax Lot 1

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, City, County and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the easterly side of 5th Avenue with the northerly side of East 91st Street;

RUNNING THENCE northerly along the easterly side of 5th Avenue, 100 feet 8 ½ inches to the centre line of the block between East 91st and East 92nd Streets;

THENCE easterly along said centre line of the block parallel with East 91st Street, 145 feet;

THENCE southerly parallel with 5th Avenue, 100 feet 8 ½ inches to the northerly side of East 91st Street; and

THENCE westerly along the northerly side of East 91st Street, 145 feet to the point or place of **BEGINNING**.

Parcel II-As to Tax Lot 7

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, City, County and State of New York, bounded and described as follows:

BEGINNING at a point on the northerly side of East 91st Street, distant 145 feet easterly from the corner formed by the intersection of the easterly side of 5th Avenue with the northerly side of East 91st Street;

RUNNING THENCE Northerly parallel with the easterly side of 5th Avenue, 100 feet 8 ½ inches to the centre line of the block between East 91st Street and East 92nd Street;

THENCE Easterly along the said centre line of the block, 69 feet 8 2/3 inches;

THENCE Southerly parallel with 5th Avenue, 100 feet 8 ½ inches to the northerly side of East 91st Street; and

THENCE Westerly along the northerly side of East 91st Street, 69 feet 8 - 2/3 inches to the point or place of **BEGINNING**.

Excepting so much as was conveyed by deeds to Society of the Sacred Heart, United States Province, Inc., dated 6/26/85 and recorded on 6/28/85 in Reel 929 Page 885 (Air space) and to The Union of Soviet Socialist Republics, dated 8/1/75 and recorded on 8/7/75 in Reel 348 Page 261 (fee) as described as follows.

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, City, County and State of New York, bounded and described as follows:

BEGINNING at a point on the northerly side of East 91st Street, distant 202 feet 2 inches easterly from the corner formed by the intersection of the northerly side of East 91st Street and the easterly side of 5th Avenue;

RUNNING THENCE Northerly at right angles to the northerly side of East 91st Street, 35 feet 5 - 3/4 inches;

THENCE Westerly and parallel with the northerly side of East 91st Street, 8 inches;

THENCE Northerly and parallel with the easterly side of 5th Avenue, 65 feet 2 - 3/4 inches to the center line of the block between East 91st Street and East 92nd Street;

THENCE Easterly along the center line of the block, 13 feet 2 - 2/3 inches;

THENCE Southerly and parallel with the easterly side of 5th Avenue, 100 feet 8 - 1/2 inches to the northerly side of East 91st Street;

THENCE Westerly along northerly side of East 91st Street, 12 feet 6-2/3 inches to the point or place of **BEGINNING**.

PERIMETER DESCRIPTION

ALL that certain plot, piece or parcel of land, situate lying and being in the Borough of Manhattan, City, County and State of New York, bounded and described as follows:

BEGINNING at a corner formed by the intersection of the Easterly side of Fifth Avenue with the Northerly side of East 91st Street;

RUNNING THENCE Northerly along the Easterly side of Fifth Avenue; 100 feet 8 1/2 inches to the centre line of the block between East 91st Street and East 92nd Street;

THENCE Easterly along said centre line of the block parallel with East 91st Street, 201 feet 6 inches;

THENCE Southerly parallel with Fifth Avenue, a distance of 65 feet 2 3/4 inches;

THENCE Easterly parallel with East 91st Street, a distance of 0 feet 8 inches;

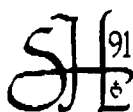
THENCE Southerly parallel with Fifth Avenue, a distance of 35 feet 5 3/4 inches to the Northerly side of East 91st Street;

THENCE Westerly along the Northerly side of East 91st Street, a distance of 202 feet 2 inches to the point or place of **BEGINNING**.

TOGETHER with all the right, title and interest of the party of the first part, of in and to the land lying in the street in front of and adjoining said premises.

DESCRIPTION OF THE FACILITY EQUIPMENT

[List equipment to be purchased with bond proceeds]



November 18, 2002

Furniture, Fixtures and Equipment for Summer 2002

Chemistry Lab:

Installation of new fume hood with code required ducting
Cabinetry
White board
Electrical and data raceway
Stainless Plumbing fixtures
Ceiling lighting

Prep Room:

Installation of new fume hood with code required ducting
Cabinetry
Dishwasher
Resin counter tops

Physics / Robotics Lab

Custom Cabinetry
Ceiling lighting
White Board
Teacher Desk
Student seating and chairs for 22
Mitsubishi air conditioning unit

Middle School Science Lab:

Cabinetry throughout with under counter lighting
Ceiling lighting
White Board
Teacher Desk
Student seating and chairs for 24
Mitsubishi air conditioning unit
Resin counter top with gas and plumbing fixtures.

Basement Computer Lab

Complete installation of modular furniture for student instruction, seating and use for 24 students and faculty.

Mitsubishi air conditioning unit

23 Emac computer purchases

Server, racks and data closet installation

Smart Board

Projector, hardware and wiring support

SCHEDULE A



New York City
Industrial Development Agency

Annual Employment Report
For the year ending June 30, ____

In order to comply with Local and State employment reporting requirements, the New York City Industrial Development Agency must require all of its project companies to complete and return the Report to the Agency no later than July 10, ____.

Company: _____
Address: _____
Telephone # _____
Tax ID # _____

Please provide information as of June 30th of jobs at the Project Location(s). Do not include any subcontractors and consultants. Include only employees and owners/principals on your payroll at the Project Location.

Number of existing FULL TIME JOBS _____
Number of existing PART TIME JOBS _____

Certification: I, the undersigned, hereby certify to the best of my knowledge and belief, that all information contained in this report is true and complete, and that I understand it is submitted pursuant to agreement. The Company hereby authorizes any private or governmental entity, including but not limited to The New York State Department of Labor ("DOL"), to release to the New York City Industrial Development Agency (the "Agency") and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under DOL's control which is pertinent to the Company and the Company's employees. In addition, upon the Agency's request, the Company shall provide to the Agency any employment information in the Company's possession which is pertinent to the Company and the Company's employees. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Company itself, 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 Agency, and/or EDC, and/or the successors and assigns of either, and/or The City of New York, 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 New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect through the term of this transaction.

Name of Company _____

Principal/Owner/Chief Financial Officer _____ (please print)

Signature _____

Date _____

*If you have any questions, please call the IDA Compliance Helpline at (212) 312-3963.
Please fax or mail the completed form to: (212) 312-3918.*

*New York City Industrial Development Agency
110 William Street, New York, NY 10038
Attention: Compliance Unit*

- 110 William Street, New York, NY 10038 212.619.5000

ida

New York City
Industrial
Development
Agency

Schedule B

IDA SUBTENANT SURVEY

DUE DATE: January 2, ____

Company: _____

Address: _____

In order to verify compliance your IDA Transaction Documents, please complete the information requested below for each and every subtenant occupying space in your facility as of January 1, ____.

TOTAL BUILDING SQUARE FOOTAGE OF _____ SQ. FT.				Related Company (Yes or No)
Subtenant	Square Footage	Beginning Date	End Date	

I, the undersigned hereby certify to the best of my knowledge and belief, that the information reported above is true and complete. I understand that this information is submitted pursuant to the requirements of the IDA Transaction Documents.

Name: _____ Title: _____
 Signature: _____ Date: _____
 Phone Number: _____

• 110 WILLIAM STREET, NEW YORK, NY 10038- 212.619.5000

SCHEDULE C

PROJECT COMPLETION CERTIFICATE OF LESSEE AS REQUIRED BY SECTION 2.2(b) OF THE LEASE AGREEMENT

The undersigned, an Authorized Representative (as defined in the Lease Agreement referred to below) of **THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK**, a New York not-for-profit education corporation (the "Lessee"), HEREBY CERTIFIES that this Certificate is being delivered in accordance with the provisions of Section 2.2(b) of that certain Lease Agreement, dated as of November 1, 2002 (the "Lease Agreement"), between the New York City Industrial Development Agency (the "Agency") and the Lessee, and FURTHER CERTIFIES THAT (capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the Lease Agreement):

- (i) the Project has been completed substantially in accordance with the plans and specifications therefor and the date of completion of the Project was _____;
- (ii) except for any Project costs not due and payable or the liability for payment of which is being contested or disputed by the Lessee in good faith, all labor, services, machinery, equipment, materials and supplies used therefor have been paid for or arrangement for payment, as described below, has been made [insert details of payment arrangement if possible];
- (iii) all other facilities necessary in connection with the Project have been completed and all costs and expenses incurred in connection therewith have been paid;
- (iv) the Agency has good and valid marketable fee simple title to the Facility, and all property constituting the Facility is subject to the Lease Agreement, subject only to Permitted Encumbrances;
- (v) in accordance with all applicable laws, regulations, ordinances and guidelines, the Facility is ready for occupancy, use and operation for its intended purposes;
- (vi) \$_____ represents the amount required for the payment of remaining Project costs;
- (vii) this Certificate is given with prejudice to any rights of the Lessee against third parties existing on the date hereof or which may subsequently come into being and no Person other than the Agency may benefit from this Certificate; and
- (viii) attached hereto are (a) releases of mechanics' liens by the general contractor and by all contractors and materialmen who supplied work, labor, services, machinery, equipment, materials or supplies in connection with the Project, (b) a permanent certificate of occupancy, (c) any and all permissions, approvals, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by the Lease Agreement, and (d) evidence that all real property taxes and assessments, and payments in lieu of taxes, if any, due and payable under Section 4.3 the Lease Agreement in respect of the Facility have been paid in full.

IN WITNESS WHEREOF, the undersigned has hereunto set its hand this _____ day of _____, _____.

**THE CONVENT OF THE SACRED HEART
SCHOOL OF NEW YORK**

By: _____
Name:
Title:

SCHEDULE D

**Annual Scholarship Certificate
for The Convent of the Sacred Heart School of New York
Academic Year 20__ --20__**

**I. PROVIDE THE FOLLOWING DATA SCHOLARSHIP FOR THE PAST
ACADEMIC YEAR:**

1. The total student enrollment is: _____
2. The number of students who are residents of New York City is: _____ ; New York City students represent what per cent of the total enrollment? _____
3. The number of students receiving scholarship is:
4. The number of students, who are residents of New York City, that are receiving scholarships (the "Group") is: _____; the Group represents what percent of total enrollment? _____; how many students in the Group are receiving scholarship covering at least 50% of their tuition? _____; these "50%" students represent what percent of the Group? _____
5. The number of students who are residents of New York City and receiving scholarships representing at least 75% of their tuition is: _____; these particular "75%" students represent what percent of total enrollment? _____
6. Provide in an attachment to this certificate, the following information for each scholarship provided:
 - The amount of the scholarship;
 - Whether the student receiving the scholarship is a resident of New York City;
 - The tuition against which the scholarship is being applied;
 - The scholarship amount as a percent of the tuition.

II. Sharing facilities with one or more public schools during the past academic year:

On a separate attachment, briefly describe how the School has shared its facilities with one or more public schools in New York City. Please identify the recipient public schools and describe the facilities shared and the manner in which it was shared.

III. Community service during the past academic year:

1. Is the School providing community service under a written community service program; or is the School providing community service through the efforts of a full-time, paid staff member (if the latter, provide the staff member's name)?

2. On a separate attachment, briefly describe the community services provided by the School and to whom; in addition to this general description, also include the following information:

- How did trustees, administration, faculty, students and the parents of students participate in providing the community services?
- Were there any quantifiable objectives applied in providing the community services? If so, to what extent were they achieved?

ARTICLE XIV. REGISTRATION

Through out the past academic year, has the school been registered with the Education Department of the State of New York as an eligible education institution? _____

I hereby certify that the answers to the foregoing questions, including the information provided on separate attachments annexed hereto in response to such questions, are accurate and correct.

**THE CONVENT OF THE SACRED HEART
SCHOOL OF NEW YORK**

By: _____

Name: _____

Title: _____

Sworn before me

this _____ day of _____, 20 _____

Notary Public