

\$30,000,000

**NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT), SERIES B**

Original Issuance Date: November 21, 2002

Due: June 1, as shown on inside cover

The New York City Industrial Development Agency Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series B (the "Series B Bonds") were issued by the New York City Industrial Development Agency (the "Agency") as variable interest rate obligations and are subject to mandatory tender and remarketing on November 13, 2008 (the "Reoffering Date") due to the substitution of the existing credit facility.

The Series B Bonds were issued under an Indenture of Trust, dated as of October 1, 2002 (the "Indenture"), between the Agency and the predecessor to The Bank of New York Mellon, New York, New York, as trustee (the "Trustee"). The Series B Bonds were issued simultaneously and on parity with the Agency's \$40,100,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series A (the "Series A Bonds") and \$24,000,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series C (the "Series C Bonds" and together with the Series B and the Series A Bonds, the "2002 Bonds"). The 2002 Bonds are special limited obligations of the Agency payable by the Agency solely from the lease rental payments to be made by Lycée Français de New York, a New York not-for-profit education corporation (the "Lessee" or the "School") with respect to the Facility and the amounts on deposit in certain Funds and Accounts established therefor under the Indenture. The 2002 Bonds are secured by a pledge by the Lessee of its Pledged Revenues (as defined herein) and a contingent pledge of the Lessee's Unrestricted Investments Fund (as defined herein). In addition, the Lessee and the Agency granted a mortgage lien on and a security interest in their respective interests in the Facility to additionally secure the payment of the 2002 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2002 BONDS" herein. The ability of the owners of the 2002 Bonds to exercise certain rights and remedies are subject to the terms of the Intercreditor Agreement (as defined herein). See "THE INTERCREDITOR AGREEMENT" herein.

The Series B Bonds have been issued as fully registered bonds in book-entry-only form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC acts as securities depository for the Series B Bonds. The Series B Bonds in Variable Rate Modes are sold in a minimum denomination of \$100,000 and integral multiples of \$5,000 in excess thereof. Purchases of beneficial ownership interests in the Series B Bonds may be made only through the DTC book-entry system and Beneficial Owners of the Series B Bonds will not receive certificates representing their respective interests in the Series B Bonds. So long as Cede & Co. is the registered owner of the Series B Bonds, (i) references herein to registered owners or Holders shall mean Cede & Co., and not the beneficial owners of the Series B Bonds, and (ii) the principal of and interest on the Series B Bonds are payable by the Trustee to Cede & Co. which will in turn remit such principal and interest to its direct participants for subsequent disbursement to the beneficial owners. See "THE SERIES B BONDS - Book-Entry-Only System" herein.

The principal of, Sinking Fund Installments for, purchase price of, and up to 52 days of interest (calculated at the rate of 10% per annum) on the Series B Bonds are payable from the funds drawn under an irrevocable, direct-pay letter of credit (the "Series B Letter of Credit") issued by

TD BANK, N.A.

until its stated expiration date of November 20, 2013, unless extended or terminated earlier in accordance therewith as described herein.

The Series B Bonds are being reoffered as variable rate obligations, initially in the Weekly Mode, and will bear interest at the Weekly Rate determined by the Remarketing Agent (as defined herein), payable on each Interest Payment Date, and are subject to a maximum rate, all as described herein. So long as the Series B Bonds bear interest at the Daily Rate or the Weekly Rate, the term "Interest Payment Date" means the first Business Day of each month commencing December 1, 2008. The Series B Bonds are subject to alternate methods of determining interest rates from time to time and to conversion to a fixed rate of interest to maturity.

During the period that the Series B Bonds bear interest at the Daily Rate or the Weekly Rate, any Series B Bond shall be purchased upon demand by the owner thereof, at a purchase price equal to 100% of the principal amount of such Series B Bond plus accrued interest, upon notice and delivery of such Series B Bond to The Bank of New York Mellon, the Tender Agent, as described herein. The Series B Bonds are subject to mandatory tender for purchase upon a change in the method of determining the interest rate on such Series B Bonds except for changes between the Daily Mode and the Weekly Mode. As described herein, the Series B Bonds will also be subject to mandatory tender for purchase under certain additional circumstances.

This Reoffering Circular generally describes the Series B Bonds only while they bear interest at a Daily Rate or Weekly Rate. This Reoffering Circular is not intended to describe the Series B Bonds during a Flexible Rate Period, a Term Rate Period or a Fixed Rate Period.

NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, REDEMPTION PRICE, IF APPLICABLE, PURCHASE PRICE, SINKING FUND INSTALLMENTS FOR OR INTEREST ON THE SERIES B BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW YORK OR OF THE CITY OF NEW YORK IS PLEDGED TO SUCH PAYMENT. THE SERIES B BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR. THE AGENCY HAS NO TAXING POWER.

The Series B Bonds are subject to optional, extraordinary and mandatory redemption prior to their maturity as described herein.

In connection with the re-offering of the Series B Bonds, certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Agency. Certain legal matters will be passed upon for the Lessee by Dennett Law Offices, P.C., Great Neck, New York, for the Bank by Harris Beach PLLC, Albany, New York and for the Remarketing Agent by Harris Beach PLLC, Albany, New York. The Lessee expects to complete the re-offering of the Series B Bonds in New York, New York on November 13, 2008.

**COMMERCE CAPITAL MARKETS
Remarketing Agent**

November 13, 2008

MATURITY SCHEDULE

SERIES B BONDS

\$30,000,000 Series B Term Bond Due June 1, 2032, Price: 100%

No dealer, broker, salesperson or other person has been authorized by the Agency, the School, TD Bank, N.A. (the "Bank") or the Remarketing Agent to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Reoffering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series B Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein, other than that set forth under the captions "THE AGENCY" and "NO LITIGATION – The Agency" has been furnished by the School, DTC, the Bank and other sources that are believed to be reliable and not by the Agency. The Agency has provided the information set forth under the captions "THE AGENCY" and "NO LITIGATION - The Agency," and makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth anywhere else in the Reoffering Circular. The Bank has provided the information contained under the caption "THE LETTER OF CREDIT – The Bank" and will issue the Series B Letter of Credit in the form set forth in Appendix F hereto, and makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth anywhere else in this Reoffering Circular.

The information set forth herein is subject to change after the date of this Reoffering Circular and no sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions stated herein or in the affairs of the Agency, the School, DTC or the Bank since the date of this Reoffering Circular.

The Remarketing Agent has provided the following sentence for inclusion in this Reoffering Circular: The Remarketing Agent has reviewed the information in this Reoffering Circular in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

The Series B Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Series B Bonds have not been registered or qualified under the securities laws of any state in reliance upon the state securities law preemption provisions under the Securities Act of 1933, as amended.

Certain statements included or incorporated by reference in this Reoffering Circular constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The School does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur.

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REOFFERING CIRCULAR
relating to
\$30,000,000
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT), SERIES B

INTRODUCTION

This Reoffering Circular, including the cover page and the appendices thereto, is provided by the School referred to below to furnish information regarding the re-offering of the New York City Industrial Development Agency (the “Agency”) \$30,000,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series B (the “Series B Bonds”) in connection with the delivery of a Substitute Series B Letter of Credit. The Agency is organized as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York organized pursuant to the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law of the State of New York, Chapter 24 of the Consolidated Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the “Act”). Capitalized terms used in this Reoffering Circular and not otherwise defined in the body of this Reoffering Circular herein shall have the meanings given to such terms in Appendix B attached hereto (see DEFINITIONS OF CERTAIN TERMS in Appendix B).

The Series B Bonds were issued simultaneously with and on parity under the Indenture referred to below with the Agency's \$40,100,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series A (the “Series A Bonds”) and \$24,000,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series C (the “Series C Bonds”) (the Series A Bonds, the Series B Bonds and the Series C Bonds being collectively referred to as the “2002 Bonds”). The 2002 Bonds were issued pursuant to the provisions of the Act, a resolution of the Agency adopted on February 12, 2002 authorizing the issuance of the 2002 Bonds, and an Indenture of Trust, dated as of October 1, 2002 (the “Indenture”), by and between the Agency and the predecessor to The Bank of New York Mellon, New York, New York, as trustee (the “Trustee”). The Trustee also serves as the Bond Registrar and the Paying Agent under the Indenture and the Series C Representative under the Intercreditor Agreement (defined below).

The net proceeds derived from the sale of the 2002 Bonds, together with other available funds of Lycée Français de New York, a not-for-profit education corporation organized and existing under the laws of the State of New York (the “School” or the “Lessee”), were used to finance the cost of acquiring, constructing, furnishing and equipping a civic facility used by the Lessee as a school for pre-kindergarten through twelfth grade in The City of New York (the “Facility”) and related financing costs (collectively, the “Project”).

The Facility is owned by the Lessee and has been leased by the Lessee to the Agency pursuant to a Company Lease Agreement, dated as of October 1, 2002, by and between the Lessee and the Agency (the “Company Lease”). Pursuant to a Lease Agreement, dated as of October 1, 2002, by and between the Agency and the Lessee (the “Lease Agreement”), the Agency subleased the Facility to the Lessee. The Lessee is obligated under the Lease Agreement to make quarterly lease rental payments in advance to the Trustee which, in the aggregate, are sufficient to pay the principal of, Sinking Fund Installments for, Redemption Price, if applicable, and interest on, the 2002 Bonds as the same shall become due. See “SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING DOCUMENTS – Summary of Certain Provisions of the Lease Agreement” in Appendix C.

The 2002 Bonds are secured by a pledge and assignment by the Agency pursuant to the Indenture of substantially all of its right, title and interest in and to the Lease Agreement (including the lease rental payments under the Lease Agreement), but reserving to the Agency certain rights special to the Agency which rights may be enforced by the Agency or the Trustee (the “Agency’s Reserved Rights” and as further defined in “APPENDIX B – DEFINITIONS OF CERTAIN TERMS”). Further, the due and punctual payment of the principal of, Sinking Fund Installments for, Redemption Price, if applicable, purchase price, if applicable, and interest on the 2002 Bonds has been guaranteed by the Lessee pursuant to a Guaranty Agreement, dated as of October 1, 2002 (the “Guaranty Agreement”). In order to further secure the payment of the 2002 Bonds, the Lessee and the Agency each granted a mortgage lien on and security interest in their respective fee and leasehold interests in the Facility to the Trustee pursuant to three Agency Mortgage and Security Agreements, each dated as of October 1, 2002, from the Lessee and the Agency to the Trustee (collectively, the “Agency Mortgages”). In addition, to secure the payment of certain fees and other amounts owed to the Credit Enhancers (as defined below, and only for the Series A Bonds and the Series B Bonds), the Lessee and the Agency each granted a subordinate mortgage lien on and security interest in their respective fee and leasehold interests in the Facility to such Credit Enhancers pursuant to two subordinate mortgages, each dated as of October 1, 2002 (collectively, the “Subordinate Mortgages”).

The 2002 Bonds are further secured by (i) a pledge and security interest in the Lessee’s Pledged Revenues (as defined herein) pursuant to a certain Pledge and Security Agreement, dated as of October 1, 2002, from the Lessee to the Trustee (the “Pledge and Security Agreement”) and (ii) a contingent pledge of the Lessee’s Unrestricted Investments Fund (as defined herein) pursuant to a certain Contingent Pledge Agreement, dated as of October 1, 2002, from the Lessee to the Trustee (the “Contingent Pledge Agreement”), which pledge would become effective only upon the occurrence of an Event of Default under any of the Project Documents, and the failure of the Lessee to cure the same within thirty (30) days.

In connection with the re-offering of the Series B Bonds, the Lessee will cause to be delivered to the Trustee an irrevocable, direct-pay, letter of credit (the “Series B Letter of Credit”) issued by TD Bank, N.A. (the “Bank”). The Series B Letter of Credit will permit the Trustee to draw up to (i) an amount equal to the aggregate principal amount of the Series B Bonds then Outstanding plus (ii) an amount equal to 52 days of interest at the Maximum Rate (10%) on the Outstanding Series B Bonds, in order to pay the principal of, Sinking Fund Installments for, purchase price of, and interest on, the Series B Bonds. The Series B Letter of Credit will be issued pursuant to the provisions of a Reimbursement Agreement dated as of November 1, 2008 (the “Reimbursement Agreement”), between the Lessee and the Bank. The Series B Letter of Credit will expire on November 20, 2013 unless terminated earlier or extended in accordance with its terms. The office of the Bank to which draws on the Series B Letter of Credit may be presented in person is currently located in Mt. Laurel, New Jersey (presentment may also be made by facsimile if followed by overnight delivery of an original drawing certificate) and presentment of the Series B Letter of Credit can only occur on a day which is a business day for the Bank in New York, New York and for the principal corporate trust office of the Trustee. See “THE SERIES B LETTER OF CREDIT” and “APPENDIX F – FORM OF THE SERIES B LETTER OF CREDIT” herein. Under certain circumstances, the Lessee may replace the Series B Letter of Credit with a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility.

The Lessee will be required under the Reimbursement Agreement to reimburse the Bank for any payments made by the Bank under the Series B Letter of Credit. Upon an event of default under the Reimbursement Agreement, the Bank, at its option, may direct the mandatory tender of the Series B Bonds. See “THE SERIES B BONDS – Mandatory Tenders – Mandatory Tender Upon Notice from the Series B Credit Facility Provider of an Event of Default under the Series B Reimbursement Agreement”.

The Series B Bonds are being reoffered as variable rate obligations, initially in the Weekly Mode, and will bear interest at the Weekly Rate, as determined by Commerce Capital Markets, Inc. (“Commerce Capital Markets” or the “Remarketing Agent”), payable on each Interest Payment Date, and are subject to a maximum rate, all as described herein. So long as the Series B Bonds bear interest at the Daily Rate or the Weekly Rate, the term “Interest Payment Date” means the first Business Day of each month commencing December 1,

2008. The Series B Bonds are subject to alternate methods of determining interest rates from time to time and to conversion to a fixed rate of interest to maturity. See “THE SERIES B BONDS – Interest Rate Provisions” herein.

During the period that the Series B Bonds bear interest at the Daily Rate or the Weekly Rate, any Series B Bond shall be purchased upon demand by the owner thereof, at a purchase price equal to 100% of the principal amount of such Series B Bond plus accrued interest, upon notice and delivery of such Series B Bond to The Bank of New York Mellon, New York, New York, the Tender Agent, as described herein. The Series B Bonds are subject to mandatory tender for purchase upon a change in the method of determining the interest rate on such Series B Bonds except for changes between the Daily Mode and the Weekly Mode. As described herein, the Series B Bonds are also subject to mandatory tender for purchase under certain additional circumstances. See “THE SERIES B BONDS – Mandatory Tenders” herein.

Concurrently with the original issuance of the Series B Bonds, the Agency also issued the Series A Bonds and the Series C Bonds. Although all three series of bonds comprising the 2002 Bonds were issued on parity with each other for all purposes under the Indenture, only the Series A Bonds are insured by a non-cancelable bond insurance policy (the “Bond Insurance Policy”) issued by ACA Financial Guaranty Corporation (the “Bond Insurer”), and only the Series B Bonds benefit from liquidity and credit enhancement as a result of an irrevocable, direct pay letter of credit to be issued by the Bank (the Bank and the Bond Insurer are referred to collectively herein as, the “Credit Enhancers”). Under the Indenture, the owners of a majority of the aggregate principal amount of the 2002 Bonds generally have been given the right to direct the Trustee to provide approvals or consents, or to direct remedies upon the occurrence of an Event of Default. However, the Indenture also provides that the Bank shall have the right to vote in place of and on behalf of the owners of the Series B Bonds.

The administration of many rights and remedies of the Trustee and of owners of the 2002 Bonds contained in the Indenture are further controlled and restricted by an Intercreditor Agreement, dated as of October 1, 2002 (the “Intercreditor Agreement”), among the Agency, the Trustee, the School, the Bond Insurer, the Bank and the Series C Representative (the Trustee acting at the direction of the owners of a majority of the aggregate principal amount of the Outstanding Series C Bonds). The Intercreditor Agreement was entered into on the date of delivery of the 2002 Bonds in order to (i) facilitate the coordination of the respective rights and remedies of the owners of the 2002 Bonds, the Trustee, the Credit Enhancers and the Agency, (ii) limit the ability of the parties thereto to immediately take certain remedial steps following an Event of Default under any Project Security Document or, with respect to the Series B Bonds, upon the inability to remarket Bank Bonds for a period of at least six months, and (iii) provide for equitable payments to the owners of the 2002 Bonds and to the Credit Enhancers from the School’s Pledged Revenues and Unrestricted Investments Fund, insurance and condemnation proceeds, bankruptcy proceeds and from foreclosure proceeds from the sale of the Facility. One of the key features of the Intercreditor Agreement is the “2 Year Standstill” restriction, i.e., the prohibition, without the consent of both Credit Enhancers, on the exercise of the remedies of (i) acceleration of any payment obligations of the School under any of the Project Security Documents or declaration of the entire amount of the 2002 Bonds or any series thereof to be due and payable, (ii) the exercise of any remedial right under any of the Project Security Documents relating to (a) the appointment of a receiver or (b) the collection or administration of Pledged Revenues in accordance therewith, (iii) the commencement of proceedings to foreclose the lien of the Agency Mortgages; (iv) the initiation of any power of sale or any similar right; and (v) the acceptance of a deed in lieu of foreclosure, in each case for a period of two years from the date of the occurrence and continuance of a Triggering Event of Default (as defined in the Intercreditor Agreement) without the consent of both Credit Enhancers (neither the consent of nor input from the Series C Representative is required during this 2 Year Standstill period). See “THE INTERCREDITOR AGREEMENT”, “BONDHOLDERS’ RISKS” AND APPENDIX E – INTERCREDITOR AGREEMENT DATED AS OF OCTOBER 1, 2002 herein for additional information regarding the Intercreditor Agreement and its impact on Indenture rights and default remedies.

The Series B Bonds are subject to optional, extraordinary and mandatory redemption prior to their maturity as described herein.

The 2002 Bonds are each special limited obligations of the Agency, payable solely from the Trust Estate. **Neither the State of New York nor The City of New York is or shall be obligated to pay the principal of, Redemption Price, if applicable, purchase price, Sinking Fund Installments for or interest on the 2002 Bonds and the 2002 Bonds do not give rise to a pecuniary liability or charge against the full faith and credit or taxing powers of the State of New York or The City of New York. Neither the faith and credit nor the taxing power of the State of New York or of The City of New York is pledged to any such payment on the 2002 Bonds. The 2002 Bonds do not now and shall never constitute a charge against the general credit of the Agency nor shall the 2002 Bonds be payable out of any funds of the Agency other than those pledged therefor. The Agency has no taxing power.**

The School has entered into a Continuing Disclosure Agreement with the Trustee whereby it has agreed to provide ongoing disclosure with respect to the School's finances and other material events. See "CONTINUING DISCLOSURE UNDER RULE 15C2-12" herein. There has been no default on the part of the School under the Continuing Disclosure Agreement.

This introduction is merely a summary and is qualified by reference to the entire Reoffering Circular. Summaries of the Lease Agreement, the Indenture and certain of the other Security Documents are included in Appendix C. Those descriptions and summaries do not purport to be comprehensive or definitive, and all references in this Reoffering Circular to the Lease Agreement, the Indenture, the Reimbursement Agreement and such other Security Documents are qualified in their entirety by reference to those documents, and all references to the Series B Bonds are qualified by reference to the definitive forms of the Series B Bonds contained in the Indenture. A copy of the Intercreditor Agreement is set forth in its entirety in Appendix E hereto. Copies of those documents may be obtained after the delivery of the Series B Bonds from the School at 505 East 75th Street, New York, New York 10021; Phone: (212) 439-3826; Attention: Business Manager, and such documents are on file at the designated corporate trust office of the Trustee in New York, New York.

THE AGENCY

The Agency was established in 1974 as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing pursuant to the Act for the purposes of promoting the economic welfare of the inhabitants of The City of New York (the "City") and promoting, attracting, encouraging and developing economically sound commerce and industry through governmental action to prevent unemployment and economic deterioration. The Agency is authorized and empowered under the Act to enter into leases and to issue its special obligation bonds payable solely from the revenues derived from such leases and, as security for the bonds so issued, to pledge the revenues derived from such leases to secure the payment of such bonds.

To support its activities, the Agency contracts with the New York City Economic Development Corporation ("EDC") to provide staff and technical assistance. EDC is a not-for-profit local development corporation organized to administer government programs that foster economic development in the City.

THE SCHOOL

The School is a not-for-profit education corporation organized and existing under the laws of the State of New York. It is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is exempt from Federal income taxation pursuant to Section 501(a) of the Code. The School is the only school in the New York metropolitan region to offer a comprehensive French curriculum from pre-school through twelfth grade. The School strives to prepare students for the French baccalaureate, and for entrance into leading universities and colleges in the United States, Canada, France and other European

countries. For a description of the School, its management, programs, activities and financial position, see APPENDIX A - CERTAIN INFORMATION CONCERNING LYCÉE FRANÇAIS DE NEW YORK.

THE SERIES B BONDS

General

The Series B Bonds shall initially be reoffered in the Weekly Mode and bear interest from November 12, 2008, payable on the first Business Day of each month commencing December 1, 2008 computed on the basis of a 365/366-day year. The Series B Bonds shall mature (subject to prior redemption) on June 1, 2032. The Series B Bonds shall be issuable only in fully registered, book-entry only form, and while issued in a Variable Rate Mode, in a minimum denomination of \$100,000 and in integral multiples of \$5,000 in excess thereof. See “THE SERIES B BONDS – Book-Entry Only System” herein.

Pursuant to the Indenture, the Series B Bonds may bear interest at any of the Daily Rate, the Weekly Rate, the Flexible Rate, the Term Rate or the Fixed Rate. The interest rate borne by the Series B Bonds (except when they are held as Bank Bonds) shall never exceed the lesser of (i) ten percent (10%) per annum and (ii) so long as the Series B Bonds are entitled to the benefits of the Series B Letter of Credit, the maximum interest rate with respect to the Series B Bonds specified in the Series B Letter of Credit (the “Maximum Rate”). In no event shall the interest rate payable on the Series B Bonds exceed the maximum permitted by, or enforceable under, applicable law.

Payment of Principal and Interest

The principal or Redemption Price of the Series B Bonds shall be payable upon presentation and surrender of the Series B Bonds at the principal corporate trust office of the Trustee, as Paying Agent.

Interest on the Series B Bonds shall be payable on the Interest Payment Date by the Trustee to the Person appearing on the registration books of the Bond Registrar as the registered owner thereof at the close of business on the Regular Record Date (1) by check or draft mailed to each registered owner at his address as it appears on the bond registration books or at such other address as is furnished to the Trustee in writing by such owner, or, (2) in the event the Series B Bonds shall no longer be issued in book-entry only form, at the written request by any owner of at least \$1,000,000 of 2002 Bonds, by electronic transfer in immediately available funds to the bank for credit to the ABA routing number and account number filed with the Trustee no later than five (5) Business Days before a payment date, but no later than a Regular Record Date for any interest payment; except that if and to the extent there shall be a default in the payment of the interest due on any Interest Payment Date, the defaulted interest shall be paid to the owners in whose names the Series B Bonds are registered at the close of business not more than 15 days nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt of such funds by the Trustee. Interest payments made by check or draft shall be mailed to each owner at his address as it appears on the registration books of the Bond Registrar on the applicable Regular Record Date or at such other address as he may have filed with the Bond Registrar for that purpose and appearing on the registration books of the Bond Registrar on the applicable Regular Record Date. Electronic transfer payments of interest shall be made at such wire transfer address as the owner shall specify in his notice requesting payment by electronic transfer.

Priority Amounts

All payments of principal, Sinking Fund Installments, Redemption Price (except for any redemption premium), Purchase Price and interest to the owners of the Series B Bonds are to be made, first, from amounts drawn under the Series B Letter of Credit (except for payments of Purchase Price which are to be made first from remarketing proceeds), second, from amounts as shall constitute “Priority Amounts” as shall not derive from a draw under the Series B Letter of Credit, and, third, from amounts as shall not constitute Priority Amounts. No optional redemption payments may be made with respect to the Series B Bonds except from

Priority Amounts. "Priority Amounts" means (a) for so long as the Series B Letter of Credit shall be in effect, (1) any amounts drawn under the Series B Letter of Credit, (2) the proceeds of the Series B Bonds and any Additional Bonds (other than refunding Additional Bonds) and accrued interest thereon, (3) any other amounts (including (i) insurance and condemnation proceeds, investment earnings on any of the amounts set forth in clauses (1) and (2) above or on any insurance and condemnation proceeds, and (ii) any lease rental payments by the Lessee with respect to the Series B Bonds) which have been on deposit in the Bond Fund (Series B) or the Reimbursement Fund (Series B) for at least 124 days prior to their payment to Holders of the Series B Bonds (in the case of principal payments and interest thereon) or for at least 124 days prior to the giving of notice of redemption (in the case of redemption payments and accrued interest with respect thereto), during or prior to either of which 124 day periods no Act of Bankruptcy of the Bank, the Lessee (or any Affiliate thereof) or the Agency (or any "insider", as defined in the United States Bankruptcy Code, of the Lessee or the Agency) shall have occurred, and (4) any such other amounts with respect to which the Trustee receives a written opinion of counsel experienced in bankruptcy matters to the effect that payment of such amounts to holders of Series B Bonds will not constitute voidable preferences under the Federal Bankruptcy Code; and (b) during any period the Series B Letter of Credit is not in effect, any moneys held by the Trustee in any Fund or Account under the Indenture and available to pay the principal of, Sinking Fund Installments for, Redemption Price, and interest on, the Series B Bonds.

Registration and Transfer of Series B Bonds

Each Series B Bond shall be transferable only upon the books of the Agency, which shall be kept for that purpose at the principal corporate trust office of the Trustee, as Bond Registrar, upon presentation thereof by the registered owner thereof in person or by his duly authorized attorney-in-fact with signature guaranteed, together with a written instrument of transfer in the form appearing on such Series B Bond duly executed by the registered owner or his duly authorized attorney-in-fact with signature guaranteed. Upon the transfer of any Series B Bond, the Trustee shall prepare and issue in the name of the transferee one or more new Series B Bonds of the same aggregate principal amount and maturity as the surrendered Series B Bond.

Any Series B Bond, upon surrender thereof at the corporate trust office of the Trustee, as Bond Registrar, in the City with a written instrument of transfer in the form appearing on such Series B Bond, duly executed by the registered owner or his duly authorized attorney-in-fact with signature guaranteed, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of Series B Bonds of the same maturity and of any other authorized denominations. The Trustee, as Bond Registrar, will not be required to (i) transfer or exchange any Series B Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Series B Bonds to be redeemed, (ii) transfer or exchange any Series B Bonds selected, called or being called for redemption in whole or in part, or (iii) register any transfer of or exchange any Series B Bond which is subject to mandatory purchase.

The Agency, the Lessee, the Trustee and any Paying Agent may deem and treat the person in whose name any Series B Bond shall be registered as the absolute owner of such Series B Bond, whether such Series B Bond shall be overdue or not, for the purpose of receiving payment of the principal of, Sinking Fund Installments for, Redemption Price, if applicable, purchase price, and interest on such Series B Bond and for all other purposes.

Interest Rate Provisions

The following discussion relates to the Daily Mode and the Weekly Mode authorized by the Indenture. The Indenture also permits the Series B Bonds to be converted to a Flexible Mode, a Term Mode and a Fixed Mode. However, descriptions of these modes have not been included in this Reoffering Circular.

The Series B Bonds shall bear interest at Weekly Rates for Weekly Periods determined from time to time in accordance with the Indenture. Thereafter, the Series B Bonds may be converted to bear interest at a Daily Rate, a Flexible Rate, a Term Rate or a Fixed Rate. Series B Bonds which bear interest at a Variable Rate may have interest determined daily and paid monthly (the “Daily Mode”), determined weekly and paid monthly (the “Weekly Mode”) or determined for Flexible Periods of up to 270 days and paid on the last day of the Flexible Period (the “Flexible Mode”). The Daily Mode, the Weekly Mode and the Flexible Mode, collectively, are referred to as the “Variable Rate Modes.” Generally, Series B Bonds which bear interest at a Term Rate have interest determined for a term of one or more years and paid semiannually (the “Term Mode”). The Series B Bonds may be converted between the Variable Rate Modes and the Term Mode, and among the Variable Rate Modes, from time to time. Series B Bonds converted to the Fixed Rate may not, thereafter, be converted to any other interest rate mode. All Outstanding Series B Bonds must be in the same mode.

Interest is payable on the Series B Bonds while in a Daily Mode or Weekly Mode on the first Business Day of each month. The Record Date for such interest is the Business Day preceding the Interest Payment Date. Accrued interest is also payable on the Series B Bonds on the date the interest mode is changed, except in the case of changes between Daily, Weekly and Flexible Modes. Interest on Series B Bonds in the Daily Mode and the Weekly Mode is computed on the basis of a 365 or 366 day year, as applicable, for the actual number of days elapsed.

The Daily Rate for each Daily Period is determined by Commerce Capital Markets, Inc., New York, New York, as Remarketing Agent (the “Remarketing Agent”) as that rate of interest which would cause the Series B Bonds to have a market value equal to the principal amount thereof, taking into account prevailing market conditions as of the date of determination. Notice of Daily Rates shall be given by the Trustee by first class mail to each Holder of record by monthly statement within five (5) Business Days after the Interest Payment Date.

If for any reason the Remarketing Agent cannot, or does not, determine the interest rate for any interest period, or if any interest rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law or would have an adverse effect upon the exclusion of interest on the Series B Bonds from gross income for federal income tax purposes, or if a new interest rate period is not able to begin, the interest rate applicable to such Series B Bond for such interest period shall be determined in accordance with the Indenture.

Determination of Variable Rates by the Remarketing Agent

The Variable Rate to be applicable to Series B Bonds during any Variable Rate Period shall be determined by the Remarketing Agent. Each Variable Rate with respect to the Series B Bonds shall be determined by the Remarketing Agent as the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Series B Bonds to have a market value equal to the principal amount thereof, plus accrued interest, if any, taking into account prevailing market conditions as of the date of determination. If the Remarketing Agent fails for any reason to determine or notify the Trustee of the Variable Rate for any Variable Rate Period, the Rate Period for the Series B Bonds shall automatically convert to a Daily Period, without notice or mandatory tender. In no event shall the Variable Rate for any Variable Rate Period exceed the Maximum Rate.

In the event the Variable Rate for any Variable Rate Period is not established and the Series B Bonds convert to a Daily Rate, the Daily Rate shall be equal to 100% of the Prime Commercial Paper A 1/P 1 (30 days) rate (as being in effect on the Business Day preceding the effective date of such Daily Rate) shown in the table captioned “Short Term Tax Exempt Yields” in the edition of The Bond Buyer published on the day on which such Daily Rate is to be determined. In the event such published rate is no longer available the Daily Rate shall be equal to the Variable Rate for the immediately preceding Variable Rate Period.

Daily Rates. A Daily Rate shall be established for each Daily Period. Daily Periods shall commence on a Daily Rate Conversion Date which shall be a Business Day (except that the first Daily Period with respect to the Series B Bonds will commence on the date of issuance of the Series B Bonds). Thereafter, Daily Periods shall commence on each Business Day until the Rate Period for the Series B Bonds is converted to another Rate Period and shall extend to, but not include, the next succeeding Business Day. The Daily Rate for each Daily Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such Daily Rate shall be determined by the Remarketing Agent by 10:00 A.M., New York City time, on each Business Day.

Weekly Rates. A Weekly Rate shall be determined for each Weekly Period. Weekly Periods shall commence on the Weekly Rate Conversion Date (which shall be a Wednesday) and end on Tuesday of the following week and each Weekly Period shall be followed by another Weekly Period until the Rate Period of the Series B Bonds is converted to another Rate Period; provided that in the case of a conversion from a Weekly Period to a different Rate Period, the last Weekly Period prior to conversion shall end on the last day immediately preceding the Conversion Date to the new Rate Period. The Weekly Rate for each Weekly Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent by 4:00 P.M., New York City time, on the Business Day prior to the commencement date of the Weekly Period to which it relates.

Conversions between Variable Rate Periods. The Agency, upon the written direction of the Lessee, shall elect to convert Series B Bonds from one Variable Rate Period to another. Any such conversion shall apply to all Outstanding Series B Bonds. Series B Bonds may be converted from one Variable Rate Period to another. The Conversion Date to a different Variable Rate Period shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is between Daily and Weekly Periods, the Conversion Date must be a Wednesday, regardless of whether the Wednesday is an Interest Payment Date. No Variable Rate Period shall extend past the Series B Letter of Credit Termination Date.

The Indenture requires as a condition of conversion that (1) the amount available to be drawn under the Series B Letter of Credit shall be at least equal to the amount required with respect to the Variable Rate to which the Series B Bonds are being converted, (2) sufficient funds from the sale or remarketing of Series B Bonds (excluding any purchase by the Bank with amounts drawn under the Series B Letter of Credit or any purchase by the Lessee) shall be available to purchase Series B Bonds which are then required to be purchased, (3) other than in the case of a conversion between Daily and Weekly Periods, the Trustee shall have been provided on the Conversion Date with a Favorable Opinion of Bond Counsel addressed to the Trustee with respect to such conversion, and (4) in the case of any conversion to the Flexible Mode, there shall have been delivered to the Trustee a written notice from the Rating Agency or Rating Agencies then rating the Series B Bonds confirming that the ratings on the Series B Bonds will not be lowered or withdrawn as a result of such conversion. If the conditions set forth in the preceding sentence are not met for any reason, the conversion shall not be effective and the Series B Bonds shall commence bearing interest at the Weekly Rate.

Right of Holders of Series B Bonds to Tender Series B Bonds During Daily Rate Periods and Weekly Rate Periods.

Purchase Dates. The owners of the Series B Bonds bearing interest at Daily Rates or Weekly Rates may elect to have their Series B Bonds (or portions thereof in amounts equal to the lowest authorized denomination or whole multiples of such lowest denomination) purchased at a Purchase Price equal to 100% of the principal amount of such Series B Bonds (or portions thereof), plus accrued interest, if any, on notice of tender as provided in the Indenture as follows:

(i) Series B Bonds bearing interest at Daily Rates may be tendered for purchase at a Purchase Price payable in immediately available funds on any Business Day, upon telephonic notice (promptly confirmed in writing) of tender given to the Trustee, the Tender Agent and the Remarketing Agent, not later than 11:00 A.M., New York City time, on the Purchase Date.

(ii) Series B Bonds bearing interest at Weekly Rates may be tendered for purchase at a Purchase Price payable in immediately available funds on any Business Day prior to conversion from a Weekly Period to a different Rate Period upon telephonic notice of tender (promptly confirmed in writing) given to the Trustee, the Tender Agent and the Remarketing Agent, not later than 4:30 P.M., New York City time, on a Business Day not fewer than seven (7) days prior to the Purchase Date.

Each such notice of tender shall automatically constitute, whether delivered in writing or by telephone, (A) an irrevocable offer to sell the Series B Bond (or portion thereof) to which the notice relates on the Purchase Date at a Purchase Price equal to the principal amount of such Bond (or portion thereof) plus, any interest thereon accrued and unpaid as of the Purchase Date, (B) an irrevocable authorization and instruction to the Trustee to effect transfer of such Bond (or portion thereof) upon payment of the Purchase Price to the Tender Agent on the Purchase Date, (C) an irrevocable authorization and instruction to the Trustee to effect the exchange of the Series B Bond to be purchased in whole or in part for other Series B Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof to be purchased), and (D) an acknowledgment that such Bondholder will have no further rights with respect to such Bond (or portion thereof) upon payment of the Purchase Price thereof to the Tender Agent on the Purchase Date, except for the right of such Bondholder to receive such Purchase Price upon surrender of such Bond to the Tender Agent and that after the Purchase Date such Bondholder will hold any undelivered certificate as agent for the Tender Agent. The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the above shall be conclusive and binding upon the Bondholder.

Mandatory Tenders

Conversions to Flexible Period or Term Period. Series B Bonds to be converted from any Daily Period or Weekly Period to a Flexible Period or a Term Period are subject to mandatory tender for purchase on the Conversion Date at a Purchase Price equal to the principal amount thereof plus accrued interest, if any. The Series B Bonds are not subject to mandatory tender upon a conversion from a Daily Mode to a Weekly Mode or from a Weekly Mode to a Daily Mode.

Mandatory Tender Upon Fixed Rate Conversion. Any Series B Bonds to be converted to bear interest at the Fixed Rate are subject to mandatory tender for purchase on the Fixed Rate Conversion Date at a Purchase Price equal to the principal amount thereof plus accrued interest, if any.

Mandatory Tender Upon Delivery of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility. Upon the delivery of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility pursuant to the requirements of the Indenture, the Series B Bonds shall be subject to mandatory tender for purchase at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, unless the Trustee shall receive the Rating Confirmation in connection with the delivery of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility.

Mandatory Tender Upon Expiration or Termination of the Series B Letter of Credit. The Series B Bonds are subject to mandatory tender on the fifth (5th) Business Day prior to the Series B Letter of Credit Termination Date if the Trustee has not received evidence as required by the Indenture by the 30th day preceding the Series B Letter of Credit Termination Date of either an extension of the then existing Series B Letter of Credit or the issuance of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility meeting the requirements therefor set forth in the Indenture.

Mandatory Tender Upon Notice from the Series B Credit Facility Provider of an Event of Default under the Series B Reimbursement Agreement. The Series B Bonds are subject to mandatory tender on the fourth (4th) day following the date upon which the Trustee shall have received written notice from the Series B Credit Facility Provider to the effect that an “event of default” has occurred and is existing under the Series B Reimbursement Agreement and that the Series B Letter of Credit shall terminate.

Mandatory Tender Upon an Act of Bankruptcy of the Series B Credit Facility Provider. Promptly upon a Responsible Officer of the Trustee obtaining actual knowledge by written notice of the occurrence of an Act of Bankruptcy of the Series B Credit Facility Provider, the Trustee shall give written notice thereof to the Series B Credit Facility Provider, the Agency, the Remarketing Agent and the Lessee. The notice shall specify the proposed date upon which the Series B Bonds are subject to mandatory tender for purchase and the date by which the Trustee must receive a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility, as the case may be, and the requirements for delivery of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility, as the case may be, set forth in the Indenture which must be met. The delivery date so specified shall be forty-five (45) days, and the mandatory tender date so specified shall be sixty (60) days, following the date of the Trustee's initial notice. Unless the Lessee delivers a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility, as the case may be, and meets such requirements on or prior to the date of delivery specified by the Trustee in its initial notice, the Series B Bonds are subject to mandatory purchase in whole and the Trustee shall give notice of mandatory tender in accordance with the Indenture. In the event the Lessee delivers a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility, and complies with such requirements, the Trustee will so notify the Lessee, the Agency and the Series B Credit Facility Provider and the Series B Bonds will not be subject to mandatory tender due to such an occurrence.

IN THE EVENT OF A FAILURE BY THE OWNERS OF SERIES B BONDS TO TENDER SERIES B BONDS FOR PURCHASE ON ANY MANDATORY TENDER PURCHASE DATE, SUCH OWNERS SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE PURCHASE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED SERIES B BONDS, AND THE OWNERS OF SUCH UNTENDERED SERIES B BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF SUCH PURCHASE PRICE.

Redemption Provisions

Optional Redemption. The Series B Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the Lease Agreement), in whole or in part on any Interest Payment Date during a Daily Period or a Weekly Period at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series B Bonds to be redeemed, plus interest accrued thereon to the redemption date.

Any optional redemption of the 2002 Bonds resulting from a prepayment by the Lessee of its rental obligations with respect to the 2002 Bonds, whether in whole or in part, is required to be on a Pro-Rata Basis. However, any optional redemption of the 2002 Bonds resulting from the incurrence of refunding Indebtedness by the Lessee in accordance with the Lease Agreement shall be on such basis as determined by the Lessee (which may include the optional redemption of all or a portion of a single Series of 2002 Bonds). In the event that excess proceeds of the 2002 Bonds is in an amount less than \$5,000,000, the Lessee is required to cause an optional redemption of only Series B Bonds in an equivalent amount; in the event that such amount is at least equal to \$5,000,000, the Lessee is required to cause an optional redemption of an equivalent principal amount of 2002 Bonds on a Pro-Rata Basis on the first applicable optional redemption date for such Series 2002 Bonds.

Mandatory Sinking Fund Installment Redemption. The Series B Bonds are subject to mandatory redemption by the Agency prior to maturity, in part by lot, at a Redemption Price equal to one hundred

percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on June 1 in each of the years set forth below and in the principal amounts set forth below, provided, that the amounts of such Sinking Fund Installments shall be reduced by the credits provided for in the Indenture:

SERIES B BONDS TERM BOND MATURING JUNE 1, 2032

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2028	\$3,200,000	2031	\$6,900,000
2029	6,100,000	2032*	7,300,000
2030	6,500,000		

* Maturity

Extraordinary Redemption. The 2002 Bonds (including the Series B Bonds) are subject to redemption prior to maturity, at the option of the Agency exercised at the direction of the Lessee, as a whole on any date, upon notice or waiver of notice as provided in the Indenture, at a Redemption Price of one hundred percent (100%) of the unpaid principal amount thereof plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

(i) The Facility shall have been damaged or destroyed to such extent that as evidenced by a certificate of an Independent Engineer filed with the Agency 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 one year 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

(ii) Title to, or the temporary use of, all or substantially all of the Facility shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in the 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 and the Trustee; or

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

Mandatory Redemption from Certain Amounts. The 2002 Bonds (including the Series B Bonds) shall be redeemed at any time on a Pro-Rata Basis in whole or in part prior to maturity in the event and to the extent (i) excess proceeds shall remain after the release of realty or the substitution or release of personalty, in each case from the Facility, (ii) certain funds received by the Lessee pursuant to any capital campaign which are earmarked for specific Project Costs shall remain with the Lessee and shall not be required for completion of the Project or related Project Costs, or (iii) excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the Lease Agreement and the

Indenture, in each case at a Redemption Price equal to one hundred percent (100%) of the principal amount of the 2002 Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

Mandatory Redemption Upon Failure to Operate the Facility in Accordance with Applicable Law or Maintain Insurance. The 2002 Bonds (including the Series B Bonds) are also subject to mandatory redemption prior to maturity, at the option of the Agency, as a whole only, on any Interest Payment Date, subject to the terms of the Intercreditor Agreement, in the event (i) the Agency shall determine that the Lessee is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, not as a qualified “project” under the Agency's Act or in violation of applicable material law, and the failure of the Lessee to cure such noncompliance within the time periods set forth in the Lease Agreement, or (ii) the Lessee fails to obtain or maintain the public liability insurance with respect to the Facility required under the Lease Agreement, and the Lessee shall fail to cure such circumstance within ten (10) days of the receipt by the Lessee of written notice of such circumstance from the Agency and a demand by the Agency on the Lessee to cure such circumstance, in either such case, upon notice or waiver of notice as provided in the Indenture, at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the 2002 Bonds, together with interest accrued thereon to the date of redemption.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES B BONDS, ALL PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, SINKING FUND INSTALLMENTS FOR, PURCHASE PRICE, AND INTEREST ON THE SERIES B BONDS ARE MADE DIRECTLY TO DTC; AND DISBURSEMENT OF SUCH PAYMENTS TO DIRECT PARTICIPANTS (HEREINAFTER DEFINED) ARE THE RESPONSIBILITY OF DTC, AND DISBURSEMENT OF SUCH PAYMENTS TO BENEFICIAL OWNERS (HEREINAFTER DEFINED) ARE THE RESPONSIBILITY OF THE DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS (HEREINAFTER DEFINED). SEE “BOOK-ENTRY ONLY SYSTEM” BELOW.

General Redemption Provisions. In the event of redemption of less than all the Outstanding 2002 Bonds of the same Series and maturity, the particular 2002 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that (i) 2002 Bonds to be redeemed from Sinking Fund Installments shall be redeemed by lot, (ii) to the extent practicable, the Trustee shall select 2002 Bonds for redemption such that no 2002 Bond shall be of a denomination of less than its minimum authorized denomination, and (iii) if Series B Bonds are to be called for redemption, Bank Bonds shall be selected for redemption prior to any other Series B Bonds. Subject to the foregoing, in the event of redemption of less than all the Outstanding 2002 Bonds of the same Series stated to mature on different dates, the principal amount of such Series of 2002 Bonds to be redeemed shall be applied as directed by certificate of an Authorized Representative of the Lessee delivered to the Trustee, or, in the absence of such direction, in direct chronological order of maturity of the Outstanding Series of 2002 Bonds to be redeemed and by lot within a maturity. The portion of 2002 Bonds of any Series to be redeemed in part shall be in the principal amount of the minimum authorized denomination thereof or some integral multiple thereof and, in selecting 2002 Bonds of a particular Series for redemption, the Trustee shall treat each such Bond as representing that number of 2002 Bonds of such Series which is obtained by dividing the principal amount of such registered Bond by the minimum denomination (referred to below as a “unit”) then issuable rounded down to the integral multiple of such minimum denomination; provided, however, that in no event shall a “unit” of a 2002 Bond of such Series be redeemed if the resulting unpaid principal amount thereof shall be less than such minimum authorized denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such 2002 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such 2002 Bond shall forthwith surrender such 2002 Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new 2002 Bond or 2002 Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such 2002 Bond. New 2002 Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such 2002 Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such 2002 Bond of a denomination greater than a unit shall fail to present such 2002

Bond to the Trustee for payment and exchange as aforesaid, such 2002 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

When redemption of any 2002 Bonds is requested or required pursuant to the Indenture, the Trustee shall give notice of such redemption in the name of the Agency, specifying the name of the Series, CUSIP number, Bond numbers, the date of original issue of such Series, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the 2002 Bonds or portions thereof to be redeemed, the redemption date, the Redemption Price, and the place or places where amounts due upon such redemption are payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the 2002 Bonds or portions thereof to be payable and, if less than all of the 2002 Bonds of any maturity are to be redeemed, the numbers of such 2002 Bonds or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each 2002 Bond or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice may set forth any additional information relating to such redemption. The Trustee, in the name and on behalf of the Agency, (i) shall mail a copy of such notice by first class mail, postage prepaid, at least thirty (30) days but not more than forty-five (45) days prior to the date fixed for redemption to the Series A Bond Insurer (in the event of redemption of the Series A Bonds), the Series B Credit Facility Provider (in the event of redemption of the Series B Bonds) and the registered Holders of any 2002 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of such Series of 2002 Bonds with respect to which proper mailing was effected; and (ii) cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notices. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion.

If notice of redemption shall have been given as aforesaid, the 2002 Bonds of such Series called for redemption shall become due and payable on the redemption date, provided, however, that with respect to any optional redemption of the 2002 Bonds of a Series, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys (or Priority Amounts in the case of the Series B Bonds) sufficient to pay the principal of, redemption premium, if any, and interest on the 2002 Bonds of such Series to be redeemed, and that if such moneys (or Priority Amounts in the case of the Series B Bonds) shall not have been so received said notice shall be of no force and effect and the Agency shall not be required to redeem the 2002 Bonds of such Series. In the event that such notice of redemption contains such a condition and such moneys (or Priority Amounts in the case of the Series B Bonds) are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys (or Priority Amounts in the case of the Series B Bonds) were not so received. If a notice of redemption shall be unconditional, or if the conditions of a conditional notice of redemption shall have been satisfied, then upon presentation and surrender of the 2002 Bonds of such Series so called for redemption at the place or places of payment, such Series of 2002 Bonds shall be redeemed.

Notice having been given in the manner provided in the Indenture as described above, the 2002 Bonds or portions thereof so called for redemption shall become due and payable on the redemption dates so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys (or Priority Amounts in the case of the Series B Bonds) for the redemption of all the 2002 Bonds of a Series or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, (i) interest on the 2002 Bonds of a Series or portions thereof so called for redemption shall cease to accrue and become payable, (ii) the 2002 Bonds of a Series or portions thereof so called for redemption shall cease to be entitled to any Lien, benefit or security

under the Indenture, and (iii) the Holders of the 2002 Bonds of a Series or portions thereof so called for redemption shall have no rights in respect thereof, except to receive payment of the Redemption Price together with interest accrued to the redemption date. If said moneys shall not be so available on the redemption date, such 2002 Bonds of a Series or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, is the securities depository for the Series B Bonds. The Series B Bonds are fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Series B Bond certificate has been issued for the single maturity of the Series B Bonds, each in the aggregate principal amount of such maturity and has been deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. (or such other nominee). If less than all of the Series B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series B Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Series B Bond tendered for purchase, through its Participant, to the Trustee and the Remarketing Agent, and shall effect delivery of such Series B Bond by causing the Direct Participant to transfer the Participant's interest in the Series B Bond, on DTC's records, to the Trustee. The requirement for physical delivery of Series B Bonds in accordance with an optional tender for purchase are deemed satisfied when the ownership rights in the Series B Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series B Bonds to the Trustee's DTC account.

The Agency and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series B Bonds registered in its name for the purposes of payment of the principal of, or interest on, the Series B Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the Series B Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Agency and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series B Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Agency (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series B Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Agency; or other action taken by DTC as registered owner. Redemption proceeds, interest and principal are paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the Series B Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service as securities depository with respect to the Series B Bonds at any time by giving reasonable notice to the Agency and the Trustee, or the Agency may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Agency may retain another securities depository for the Series B Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Agency directs the

Trustee to deliver such bond certificates, such Series B Bonds may thereafter be exchanged for an equal aggregate principal amount of Series B Bonds in any other authorized denominations and of the same maturity as set forth in the Indenture, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Agency.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Agency, the Trustee nor the Remarketing Agent make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AGENCY'S OBLIGATION UNDER THE SERIES B BONDS AND THE INDENTURE TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series B Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series B Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series B Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE 2002 BONDS

General

The Agency has subleased the Facility to the Lessee pursuant to the Lease Agreement, and the Lessee has covenanted in the Lease Agreement to make quarterly lease rental payments to the Trustee (on March 1, June 1, September 1, and December 1 of each year) which, in the aggregate, are required to be sufficient to pay the principal of, Sinking Fund Installments for, Redemption Price, if applicable, and interest on the Series 2002 Bonds (including the Series B Bonds) as the same become due. The Lease Agreement requires the Lessee to pay on each quarterly lease payment date (i) one-half of the interest to become due on the Series A Bonds and the Series C Bonds on the next June 1 or December 1, as applicable, plus the amount of interest anticipated to be paid on the Series B Bonds during the next three (3) month period based on an assumed interest rate, and (ii) as part of the September 1 and December 1 quarterly lease payments, one-half of the principal and Sinking Fund Installments coming due on the following June 1. The obligation of the Lessee to pay the rental payments under the Lease Agreement (i) is a general obligation of the Lessee, (ii) is absolute and unconditional, regardless of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, abatement, diminution or reduction it might otherwise have against the Agency, the Trustee, any owner of the 2002 Bonds or any other Person, and (iii) shall arise whether or not the Project has been completed as provided in the Lease Agreement. Pursuant to the Indenture, the Agency has assigned to the Trustee substantially all of the Agency's right, title and interest in and to the Lease Agreement, including the rental payments by the Lessee thereunder, but reserving for the Agency the Agency's Reserved Rights (which include its right to indemnification, to give certain consents and approvals, to receive certain documents and certificates, and to enforce certain covenants of the Lessee), which Agency's Reserved Rights may be enforced by the Agency or the Trustee, jointly or severally.

The 2002 Bonds are further secured by the moneys and securities from time to time held by the Trustee in certain of the Funds and Accounts established under the Indenture (other than the Rebate Fund) and investment earnings thereon, subject to disbursements from any such Fund or Account in accordance with the Lease Agreement and the Indenture. In particular, the Series B Bonds shall be secured separately from the Series A Bonds and the Series C Bonds from amounts held in the Bond Fund (Series B), but on a shared basis

with each of the Series A Bonds and the Series C Bonds from amounts held in the Project Fund, the Debt Service Reserve Fund, the Renewal Fund and the Earnings Fund.

In connection with the re-offering of the Series B Bonds, the Lessee will cause to be delivered to the Trustee the Series B Letter of Credit issued by the Bank. The Series B Letter of Credit will permit the Trustee to draw up to (i) an amount equal to the aggregate principal amount of the Series B Bonds then Outstanding plus (ii) an amount equal to 52 days of interest at the Maximum Rate (10%) on the Outstanding Series B Bonds, in order to pay the principal of, Sinking Fund Installments for, purchase price of, and interest on, the Series B Bonds. The Series B Letter of Credit will be issued pursuant to the provisions of the Reimbursement Agreement and will expire on November 20, 2013 unless terminated earlier or extended in accordance with its terms. The office of the Bank to which draws on the Series B Letter of Credit may be presented in person is currently located in Mt. Laurel, New Jersey (presentment may also be made by facsimile if followed by overnight delivery of an original drawing certificate) and presentment of the Series B Letter of Credit can only occur on a day which is a business day for the Bank in New York, New York and for the principal corporate trust office of the Trustee. See “THE SERIES B LETTER OF CREDIT” and “APPENDIX F – FORM OF THE SERIES B LETTER OF CREDIT” herein. Under certain circumstances, the Lessee may replace the Series B Letter of Credit with a Substitute Series B Letter of Credit or Substitute Series B Credit Facility. See “APPENDIX C – THE SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING DOCUMENTS – The Indenture of Trust – Series B Letter of Credit; Substitute Series B Letter of Credit or Substitute Series B Credit Facility” herein. In the event that the Trustee has not received evidence as required by the Indenture by the 30th day preceding the Series B Letter of Credit Termination Date of either an extension of the then existing Series B Letter of Credit or the issuance of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility meeting the requirements of the Indenture, the Series B Bonds are subject to mandatory tender for purchase on the 5th Business Day prior to the Series B Letter of Credit Termination Date at a Purchase Price of 100% of the principal amount thereof plus accrued interest to the Purchase Date. See “THE SERIES B BONDS - Mandatory Tenders” herein.

The Lessee will be required under the Reimbursement Agreement to reimburse the Bank for any payments made by the Bank under the Series B Letter of Credit. Upon an event of default under the Reimbursement Agreement, the Bank, at its option, may direct the mandatory tender of the Series B Bonds in whole or in part. See “THE SERIES B BONDS – Mandatory Tenders”.

Pursuant to the Guaranty Agreement, the Lessee has guaranteed the due and punctual payment of the principal of, Sinking Fund Installments for, Redemption Price, if applicable, Purchase Price, interest on, the 2002 Bonds, and the Purchase Price for the Series B Bonds.

THE 2002 BONDS ARE EACH SPECIAL LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, REDEMPTION PRICE, IF APPLICABLE, SINKING FUND INSTALLMENTS FOR, OR INTEREST ON THE 2002 BONDS, OR THE PURCHASE PRICE FOR THE SERIES B BONDS, AND THE 2002 BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE FULL FAITH AND CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR THE CITY OF NEW YORK. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW YORK OR OF THE CITY OF NEW YORK IS PLEDGED TO ANY SUCH PAYMENT ON THE 2002 BONDS. THE 2002 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AGENCY NOR SHALL THE 2002 BONDS BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR. THE AGENCY HAS NO TAXING POWER.

Neither the members, directors, officers or agents of the Agency nor any person executing the 2002 Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

Mortgage Lien on the Facility

Pursuant to three separate Agency Mortgage and Security Agreements from the Lessee and the Agency to the Trustee, each dated as of October 1, 2002 (collectively, the “Agency Mortgages”), the Lessee and the Agency have granted a mortgage lien on and a security interest in the Lessee’s fee title to the Facility and the Agency’s leasehold interest under the Company Lease in the Facility as well as their respective interests to any insurance and condemnation awards, any present and future leases, subleases, or contracts of sale, and the rents and/or proceeds thereof relating to the Facility to the Trustee for the benefit of the owners of the 2002 Bonds and the Credit Enhancers to secure the payment of the 2002 Bonds and certain fees and other amounts owed to the Credit Enhancers that are secured on a parity therewith. In connection with the completion of a voluntary cleanup agreement with the New York State Department of Environmental Conservation (“DEC”), the Lessee has requested that the Agency and the Trustee consent to the filing of a declaration of covenants and restrictions affecting title to the Facility, requiring continuation of groundwater and indoor air monitoring and prohibiting the use of untreated groundwater from the site without approval of the New York State Department of Environmental Conservation (“DEC”). The filing of the declaration of covenants and restrictions was requested by DEC as a pre-condition to the close out of the voluntary cleanup agreement which was the responsibility of the prior site owner, and for which the Lessee was an involved party. To obtain the consent of the Trustee, the Lessee has requested that the bond insurer and the Bank, with respect to each of the Series A Bonds and the Series B Bonds, respectively, and together as Majority Holder of all of the 2002 Bonds, direct the Trustee to consent to the filing. Following the consent of the Trustee and the Agency, the declaration can be filed and the voluntary cleanup agreement closed out.

In order to secure certain expenses and other amounts owed to the respective Credit Enhancers under separate agreements entered into by the Lessee and the related Credit Enhancer, the Agency and the Lessee have granted subordinate mortgage liens on and subordinate security interests in the Facility to the respective Credit Enhancers pursuant to two separate Subordinate Mortgages, each dated as of October 1, 2002 (collectively, the “Subordinate Mortgages”). The Credit Enhancers have agreed in the Intercreditor Agreement that they shall exercise their rights and remedies under the Subordinate Mortgages only in conjunction with the exercise by the Trustee of foreclosure rights under the Agency Mortgages.

Debt Service Reserve Fund

At the time of issuance of the 2002 Bonds, a portion of the proceeds thereof was deposited into the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement. During any period when 2002 Bonds are Outstanding, such Fund shall be maintained at the Debt Service Reserve Fund Requirement for the 2002 Bonds (an amount equal to the maximum annual debt service on the 2002 Bonds (assuming a 4% interest rate on the Series B Bonds)). Amounts in the Debt Service Reserve Fund are available on a shared basis to pay the principal of, Sinking Fund Installments for, and interest on the 2002 Bonds in the event amounts on deposit in the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C), as applicable, are insufficient therefor. The Debt Service Reserve Fund secures all of the 2002 Bonds equally without any priority or preference.

Pledged Revenues

As security for the payment of the 2002 Bonds, the Lessee has granted to the Trustee a security interest in the Lessee’s Pledged Revenues pursuant to the Pledge and Security Agreement. “Pledged Revenues” are defined to mean all accounts, investment property, receipts, realized earnings (inclusive of any investment income), revenues, rentals, income, insurance proceeds, tuition, fees, charges and other moneys received by or on behalf of the Lessee, including, but without limiting the generality of the foregoing, (i)

tuition, fees and charges derived from the ownership or operation of any facility of the Lessee including the Facility, and all rights to receive any of the above, whether in the form of accounts, accounts receivable, contract rights, general intangibles or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence; and (ii) gifts, grants, bequests, donations and contributions heretofore or hereafter made to the Lessee; provided, however, that, there shall be expressly excluded from “Pledged Revenues” (x) the Unrestricted Investments Fund of the Lessee, (y) Restricted Gifts (i.e., gifts, grants, bequests, donations and contributions made to the Lessee and designated or specified by the granting authority, donor or maker thereof as being for specified purposes that would prohibit the use thereof to pay debt service on the 2002 Bonds) and the income derived therefrom to the extent required by such designation or specification, and (z) unrealized gains or losses.

Contingent, Springing Lien on the Lessee’s Unrestricted Investments Fund

In order to further secure the 2002 Bonds, the Lessee executed the Contingent Pledge Agreement which governs the establishment, maintenance, administration and use of the Lessee’s Unrestricted Investments Fund upon the occurrence of an “Attachment Event”. “Attachment Event” is defined to mean the occurrence of an Event of Default under the Lease Agreement or any other Project Document, and the failure of the Lessee to cure such Event of Default within thirty (30) days of the occurrence thereof.

Upon the occurrence of an Attachment Event and for so long as the same shall continue (the “Attachment Period”), the pledge, security interest and general lien upon the Unrestricted Investments Fund shall vest and attach; prior to an Attachment Event, the Lessee’s Unrestricted Investments Fund is not subject to any pledge or lien in favor of the owners of the 2002 Bonds. During the Attachment Period, the Trustee is empowered to take control of the Unrestricted Investments Fund in accordance with the Intercreditor Agreement. Notwithstanding the occurrence of an Attachment Event, the Lessee has covenanted in the Contingent Pledge Agreement not to mortgage, pledge or encumber the Unrestricted Investments Fund except in favor of the Trustee.

The existence of this contingent, springing lien on the Lessee’s Unrestricted Investments Fund is not intended to, and does not, provide any additional security to the owners of the 2002 Bonds unless and until an Attachment Event shall occur and the Attachment Period shall be continuing. Furthermore, the Lessee is not required to maintain any specific amount or maintain any minimum value levels on deposits in or securities credited to the Unrestricted Investments Fund and, prior to the occurrence and continuance of an Attachment Event, there are no restrictions on the use of such amounts and investments by the Lessee. Accordingly, there can be no assurance that if the lien and pledge of the Contingent Pledge Agreement should attach to the Unrestricted Investments Fund on an Attachment Event, there will be any minimum amount of cash and investments in or credited to such Fund.

Covenants Under Lease Agreement

The Lease Agreement contains various financial and other covenants relating to, among others, maintenance of insurance, compliance with a rate covenant, limitations on liens and restrictions on the incurrence of Indebtedness and the disposition of assets. Certain key covenants are briefly described below.

Rate Covenant. The Lease Agreement provides that the Lessee shall set, charge and collect tuition, fees and charges and other amounts to constitute (i) Pledged Revenues sufficient to produce a Gross Revenues Coverage Ratio of 1.50 commencing with the Fiscal Year of the Lessee ending June 30, 2003, and in each Fiscal Year of the Lessee thereafter, and (ii) Net Revenues Available for Debt Service sufficient to produce a Net Revenues Available for Debt Service Coverage Ratio of 1.25 for the Fiscal Year of the Lessee ending June 30, 2006 and in each Fiscal Year of the Lessee thereafter.

The Lessee shall deliver to the Trustee, the Bond Insurer and the Bank (and to the Agency, if requested by the Agency) within one hundred and twenty (120) days after the end of each Fiscal Year of the Lessee, a certificate of the chief financial officer of the Lessee setting forth the Gross Revenues Coverage Ratio and the Net Revenues Available for Debt Service Coverage Ratio for the immediately preceding Fiscal Year of the Lessee, which calculation shall be verified as to mathematical accuracy in an accompanying report of the Independent Accountant.

In the event the Gross Revenues Coverage Ratio, calculated at the end of any Fiscal Year of the Lessee, is less than 1.50, or the Net Revenues Available for Debt Service Coverage Ratio is less than that required above for a stated Fiscal Year of the Lessee (the "Failed Coverage Fiscal Year"), the Lessee is required within thirty (30) days following such calculation to deliver prompt written notice thereof to the Trustee, the Bond Insurer and the Bank and to retain a Management Consultant to make written recommendations with respect to the operations of the Lessee to increase (i) the Gross Revenues Coverage Ratio for the then current and the following Fiscal Years of the Lessee to at least 1.50, and (ii) the Net Revenues Available for Debt Service Coverage Ratio to that required above. If the Lessee complies in all material respects with the recommendations of the Management Consultant, the Lessee will be deemed to have complied with the Gross Revenues Coverage Ratio and the Net Revenues Available for Debt Service Coverage Ratio for such Fiscal Year of the Lessee, notwithstanding that the Gross Revenues Coverage Ratio shall be less than 1.50 or the Net Revenues Available for Debt Service Coverage Ratio shall be less than that required for such Fiscal Year; provided, however, that the Lessee will not be deemed to have complied with (y) the Gross Revenues Coverage Ratio covenant and it shall be an Event of Default under the Lease Agreement if the Gross Revenues Coverage Ratio is less than 1.10 for any Fiscal Year of the Lessee, or if for any two consecutive Fiscal Years of the Lessee following the Failed Coverage Fiscal Year, the Gross Revenues Coverage Ratio is less than 1.50, and (z) the Net Revenues Available for Debt Service Coverage Ratio covenant and it shall be an Event of Default under the Lease Agreement if the Net Revenues Available for Debt Service Coverage Ratio is less than 1.10 for any Fiscal Year of the Lessee, or if for any two consecutive Fiscal Years of the Lessee following the Failed Coverage Fiscal Year, the Net Revenues Available for Debt Service Coverage Ratio shall be less than that required above.

Liquidity Covenant. The Lessee covenants in the Lease Agreement to comply with an Unrestricted Liquid Funds to Debt Ratio liquidity test (the "Liquidity Test"). Under the Liquidity Test, the Lessee must demonstrate as of June 30 and December 31 of each year, that the ratio of its Unrestricted Liquid Funds (i.e., cash and marketable securities, inclusive of amounts held in the Unrestricted Investments Fund (but excluding (i) any amounts subject to a restriction imposed by a donor or by Legal Requirements that would prohibit the use of such amounts to pay Indebtedness (including the 2002 Bonds) of the Lessee, and (ii) any Fund, Account or Sub-Account established under the Indenture and held by the Trustee)) to all Indebtedness of the Lessee as of such dates is at least as follows:

December 31, 2008, June 30, 2009, December 31, 2009, June 30, 2010, December 31, 2010 and June 30, 2011	.40 to 1.0
December 31, 2011 and on each June 30 and December 31 thereafter	.45 to 1.0

Limitations on the Incurrence of Indebtedness. The Lease Agreement provides that the Lessee will not be permitted to incur additional Indebtedness except as follows:

- (a) Indebtedness evidenced by the Project Documents, or enumerated on the Schedule of Existing Indebtedness to the Lease Agreement;
- (b) Indebtedness (which may be in the form of Additional Bonds) incurred up to \$3,500,000 to pay costs to complete the Project;

- (c) Indebtedness in the form of Capitalized Leases and purchase money security interests provided that (i) no more than \$1,000,000 of all such Indebtedness in the aggregate is outstanding at any one time, and (ii) no more than \$300,000 is payable in Annual Debt Service with respect to such aggregate Indebtedness;
- (d) Short-Term Indebtedness (y) to the extent that such Indebtedness is unsecured, is not outstanding in an amount in excess of \$1,000,000 at any one time, and is reduced to an amount not greater than \$100,000 for at least thirty (30) consecutive days during each Fiscal Year of the Lessee, and (z) otherwise permitted with the prior written consent of the Directing Majority;
- (e) Indebtedness issued to refund Long-Term Indebtedness of the Lessee provided, that, (y) the Annual Debt Service paid by the Lessee in any Fiscal Year of the Lessee is not increased following the incurrence of such Indebtedness, and (z) the Lessee shall achieve present value savings in connection with such refunding, in each case as set forth in a certificate of the chief financial officer of the Lessee delivered to the Trustee; and

any other Long-Term Indebtedness (the “Additional Indebtedness”), provided, that, the Lessee delivers to the Trustee, the Bond Insurer and the Bank:

- (i) a certificate of an Independent Accountant to the effect that (y) the actual Net Revenues Available for Debt Service of the Lessee for each of the three (3) most recent Fiscal Years of the Lessee are equal to at least 1.25 times the sum of Maximum Annual Debt Service on all Long-Term Indebtedness of the Lessee (including the Additional Indebtedness) plus the average annual interest on all Short-Term Indebtedness of the Lessee paid in each of the three (3) most recent Fiscal Years of the Lessee, and (z) projected Net Revenues Available for Debt Service of the Lessee for each of the three (3) Fiscal Years of the Lessee immediately succeeding the later of the date of the issuance or incurrence of the Additional Indebtedness or the end of the capitalized interest period, if applicable, are equal to at least 1.25 times Maximum Annual Debt Service on all Long-Term Indebtedness of the Lessee (including the Additional Indebtedness) plus the average annual interest on all Short-Term Indebtedness of the Lessee paid in each of the three (3) most recent Fiscal Years of the Lessee; and
- (ii) the written consent of the Bank.

Limitation on Disposition of Assets. Except as elsewhere specifically provided in the Lease Agreement with respect to removals of Facility Equipment, the Lessee may dispose of Liquid Assets or Property Plant and Equipment (“PP&E”) as follows:

(a) *Property, Plant and Equipment.* The Lessee covenants and agrees that it will not sell or dispose of any item of PP&E unless (i) the item of PP&E is obsolete or worn out, (ii) the Lessee receives fair market value in exchange for such item of PP&E, or (iii) the fair market value of all items of PP&E disposed of in any Fiscal Year of the Lessee does not exceed five (5%) of the total fair market value of all PP&E of the Lessee for such Fiscal Year of the Lessee.

(b) *Unrestricted Liquid Funds.* The Lessee shall not sell or otherwise dispose of any item of Unrestricted Liquid Funds, unless (i) the Lessee receives fair market value in exchange for such item of Unrestricted Liquid Funds, or (ii) the total fair market value of all Unrestricted Liquid Funds disposed of in any Fiscal Year of the Lessee does not exceed one percent (1%) of the total fair market value of all

Unrestricted Liquid Funds of the Lessee as of the last day of the most recent Fiscal Year of the Lessee for which audited financial statements of the Lessee shall have been delivered to the Trustee.

(c) *Accounts Receivable*. Notwithstanding the provisions of clause (b) above, the Lessee shall not sell, pledge, factor or otherwise dispose of any of its Accounts Receivables.

Limitations on Liens. The Lease Agreement provides that the Lessee shall not create, assume, incur or suffer to exist any Lien of any kind or nature whatsoever on its property (including the Unrestricted Investments Fund) wherever located and whether now owned or hereafter acquired by the Lessee other than Permitted Encumbrances.

THE SERIES B LETTER OF CREDIT

The following is a summary of certain provisions of the Reimbursement Agreement dated as of November 1, 2008 (the "Reimbursement Agreement") between the School and the Bank. This summary does not purport to be complete or definitive and reference is made to the Reimbursement Agreement for a complete recital of its terms. The Series B Letter of Credit will be issued pursuant to the Reimbursement Agreement under which the School will be obligated, among other things, to reimburse the Bank, with interest at the applicable rates provided in the Reimbursement Agreement, for each drawing under the Series B Letter of Credit. For the definition of certain capitalized terms used in this Section and not otherwise defined in this Reoffering Circular, reference should be made to the Reimbursement Agreement.

The Series B Letter of Credit

The Series B Letter of Credit is irrevocable and shall be issued in an original stated amount of \$30,427,397.26, of which \$30,000,000 shall be with respect to the principal of the Series B Bonds or the portion of the Purchase Price corresponding to the principal thereof, and \$427,397.26 shall be with respect to fifty-two (52) days of accrued interest on the Series B Bonds or the portion of the Purchase Price corresponding to interest thereon, calculated at a rate of 10% per annum, actual number of days elapsed in a year of 365 or 366 days, as applicable. The offices of the Bank to which draws on the Series B Letter of Credit may be presented in person is currently located in Mt. Laurel, New Jersey (presentment may also be made by facsimile if followed by overnight delivery of an original drawing certificate) and presentment of the Series B Letter of Credit can only occur on a day which is a Business Day in New York, New York, and for the Trustee's principal corporate trust office.

The Series B Letter of Credit will terminate upon the earliest of (a) the close of business on November 20, 2013, or such later date agreed to by the Bank and the School pursuant to an extension of the Reimbursement Agreement in accordance with its terms and a duly executed amendment of the Series B Letter of Credit (the "Stated Expiration Date"), (b) the date on which the Bank receives notice from the Trustee that the principal amount of and interest on all of the Series B Bonds shall have been paid in full, (c) the date on which the Series B Letter of Credit is surrendered to the Bank for cancellation pursuant to the Indenture with notice of such effect to the Bank, (d) the date on which the Bank receives notice from the Trustee that all of the Bonds have been converted to a Non-Covered Interest Rate, (e) the first to occur of: (i) the date which is eight (8) calendar days after the Trustee has received a Termination Event of Default Notice or the date, following receipt of such Termination Event of Default Notice, upon which the Trustee has drawn upon the Series B Letter of Credit the amount required thereby and as permitted under the Series B Letter of Credit and the proceeds of the drawing have been distributed to the Trustee, or (f)(i) the date upon which the Trustee receives notice from the Bank that all Outstanding Series B Bonds have been Bank Bonds for a period of not less than one hundred eighty (180) consecutive calendar days or (ii) the first to occur of (A) the date which is eight (8) calendar days after the Trustee has received a notice from the Bank that any portion less than all of the Outstanding Series B Bonds have been Bank Bonds for a period of not less than one hundred eighty (180) consecutive calendar days or (B) the date, following receipt of such notice, upon which the

Trustee has drawn upon the Series B Letter of Credit the amount required thereby and as permitted under the Series B Letter of Credit and the proceeds of the drawing have been distributed to the Trustee.

Reduction and Reinstatement of Series B Letter of Credit

The Series B Letter of Credit Amount shall be automatically reduced upon each draw and will be automatically reinstated after each draw (a) on the 15th day following a draw made to pay scheduled interest on the Series B Bonds unless a prior drawing under the Series B Letter of Credit has not been reimbursed or a Termination Event of Default Notice shall have been given by the Bank to the Trustee following an Event of Default which has occurred and is continuing under the Reimbursement Agreement and (b) immediately upon repayment by the School, in full, of a draw made to pay the purchase price of Eligible Bonds. Subject to the immediately preceding sentence, drawings honored by the Bank shall pro tanto reduce the amount available under the Series B Letter of Credit. The Series B Letter of Credit Amount shall further be reduced upon notice from the Trustee of the partial payment or redemption of the Series B Bonds and the Series B Letter of Credit shall be terminated upon the Expiration Date, as more fully described below under the caption "Reimbursement Agreement".

The Reimbursement Agreement

Reimbursement and Other Payments to the Bank. Under the Reimbursement Agreement, the School agrees to pay the Bank (i) with respect to any drawing under the Series B Letter of Credit other than a drawing to pay the purchase price of Series B Bonds tendered or deemed to have been tendered for purchase to the Tender Agent under the Indenture and not remarketed prior to such drawing (a "Tender Drawing"), a sum equal to the amount so drawn, payable immediately after (and on the same Business Day as) any such drawing; and (ii) with respect to any Tender Drawing, a sum equal to the amount so drawn, payable (A) during the period from the Date of Issuance to and including the Expiration Date from time to time, in accordance with the regularly scheduled amortization of the Series B Bonds pursuant to the Indenture (as to principal amounts drawn) and from the proceeds of any remarketing of any Series B Bonds purchased with amounts drawn pursuant to such Tender Drawing ("Bank Bonds"), such repayment to be made on the date of receipt of such proceeds and to be in a principal amount equal to the aggregate principal amount of the Bank Bonds so remarketed plus any portion of the Tender Drawing paid in respect of the Interest Component on such Bank Bonds, to the extent such portion of the Tender Drawing was not theretofore repaid; (B) after the Expiration Date, payment of the entire unpaid Interest Component of such Tender Drawing immediately and on the next succeeding Business Day, (C) subject to part (D), after the Expiration Date, payment of the entire unpaid principal amount of such Tender Drawing in twelve (12) equal and consecutive quarterly installments, payable on each Quarterly Payment Date and commencing on the first such Quarterly Payment Date which is not less than thirty (30) days after the Expiration Date (the "First Term-Out Quarterly Payment Date"), and the entire unpaid principal amount of the Tender Drawing shall be due and payable on the date which is thirty-three (33) calendar months after the First Term-Out Quarterly Payment Date (the "Term Loan Maturity Date"), and (D) if an Event of Default occurs and is continuing, in accordance with certain rights granted to the Bank as described below under the caption "Events of Default" below.

Incorporation of Covenants by Reference; Bank Waiver of Compliance

In the Reimbursement Agreement, the School agrees that it will perform and comply with the covenants and agreements required to be performed or observed by it in the Project Documents or in the Indenture, which provisions, as well as related defined terms contained therein, are incorporated by reference into the Reimbursement Agreement.

Conversion of the Series B Bonds to Fixed Rate

At any time after the Expiration Date during which payments of principal or interest are owing under the Reimbursement Agreement, insofar as may be requested by the Bank in its sole discretion, the School agrees to cause the Agency to (i) employ its best efforts to convert the Series B Bonds to long term fixed rate Series B Bonds or (ii) provide a Substitute Series B Letter of Credit or Substitute Series B Credit Facility (or similar security), the provider of which will be required by the terms thereof to purchase all Bank Bonds from the Bank.

Events of Default

The Reimbursement Agreement provides that each of the following shall be an Event of Default thereunder unless waived by the Bank: (i) failure by the School to pay the entire unpaid principal amount of any Tender Drawing on or before the Term Loan Maturity Date or the failure to pay when due any other amount payable under the Reimbursement Agreement (except as provided in clause (ii) below) or under the Lease Agreement, the Indenture, the Series A Bonds, the Series C Bonds, or the Series B Bonds or under any other Related Document; (ii) the School shall fail to pay within 30 days of the date when due certain usual, customary and reasonable charges incurred by the Bank relative to the Series B Letter of Credit and any transfers thereof or certain expenses incurred by the Bank in connection with a default under the Reimbursement Agreement, all as more fully described in the Reimbursement Agreement, (iii) failure by the School to observe or perform any covenant set forth in the Reimbursement Agreement including those covenants incorporated by reference therein if such failure continues for specified time periods and, in certain instances, after written notice thereof is given to the defaulting party; (iv) any of the representations, warranties, certifications or statements made by the School (including, through incorporation by reference) in the Reimbursement Agreement or any Related Document, or in any certificate, financial statement or other document delivered pursuant thereto or to any Related Document shall have been incorrect in any material respect when made; (v) any event or condition shall occur which results in the acceleration of the maturity of any Indebtedness of the School or any Subsidiary of the School including, without limitation, any of the 2002 Bonds or enables (or with the giving of notice or lapse of time or both, would enable) the holder of such Indebtedness or any Person or entity acting on such holder's behalf to accelerate the maturity thereof; (vi) certain bankruptcy defaults with respect to the School or any Subsidiary of the School as more fully described in the Reimbursement Agreement; (vii) any Lien created by the Reimbursement Agreement, the Lease Agreement, the Indenture or any other Project Document in favor of the Trustee, the Bank, or the Bond Insurer or created under any Additional Indebtedness or other Indebtedness permitted under the Lease Agreement and securing any obligee thereof shall at any time cease to be a valid and perfected Lien subject to no prior or equal Lien (except as permitted under the Indenture), or the School shall so assert in writing; or (viii) a Lease Agreement Event of Default, Indenture Event of Default or an Event of Default under any other Project Document shall have occurred and be continuing.

If an Event of Default occurs and is continuing the Bank may, in its sole discretion, (a) notify the Trustee of such occurrence and may in such notice (i) further notify the Trustee that the Series B Letter of Credit shall terminate and direct the Trustee to draw upon the Series B Letter of Credit in accordance with its terms, and (ii) subject to the terms and conditions of the Intercreditor Agreement, direct the Trustee to declare the principal of all Series B Bonds then outstanding to be due and payable pursuant to the Indenture, (b) at any time subsequent to any notice under clause (a) hereof, and insofar as an Event of Default has occurred and is continuing and the Bank has not already directed such action in such notice under clause (a) hereof, (i) notify the Trustee that the Series B Letter of Credit shall terminate and direct the Trustee to draw upon the Series B Letter of Credit in accordance with its terms, and (ii) subject to the terms and conditions of the Intercreditor Agreement, direct the Trustee to declare the principal of all Outstanding Series B Bonds to be due and payable pursuant to the Indenture, (c) by notice to the School, declare the principal amount of any advances outstanding as a result of any Tender Drawing, together with accrued interest thereon, and all other amounts owing under the Reimbursement Agreement to be immediately due and payable without presentment, demand, protest or other notice of any kind, provided that in the case of certain Events of

Default specified in the Reimbursement Agreement without any notice to the School or any other act by the Bank, the principal amount of any such advances, together with accrued interest thereon, shall be immediately due and payable, and (d) take any other action permitted to be taken by it under the Reimbursement Agreement or under applicable law or otherwise. Upon receipt by the Trustee of notice from the Bank pursuant to clause (a)(i) or (b)(i) above, and to the extent it has not already done so, the Trustee shall immediately draw under the Series B Letter of Credit pursuant to the Indenture the amount required thereby and to the extent permitted by the Series B Letter of Credit whereupon the Series B Letter of Credit shall terminate immediately upon distribution of the proceeds of such drawing to the Trustee. Upon receipt by the Trustee of a notice from the Bank pursuant to clause (a)(ii) or (b)(ii) hereof directing the acceleration of all Outstanding Series B Bonds, the Trustee shall immediately declare the principal of all Series B Bonds then outstanding and the interest accrued thereon immediately due and payable pursuant to the Indenture. The exercise of the foregoing rights and remedies by the Bank are subject to the terms and conditions of the Intercreditor Agreement.

Indemnification

The School agrees to indemnify the Bank and its officers, directors, shareholders, agents and employees from and against any and all claims, damages, losses (including diminution in value), liabilities, assessments, costs and including all suits, proceedings, demands, judgments, and expenses whatsoever (including, without limitation, reasonable attorneys' fees, including all such fees and other costs incident to obtaining the performance of the School as indemnitor thereunder or the performance by the School of any of the other terms or provisions thereof) which the Bank may suffer or incur (or which may be claimed against the Bank by any Person whatsoever) as a result of, or arising out of or in any way connected with (a) any untrue statement or material omission or alleged untrue statement or material omission contained or incorporated by reference in this Reoffering Circular, or in any supplement or amendment hereof, as more fully described in the Reimbursement Agreement, (b) the breach, untruth, or material inaccuracy of any covenant, warranty, or representation undertaken or given by the School in the Reimbursement Agreement or in any Related Document, or in any certificate furnished thereunder, (c) any act or omission of the School, any condition of the Project or the Facility, any occurrence in or on the Facility, or any activity of the School, (d) the financing of the costs of the Facility and the marketing, issuance and sale of the 2002 Bonds for such purpose, (e) the planning, design, acquisition, site preparation, construction, renovation, equipping, furnishing, installation, or completion of the Project or any part or component thereof or the effecting of any work done in or about the Facility or any defects (whether latent or patent) in the Facility, (f) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting, or operation of the Facility or any portion thereof, (g) any injury to any Person or the personal property of any Person in or on the premises of the Facility, (h) any imposition arising from, burden imposed by, violation of, or failure to comply with, any Legal Requirement, (i) the presence, disposal, release, or threatened release of any Hazardous Materials that are on, under, from or affecting any of the Facilities, 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, investigation and laboratory fees, court costs, and litigation expenses, or (j) the execution and delivery or transfer of, or payment or failure to pay under, the Series B Letter of Credit, except to the extent caused by the willful misconduct or gross negligence of the Bank or to the extent incurred by reason of any untrue statement contained in information furnished in writing by the Bank to the School expressly for use in this Reoffering Circular.

Limited Liability of the Bank

The School assumes all risks of the acts or omissions of the Trustee, any Paying Agent, any Tender Agent, any transferee of the Series B Letter of Credit and any other Person with respect to its or their use of

the Series B Letter of Credit, as more fully provided in the Reimbursement Agreement, except that the Bank shall be liable to the School to the extent of any direct, actual damages caused by (i) the Bank's willful misconduct or gross negligence in determining whether documents presented under the Series B Letter of Credit comply with the terms thereof or (ii) the Bank's willful failure to pay under the Series B Letter of Credit after presentation by the Trustee (or its successor under the Indenture) of a draft and certificate strictly complying with the terms and conditions of the Series B Letter of Credit. The Bank may accept, without any liability on its part, documents which appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, unless the Trustee and the School have notified the Bank that such documents do not comply with the Series B Letter of Credit.

Costs, Expenses and Taxes

The School agrees to pay all reasonable fees, including attorneys' fees, incurred by the Bank, and the out-of-pocket expenses of the Bank, in connection with the preparation and negotiation of the Reimbursement Agreement and the Related Documents (and any waiver, consent, workout, restructuring or amendment with respect thereto), and incurred by the Bank and each Participant in connection with any Event of Default under the Reimbursement Agreement, and certain other costs and expenses of the Bank as more fully set forth in the Reimbursement Agreement.

Transfer of Series B Letter of Credit

The Series B Letter of Credit may be transferred in accordance with the provisions set forth therein.

Extension of Series B Letter of Credit

Commencing on November 20, 2011, and on November 20th of each year thereafter (the "Renewal Date"), the School shall have the right to request a one (1) year extension of the Letter of Credit Expiration Date. Such request, which shall be made in writing to the Bank, shall occur no earlier than one hundred eighty (180) days nor later than one hundred twenty (120) days prior to the Renewal Date. The Bank will notify the School of its acceptance or rejection of the School's renewal request no later than ninety (90) days prior to the Renewal Date. The decision with respect to the extension of the Letter of Credit Expiration Date will be at the Bank's sole discretion, it being understood that the Bank shall have no obligation to so extend or renew the Series B Letter of Credit.

The Bank

TD Bank, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and, operating under the brand names TD Banknorth and Commerce Bank, offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust, investment advisory and insurance agency services. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont and Virginia.

On October 2, 2007, TD entered into a merger agreement with Commerce Bancorp, Inc. ("Commerce"), the holding company for Commerce Bank, N.A., Philadelphia, Pennsylvania, and Commerce Bank/North, Ramsey, New Jersey (together, the "Commerce Banks"), which provided for Commerce to be acquired by TD. The acquisition was consummated on March 31, 2008. On May 31, 2008, the Commerce Banks merged with and into TD Banknorth, N.A. ("TD Banknorth"). In connection with this merger, the Bank's legal name was changed to "TD Bank, N.A." As of June 30, 2008, the Bank had consolidated assets of \$98.9 billion, consolidated deposits of \$73.5 billion and stockholder's equity of \$19.1 billion, based on regulatory accounting principles.

Additional information regarding the foregoing is available from the filings made by TD with the U.S. Securities and Exchange Commission (the “SEC”), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD, the Bank and the Commerce Banks contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Series B Letter of Credit will be issued by the Bank concurrently with the re-offering of the Series B Bonds and is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank (or its predecessor banks) delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
P.O. Box 9540
Portland, ME 04112-9540
Attn: Corporate Communications
Mail Stop: ME 089-71

Information regarding the financial condition and results of operations of the Bank is contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at <https://cdr.ffiec.gov/public>. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD’s financial statements are prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery of this Reoffering Circular shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

THE INTERCREDITOR AGREEMENT

Concurrently with the issuance of the Series B Bonds, the Agency also issued the Series A Bonds and the Series C Bonds. Although all three series of bonds comprising the 2002 Bonds were issued on a parity with each other for all purposes under the Indenture, only the Series A Bonds are insured by the non-cancelable Bond Insurance Policy issued by the Bond Insurer and only the Series B Bonds will benefit from liquidity and credit enhancement as a result of an irrevocable, direct pay letter of credit issued by the Bank. Under the Indenture, the owners of a majority in aggregate principal amount of the 2002 Bonds generally have been given the right to direct the Trustee to provide approvals or consents, or to direct remedies upon the occurrence of an Event of Default. However, the Indenture also provides that in calculating such majority,

the Bond Insurer and the Bank shall have the right to vote in place of and on behalf of the owners of the Series A Bonds and the Series B Bonds, respectively.

The administration of many rights and remedies of the Trustee and of owners of the 2002 Bonds contained in the Indenture are further controlled and restricted by an Intercreditor Agreement, dated as of October 1, 2002 (the "Intercreditor Agreement"), among the Agency, the Trustee, the Lessee, the Bond Insurer, the Bank and the Series C Representative (the Trustee acting at the direction of the owners of a majority of the aggregate principal amount of the Outstanding Series C Bonds). The Intercreditor Agreement was entered into on the date of delivery of the 2002 Bonds in order to (i) facilitate the coordination of the respective rights and remedies of the owners of the 2002 Bonds, the Trustee, the Credit Enhancers and the Agency, (ii) limit the ability of the parties thereto to immediately take certain remedial steps following an Event of Default under any Project Security Document or upon the inability to remarket the Series B Bonds for a period of at least six months, and (iii) provide for equitable payments to the owners of the 2002 Bonds and to the Credit Enhancers from the Lessee's Pledged Revenues and Unrestricted Investments Fund, insurance and condemnation proceeds, bankruptcy proceeds and from foreclosure proceeds from the sale of the Facility. *Capitalized terms used in this "Intercreditor Agreement" section of the Reoffering Circular shall have the meanings given to such terms in the Intercreditor Agreement, a copy of which is attached hereto as Appendix E.*

The Intercreditor Agreement categorizes remedies following an Event of Default as being either a "Restricted Remedy" or an "Unrestricted Action". A Restricted Remedy means the exercise of any one or more of the following remedies following the occurrence and continuance of an Event of Default under any Project Security Document: (i) acceleration of any payment obligations of the Lessee under any of the Project Security Documents or declaration of the entire amount of the 2002 Bonds to be due and payable, (ii) the exercise of any remedial right under any of the Project Security Documents relating to (a) the appointment of a receiver or (b) the collection or administration of Pledged Revenues in accordance therewith, (iii) the commencement of proceedings to foreclose the lien of the Agency Mortgages; (iv) the initiation of any power of sale or any similar right; (v) the acceptance of a deed in lieu of foreclosure; (vi) the initiation of bankruptcy or other insolvency proceedings by or against the School; (vii) the exercise by the Agency or the Trustee of any landlord rights to enter onto the Facility and exclude the Lessee from the use thereof as described in the Lease Agreement; or (viii) the termination of the Lease Agreement (provided that such termination does not directly or constructively preclude the Agency's right to convey its interest in the Facility under the Company Lease to the School as provided in the Lease Agreement (each, a "Restricted Remedy"). Any other remedy, including any action for "specific performance" or any other proceeding is an "Unrestricted Action", so long as the result of such action or proceeding would not (A) authorize any party to cause an acceleration of maturity or a mandatory redemption or tender of all of the 2002 Bonds or any series thereof, or an acceleration of any rental payment under the Lease Agreement, or (B) materially adversely affect (x) the security interest of the Trustee in the Pledged Revenues or any Controlled Fund (defined in the Intercreditor Agreement as any fund, account or other similar depository or investment arrangement of the Lessee which is subject to an activated Control Agreement (as defined in the Intercreditor Agreement)) or (y) the liens of the Agency Mortgages upon the Facility.

Under the Intercreditor Agreement, the Agency, the Trustee, the Bank, the Bond Insurer and the Series C Representative (each an "Acting Party") are each individually entitled and authorized to initiate any Unrestricted Action upon the occurrence and continuance of an Event of Default under any of the Project Security Documents or request the Trustee to take an Unrestricted Action, provided, that the Acting Party gives prompt prior written notice to all of the parties to the Intercreditor Agreement of (i) the nature and circumstance of the Event of Default, and (ii) the type of Unrestricted Action being initiated, and provided further, that enforcement by the Acting Party of any judgment for the payment of moneys against the Lessee shall be limited by the provisions of the Intercreditor Agreement.

No Restricted Remedy may be initiated by an Acting Party for a period of two years from the date of the occurrence of an Event of Default under any Project Security Document (as such date is determined by the

applicable Project Security Document, the “Triggering Event of Default”) unless all Credit Enhancers consent in writing to such Restricted Remedy and so direct the Trustee to initiate the specified Restricted Remedy (the “2 Year Standstill”). The 2 Year Standstill period automatically commences upon the date of the Triggering Event of Default and is deemed to continue unless and until such Triggering Event of Default and all subsequent Events of Default that occur during such period are cured by the Lessee or waived by a Directing Majority (defined in the Intercreditor Agreement as the affirmative written agreement of the Bond Insurer (or the affirmative agreement of the owners of a majority in aggregate principal amount of the Series A Bonds then Outstanding following the occurrence and continuation of a Series A Bond Insurer Disqualification Event), the Bank (or the affirmative agreement of the owners of a majority in aggregate principal amount of the Series B Bonds then Outstanding following the occurrence and continuation of a Series B Credit Facility Provider Disqualification Event) and the Series C Representative). If an Acting Party proposes to initiate a Restricted Remedy during the 2 Year Standstill period, the Acting Party must give written notice of such intention to the Trustee, the Credit Enhancers and the Series C Representative. Each Credit Enhancer has fifteen (15) Business Days, or such longer period as may be acceptable to the Acting Party, in which to advise the Acting Party in writing of whether such Credit Enhancer consents to the initiation of such Restricted Remedy. The Acting Party may not proceed to initiate such Restricted Remedy, or request the Trustee to proceed with such Restricted Remedy, unless written consent is obtained from all Credit Enhancers.

During the 2 Year Standstill period, the Agency, the Trustee and the Series C Representative agree that they, individually or in concert with each other, are not authorized to initiate any Restricted Remedy under the Project Security Documents without the prior written consent of each Credit Enhancer (provided that such written consent shall not be required from the affected Credit Enhancer to the extent that either or both of a Series A Bond Insurer Disqualification Event or a Series B Credit Facility Provider Disqualification Event shall exist).

On and after the second anniversary of the occurrence of a Triggering Event of Default, unless all Events of Default have been cured by the Lessee or waived by a Directing Majority, the Trustee, the Bank, the Bond Insurer and the Series C Representative shall each be entitled to individually initiate a Restricted Remedy as Acting Party (or direct the Trustee to initiate a Restricted Remedy) without the consent of either Credit Enhancer or any other party to the Intercreditor Agreement; provided that at least five (5) Business Days prior to initiating any such Restricted Remedy, the Acting Party must give written notice to all of the parties to the Intercreditor Agreement (i) certifying that the 2 Year Standstill period has elapsed, (ii) of the nature and circumstance of the Triggering Event of Default and any subsequent Event of Default, as applicable, and (iii) of the type of Restricted Remedy to be initiated.

In the event the Lessee shall institute or have instituted against it by a person other than a party to the Intercreditor Agreement any proceeding or case seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors (including under Title 11 of the United States Code) and such proceeding or case is not dismissed within ninety (90) days of the commencement thereof, or the Lessee shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall take any action to authorize or effect any of the actions described above, then, notwithstanding the 2 Year Standstill, the Bank, Bond Insurer, the Series C Representative, the Agency and the Trustee may take any and all actions available to any of them, including Restricted Remedies.

The Credit Enhancers may only exercise any rights and remedies under the Subordinate Mortgages in conjunction with the implementation by the Trustee of a Restricted Remedy under the Intercreditor Agreement relating to the Agency Mortgages.

Upon the occurrence and continuance of an Event of Default under any of the Project Security Documents, the Trustee may, and at the direction of the Bank, the Bond Insurer or the Series C Representative, shall activate all Control Agreements relating to the Pledged Revenues and the Lessee’s

Unrestricted Investments Fund by so notifying the other parties and the affected bank or other financial institution, in writing (a “Control Agreement Notice”). Upon receipt of a Control Agreement Notice (unless the Trustee is the Acting Party), the Trustee shall promptly establish control over the affected fund or funds so that it shall constitute a Controlled Fund for purposes of the Intercreditor Agreement. During any period for which a Control Agreement Notice has been duly provided (a “Control Period”), the Lessee has agreed to continue to deposit, as received, all moneys, checks or other orders for the payment of money, securities, chattel paper or other instruments which represent (i) Pledged Revenues or (ii) assets of or designated additions to the Unrestricted Investments Fund, in all cases, to Controlled Funds, and not to deposit in or redirect any such moneys, checks or other orders for the payment of money, securities, chattel paper or other instruments to any other account or fund of the Lessee.

During a Control Period, the Directing Majority shall have the right to direct the Trustee to disburse amounts held in Controlled Funds to the Lessee to pay operating expenses of the Lessee that have been documented to the satisfaction of such owners. Such disbursements may be directed by the Directing Majority regardless of whether such disbursements do, or would be expected to, cause or result in a payment default under the Lease Agreement because of an insufficiency of amounts to pay such operating expenses and the quarterly rental payment under the Lease Agreement then coming due, provided that the Lessee has formulated and submitted to the Agency, the Trustee, the Credit Enhancers and the Series C Representative a plan reasonably acceptable to the Directing Majority for the continued operation of the Lessee’s facilities and the resumption of full and timely payment of amounts due under the Lease Agreement.

As a basic principle, the Intercreditor Agreement provides that amounts derived from Pledged Revenues, amounts in the Unrestricted Investments Fund, insurance and condemnation proceeds, bankruptcy proceeds and mortgage foreclosure proceeds from the sale of the Facility that are derived following an Event of Default and the initiation of an Unrestricted Action or Restricted Remedy shall be distributed with respect to the 2002 Bonds on a pro rata basis (the “Pro Rata Share”) determined by multiplying any amount available for payment (after deduction for fees and expenses of the Trustee) by a fraction, the numerator of which equals the unpaid scheduled principal of a series of 2002 Bonds then due, plus unpaid interest owed on such series of 2002 Bonds then due, plus unpaid fees owed to the Credit Enhancer with respect to such series of 2002 Bonds, if any, which are secured on a parity with the 2002 Bonds under the Agency Mortgages, plus unreimbursed payments of scheduled principal and interest on such series of 2002 Bonds previously paid by such Credit Enhancer, together with unpaid interest thereon; and the denominator of which equals the aggregate amount of unpaid scheduled principal of the 2002 Bonds then due, plus the aggregate amount of unpaid interest owed on the 2002 Bonds, plus the aggregate amount of unpaid fees owed to the Credit Enhancers, if any, which are secured on a parity with the 2002 Bonds under the Agency Mortgages, plus the aggregate amount of unreimbursed payments of scheduled principal and interest on the 2002 Bonds previously paid by the Credit Enhancers, together with the aggregate amount of unpaid interest thereon. In the case of a distribution to make a lease payment, the amount of principal or interest on the 2002 Bonds “then due” shall mean the portion of the lease payment then due relating to the payment of principal of or interest on the 2002 Bonds, as applicable.

During a Control Period while the 2 Year Standstill period is in effect, on each March 1, June 1, September 1 and December 1, the Trustee shall withdraw amounts equal to the scheduled lease payments due under the Lease Agreement on such dates from Controlled Funds (utilizing moneys constituting Pledged Revenues first and, to the extent such moneys are insufficient therefor, any other moneys derived from the Unrestricted Investments Fund), or if the available amounts in such Controlled Funds are insufficient therefor, such available amounts allocated on the basis of Pro Rata Shares for each series of the 2002 Bonds and (i) deposit the full or Pro Rata Share, as applicable, of such amount representing debt service for each series of 2002 Bonds in the respective Bond Funds, or with respect to the Series B Bonds, the Reimbursement Fund (Series B), held under the Indenture, and (ii) pay to the respective Credit Enhancers the full or Pro Rata Share, as applicable, of such amount representing (A) unpaid fees owed to the Credit Enhancers which are on a parity with the 2002 Bonds under the Agency Mortgages and (B) unreimbursed payments of scheduled principal and interest on a series of 2002 Bonds previously paid by the Credit Enhancers, together with

interest unpaid thereon. The parties to the Intercreditor Agreement have acknowledged and agreed that the sufficiency of available amounts for withdrawal from Controlled Funds may be adversely affected by the amount by which the Directing Majority has directed the Trustee to apply, or hold for application, toward the payment of operating expenses in accordance with the Intercreditor Agreement. To the extent that there remain available amounts in Controlled Funds after the withdrawal of moneys for the purposes described in clauses (i) and (ii) above, the Trustee shall also withdraw an amount equal to any unpaid amounts owed to the Credit Enhancers which are subordinate in payment to the application of moneys described in such clauses (i) and (ii) (or such lesser amount if the moneys in Controlled Funds are insufficient therefor) and pay the full amounts due to the respective Credit Enhancers (or such lesser amount as may be available pro rata to each Credit Enhancer on the basis of the relative amounts owed to each Credit Enhancer). During a Control Period while the 2 Year Standstill period is in effect, no party to the Intercreditor Agreement is entitled to receive from the Trustee any moneys of the Lessee resulting from any Unrestricted Action maintained by such party other than its Pro Rata Share described above.

If a Restricted Remedy is implemented in accordance with the provisions of the Intercreditor Agreement, the Trustee shall (i) take control of all proceeds derived from a foreclosure of the liens of the Agency Mortgages and the Subordinate Mortgages and (ii) immediately withdraw all amounts deposited in or credited to all Controlled Funds (such amounts being collectively referred to as the "Available Proceeds") and (A) deposit the full or Pro Rata, Share, as applicable, of the amount representing debt service for each series of 2002 Bonds (determined as if the aggregate principal amount of the 2002 Bonds was accelerated and then due) in the respective Bond Funds, or with respect to the Series B Bonds, the Reimbursement Fund (Series B), held under the Indenture, and (B) pay to the respective Credit Enhancers the full or Pro Rata Share, as applicable, of the amount representing (1) unpaid fees owed to the Credit Enhancers which are on a parity with the 2002 Bonds under the Agency Mortgages and (2) unreimbursed payments of scheduled principal and interest on a series of 2002 Bonds previously paid by the Credit Enhancers, together with interest unpaid thereon. To the extent that after the application of Available Proceeds for the purposes described in clauses (i) and (ii) of the preceding paragraph there remain Available Proceeds, the Trustee shall apply such remaining Available Proceeds to the payment of all unpaid amounts owed to the Credit Enhancers which are subordinate in payment to the purposes described in such clauses (i) and (ii) of the preceding paragraph (or such lesser amount if the remaining Available Proceeds are insufficient therefor pro rata to each Credit Enhancer on the basis of the relative amounts owed to both Credit Enhancers).

In addition to the right to exercise control over the Pledged Revenues of the Lessee or the Lessee's Unrestricted Investments Fund during a Control Period, the Trustee may, and at the direction of the Bank, the Bond Insurer or the Series C Representative, shall, realize upon any security interest which it may, then have in the pledge of Pledged Revenues and of the Unrestricted Investments Fund and the respective rights to receive the same and in any manner consistent with the rights of the Trustee set forth in the Pledge and Security Agreement and in the Contingent Pledge Agreement or as contained in the Intercreditor Agreement, by any one or more of the following actions: (i) during normal business hours enter upon the Lessee and examine and make copies of the financial books and records of the Lessee relating to the Pledged Revenues and the Unrestricted Investments Fund and take possession of all instruments, chattel paper, checks or other orders for payment of money and moneys in the possession of the Lessee representing Pledged Revenues and assets of the Unrestricted Investments Fund or the respective proceeds thereof; provided that the Trustee shall thereafter promptly provide to the Lessee a list of all such items taken; (ii) notify any account debtors obligated on any Pledged Revenues to make payments directly to the Trustee and of the amount to be so paid; provided, however, that written notice of such notification shall be mailed to the Lessee five (5) days prior to mailing or otherwise making such notification to account debtors and that, immediately upon receipt of such notice, the Lessee shall deliver to the Trustee the name, address and telephone and facsimile numbers and any other contact information for each of its account debtors, together with information with respect to its efforts to enforce and collect Pledged Revenues owing from each such debtor, and shall thereupon cease all such efforts; and provided further that until the Lessee shall receive such notice it shall have full authority and responsibility to enforce, collect and settle Pledged Revenues owing from its account debtors; (iii) following the above-mentioned notification to account debtors, collect, or, in good faith, compromise, settle, compound

or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Lessee's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Lessee whether or not the full amount of any such account receivable or contract right owing shall be paid to the Trustee; provided that the Trustee shall, promptly after each such action, provide notice to the Lessee of such action taken in sufficient detail for the Lessee to track and document the Pledged Revenues affected; (iv) by written notice to the Lessee, forbid the Lessee to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or to allow any credit or discount thereon; and (v) by prior written notice to the Lessee, endorse in the name of the Lessee any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or deposits to the Unrestricted Investments Fund or the respective proceeds thereof.

If subsequent to the occurrence of an Event of Default, the Bank, the Bond Insurer or the Series C Representative (the "Recovering Party") shall obtain payment of any amount due to it by any means other than as described above (including any payment obtained from or charged against any third party), the Recovering Party shall deposit such recovered amounts with the Trustee (net of any expenses which the Recovering Party shall have incurred in obtaining such recovered amounts) in order to assure that such recovered amounts are applied on a Pro Rata Share basis.

During any Control Period and prior to the initiation of a Restricted Remedy, if the Triggering Event of Default and all subsequent Events of Default have either been cured by the Lessee or waived by the Directing Majority, then the Trustee shall, as soon as practicable, (1) provide notice to such effect to the other parties to the Intercreditor Agreement, and (2) withdraw the Control Agreement Notice(s) and relinquish control over all Controlled Funds. Thereafter, unless and until any subsequent Control Agreement Notice is received by the parties to the Intercreditor Agreement and the affected bank or financial institution, all Pledged Revenues and amounts on deposit in or credited to the Lessee's Unrestricted Investments Fund shall cease to be subject to any restrictions imposed by a Control Agreement; all books and records of the Lessee relating to Pledged Revenues or the Lessee's Unrestricted Investments Fund which were taken shall be promptly returned to the Lessee; the Trustee shall provide notice to account debtors to make payments directly to the Lessee; the Trustee shall not collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Lessee's account debtors without written approval of the Lessee; the Trustee shall promptly deliver to the Lessee any future payments received from account debtors; and Pledged Revenues may be collected, compromised, settled, compounded, extended and applied by the Lessee subject only to the pledge and limitations set forth in the Project Security Documents.

In order to protect the interests of the parties to the Intercreditor Agreement, the Lessee has covenanted to not enter into any Control Agreements with respect to or otherwise encumber any of its assets other than as contemplated by, and in accordance with, the Project Security Documents.

An Event of Default under the Project Security Documents will be deemed to have occurred for purposes of commencing the 2 Year Standstill provision relating to the initiation of a Restricted Remedy under the Intercreditor Agreement in the event (i) all or a portion of the Series B Bonds shall have been the subject of a failed remarketing and any of such Series B Bonds shall have been Bank Bonds for a period of six (6) months or (ii) the term of the Series B Letter of Credit is not renewed resulting in a mandatory tender of the Series B Bonds and a corresponding draw on the Series B Letter of Credit immediately prior to its expiration date. If, at any time during the 2 Year Standstill period, either all of the unremarketed Series B Bonds shall be successfully remarketed or a replacement Series B Letter of Credit shall have been obtained by the Lessee in accordance with the requirements of the Indenture, the Event of Default described above shall be deemed cured. No payment of the principal amount of any Tender Drawing that may be payable to the Bank pursuant to a "term out" or other loan provision contained in the Series B Reimbursement Agreement shall be paid to the Bank during the 2 Year Standstill period, and the failure to pay such amounts during the 2

Year Standstill period shall not be deemed to constitute an Event of Default under any Project Security Document; provided, however, that at the end of the 2 Year Standstill period, all such accrued but unpaid principal payments under such “term out” or other loan provision shall be immediately payable to the Bank if, on the date of payment, (A) the Triggering Event of Default and all subsequent Events of Default (other than the failure to remarket any Bank Bonds) have been cured by the Lessee or waived by the Directing Majority, and (B) the Lessee is able, to demonstrate that (1) following the payment of such accrued but unpaid principal payments it is in compliance with the Unrestricted Liquid Funds to Debt Ratio covenant set forth in the Lease Agreement with such payment date being deemed to be a special Unrestricted Liquid Funds Test Date, and (2) such payment is being made from amounts on deposit in the Unrestricted Investments Funds or from amounts that are not required to be deposited in a Controlled Fund; provided further, that the failure by the Lessee to pay such accrued principal payments when due shall constitute a subsequent Event of Default for purposes of the Intercreditor Agreement entitling any party to immediately initiate any Restricted Remedy under the Intercreditor Agreement.

Reference is made to the detailed provisions of the Intercreditor Agreement. For a complete copy of the Intercreditor Agreement, see APPENDIX E - INTERCREDITOR AGREEMENT DATED AS OF OCTOBER 1, 2002. See also “BONDHOLDERS’ RISKS” herein.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each twelve-month period ending May 31, the amounts required to be paid to the Trustee in such Bond Year for the payment of principal of and interest on the 2002 Bonds.

Bond Year <u>May 31</u>	Series A Bonds		Series B Bonds		Series C Bonds		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$495,000	\$2,164,506	-	\$1,200,000	-	\$1,632,000	\$5,491,506
2010	1,190,000	2,139,756	-	1,200,000	-	1,632,000	6,161,756
2011	2,215,000	2,080,256	-	1,200,000	-	1,632,000	7,127,256
2012	2,330,000	1,963,969	-	1,200,000	-	1,632,000	7,125,969
2013	2,455,000	1,841,644	-	1,200,000	-	1,632,000	7,128,644
2014	2,590,000	1,706,619	-	1,200,000	-	1,632,000	7,128,619
2015	2,730,000	1,564,169	-	1,200,000	-	1,632,000	7,126,169
2016	2,880,000	1,414,019	-	1,200,000	-	1,632,000	7,126,019
2017	3,040,000	1,255,619	-	1,200,000	-	1,632,000	7,127,619
2018	3,210,000	1,088,419	-	1,200,000	-	1,632,000	7,130,419
2019	3,385,000	911,869	-	1,200,000	-	1,632,000	7,128,869
2020	3,565,000	729,925	-	1,200,000	-	1,632,000	7,126,925
2021	3,760,000	538,306	-	1,200,000	-	1,632,000	7,130,306
2022	3,960,000	336,206	-	1,200,000	-	1,632,000	7,128,206
2023	2,295,000	123,356	-	1,200,000	1,880,000	1,632,000	7,130,356
2024	-	-	-	1,200,000	4,420,000	1,504,160	7,124,160
2025	-	-	-	1,200,000	4,720,000	1,203,600	7,123,600
2026	-	-	-	1,200,000	5,045,000	822,640	7,127,640
2027	-	-	-	1,200,000	5,385,000	539,580	7,124,580
2028	-	-	3,200,000	1,200,000	2,500,000	173,400	7,123,400
2029	-	-	6,100,000	1,072,000	-	-	7,172,000
2030	-	-	6,500,000	828,000	-	-	7,328,000
2031	-	-	6,900,000	568,000	-	-	7,468,000
2032	-	-	<u>7,300,000</u>	<u>292,000</u>	-	-	<u>7,592,000</u>
Total	<u>\$40,300,000</u>	<u>\$31,943,798</u>	<u>\$30,000,000</u>	<u>\$31,768,333</u>	<u>\$24,000,000</u>	<u>\$37,895,380</u>	<u>\$195,707,511</u>

*Based on actual debt service on the Series A Bonds and the Series C Bonds and estimated debt service on the Series B Bonds calculated using an interest rate of 4.00%.

BONDHOLDERS' RISKS

The School's revenues and expenses are affected by many economic, demographic educational and other factors. In addition to matters discussed elsewhere herein, the following factors, among others, may have a material effect on the School's operations to an extent that cannot be determined at this time.

General

The discussion herein of risks to owners of the 2002 Bonds is not intended as dispositive, comprehensive or definitive, but rather is intended to summarize certain matters which could affect payment of the 2002 Bonds. The risk factors described herein are not intended to be, nor can they be, a complete recitation of the risks involved in the ownership of the 2002 Bonds. This section should only be read in conjunction with the rest of this Reoffering Circular, including the Appendices hereto.

The ability of the School to generate revenues sufficient to provide for the payment of debt service on the 2002 Bonds and the School's other obligations is subject to, among other things, the capabilities of the management of the School, the confidence of parents in the School, operating costs, changes in the economic conditions in the School's service area, competition, government regulation and licensing requirements, and future economic and other conditions (including the impact of inflation or recession), which are unpredictable and may not be determinable at this time. The ability of the School to operate successfully over the life of the 2002 Bonds may be dependent upon its ability to finance, acquire and support additional capital replacements and improvements, which will be affected by legislation, regulations and applicable principles of reimbursement.

Intercreditor Agreement Restrictions on Rights and Remedies Following an Event of Default

The administration of many rights and remedies of the Trustee and of owners of the 2002 Bonds contained in the Indenture are controlled and restricted by the Intercreditor Agreement. The Intercreditor Agreement (i) facilitates the coordination of the respective rights and remedies of the owners of the 2002 Bonds, the Trustee, the Credit Enhancers and the Agency, (ii) limits the ability of the parties thereto to immediately take certain remedial steps following an Event of Default under any Project Security Document or upon the inability to remarket the Series B Bonds for a period of at least six months, and (iii) provides for equitable payments to the owners of the 2002 Bonds and to the Credit Enhancers from the Lessee's Pledged Revenues and Unrestricted Investments Fund, insurance and condemnation proceeds, bankruptcy proceeds and from foreclosure proceeds from the sale of the Facility.

The Intercreditor Agreement categorizes remedies following an Event of Default as being either a "Restricted Remedy" or an "Unrestricted Action". A Restricted Remedy means the exercise of any one or more of the following remedies following the occurrence and continuance of an Event of Default under any Project Security Document: (i) acceleration of any payment obligations of the Lessee under any of the Project Security Documents or declaration of the entire amount of the 2002 Bonds to be due and payable, (ii) the exercise of any remedial right under any of the Project Security Documents relating to (a) the appointment of a receiver or (b) the collection or administration of Pledged Revenues in accordance therewith, (iii) the commencement of proceedings to foreclose the lien of the Agency Mortgages; (iv) the initiation of any power of sale or any similar right; (v) the acceptance of a deed in lieu of foreclosure; (vi) the initiation of bankruptcy or other insolvency proceedings by or against the School; (vii) the exercise by the Agency or the Trustee of any landlord rights to enter onto the Facility and exclude the Lessee from the use thereof as described in the Lease Agreement; or (viii) the termination of the Lease Agreement (provided that such termination does not directly or constructively preclude the Agency's right to convey its interest in the Facility under the Company Lease to the School as provided in the Lease Agreement (each, a "Restricted Remedy"). Any other remedy, including any action for "specific performance" or any other proceeding is an "Unrestricted Action", so long as the result of such action or proceeding would not (A) authorize any party to cause an acceleration of maturity or a mandatory redemption or tender of all of the 2002 Bonds or any series thereof, or an acceleration of any rental payment under the Lease Agreement, or (B) materially adversely affect (x) the security interest of the Trustee in the Pledged Revenues or any Controlled Fund (defined in the Intercreditor Agreement as any fund, account or other similar depository or investment arrangement of the School which is subject to an activated Control Agreement (as defined in the Intercreditor Agreement) or (y) the liens of the Agency Mortgages upon the Facility.

Under the Intercreditor Agreement, the Agency, the Trustee, the Bank, the Bond Insurer and the Series C Representative are each individually entitled and authorized to initiate any Unrestricted Action upon the occurrence and continuance of an Event of Default under any of the Project Security Documents or request the Trustee to take an Unrestricted Action. However, no Restricted Remedy may be initiated by any party to the Intercreditor Agreement for a period of two years from the date of the occurrence of an Event of Default under any Project Security Document (as such date is determined by the applicable Project Security Document) unless all Credit Enhancers shall consent in writing to such Restricted Remedy and so direct the

Trustee to initiate the specified Restricted Remedy (the “2 Year Standstill”). See “THE INTERCREDITOR AGREEMENT”.

Certain Matters Relating to Enforceability of the Lease Agreement, the Agency Mortgages and the other Security Documents

The realization of any rights upon default by the Lessee will depend upon the exercise of various remedies specified in the Lease Agreement, the Agency Mortgages and the other Security Documents. Certain remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Lease Agreement, the Agency Mortgages and other Security Documents may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Lease Agreement. The enforceability of the obligations of the Lessee under the Lease Agreement, the Agency Mortgages and other Security Documents may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors’ rights generally.

Accreditation

The School’s certification as a “lycée” is subject to annual review by the French Ministry of Education. The School is also subject to periodic review by the New York State Association of Independent Schools (“NYSAIS”). The School is currently operating under a five-year accreditation from NYSAIS through 2010. The School’s pre-nursery and nursery school programs are licensed by the New York Department of Health pursuant to an annual review. No assurance can be given as to the effect on future operations of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards.

Competition

Competition from both public and private primary and secondary schools located elsewhere in New York City, and from alternative or substitute educational programs, may decrease enrollment at the School.

The specialized curriculum of the School, offering a traditional French program of study conducted primarily in French, has an impact on the competition it currently faces. However, there can be no assurances that the School will not face competition from other schools that offer a comparable curriculum in the future.

Factors Generally Affecting Educational Institutions

The following factors, which are not all-inclusive, may adversely affect the operations of educational institutions in the future, including the operations of the School, to an extent that cannot be determined at this time:

1. The reduced demand for private education or other services arising from a change in demographics, or from adverse or declining economic conditions in the areas from which the School draws a significant portion of its enrollment.
2. Cost increases without corresponding increases in revenue could result from, among other factors, increases in the salaries, wages and fringe benefits of employees and inflation.
3. Future legislation and regulations affecting private schools, their tax-exempt status, and educational institutions in general could adversely affect the operations of the School.

Internal Revenue Code Limitations

The Code contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of facilities for exempt organizations, including facilities generating taxable income. Consequently, the Code could adversely affect the School's ability to finance its future capital needs and could have other adverse effects on the School which cannot be predicted at this time. The Code continues to subject unrelated business income of exempt organizations to taxation.

As a tax-exempt organization, the School is limited in its use of its facilities, as well as its use of below market rate interest loans, joint venture programs, and other means of recruiting and retaining teachers. The Internal Revenue Service ("IRS") has intensified its scrutiny of a broad variety of contractual relationships commonly entered into by not-for-profit entities and has issued detailed audit guidelines suggesting that field agents scrutinize numerous activities of not-for-profits in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The IRS has also commenced intensive audits of select not-for-profit entities to determine whether the activities of such entities are consistent with their continued tax-exempt status. Any suspension, limitation, or revocation of the tax-exempt status of the School or assessment of significant tax liability could have a material adverse effect on the School and might lead to loss of tax exemption of interest on the 2002 Bonds.

Revocation of the tax-exempt status of the School under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of the issuance of the 2002 Bonds. Section 501 (c)(3) of the Code specifically conditions the continued exemption of all Section 501 (c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt entities and non-exempt individuals or entities. While management believes that the School's arrangements with private persons and entities are generally consistent with guidance by IRS, there can be no assurance concerning the outcome of an audit or other investigation.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person". Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve "excess benefit". "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair market value or, to the extent provided in regulations yet to be promulgated, is determined in whole or in part by the revenues of one or more activities of such organization. "Disqualified persons" include "insiders" such as board members and officers and senior management of the School, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person. The legislative history sets forth Congress' intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (1) approved by disinterested members of the organization's board or compensation committee; (2) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (3) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt

organization and disqualified persons if a similar procedure with approval by an independent board is followed.

The imposition of a penalty excise tax in lieu of revocation based upon a finding that an exempt organization engaged in an excess benefit transaction is likely to result in negative publicity and other consequences that could have a material adverse effect on the operations, property, or assets of the School.

Tax Audits

Taxing authorities have recently been conducting general tax audits on non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. Although the School is not the subject of any such audit at this time, other not-for-profit institutions located in the State have been the subject of such audits.

Not-for-Profit Status

From time to time, legislation has been introduced into Congress affecting the tax-exempt status of not-for-profit organizations. In addition, taxing authorities in certain jurisdictions have sought to impose or increase taxes related to the property and operations of such organizations. The imposition or increase in taxes related to the property and operations of the School could have a material adverse effect on the operations of the School.

Labor Concerns

Employee strikes and other work stoppages, and other adverse labor actions could result in a substantial reduction in revenues without corresponding decreases in costs. Shortage of certain types of teachers and other personnel available for staffing schools exist in some regions of the State. In addition, the School's traditional French program of study requires its teachers and other personnel to have specialized skills. To the extent the School cannot obtain adequate staff levels, the operations of the School may be adversely affected. See Appendix A - "CERTAIN INFORMATION CONCERNING LYCÉE FRANÇAIS DE NEW YORK – Faculty and Staff".

Payments by Bank, Risk of Default by the Bank

The Series B Letter of Credit issued by the Bank will authorize the Trustee to draw on the Bank in accordance with the terms and conditions set forth in the Series B Letter of Credit, by drafts, periodically in an amount equal to the principal of the Series B Bonds when due, whether at stated maturity or upon redemption or acceleration of the Series B Bonds, the Purchase Price of Series B Bonds tendered for purchase pursuant to the Indenture, and up to 52 days' accrued interest on the Series B Bonds at a maximum rate of ten percent (10%) (other than Bank Bonds). The Series B Letter of Credit is the primary expected source of payment of the principal of, Sinking Fund Installments for, purchase price of, and interest on, the Series B Bonds. The Bank's obligation under the Series B Letter of Credit will be a general obligation of the Bank. Such obligations will not be guaranteed or secured, in whole or in part, by the United States of America or any agency or instrumentality thereof. Default by the Bank under the Series B Letter of Credit may result in insufficient revenues being available to pay the principal, Redemption Price (except for any redemption premium), if applicable, Purchase Price, Sinking Fund Installments for, or interest on the Series B Bonds. Certain information with respect to the Bank is included under the caption "THE SERIES B LETTER OF CREDIT" in this Reoffering Circular.

Failure to Obtain a Substitute Series B Letter of Credit or Substitute Series B Credit Facility

The Series B Letter of Credit terminates on November 20, 2013, unless extended. There are no assurances that the Bank will renew the Series B Letter of Credit beyond such date. In the event that the Trustee has not received evidence as required by the Indenture by the 30th day preceding the Series B Letter of Credit Termination Date of either an extension of the then existing Series B Letter of Credit or the issuance of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility meeting the requirements of the Indenture, the Series B Bonds are subject to mandatory tender for purchase on the 5th Business Day prior to the Series B Letter of Credit Termination Date at a Purchase Price of 100% of the principal amount thereof plus accrued interest to the Purchase Date (See “THE SERIES B BONDS - Mandatory Tenders” herein). There are no assurances that the School will be able to obtain such Substitute Series B Letter of Credit or Substitute Series B Credit Facility.

Certain information with respect to the Bank is included in this Reoffering Circular under the caption “THE SERIES B LETTER OF CREDIT - The Bank”.

REMARKETING

Commerce Capital Markets, as Remarketing Agent for the Series B Bonds, has agreed, pursuant to the terms and conditions of a Firm Remarketing Agreement dated as of November 13, 2008, to purchase the Series B Bonds upon the mandatory tender thereof on November 13, 2008 (the “Reoffering Date”) at an aggregate purchase price of par plus accrued interest and to make a public offering of the Series B Bonds. Commerce Capital Markets will be obligated to purchase all such Series B Bonds tendered on the Reoffering Date.

The Series B Bonds are being remarketed and offered in the Weekly Mode by Commerce Capital Markets, as Remarketing Agent. The re-offering of the Series B Bonds by Commerce Capital Markets is subject to certain conditions in the Amended and Restated Remarketing Agreement dated as of November 13, 2008 among the Agency, the School and Commerce Capital Markets pursuant to which Commerce Capital Markets will be paid a remarketing fee by the School in consideration of the services of Commerce Capital Markets in connection with the remarketing and re-offering of the Series B Bonds. The School has agreed to indemnify Commerce Capital Markets and the Agency against certain liabilities, including certain liabilities arising under federal and state securities laws.

NO LITIGATION

The Agency

There is not now pending any litigation of which the Agency has notice or, to the best knowledge of the Agency, any basis therefor, restraining or enjoining the remarketing of the Series B Bonds or questioning or affecting the validity of the Series B Bonds or the proceedings and authority under which the Series B Bonds were issued, or the pledge or application of any moneys or the security provided for the payment of the Series B Bonds. Neither the creation, organization or existence of the Agency, nor the title of the present directors or other officials of the Agency to their respective offices, is, to the best knowledge of the Agency, being contested.

The School

There is no litigation of any nature now pending, or to the knowledge of its respective officers, threatened, against the School restraining or enjoining the remarketing of the Series B Bonds or in any way contesting or affecting the validity of the Series B Bonds, any proceedings of the School taken concerning the execution, sale or delivery thereof, or the application of any moneys or security provided for the payment of the Series B Bonds.

LEGAL MATTERS

A copy of the original approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Agency, delivered on November 21, 2002, together with a copy of the opinion proposed to be delivered by Bond Counsel to the Agency on the Reoffering Date in connection with the delivery of the Series B Letter of Credit, are included in Appendix D to this Reoffering Circular.

Certain legal matters will be passed on for the School by Dennett Law Offices, P.C., Great Neck, New York, for the Bank by Harris Beach PLLC, Albany, New York and for the Remarketing Agent by Harris Beach PLLC, Albany, New York.

TAX MATTERS

Opinion of Bond Counsel

On November 21, 2002, Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, rendered its opinion to the effect that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described in such opinion, (i) interest on the Series B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); provided however, no opinion was expressed by Bond Counsel subsequent to the conversion of the interest rate from any Variable Rate to either the Term Rate or the Fixed Rate, and (ii) interest on the Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel to the Agency relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency and the School in connection with the Series B Bonds, and Bond Counsel to the Agency assumed compliance by the Agency and the School with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series B Bonds from gross income under Section 103 of the Code.

On November 21, 2002, Bond Counsel to the Agency further rendered its opinion to the effect that, under existing statutes, interest on the Series B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York, and the Series B Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for estate or gift taxes and taxes on transfers. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, the delivery of the Series B Letter of Credit by the Bank to the Trustee (i) is authorized under the Indenture and complies with its terms and (ii) will not, in and of itself, cause the interest on the Series B Bonds, the interest on which is otherwise excluded from gross income for federal income tax purposes under Section 103 of the Code, to become includable in gross income for federal income tax purposes.

Bond Counsel to the Agency expresses no opinion regarding any other federal or state tax consequences with respect to the Series B Bonds. Bond Counsel to the Agency renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the Agency expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds, or under state and local tax law.

Reference is made to Appendix D hereto for the form of the approving opinion rendered by Bond Counsel to the Agency on November 21, 2002 in connection with the original issuance of the Series B Bonds.

Reference is further made to Appendix D hereto for the proposed form of opinion, in substantially final form, expected to be delivered by Bond Counsel to the Agency in connection with the delivery of the Series B Letter of Credit by the Bank.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series B Bonds in order that interest on the Series B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series B Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series B Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency and the School have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series B Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series B Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series B Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series B Bonds.

Prospective owners of the Series B Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series B Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Series B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9 “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series B Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series B Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series B Bonds under

federal or state law and could affect the market price or marketability of the Series B Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Series B Bonds, will not have an adverse effect on the tax exempt status, market price or marketability of the Series B Bonds.

Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. has assigned a rating of "VMIG 1/Aa2" and "A-1+/AA-", respectively, to the Series B Bonds with the understanding that, simultaneously with the delivery of the Series B Bonds, the Series B Letter of Credit will be issued by the Bank. Such ratings reflect only the view of the respective organizations and an explanation of the significance of each such rating may be obtained only from the rating agency issuing such rating. There can be no assurance that either or both ratings will continue for any given period of time or that either or both ratings will not be revised downward or withdrawn entirely by either rating agency, or both, if in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of either or both rating may have an adverse effect on the market price of the Series B Bonds. Neither rating should be taken as a recommendation to buy or hold the Series B Bonds.

CONTINUING DISCLOSURE UNDER RULE 15c2-12

In order to assist the Remarketing Agent in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the School and the Trustee entered into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the holders of the 2002 Bonds to provide continuing disclosure. The School will undertake for the benefit of the owners of the 2002 Bonds to provide each Nationally Recognized Municipal Securities Information Repository (each a "Repository") and, if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis on or before 120 days after the end of the fiscal year of the School, certain financial and operating data of the type included in Appendix A hereto including, specifically, information relating to physical facilities of the School, investment portfolio, revenue and expense information of the type set forth in the Statement of Activities (or other similar statement), sources of revenues, management's discussion of the School's most recent annual financial performance, outstanding indebtedness, litigation and insurance (collectively referred to herein as the "Annual Information"). The School has agreed to provide its annual consolidated financial statements prepared in accordance with generally accepted accounting principles ("GAAP") and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards to each Repository and, if applicable, to the State Information Depository. In addition, the Trustee will undertake, for the benefit of the holders of the 2002 Bonds, to provide to each such Repository or the Municipal Securities Rulemaking Board ("MSRB") and to the State Information Depository, in a timely manner, the notices described below (the "Notices").

The Notices include notices of any of the following events with respect to the 2002 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 2002 Bonds; (7) modifications to the rights of the holders of the 2002 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2002 Bonds; and (11) rating changes. In addition, the Trustee has agreed, for the benefit of the Holders of the 2002 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the School to provide the Annual Information and annual consolidated financial statements by the date required in the School's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide the continuing disclosure described above is an action to compel specific performance of the undertakings of the School and/or the Trustee, and no person, including any owner of 2002 Bonds, may recover monetary damages thereunder under any circumstances. The Trustee or the School may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their respective obligations to provide information required thereunder, by any owner of Outstanding 2002 Bonds or by the Trustee on behalf of the owners of Outstanding 2002 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding 2002 Bonds; provided, however, that the Trustee may not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of 2002 Bonds at the time Outstanding under the Indenture. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Indenture. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement are on file at the designated corporate trust office of the Trustee.

Quarterly and Annual Financial Reports to Interested Beneficial Owners

In addition to the foregoing obligation of the School to provide continuing disclosure to each Repository, the School has agreed in the Lease Agreement to provide quarterly and annual financial reports (the "Financial Reports") to qualifying beneficial owners of at least \$100,000 in aggregate principal amount of the 2002 Bonds who shall make a written request for such information to the Chief Financial Officer of the School (the "Interested Beneficial Owners"). Under the Lease Agreement, in order to qualify as an Interested Beneficial Owner, a beneficial owner must file with the School within 24 months immediately prior to any date on which Financial Reports are to be mailed out, an assertion of beneficial ownership with such documentary support as shall be sufficient to permit the School to conclusively rely, without making any investigation, as to the establishment of such beneficial ownership. The Financial Reports shall include income statements, cashflow statements, balance sheet information, selected utilization statistics, and, to the extent the School may become involved in any accounts securitization program, an accounts receivable activity report. The School has agreed in the Lease Agreement to mail out to Interested Beneficial Owners quarterly Financial Reports within 45 days after the close of each quarter and annual Financial Reports within 120 days of the close of each Fiscal Year.


MISCELLANEOUS

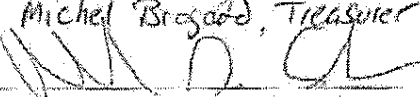
The School has furnished all information herein relating to itself and the Facility. The Agency makes no representation or warranty as to the accuracy or completeness of any information contained herein other than as set forth under the captions "THE AGENCY" and "NO LITIGATION - The Agency". The Bank has furnished all information contained under the caption "THE SERIES B LETTER OF CREDIT - The Bank" and will issue the Series B Letter of Credit in the form set forth in Appendix F to this Reoffering Circular. The Remarketing Agent has reviewed the information in this Reoffering Circular in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

Any statements made in this Reoffering Circular involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. This Reoffering Circular is not intended to be construed as a contract or agreement between the School and the purchasers or owners of any of the Series B Bonds.

The distribution of this Reoffering Circular to prospective purchasers of the Series B Bonds by the Remarketing Agent has been approved by the School. This Reoffering Circular is made available only in connection with the remarketing of the Series B Bonds and may not be used in whole or in part for any other purpose.

LYCÉE FRANÇAIS DE NEW YORK

By: 
Michel Brogand, Treasurer

By: 
Mark Cunha, Secretary

APPENDIX A

CERTAIN INFORMATION CONCERNING LYCÉE FRANÇAIS DE NEW YORK

The information in this Appendix A has been provided by Lycée Français de New York and the Agency makes no representation, warranty or certification as to the adequacy, accuracy or completeness of the information set forth in this Appendix A.

General

Located at 505 East 75th Street on the Upper East Side of Manhattan, New York, Lycée Français de New York (the “Lycée” or the “School”) is a private, not-for-profit, co-educational school offering a comprehensive curriculum to approximately 1,375 students ranging from Pre-Kindergarten (3 years old) through “Terminale” (Grade 12). The Lycée, which was founded in October 1935, is chartered by the New York State Board of Regents and accredited by the New York State Association of Independent Schools as well as the French Ministry of National Education. Offering a traditional French program of study conducted 80% in French, the Lycée is one of the few schools in the New York City region to offer a comprehensive French curriculum from Pre-School through Grade 12. The Lycée strives to prepare students for the French Baccalaureate, and for entrance into leading universities and colleges in the United States, Canada, France and other European countries.

The Facility

The School’s new facility (the “Facility”) was completed in 2003 and was financed, in part, with the proceeds of the 2002 Bonds. The Facility is approximately 150,000 square feet and consists of two towers - a five story north tower and a six story south tower - connected by three full lot floors, one at the ground level and two below grade.

The design of the new building draws on French architectural tradition. The northern tower, housing the Early Childhood and Elementary Schools, and the southern wing, housing the Middle and Upper Schools, are joined by a central space housing the shared facilities of the schools. This central space acts as the heart of the Lycée, providing an opportunity to define a true French cultural center. At the entry level, this space serves as a commons, providing cafeteria and group meeting space. The *Grand Escalier* leads from the commons to the 350-seat auditorium. Flanking the auditorium at the lowest level are two gymnasiums, and above that, visible from the ground floor lobby and also reached by the *Grand Escalier*, is an exterior courtyard or *cloître* providing a landscaped focal point for the building.

In the north tower, the Pre-Nursery and Nursery classrooms are on the second level, Kindergarten and Grade 1 on level three, Grades 2 and 3 are on level four, and Grades 4 and 5 are on the top level. Specialty classrooms and administrative and faculty offices are distributed throughout this portion of the Facility. The rooftop of the north tower provides a secure play area with an exterior running track for the students.

In the south tower, the second level houses high school classrooms and central administration and faculty offices. General and science classrooms are on the third level for Grades 6 and 7 and on the fourth level for Grades 7 and 8. Additional high school classrooms are located on the fifth level. Specialty classrooms, lockers and administrative and faculty offices are also distributed throughout this portion of the Facility. A sixth floor penthouse in the south tower houses an art studio, cultural center, student lounge and counseling offices and provides access to a rooftop terrace.

The Project

The 2002 Bonds financed a portion of the cost of the acquisition, construction, furnishing and equipping of the Facility (the “Project”).

Mission Statement and Educational Objectives

The Lycée was founded in 1935 by a group of prominent American and French individuals. It is an American non-profit independent private co-educational institution, chartered by the Regents of the University of the State of New York and accredited by the New York State Association of Independent Schools as well as the French Ministry of National Education. The Lycée educates more than one thousand students, representing over fifty nationalities, from Pre-Nursery through High School. It awards the New York State High School Diploma and prepares its students to pass the French Baccalaureate.

Throughout its history, the Lycée has remained true to its original charter: “to operate as a school and to give instruction similar to that given in a French lycée, yet so arranged that persons completing the course of study may continue higher education either in French or American educational institutions.”

The Lycée’s mission is to prepare its students to be responsible citizens equipped for the world of tomorrow. To accomplish this, the Lycée primarily and fundamentally relies on the French language, classical educational system and culture. At the same time, the Lycée provides a thorough understanding of American language and culture. The Lycée’s teaching methods reflect both the traditional French insistence on intellectual discipline and the American traditions of pragmatism and respect for individual creativity and imagination.

The Lycée’s mission comprises three basic objectives, each one equally crucial to its students’ complete education:

- Academic excellence
- Physical, psychological, and emotional equilibrium
- Responsible citizenship

By pursuing these objectives with a demanding and rigorous curriculum that includes a rich program of artistic and cultural activities, the Lycée endeavors to foster the development of independent, creative minds with a strong work ethic. The Lycée promotes self-respect and the respect of others by following strict rules of conduct in a community spirit and by embracing diversity.

Beginning in Grade 1, French is the main language of instruction and the Lycée incorporates the program of the French Ministry of National Education. The English program aims at incorporating the essential elements of an American education as provided in top-level American private schools. It is the blending of these two programs with qualified teachers dedicated to its mission that distinguishes the Lycée from other independent and parochial schools in the New York City region. Its students also benefit from small classes and assistance to bolster language skills. This ensures that they can easily enter or re-enter the French and American systems at will.

Diversity

The Lycée has an ongoing commitment to economic, ethnic and national diversity and to the development of an educational environment that will prepare its students to become a part of a multicultural and interconnected society. The Lycée advances this goal through its admissions efforts, financial assistance program, tuition and fee structure, curriculum development and commitment to fostering a diverse and open classroom environment. As a result, the student body, internationally and socially and economically diverse, enriches the life of the Lycée both within the classroom and in extracurricular activities.

Academics

At the Pre-Nursery, Nursery and Kindergarten levels, half of all instruction is in English, and half is in French. Each class has two teachers (one for each language). By Grade 1, classes are taught primarily in French. Reading is taught in French and English. As students at the Lycée advance through elementary school, they build on the basic skills they have learned in language arts and mathematics. In addition, students in the elementary school program at the Lycée study the following subjects: computers, science, U.S. and French history, geography, civics, music, art and

physical education.

In the Middle School, students have the following compulsory subjects, each taught by a specialist in that field: French, history/geography, mathematics, science, English, physical education, art, music and computer science. Language study is an important part of the curriculum, and Spanish is introduced to all students in Grade 6. In Grade 8, students are required to choose a third modern language, either continuing their studies in Spanish or enrolling in introductory classes in languages such as Italian or German. Latin is taught in Grades 7 through 12 and Greek is introduced in Grade 9. At the end of Middle School, students take the *Brevet*, a national French exam which evaluates their knowledge in French, mathematics and history/geography.

In the Upper School, homework and periodic testing of students' knowledge help students meet competitive academic standards throughout the year. The number of students per class is kept small (varying from 12 to 20 according to grade level) in order to maintain the best conditions conducive to learning. At the end of Grade 9, students begin to consider a specialized area of study among three disciplines: languages and literary subjects, economics and social sciences, or mathematics and the sciences. By Grade 11, students must choose one of these areas, and their program of study will depend on their particular area of specialization. Students qualify for high school diplomas upon the successful completion of Grade 11. All students prepare for and take the French baccalaureate examination during their final year at the Lycée.

Extracurricular Activities

A variety of team and individual sports are offered at both the Middle School and Upper School, including basketball, cross country, dance, golf, gymnastics, judo, rugby, soccer, softball, tennis and track and field. The coaches encourage students to develop a sense of teamwork and good sportsmanship. The Lycée competes in interscholastic athletics for most of these sports.

The lives of students at the Lycée are enriched by many other extracurricular activities, including art, computer clubs, drama, music, photography and yearbook. The richness of the New York metropolitan area's resources enhances the Lycée's opportunity for special events, including museum visits, concerts, dances, a Shakespeare competition, student weekend-exchange programs, and community service. The Lycée has several choruses, which have numerous scheduled performances throughout the year.

College Counseling and Advising

Students at the Lycée receive comprehensive college counseling to enable them to make informed and responsible college decisions. The Lycée believes that this program is most successful when the student, family and school work closely together. The Director and Associate Director of College Counseling provide guidance to each student in selecting a list of the colleges best suited to his or her needs, abilities, and record of academic and extracurricular achievement. Students who wish to pursue postsecondary studies are then provided with comprehensive guidance and counseling in considering and selecting a college. The objective of this program is not to make decisions for the students, but to assist them in becoming more capable of making their own decisions. See "College Placement."

The Lycée is committed to providing a strong support network for its students. There are currently two full-time psychologists on staff, one assigned to the Upper School and one to the Lower School. Students can meet with the school psychologist for counseling by appointment at any time during the school day and after school. The Lycée also has a speech pathologist available at the Lower School to assist with any communication problems a student may be encountering.

Summer Program

The Lycée offers a full summer program, with both full and half day schedules, encompassing a range of activities, including academics, athletics, music and art. This program is available to students who do not attend the Lycée during the academic year.

Governance

The Lycée is governed by a Board of Trustees (the “Board”) with fifteen (15) voting members. The Board also has three (3) non-voting ex-officio members - the Head of School and the two (2) co-presidents of the Parents’ Association (the “APL”). Election of voting members of the Board is by vote of a majority of the voting trustees then in office at a regular or special meeting. Trustees are elected for terms of one year or three years, at the discretion of the Board, provided that a trustee may serve for not more than twelve (12) consecutive years without a one (1) year lapse. No person may be elected or re-elected as a voting trustee unless domiciled within 150 miles of Manhattan.

Set forth below is a list of the voting Board members as of November 1, 2008, the officers of the Board, the year first appointed to the Board, the year their current term expires and their principal occupation or business:

Name/Office	Year First Appointed	Year Current Term Expires	Occupation/Business
Elsa Berry Bankier Chair	1998	2009	Managing Director, Head BNP Paribas Corporate Finance/North America
Bernard Manuel Vice Chair	2004	2010	Chairman and CEO Cygne Designs, Inc.
Mark G. Cunha Secretary	1998	2009	Partner Simpson Thacher & Bartlett LLP
Michel Brogard Treasurer	2003	2009	Managing Partner and co-founder Amber Capital Investment Management
Heidi de Bethmann	2008	2009	Partner Marnier Architecture
François Château	1999	2009	Partner Salans
Evelyne B. Estey	2002	2009	Chief Administrative Officer for Asset Management Lehman Brothers
Joan Gabel	2007	2010	United States Counsel for Air France
Stephan Haimo	2008	2009	Partner Gibson, Dunn & Crutcher
Roya Heidari	2002	2009	Former Vice-President of Sales and Marketing North America Yves Saint Laurent Rive Gauche and Encore
Florence Mauchant	2006	2009	Managing Director HT Capital Advisors, Inc.
Jenny Oughourlian	2008	2009	Former Managing Director Société Générale
Alexandra Piol	2002	2010	Managing General Partner 4cV II
Béatrice Stern	2004	2009	European Paintings Sotheby’s
Jorge Suarez	2005	2009	Managing Director Global Plus Investment Management
Kate Turley	2006	2009	Principal, City and Country School
Donna Zilkha	2007	2009	Former Attorney Shearman & Sterling
Don Zivkovic	2000	2009	President Zivkovic Associates Architects

The Officers of the Lycée consist of the Chair, Vice Chair, Secretary and Treasurer.

Elsa L. Berry, Chair (52). Ms. Berry, Chair of the Board of the Lycée since 1999, is a Managing Director, Head of BNP Paribas Corporate Finance North America, New York, New York.. Prior to joining BNP Paribas Corporate Finance North America, Ms. Berry served as Managing Director of Banexi Inc., the U.S. subsidiary of Banexi S.A., the merchant bank of Banque Nationale de Paris (1989-1999); Managing Director and founding partner of Vendome & Company, Inc., a merger and acquisition boutique investment bank specializing in middle market strategic transactions for German, French and American companies (1984-1989); Vice President/Corporate Finance of Cheverny Associates, a U.S. subsidiary of Institut de Developpement Industriel, a French venture capital firm (1982-1984); and Associate Consultant of Faulhaber & Company (1980-1982). Ms. Berry received a Bachelor of Economics from University of Paris X (Nanterre) in 1978 and an MBA from HEC in Paris in 1980.

Bernard Manuel, Vice Chair (61). Mr. Manuel, Vice Chair of the Board of the Lycée since 2006, is Chairman of Cygne Designs, Inc. He is also President of École Active Bilingue Jeannine Manuel, a school founded by his mother in 1954 in Paris. Mr. Manuel is a graduate of the Institut d'Études Politiques and received a graduate degree in Mathematics, in Computer Science and in Economics in France. Mr. Manuel received a Masters of Business Administration degree from Harvard Business School.

Mark G. Cunha, Secretary (52). Mr. Cunha, Secretary of the Board of the Lycée since 2004, is a partner in the law firm of Simpson Thacher & Bartlett. He is also a Trustee of the Institute for Educational Achievement, Director of Legal Services for NYC, Inc., Director of New York Lawyers for the Public Interest, a mediator for the New York County Supreme Court Commercial Division and Chair of the Executive Committee of the Association of the Bar of the City of New York. Mr. Cunha received a Bachelor of Arts degree from Cornell University *magna cum laude* with distinction and a Juris Doctor degree from Stanford University.

Michel Brogard, Treasurer (47). Mr. Brogard, Treasurer of the Board of the Lycée since 2004, is a Managing Partner and co-founder of Amber Capital Investment Management. Previously he was a Managing Director in the European Equities Department at Credit Suisse First Boston in New York. Mr. Brogard earned a Masters in Business Administration degree from Columbia University and a Mechanical Engineering degree from INSA-Strasbourg.

The Board currently has six (6) standing committees: the Executive Committee, the Nominating and Governance Committee, the Finance Committee, the Legal Affairs Committee, the Public Relations Committee and the Development Committee.

The Executive Committee, which is chaired by the Chair of the Board and consists of not less than five (5) nor more than seven (7) voting Trustees, exercises such powers as are reasonably needed for the conduct and management of the property, affairs and business of the Lycée between meetings of the Board. The Executive Committee evaluates from time to time the effectiveness and performance of the Board; annually reviews the performance and compensation of the Head of School and senior school administrators; and reviews the compensation policies of the Lycée.

The Nominating and Governance Committee, which consists of at least four (4) voting Trustees, recruits and nominates the Chair of the Board, the Head of School, any other officer, the members of the Board and the members of committees of the Board to be elected by the Board, and conducts a program of orientation for new Board members.

The Finance Committee, which consists of at least three (3) voting Trustees and such additional persons as the Board or the Executive Committee sees fit (provided that a majority of the committee members are voting Trustees), monitors and reviews the financial affairs of the Lycée by conferring with the Head of School, the business manager, any other administrators and the Lycée's independent auditors. The Finance Committee reports on a regular basis and not less than twice annually to the Board on the state of the Lycée's finances; makes recommendations regarding tuition to be charged; recommends the annual budget to the full Board; advises on financial controls, planning and other financial matters affecting the Lycée's operations; and oversees the safety, cleanliness and comfort of the premises of the Lycée.

The Legal Affairs Committee, which consists of at least three (3) voting Trustees, at least one of whom serves as the Chair of the committee, and such additional persons as the Board or the Executive Committee sees fit (provided that a majority of the committee members are voting Trustees). The Legal Affairs Committee considers and advises the Board and Executive Committee regarding litigation and other legal issues that may arise.

The Public Relations Committee, which consists of at least three (3) voting Trustees, at least one of whom serves as the Chair of the committee, and such additional persons as the Board or the Executive Committee sees fit (provided that a majority of the committee members are voting Trustees). The Public Relations Committee is responsible for public and community relations and external communications of the School.

The Development Committee, which consists of at least three (3) voting Trustees, at least one of whom serves as the Chair of the committee, and such additional persons as the Board or the Executive Committee sees fit (provided that a majority of the committee members are voting Trustees). The Development Committee initiates, oversees, supports and reports to the Board on the development activities of the Lycée and oversees the work of the Alumni Board of the Lycée.

Other committees of the Lycée include: the Strategic Academic Planning Committee and the Parents' Committee.

The Board may also designate other Special Committees or Committees of the School to have and exercise such authority as the Board may specify.

Administration

The Administration of the Lycée consists of the Head of School, Business Manager, Director of Human Resources, Director of Secondary Studies, Director of Primary School, Director of Development, Director of Admissions, Director of American Studies and Director of College Counseling.

Yves Thézé, Head of School (56). Mr. Thézé was appointed Head of School in 2001. As Head of School, Mr. Thézé is responsible for the execution of the resolutions and directions of the Board, as well as the overall management and conduct of the Lycée, including appointment and supervision of administrative staff, preparation of the curriculum, consultation with the Finance and Administration Committee on tuition to be charged, resolution of matters pertaining to students, and management and oversight of property of the Lycée, subject to the oversight, direction and control of the Board. Mr. Thézé also undertakes fundraising efforts for the Lycée in consultation with, and subject to the oversight of, the Development Committee. Prior to joining the Lycée, Mr. Thézé served as Proviseur of the Lycée Jules Verne in Cergy le Haut, France (2000-2001), Proviseur of the Lycée Claudel in Ottawa, Canada (1997-2000), School Principal at the Franco-Australian Lycée in Canberra, Australia (1991-1997) and Deputy Principal at College Louis Guillox (1988-1991). Mr. Thézé received diplomas from the University of Rennes in English in 1974 and 1975, and was nominated for the Chevalier des Palmes Académiques, for distinguished services in academics in 1997.

Naz Kamal, Business Manager (49). Ms. Kamal joined the Lycée in November, 2003 as Business Manager and is responsible for the management of the overall financial performance of the Lycée, subject to the oversight, direction and control of the Finance and Administration Committee. Prior to joining the Lycée, Ms. Kamal served as Business Manager at Rodeph Sholom School in New York City. Ms. Kamal received a masters in business administration degree from the University of Bridgeport.

Antoinette Silverman, Director of Human Resources (56). Ms. Silverman joined the Lycée in 1995, and was named Director of Human Resources in 2002. As Director of Human Resources, Ms. Silverman is responsible for the general administration of personnel and oversight of contracts, employee benefits and personnel matters at the Lycée. Ms. Silverman also manages the Lycée's Exchange Visitor Program. Prior to joining the Lycée, Ms. Silverman was a Partner with Residential Convenience, Inc., a multi-level marketing company (1990-1995). Ms. Silverman received an Employee de Commerce diploma from École de Commerce in Luasanne, Switzerland in 1970. She is presently enrolled at Baruch College seeking a bachelor's degree in Human Resource Management.

Boualem Maizia, Director of Secondary Studies (44). Mr. Maizia re-joined the Lycée in 2007 as Director of

Secondary Studies after two years as the Assistant Head of the Lycée Las Cases in Lavaur, France. As the Director of Secondary Studies, he is responsible for the overall administration of the Secondary School program, including appointment and supervision of faculty, preparation of the curriculum and class schedule and resolution of matters pertaining to students in the Secondary School program, subject to the oversight, direction and control of the Head of School. From 1999 through June, 2005, Mr. Maizia served as Director of Secondary French Studies at the Lycée. Prior to joining the Lycée in 1999, Mr. Maizia served as Principal Adjoint de Collège at Castelginest et Caraman (1995-1999) and Conseiller Principal D'Éducation at Collège-Lycée et Lycée Professionnel (1991-1995). Mr. Maizia also served as a member of the Jury du Concours National de Recrutement des CPE in 1995. Mr. Maizia received a Licence D'Histoire, a Concours Externe Conseiller Principal D'Éducation in 1993, and a Diplôme from Universitaire D'Arabe Dialectal in 1998.

Vannina Boussouf, Director of Primary School (37). Ms. Boussouf joined the Lycée in 2007 as Director of Primary School and is responsible for the overall administration of the Primary School program, including appointment and supervision of the Primary School faculty, preparation of the curriculum and class schedule and resolution of matters pertaining to students in the Primary School program, subject to the oversight, direction and control of the Head of School. Prior to joining the Lycée, Ms. Boussouf was a teacher at the International School in Louisiana and other schools (1996-2005). Ms. Boussouf received a DEUG L.E.A. (English/Spanish) in 1991, the License L.E.A. (English/Spanish) in 1992 and the Professeur des Ecoles diploma (teaching certificate) in 1995.

Scott Hunt, Director of Development (38). Mr. Hunt joined the Lycée in May, 2007 as Associate Director of Events and was named Director of Development in August 2008. As Director of Development, Mr. Hunt serves as liaison for the Lycée with alumni and parent organizations and is responsible for capital campaigns and fundraising events under guidance from the Board's Development Committee. Prior to joining the Lycée, Mr. Hunt served as English Teaching Assistant at the Ecole Sainte Marie, in Meaux, France (1993-1994), Assistant Director of Alumni Relations/Coordinator of Alumni Assistant at the New School University, in New York (1994-1999), Computer Consultant for ESP Consulting, in Brooklyn (2000), Coordinator of Alumni Affairs (2000-2003), Director of Alumni Affairs (2003-2005) and Director of Corporate and Alumni Affairs (2006) at the French Culinary Institute and as Project Manager for Bear Dallis Associates, in New York (2006-2007). Mr. Hunt received a B.A. in Philosophy from Eugene Lang College (1992), an A.A.S. in Fashion Merchandising from the Parsons School of Design (1997). He also earned a certificate in Pastry Arts and in Restaurant Management from the French Culinary Institute/Cornell University (2002-2003).

Marline Lala, Director of Admissions (51). Ms. Lala joined the Lycée in 1997, and was named Director of Admissions in 2001. As Director of Admissions, Ms. Lala is responsible for the operation and administration of the overall admissions process at the Lycée. Prior to joining the Lycée, Ms. Lala served as Hotel & Restaurant Division Manager and Assistant to the Vice-President at Food and Wines From France, Inc. (1990-1997). Ms. Lala received a DEUG d'Anglais from Université Toulouse Le Mirail in Toulouse, France in 1973 and a Bachelor of Arts from New York University in 1978.

Sandra Cullinan, Director of American Studies (64). Ms. Cullinan joined the Lycée in 2004. She is responsible for the overall administration of the American studies program, including faculty recruitment, new programs and coordination of curriculum and schedules. Prior to joining the Lycée, Ms. Cullinan taught English in high schools in Saint Louis and Tulsa (1966-1979). Ms. Cullinan subsequently served as Instructor of English and Department Chair, at Cascia Hall, Tulsa (1979-1985), Woodmere Academy, Woodmere, New York (1985-1988), The Fieldston School, Riverdale, New York (1988-1995) and St. Margaret's Episcopal School, San Juan Capistrano, California, as Grade Dean and Director of Writing Center (1996 – 2004). Ms. Cullinan received a Bachelor of Science degree in English Education from the University of Oklahoma (1966) and a Master of Arts degree in American Literature from the University of Tulsa (1977). In addition, she has completed her Doctoral Studies at the University of Tulsa (A.B.D. in English Literature).

Christine Plutas, Director of College Counseling (39). Ms. Pluta joined the Lycée in 2008. In her capacity of Director of College Counseling, Ms. Pluta is responsible for providing and coordinating all college counseling services at the Lycée. Prior to joining the Lycée, Ms. Pluta served as Composition Coordinator/Editorial Assistants at the

Society for Industrial & Applied Mathematics, Philadelphia (1991-1993), as Developmental Editor, Medical Textbook Division, for Mosby-Year Book in Philadelphia (1993-1996), as Development Coordinator for the School of Nursing in Philadelphia (1996-1997), as Regional Director of Admissions for the University of Pennsylvania, in Philadelphia (1997-2001), as Associate Director of Admissions at Barnard College in New York (2001-2002), as Director of College Counseling in Ridgewood at College Coach LLC, in Newton (2002-2005) and Associate Director of College Counseling for Horace Mann School in Riverdale (2005-2008). Ms. Pluta received a B.A. in Comparative Religion from Bryn Mawr College in Bryn Mawr, Pennsylvania in 1991.

Faculty and Staff

For the 2008-9 academic year, the Lycée has approximately 141 teaching faculty members. All teachers at the Lycée are qualified and experienced in their respective fields. The majority of the faculty has between 10 and 25 years of teaching experience. There is no tenure system. Faculty members receive one-year contracts which may be renewed based upon satisfactory performance. During the 2008-9 academic year, the Lycée employed approximately 68 administrative and support staff and approximately 22 plant and security staff. None of the Lycée's employees are covered by collective bargaining agreements and the administration of the Lycée is not aware of any union organizing activities among its employees. The Lycée considers its employee relations to be good.

Parents' Association

The Lycée benefits from the strong involvement of its volunteer parents' association, the APL. The mission of the APL includes the following: to maintain a permanent dialogue between Lycée parents and the administration in order to promote understanding and cooperation between them; to promote cultural, artistic, social, recreational, fundraising or other activities for the benefit of the Lycée community; and to support the Lycée in ensuring its educational objectives, consistent with the standards and methods in use both in France and the United States.

Accreditation, Memberships and Licenses

The Lycée is accredited by The New York State Association of Independent Schools as well as the French Ministry of National Education, and is chartered by the New York State Board of Regents. The Pre-Nursery and Nursery School programs are licensed by The City of New York Department of Health for Day Care Services.

Applications, Admissions and Enrollment

Enrollment at the Lycée has increased from 1,173 students in 2004-5 to 1,344 students in 2007-8, an increase of 14.6%. The Lycée attributes its increase in enrollment primarily to the increased capacity in the new school facility.

The following table shows enrollment data at the Lycée for the last three (3) school years, as well as the current school year.

Lycée Enrollment: 2003 – 2007 School Year

<u>School Year</u>	<u>Enrollment</u>
2004-5	1,173 students
2005-6	1,267 students
2006-7	1,312 students
2007-8	1,344 students

College Placement

The Lycée strives to prepare its students for post-secondary studies at top-level colleges and universities in France, as well as the United States, Canada and other European countries. Over the past ten years, students at the Lycée

have consistently achieved a 95% to 99% success rate on the French Baccalaureate and an honors rate averaging 40%. The average success rate for students generally on the French Baccalaureate is approximately 80%, with an honors rate of approximately 25%. Many graduates of the Lycée are awarded undergraduate credit by colleges and universities for their performance on the French baccalaureate, as well as for their course work while at the Lycée in their area of concentration.

For the academic years ending June 2005-08, Lycée graduated approximately 308 students of which approximately 53% continued their education in colleges and universities in the United States, 16% in France, 25% in Canada and 6% in other locations. Set forth below is a list of colleges and universities that were attended by two or more graduates of the Lycée between 2004 and 2007.

College Attendance of Lycée Graduates: 2005 - 08

<u>College/University</u>	<u>Number Attending</u>	<u>College/University</u>	<u>Number Attending</u>	<u>College/University</u>	<u>Number Attending</u>
Babson College	3	Lycée Henri IV	2	Tufts University	5
Bard College	3	Lycée Janson de Sailly	3	Université de Montréal	9
Bishop's University	2	Lycée Louis le Grand	2		
Boston College	3	Lycée Ste Geneviève	2	Université du Québec a Montréal	4
		Massachusetts Institute of Technology	2	University of Chicago	3
Boston University	2	McGill University	41	University of Edinburgh	2
Brown University	8	Middlebury College	2	Université Paris Dauphine	2
Clark University	3	National University of Benin	2	Université Paris I Sorbonne	6
Columbia University	5	New York University	8	Université Paris II Assas	2
Concordia University	12	Northeastern University	2	Université Paris IV Sorbonne	3
Cornell University	11			Université Paris VIII Vincennes-Saint-Denis	3
Duke University	2	Pace University	2	University of Pennsylvania	8
Emory University	2	Pratt Institute	2		
Eugene Lang College	2	Princeton University	5	Wellesley College	2
Fashion Institute of Technology	2	Purchase College	2		
Fordham University	3	Sarah Lawrence College	2	Wesleyan University	2
Harvard University	2	School of the Museum of Fine Arts	2	Wheaton College	2
H.E.C. Montreal	6	Syracuse University	2	Yale University	6
IESEG	2				

Financial Aid (Tuition Grants)

The tuition grant program helps to foster the diverse educational environment the Lycée strives to provide. Tuition grants are awarded annually to deserving students on the basis of need. Many students of the Lycée are also eligible for, and historically have received, need based grants from the French government and French Mission Grants from Francophone (grants funded by governments of other French-speaking nations).

The following table details the tuition grants awarded by the Lycée, the French Government and Francophone during the current and prior three academic years:

Tuition Grants Awarded to Lycée Students: 2004 - 08

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Lycée	\$608,404	\$552,158	\$789,770	\$778,536
French Government	1,230,673	1,333,234	1,316,162	1,668,640
Francophone	<u>42,711</u>	<u>54,762</u>	<u>52,837</u>	<u>0</u>
Total	\$1,881,788	\$1,940,154	\$2,158,769	1,729,948

In addition, in the fiscal year 2007-08, the French government, through a new program, provided tuition payment for 12th grade French citizens attending Lycée, in aggregate amount of \$656,519. The program, which is not need based, is continuing in fiscal year 2008-09 and has been expanded to include 11th grade students.

Historically, funds for financial assistance directly funded by the Lycée come from general revenues, gifts and fundraising. It has been, and continues to be the Lycée's goal to raise funds for tuition grants in order to fully fund school provided assistance.

Summary of Financial Results

The following summary of historical revenues and expenses from operating activities of the Lycée (the "Summary") for the fiscal years ended June 30, 2006, 2007 and 2008 has been derived from records of the Lycée. The Summary should be read in conjunction with the audited financial statements and related notes to the financial statements of the Lycée and the report of independent auditors. The audited financial statements of the Lycée as of June 30, 2007 and June 30, 2008, and the related statements of financial position, activities and cash flows for the periods then ended, together with the report of the Lycée's independent auditors, Schneider & Associates LLP, are not separately presented in the Reoffering Circular but are available for inspection, upon request, at the School.

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**Summary of Statements of Activities
for Years Ended June 30, 2006, 2007 and 2008**

	Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
REVENUE AND OTHER SUPPORT			
Tuition (net of allowances and grants of \$210,375 and \$341,783 in the year ended June 30, 2006, \$231,720 and \$558,050 in the year ended June 30, 2007 and \$231,000 and \$779,688 in the year ended June 30, 2008)	\$21,030,668	\$23,155,215	\$25,274,552
Contributions and advancement	2,632,444	3,546,282	4,258,229
Auxiliary activities	846,776	792,961	1,071,142
Interest and dividends	1,798,028	2,307,147	2,506,949
Realized and unrealized gains (losses) on investments	223,242	2,319,895	(2,363,493)
Fees and other	<u>594,742</u>	<u>791,954</u>	<u>873,174</u>
TOTAL REVENUE AND OTHER SUPPORT	27,125,900	32,913,454	31,620,553
EXPENSES			
Instructional	10,828,820	11,639,468	12,731,876
General and administrative	3,317,070	3,690,596	4,381,223
Plant maintenance	1,838,946	2,151,311	2,153,526
Advancement activities	462,669	810,269	685,999
Auxiliary activities	566,242	587,398	673,690
Interest expense	4,456,103	4,816,226	4,511,957
Series B Letter of credit and remarketing fees	442,587	364,701	364,743
Depreciation and amortization	<u>3,032,500</u>	<u>3,112,958</u>	<u>3,251,313</u>
TOTAL EXPENSES	<u>24,944,937</u>	<u>27,172,927</u>	<u>28,754,327</u>
INCREASE (DECREASE) IN NET ASSETS	2,180,963	5,740,527	2,866,226
NET ASSETS AT BEGINNING OF PERIOD	<u>53,062,727</u>	<u>55,243,690</u>	<u>60,984,217</u>
NET ASSETS AT END OF PERIOD	<u>\$55,243,690</u>	<u>\$60,984,217</u>	<u>\$63,850,443</u>

Management's Discussion and Analysis of Recent Financial Performance

Year Ended June 30, 2007 Compared to Year Ended June 30, 2006

In the fiscal year ended June 30, 2007 the Lycée had an increase in net assets of \$5,740,527, an increase of \$3,559,564 from the fiscal year ended June 30, 2006. Total revenue, gains and other support for the fiscal year ended June 30, 2007 increased \$5,787,554 (21.3%) over total revenue, gains and other support for the fiscal year ended June 30, 2006.

For the fiscal year ended June 30, 2007, tuition revenue increased \$2,124,547 (10.1%) over the prior fiscal year due to increases in tuition rates and enrollment. Realized and unrealized gains on investments increased \$2,096,653 due to favorable investment performance. Interest and dividends increased \$509,119 (28.3%) due to returns on investments and contributions and advancement increased \$913,838 (34.7%) due to several successful fundraising events. Fees and other revenue increased \$197,212 (33.2%) due to increases in registration fees and forfeited enrollment deposits.

Total expenses for the fiscal year ended June 30, 2007 increased \$2,227,990 (8.9%) compared to the fiscal year ended June 30, 2006 due to increases in instructional expenses of \$810,648 (7.5%), plant maintenance expenses of \$312,365 (17.0%), interest expense of \$360,123 (8.1%), advancement activity expenses of \$347,600 (75.1%) and general and administrative expenses of \$373,526 (11.3%), offset by a decrease of \$77,886 (17.6%) of Series B Letter of Credit and remarketing fees. The increases in instructional expenses and general and administrative expenses were primarily due to additional staffing for the increased enrollment. The increase in plant maintenance expense was primarily due to costs of service contracts and utilities. The increase in advancement activity expense was primarily due

to increased expenses in connection with fundraising activities. The increase in interest expense was due to interest rate fluctuation on the Series B Bonds. The decrease in Series B Letter of Credit and remarketing fees was due to the renewal of the letter of credit at more favorable rates.

Year Ended June 30, 2008 Compared to Year Ended June 30, 2007

For the fiscal year ended June 30, 2008 the Lycée had an increase in net assets of \$2,866,226, an decrease of \$2,874,301 from the fiscal year ended June 30, 2007. Total revenue, gains and other support for the year ended June 30, 2008 decreased \$1,292,901 (3.9%) over total revenue, gains and other support for the year ended June 30, 2007.

For the year ended June 30, 2008, tuition revenue increased \$2,119,337 (9.2%) over the year ended June 30, 2007 due to increases in tuition rates and enrollment. Contributions and advancement revenue increased \$711,947 (20.1%). Fees and other revenue increased \$81,220 (10.3%) due to increases in registration fees and forfeited enrollment deposits. Interest and dividends increased \$199,802 (8.7%) due to returns on investments while realized and unrealized gains on investments decreased \$4,683,388 (201.9%) due to unfavorable investment performance consistent with overall market performance.

Total expenses for the year ended June 30, 2008 increased \$1,581,400 (5.8%) compared to the year ended June 30, 2007 as increases in instructional expense of \$1,092,408 (9.4%), general and administrative expense of \$690,627 (18.7%) and auxiliary activities of \$86,292 (14.7%) were offset by decreases in interest expense of \$304,269 (6.3%) and advancement activity expenses of \$124,270 (15.3%). The increases in instructional, general and administrative expenses were primarily due to additional staffing for the increased enrollment. The increase in auxiliary activity expense was primarily due to increased program expense. The decrease in plant maintenance expense and advancement activity expense was primarily due to the Institution's implementation of cost controls.

Financial and Rate Covenant Compliance

	Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Gross Revenues Coverage Ratio	3.49x	3.93x	4.49x
Net Revenues Available for Debt Service Coverage Ratio	2.08x	2.68x	2.18
Unrestricted Liquid Funds to Debt Ratio	47%	54%	63%

Pension Plans

The Lycée has a defined contribution retirement plan covering its eligible employees. Pursuant to the plan, all employees may contribute up to the maximum allowed by law, and for eligible employees, the Lycée will make a matching contribution of 10%. Eligible employees are those who have contributed 5% of their salary, are full-time employees of the Lycée with at least one year of service, are over 21 years of age, and are citizens or permanent residents of the United States. Employees become fully vested in the Lycée's defined contribution retirement plan immediately. As of June 30, 2008, the total retirement contributions for the years ended June 30, 2008 and 2007 amounted to \$1,367,717 and \$1,304,169, respectively, of which \$746,269 and \$592,361 was funded by employees in 2008 and 2007, respectively.

The Annual Fund/Development and Fundraising

The Annual Fund is comprised of unrestricted donations by parents, alumni, grandparents, corporations and other friends of the Lycée. The Annual Fund may be expended at the discretion of the Board, and is used to support general operating activities and enrichment programs that would not otherwise be available.

In September 1999, the Lycée established an office of Development to, among other functions, oversee fundraising efforts at the Lycée. The Development office has since developed three major fundraising initiatives, specifically, the Annual Fund Campaign, the annual Gala and the Capital Campaign. They also support parents who organize a Fall Festival and Spring Fair that serve as community building and fundraising events.

The following table summarizes contributions to the Annual Fund as gifts and other unrestricted donations received by the Lycée, and proceeds from the Spring Fair, the Gala and other fundraising efforts for the Annual Fund by the Lycée during the last five fiscal years:

Contributions and Fundraising at the Lycée for Years Ended June 30, 2004 through 2008

	Year Ended June 30,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Contributions and Fundraising	\$1,588,580	\$1,989,976	\$2,632,444	\$3,546,282	\$4,258,229

Litigation

The Lycée has no litigation or proceedings pending or, to its knowledge, threatened against it except: (i) litigation, the probable recoveries in which and the estimated costs and expenses of defense of which, in the opinion of counsel to the Lycée for such matters or of the applicable insurance carrier, will be entirely within the Lycée’s applicable insurance policy limits (subject to applicable deductibles); and (ii) litigation, the probable recoveries in which and the estimated costs and expenses of defense of which, after exhaustion of available insurance proceeds, if any, in the opinion of management of the Lycée, will not materially and adversely affect the Lycée’s operations or financial condition.

Environmental Matters

Prior to the acquisition and construction of the Facility, the prior owner of the site entered into a Voluntary Cleanup Agreement (“VCA”) with the New York State Department of Environmental Conservation (“NYSDEC”) pursuant to which the prior owner assumed responsibility for assessment and remediation of the property as well as off-site contamination originating from the property. During construction of the Facility, all subsurface soil as well as underlying contaminated bedrock was removed. The NYSDEC reviewed the end point sampling and issued a determination that no further clean-up was required at the property. However, low level concentrations of volatiles remained in the interstices of the fractured bedrock and groundwater. In accordance with the VCA, on-site monitoring was conducted during construction and the foundation of the Facility was constructed with an engineered vapor barrier system below the entire basement floor slab and along all subsurface side walls of the building foundation. Periodic sampling has been performed to confirm the efficacy of the vapor barrier and ventilation system in preventing any intrusion of volatile organic compounds into the Facility. The Lycée anticipates that the NYSDEC will agree to an administrative close out of the VCA. Although the Lycée is not a party to the VCA, the Lycée has requested the necessary approvals for filing a restrictive declaration against the deed to the Facility which will run with the land and will require that any future uses of the property maintain the subsurface vapor barrier unless written approval to modify or eliminate the barrier is obtained from the NYSDEC.

Insurance

Blanket building and business personal property coverage on the School is provided through a commercial insurer in the amount of \$86,732,113, subject to deductibles. Equipment breakdown, employee dishonesty, business income, earthquake and flood, and money and securities coverage is included as part of the blanket policy, subject to individual limits and deductibles.

Commercial general liability insurance is maintained by the Lycée with coverage provided by commercial insurers with limits of \$1 million per occurrence and \$3 million in the aggregate. The School also has excess umbrella liability coverage with a single loss limit of \$25 million.

Outstanding Long-Term Indebtedness

As of June 30, 2008, the Lycée had approximately \$94,100,000 of debt outstanding, all of which was incurred in connection with the construction and equipping of the Project.

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APPENDIX B

DEFINITIONS OF CERTAIN TERMS

As used in Appendices B and C of this Reoffering Circular, the following terms shall have the meanings set forth below:

Accounts Receivable shall have the meaning assigned such term under GAAP.

Act shall mean, collectively, 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, and Chapter 1082 of the 1974 Laws of New York, as amended.

Act of Bankruptcy, when used with respect to any Person, shall mean the filing of a petition in bankruptcy, or the commencement of another bankruptcy or similar proceeding, or in the case of the Bank and if the Bank is an insurance company, insolvency proceedings instituted by the commissioner of insurance having jurisdiction over such insurer, by or against such Person under any applicable bankruptcy, insolvency or similar law now or hereafter in effect.

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

Affiliate shall mean a Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with the Lessee. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a Person, whether through the ownership of securities, by contract or otherwise.

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.

Agency Mortgage shall mean collectively, the Agency Mortgage and Security Agreement (Acquisition Loan), the Agency Mortgage and Security Agreement (Building Loan) and the Agency Mortgage and Security Agreement (Indirect Loan), each dated as of October 1, 2002, from the Agency and the Lessee to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Agency’s Reserved Rights shall mean, collectively,

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

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

(iii) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified “project” as defined in and as contemplated by the Act;

(iv) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under the Lease Agreement relating to, among other things, insurance, advances, employment information, certain redemptions, assignment of the Lease Agreement and inspection of the Facility; and

(v) the right of the Agency in its own behalf to declare an Event of Default under the Lease Agreement with respect to any of the Agency’s Reserved Rights.

Annual Debt Service shall mean, for the Fiscal Year of the Lessee in question, the aggregate of the scheduled payments to be made in respect of principal on Indebtedness (whether at maturity or by Sinking Fund Installment or other mandatory sinking fund redemption or prepayment) and interest on outstanding Indebtedness of the Lessee during such period (whether payable directly or payable by the Lessee in connection with any related reimbursement obligation), taking into account, with respect to projections of Annual Debt Service on Variable Rate Indebtedness, the maximum stated rate of interest of any such Variable Rate Indebtedness or if no such actual percentage rate of interest as a maximum shall be stated, the highest rate of interest paid with respect to such Variable Rate Indebtedness in any Fiscal Year of the Lessee during which such Variable Rate Indebtedness was outstanding.

Assumed Series B Variable Interest Rate shall mean, with respect to a Lease Rental Payment Date for the Series B Bonds, (y) other than for a Flexible Period of ninety (90) days or more, the greater of (1) the Average Quarterly Interest Rate for the immediately preceding Rental Period plus one-half of one percent (1/2 of 1%), and (2) four percent (4%), and (z) with respect to a Flexible Period of ninety (90) days or more, the actual rate of interest on the Series B Bonds.

Attachment Date shall mean the occurrence of an Event of Default under the Lease Agreement or any other Project Document, and the failure of the Lessee to cure such Event of Default within thirty (30) days of the occurrence thereof.

Attachment Events shall mean any of those events described in the definition of “Attachment Date” above.

Attachment Period shall mean that period commencing on the Attachment Date and continuing for so long as an Attachment Event shall continue to exist.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of 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 Chair, any Vice Chairman, its Head of School, its Director of Finance and Administration, its Treasurer or Assistant Treasurer, its Secretary or Assistant Secretary or any officer or employee authorized to do specific acts or to discharge certain specific duties and of whom another Authorized Representative of the Lessee gives written notice to the Trustee and the Agency; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized Representative to any Person pursuant to the terms of the Lease Agreement or any other Security Document, such certificate or statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement.

Average Quarterly Interest Rate shall mean the average of the Variable Interest Rate accrued on the Series B Bonds for a stated Rental Period.

Bank Bonds shall mean any Series B Bonds purchased with the proceeds of a drawing on the Series B Letter of Credit which have not been successfully remarketed pursuant to the Indenture.

Bank Rate shall mean that annual rate of interest for Bank Bonds as stated in the Series B Reimbursement Agreement.

Bond Resolution shall mean the resolution of the Agency adopted on February 12, 2002 authorizing the issuance of the Series 2002 Bonds.

Beneficial Owner shall mean, whenever used with respect to a Series 2002 Bond, the Person in whose name such Series 2002 Bond is recorded as the Beneficial Owner of such Series 2002 Bond by the respective systems of DTC and each of the Participants of DTC.

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

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

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

Bond Funds shall mean, collectively, the Bond Fund (Series A), the Bond Fund (Series B) and the Bond Fund (Series C).

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

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

Bond Resolution shall mean the resolution of the Agency adopted on February 12, 2002 authorizing the Project and the issuance of the Series 2002 Bonds.

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

Building Loan Agreement shall mean the Building Loan Agreement, dated as of October 1, 2002, among the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Business Day shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banks in the State of New York, or in the cities in which the corporate trust office of the Trustee or the office of the Series B Credit Facility Provider at which demands for payment under the Series B Letter of Credit are to be presented, are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange, Inc. is closed.

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

Capitalized Interest Period shall mean the period from the time when the payment of interest on the Bonds shall become due until the earlier of the Completion Date or the exhaustion of amounts in the Capitalized Interest Account of the Project Fund as more particularly described in the Indenture.

Capitalized Leases shall mean leases evidencing the acquisition of capital assets in accordance with GAAP.

Cede & Co. shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2002 Bonds.

City shall mean The City of New York.

Closing Date shall mean the date of original issuance and delivery of the Series 2002 Bonds.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder.

Collateral Assignment of Construction Agreements shall mean the Collateral Assignment of Construction Agreements, Bonds and Warranties, dated as of October 1, 2002, from the Lessee to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Company Lease shall mean the Company Lease Agreement, dated as of October 1, 2002, between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Completion Date shall mean the date established for completion of the Project pursuant to the Lease Agreement.

Construction Monitor shall mean Inspection and Valuation International, Inc., White Plains, New York, or such other Independent Engineer approved by the Credit Enhancers to oversee the work of the Project.

Contingent Collateral shall mean, collectively, all of the right, title and interest of the Lessee in and to the following (i) the Unrestricted Investments Fund; (ii) all cash and investments within the Unrestricted Investments Fund; and (iii) all proceeds of any of the above.

Contingent Control Agreements (Unrestricted Investments Fund) or Contingent Control Agreement(s) (Unrestricted Investments Fund) shall mean one or more Contingent Control Agreements (Unrestricted Investments Fund) entered into by the Lessee, the financial institution or money manager at which an account comprising all or part of the Unrestricted Investments Fund is maintained, and the Trustee, being substantially in the form of the Contingent Control Agreement (Unrestricted Investments Fund) delivered on the Closing Date.

Contingent Pledge Agreement shall mean the Contingent Pledge Agreement, dated as of October 1, 2002, from the Lessee to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Control Agreements shall mean, collectively, the Control Agreements (Pledged Revenues) and the Contingent Control Agreements (Unrestricted Investments Fund).

Control Agreements (Pledged Revenues) or Control Agreement(s) (Pledged Revenues) shall mean one or more Control Agreements (Pledged Revenues) entered into by the Lessee, the financial institution or money manager at which an account comprising all or part of the Pledged Revenues is maintained, and the Trustee, being substantially in the form of the Control Agreement (Pledged Revenues) delivered on the Closing Date.

Conversion Date shall mean: (a) when used with respect to the Fixed Rate Period, the date on which the Series B Bonds are converted to bear interest at the Fixed Rate pursuant to the Indenture; (b) when used with respect to any Variable Rate Period other than a Flexible Period, the day on which a particular type of Variable Rate becomes effective for the Series B Bonds pursuant to the Indenture which is not immediately preceded by a day on which Series B Bonds bore interest at the same type of Variable Rate Period and, when used with respect to the Flexible Mode, the date on which Flexible Periods become effective for the Series B Bonds pursuant to the Indenture following a Rate Period other than a Flexible Period; and (c) when used with respect to any Term Period, a day which is not preceded by a Term Period of the same duration;

Costs of Issuance shall mean issuance costs with respect to the Series 2002 Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following: underwriter's spread (whether realized directly or derived through purchase of Series 2002 Bonds at a discount below the price at which they are expected to be sold to the public); counsel fees (including bond counsel, underwriter's counsel, Trustee's counsel, Agency's counsel, Lessee's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Agency or the Lessee incurred in connection with the issuance of the Series 2002 Bonds; Rating Agency fees; Trustee and Paying Agent fees; Series A Bond Insurance Policy fees and the fees and expenses of counsel to the Series A Bond Insurer; Series B Letter of Credit fees and the fees and expenses of counsel to the Series B Credit Facility Provider; accountant fees and other expenses related to issuance of the Series 2002 Bonds; printing costs (for the Series 2002 Bonds and of the preliminary and final Official Statement relating to the Series 2002 Bonds); fees and expenses of the Agency incurred in connection with the issuance of the Series 2002 Bonds; and Blue Sky fees and expenses.

Credit Enhancers shall mean, collectively, the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist) and the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist).

Custody Agreement (Series B) shall mean that certain Custody Agreement, dated as of October 1, 2002, between the Trustee and the Series B Credit Facility Provider, and any successor agreement entered into with any Substitute Series B Credit Facility Provider, and shall include in each case any amendments thereof and supplements thereto.

Daily Mode shall mean the mode in which Series B Bonds bear interest at Daily Rates during Daily Periods.

Daily Period shall mean each period during which Series B Bonds bear interest at a particular Daily Rate pursuant to the Indenture.

Daily Rate shall mean the interest rate to be determined for, and borne by, Series B Bonds on each Business Day pursuant to the Indenture.

Daily Rate Conversion Date shall mean each day on which Series B Bonds commence to bear interest at a Daily Rate pursuant to the Indenture which is immediately preceded by a day on which such Series B Bonds did not bear interest at a Daily Rate.

Debt Service Reserve Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Debt Service Reserve Fund Deficiency Share shall mean, in calculating the amount to be deposited from the Debt Service Reserve Fund into Accounts of the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C) when the amount on deposit in the Debt Service Reserve Fund and available therefor (the “Available Funding Amount”) is insufficient to satisfy all deficiencies in a particular type Account (e.g., an Interest Account) with more than one such Fund, an amount for deposit in each such deficient Account equal to the Available Funding Amount multiplied by a fraction the numerator of which shall be equal to the deficiency in such Account, and the denominator of which shall be equal to the aggregate deficiency of all such like Accounts (e.g., all Interest Accounts) within the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C).

Debt Service Reserve Fund Requirement shall mean, as of any particular date of computation, an amount (which amount may take the form of cash, Qualified Investments or any combination thereof) equal to the lesser of (a) ten percent (10%) of the Net Proceeds (as defined in the Tax Regulatory Agreement) of the Outstanding Bonds, (b) the greatest amount required in the then current or any future calendar year to pay the sum of the scheduled principal or Sinking Fund Installment, as the case may be, of and interest payable on Outstanding Bonds, or (c) 125% of the average annual amount required in the then current or any future calendar year to pay the sum of scheduled principal or Sinking Fund Installment, as the case may be, of and interest on Outstanding Bonds.

Defeasance Obligations shall mean those Qualified Investments set forth in clause “(A)” of the definition of such term, which shall be non-callable and non-payable.

Directing Majority shall have the meaning assigned to that term under the Intercreditor Agreement.

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

Electronic Notice shall mean notice transmitted through a time-sharing terminal or facsimile machine, if operative as between any two parties, or if not operative, in writing or by telephone (promptly confirmed in writing).

Event of Default shall have the meaning specified in the Indenture and the Lease Agreement.

Existing Facilities shall mean the following facilities owned or previously owned by the Lessee: 7-9 East 72nd Street, Manhattan, New York; 12 East 73rd Street, Manhattan, New York; 60 East 93rd Street, Manhattan, New York; and 3-5 East 95th Street, Manhattan, New York.

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

Facility Equipment shall mean those items of equipment or other tangible personalty acquired in whole or in part with the proceeds of the Bonds for installation or use at the Facility Realty as part of the Project pursuant to the Lease Agreement and described in the Description of Facility

Equipment in the Appendices attached thereto and made a part thereof, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto. Facility Equipment shall, in accordance with the provisions of the Lease Agreement, include all property substituted for or replacing items of Facility Equipment and exclude all items of Facility Equipment so substituted for or replaced, and further exclude all items of Facility Equipment removed as provided in the Lease Agreement.

Facility Realty shall mean the land described in the Description of Facility Realty in the Appendices to the Lease Agreement and the Indenture and all rights or interests therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures (other than trade fixtures) and other improvements now or at any time made, erected or situated thereon (including the improvements made pursuant to the Lease Agreement), and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto.

Failed Gross Revenues Coverage Fiscal Year shall mean such Fiscal Year of the Lessee where the Gross Revenues Coverage Ratio, calculated at the end of any Fiscal Year of the Lessee, is less than 1.50.

Failed Net Revenues Coverage Fiscal Year shall mean such Fiscal Year of the Lessee where the Net Revenues Available for Debt Service Coverage Ratio, calculated at the end of any Fiscal Year of the Lessee, is less than 1.15 for the Fiscal Year of the Lessee ending June 30, 2004, of 1.20 for the Fiscal Year of the Lessee ending June 30, 2005, and of 1.25 for the Fiscal Year of the Lessee ending June 30, 2006 and for each Fiscal Year of the Lessee thereafter throughout the term of the Lease Agreement.

Favorable Opinion of Bond Counsel shall mean an opinion of Nationally Recognized Bond Counsel addressed to the Agency and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Act and the Indenture and will not adversely affect the exclusion of interest on the Series B Bonds from gross income for purposes of federal income taxation.

First Rental Period shall mean March, April and May.

Fiscal Year or 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 the next succeeding June 30, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency, the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider at least ninety (90) days prior to the commencement thereof.

Final Schedule shall mean the schedule of Flexible Rates and corresponding Flexible Periods established by the Remarketing Agent pursuant to the Indenture.

Fixed Rate or Rates shall mean the rate or rates at which Series B Bonds shall bear interest from and including the Fixed Rate Conversion Date to the maturity date thereof.

Fixed Rate Conversion Date shall mean the date on which the Series B Bonds are converted to bear interest at the Fixed Rate pursuant to the Indenture.

Fixed Rate Period shall mean the period during which the Series B Bonds bear interest at the Fixed Rate.

Flexible Mode shall mean the mode in which Series B Bonds bear interest at Flexible Rates during Flexible Periods.

Flexible Period shall mean each period during which Series B Bonds bear interest at a Flexible Rate pursuant to the Indenture.

Flexible Rate shall mean, when used with respect to any particular Series B Bond, the interest rate determined for, and borne by, such Series B Bond for each Flexible Period applicable thereto pursuant to the Indenture.

Flexible Rate Conversion Date shall mean each day on which Series B Bonds commence to bear interest at Flexible Rates pursuant to the Indenture which is immediately preceded by a day on which the Series B Bonds did not bear interest at Flexible Rates.

Fourth Rental Period shall mean December, January and February.

GAAP shall mean generally accepted accounting principles in the United States as in effect on the Closing Date.

Government Obligations shall mean the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations on which the full and timely payment of principal and interest is fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Trustee.

Gross Revenues Coverage Ratio shall mean the quotient obtained by dividing Pledged Revenues (but excluding therefrom any extraordinary items) for a stated Fiscal Year of the Lessee by Maximum Annual Debt Service on all Indebtedness of the Lessee outstanding during such Fiscal Year of the Lessee.

Guaranty Agreement shall mean the Guaranty Agreement, dated as of October 1, 2002, from the Lessee to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Guaranteed Indebtedness shall mean any Indebtedness of any other Person guaranteed by the Lessee.

Impositions shall mean all taxes and assessments, general and specific, if any, levied and assessed upon or against the Facility, the Pledged Revenues, the Company Lease, the Lease Agreement, any estate or interest of the Agency or the Lessee in the Facility, the Pledged Revenues, or the rentals under the Lease Agreement during the term thereof and all water and sewer charges, Business Improvement District 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.

Indebtedness shall mean any obligation of a Person for the payment of money to any other Person, including without limitation (i) indebtedness for money borrowed, (ii) purchase money obligations, (iii) leases evidencing the acquisition of capital assets, (iv) reimbursement obligations; provided, however, that reimbursement obligations supporting credit or liquidity facilities shall not constitute Indebtedness until such time as a reimbursement payment becomes due and payable under the agreement entered into in connection with such reimbursement obligations, and (v) Guaranteed Indebtedness, but excluding (a) obligations for supplies, services and pensions allocable to current operating expenses during the current or future fiscal years in which the supplies are to be delivered, the services rendered, or the pensions paid and (b) rentals payable in the current or future fiscal years under leases that are not Capital Leases and not required to be included as indebtedness under GAAP.

Indenture shall mean the Indenture of Trust, dated as of October 1, 2002, as from time to time amended or supplemented by Supplemental Indentures in accordance therewith.

Independent Accountant shall mean an individual, partnership or corporation engaged in the accounting profession, either entitled to practice, or having members or officers entitled to practice, as a certified public accountant under the laws of the State and in fact independent, employed by the Lessee from time to time to pass upon those matters required by the Security Documents to be passed upon by an Independent Accountant, and approved by the Credit Enhancers (such approval not to be unreasonably withheld, delayed or conditioned). The firm of Schneider & Associates, LLP is recognized as constituting the Independent Accountant, subject to further action by the Lessee.

Independent Engineer shall mean a Person (not an employee of either the Agency or the Lessee or any Affiliate of either thereof) registered and qualified to practice engineering or architecture under the laws of the State, selected by the Lessee, approved by the Credit Enhancers and the Majority Holders (such approvals not to be unreasonably withheld, delayed or conditioned) and notice of which is delivered in writing by the Lessee to the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider and the Agency.

Insurance Consultant shall mean Austin & Company, Albany, New York, or such other Person (not an employee of either the Agency or the Lessee or any Affiliate thereof, nor having any substantial interest, direct or indirect, in the Lessee, nor connected with the Lessee as trustee, director, officer or employee of the Lessee) having recognized expertise in insurance matters, selected by the Lessee by notice in writing to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider, and approved in writing by the Trustee (at the direction of the Credit Enhancers).

Intercreditor Agreement shall mean the Intercreditor Agreement, dated as of October 1, 2002, among the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider, the Lessee, the Trustee and the Series C Representative, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Interested Beneficial Owners shall mean beneficial owners of at least \$100,000 in aggregate principal amount of the Bonds who shall make a written request for certain information referred to in the Lease Agreement within twenty-four (24) months immediately prior to the date on which such information is to be delivered by the Lessee to the Trustee (subject to renewals for such requested information every twenty-four (24) months upon delivery of proof of such continued beneficial ownership), together with an assertion of beneficial ownership with such documentary support as shall be

sufficient to permit the Lessee to conclusively rely, without making an investigation, as to the establishment of such beneficial ownership.

Interest Payment Date shall mean (a) when used with respect to the Series A Bonds, June 1 and December 1 of each year commencing December 1, 2002; (b) when used with respect to Series B Bonds bearing interest at the Daily Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (c) when used with respect to Series B Bonds bearing interest at the Weekly Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (d) when used with respect to any particular Series B Bond bearing interest at a Flexible Rate, the last day of each Flexible Period applicable thereto (which day shall also be the first day of the next succeeding Rate Period); (e) when used with respect to Series B Bonds bearing interest at the Term Rate, June 1 or December 1 following the month in which the Term Rate Conversion Date occurs and each June 1 or December 1 thereafter to which interest at such rate has accrued; (f) when used with respect to Series B Bonds bearing interest at the Fixed Rate or Rates, the first day of June and December of each year commencing on the first day of June or December next following the Fixed Rate Conversion Date, whichever comes first; (g) when used with respect to Bank Bonds, on the dates set forth therefor in the Series B Reimbursement Agreement and the date the Bank Bonds shall be remarketed; and (h) when used with respect to the Series C Bonds, June 1 and December 1 of each year commencing December 1, 2002.

Lease Agreement shall mean the Lease Agreement, dated as of October 1, 2002, between the Agency and the Lessee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Lease Rental Payment Date shall mean the first Business Day for each Rental Period.

Legal Requirements shall mean the Constitutions of the United States and the State of New York and all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, certificates of occupancy, directions and requirements (including 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 Lycée Français de New York, a not-for-profit education corporation organized and existing under the laws of the State, and its permitted successors and assigns pursuant to the Lease Agreement (including any surviving, resulting or transferee entity as provided in the Lease Agreement).

Lien shall mean 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.

Long-Term Indebtedness shall mean all Indebtedness (x) having an original maturity greater than one year, including, without limitation, all Outstanding Bonds under the Indenture, (y) renewable or extendable at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof, or (z) which obligations (as set forth in a certificate of an Authorized Representative of the Lessee delivered to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider) are intended to be refinanced for more than one year prior to the end of the 12-month period in question (but specifically excluding Indebtedness under a revolving loan credit facility).

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

Majority Holders shall mean the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding; provided, however, that in calculating such majority, (y) the Series A Bond Insurer shall be deemed to mean the Holders of the Series A Bonds for so long as no Series A Bond Insurer Disqualification Event shall exist, and (z) the Series B Credit Facility Provider shall be deemed to mean the Holders of the Series B Bonds for so long as no Series B Credit Facility Provider Disqualification Event shall exist.

Management Consultant shall mean a nationally recognized accounting or management firm or other similar firm, experienced in reviewing and assessing educational institutions, who is independent of, and not under the control of, the Lessee.

Maximum Annual Debt Service shall mean the maximum amount of Annual Debt Service for all Long-Term Indebtedness and/or Short-Term Indebtedness of the Lessee for the then current or any future Fiscal Year of the Lessee.

Maximum Rate shall mean, with respect to the Series B Bonds, the lesser of (i) ten percent (10%) per annum, and (ii) the maximum rate of interest of coverage specified in the Series B Letter of Credit.

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

Nationally Recognized Bond Counsel shall mean Hawkins, Delafield & Wood or other counsel acceptable to the Agency and the Trustee experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

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

Net Revenues Available for Debt Service shall mean for any Fiscal Year of the Lessee, without regard to extraordinary items, the Lessee's increase in net assets from operating activities plus depreciation, amortization and interest expenses, all as determined in accordance with GAAP.

Net Revenues Available for Debt Service Coverage Ratio shall mean the quotient obtained by dividing Net Revenues Available for Debt Service for a stated Fiscal Year of the Lessee by the sum of (y) Annual Debt Service on all Long-Term Indebtedness of the Lessee outstanding during such Fiscal Year of the Lessee, and (z) interest on all Short-Term Indebtedness of the Lessee payable during such Fiscal Year of the Lessee.

Notice Parties shall mean the Agency, the Lessee, the Tender Agent, the Remarketing Agent, the Series A Bond Insurer, the Series B Credit Facility Provider, the Paying Agent and the Trustee.

Obligations shall mean (a) any and all Indebtedness, obligations, covenants and liabilities of the Lessee under the Security Documents, the Series A Bond Insurer Documents and the Series B Credit Facility Provider Documents, and (b) the payment of the principal or Redemption Price of, Sinking Fund Installments for, and interest on, the Series 2002 Bonds, and (c) in the event of any proceeding by the Trustee for the collection or enforcement of any Indebtedness, obligations, covenants or liabilities under the Series 2002 Bonds, the Lease Agreement and/or the other Security Documents, all fees and expenses incurred by the Trustee in re-taking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Facility, the Pledged Collateral and the other security provided for in the Security Documents, or in exercising its rights under the Pledge and Security Agreement or under the other Security Documents, together with all attorneys' fees and expenses and court costs relating thereto.

Opinion of Counsel shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Lease Agreement or any other Security Document) be counsel for the Lessee, the Series B Credit Facility Provider or the Agency and who shall be acceptable to the Trustee.

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

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

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

(A) moneys (constituting Priority Amounts in the case of the Series B Bonds), and/or

(B) Defeasance Obligations (constituting Priority Amounts in the case of the Series B Bonds) in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

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

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

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Lessee or any Affiliate of the Lessee shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith to a Person other than the Series B Credit Facility Provider may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the

pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate of the Lessee.

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

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

Permitted Encumbrances shall mean, as of any particular time,

(i) the Company Lease, the Lease Agreement, the Indenture, the Agency Mortgage, the Series A Subordinate Mortgage, the Series B Subordinate Mortgage, the Pledge and Security Agreement, the Contingent Pledge Agreement, the Control Agreements, the Intercreditor Agreement and any other Security Documents;

(ii) utility, access and other easements and rights-of-way restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not interfere with or impair the Lessee's use of the Facility as provided in the Lease Agreement;

(iii) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the Lease Agreement;

(iv) those exceptions to title to the Facility in existence on the Closing Date as stated in the Appendix to the Lease Agreement entitled "Title Exceptions";

(v) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable, all if and to the extent permitted by the Lease Agreement;

(vi) any mortgage, Lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee (at the written direction of the Credit Enhancers and the Majority Holders) shall consent (which consent may further permit the release of the lien of the Agency Mortgage from the property subject to such mortgage, lien, security interest or other encumbrance);

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

(viii) any Lien, security interest, encumbrance or charge, or any conditional sale or other title retention agreement, which any vendor of Facility Equipment may place on such Facility Equipment in connection with securing the payment of the purchase price thereof in a good faith

arms'-length fair market value ordinary course of business transaction, to the extent that the Indebtedness represented thereby is permitted under the limitation of indebtedness provisions of the Lease Agreement;

(ix) leases which relate to property of the Lessee (acting as lessor of such property) which is of a type that is customarily the subject of such leases, which contains lease terms and conditions customarily contained in such leases;

(x) a Lien with respect to the operation of the Facility arising under applicable Legal Requirements by reason of a grant received by the Lessee from a governmental agency;

(xi) Liens incurred in the ordinary course of the Lessee's business, not exceeding \$100,000 in the aggregate;

(xii) Liens for Impositions not yet due or which are being actively contested in good faith by appropriate proceedings, if contested after payment or if adequate reserves with respect thereto are maintained in accordance with GAAP, and if the Lessee shall be in compliance with the contest provisions of the Lease Agreement;

(xiii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law and created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings conducted in accordance with the Lease Agreement, if adequate reserves with respect thereto are maintained in accordance with GAAP;

(xiv) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, old age pensions, social security benefits and other types of social security;

(xv) zoning ordinances, easements, licenses, restrictions on, and covenants relating to, the use of real property and minor irregularities in title thereto which do not (1) materially impair the use of such property in the operation of the Facility, or (2) subject the Agency to any liability of any kind whatsoever;

(xvi) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any property of the Lessee, or to use such property in a manner which does not materially impair the use of such property for the purposes for which it is held, but only to the extent the same is not imposed by reason of a violation by the Lessee of its obligations under the Lease Agreement;

(xvii) Liens incurred or deposits made in the ordinary course of business to secure the performance of tenders, statutory obligations, bids, leases or government contracts or to secure surety or appeal bonds, performance bonds, fee and expense arrangements with trustees and fiscal agents and similar obligations, not exceeding \$100,000 in the aggregate;

(xviii) Liens permitted by the Lease Agreement;

(xix) such utility, access and other easements, rights of way, restrictions, exceptions, minor defects or irregularities in or clouds on title as may be required by law or may be deemed necessary or advisable by the Lessee and which will not (1) in the opinion of an Authorized Representative of the Lessee, interfere with or impair in any material respect the utility, operation, use or value of the Facility, and (2) subject the Agency to any liability of any kind whatsoever; and

- (xx) subleases of the Facility permitted under the Lease Agreement;
- (xxi) licenses, permits, rights-of-way and easements permitted under the Lease Agreement;
- (xxii) a Lien on property with respect to which the Lessee has entered into a Capitalized Lease permitted under the Lease Agreement; and
- (xxiii) any operating lease with respect to which the Lessee is the lessee and which constitutes a “true lease” under GAAP.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Plans and Specifications shall mean the plans and specifications prepared for the Project by or on behalf of the Lessee, as amended from time to time in accordance with the provisions of the Lease Agreement by or on behalf of the Lessee to reflect any remodeling or relocating of the Project or substitutions, additions, modifications and improvements to the Project made by the Lessee in compliance with the Lease Agreement, said plans and specifications being duly certified by an Authorized Representative of the Lessee and filed in the principal corporate trust office of the Trustee.

Pledge and Security Agreement shall mean the Pledge and Security Agreement, dated as of October 1, 2002, from the Lessee to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Pledged Revenues shall mean all accounts, investment property, payment intangibles, general intangibles, receipts, realized earnings (inclusive of any investment income), revenues, rentals, income, insurance proceeds, tuition, fees, charges and other moneys received by or on behalf of the Lessee, including, but without limiting the generality of the foregoing, (i) tuition, fees and charges derived from the ownership or operation of any facility of the Lessee including the Facility, and all rights to receive any of the above, whether in the form of accounts, payment intangibles, contract rights, general intangibles or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence; and (ii) gifts, grants, bequests, donations and contributions heretofore or hereafter made to the Lessee; provided, however, that, there shall be expressly excluded from “Pledged Revenues” (x) the Unrestricted Investments Fund of the Lessee, (y) Restricted Gifts and the income derived therefrom to the extent required by such designation or specification, and (z) unrealized gains or losses.

PP&E shall mean “Plant, Property and Equipment”, as such term shall have the meaning assigned to it under GAAP.

Pre-Refunded Municipal Obligations shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest long-term Rating Category of at least two (2) Rating Agencies; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of

America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and

(ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

Priority Amounts shall mean (a) for so long as the Series B Letter of Credit shall be in effect, (1) any amounts drawn under the Series B Letter of Credit, (2) the proceeds of the Series B Bonds and any Additional Bonds (other than refunding Additional Bonds) and accrued interest thereon, (3) any other amounts (including (i) insurance and condemnation proceeds, investment earnings on any of the amounts set forth in clauses (1) and (2) above or on any insurance and condemnation proceeds, and (ii) any lease rental payments by the Lessee with respect to the Series B Bonds) which have been on deposit in the Bond Fund (Series B) or the Reimbursement Fund (Series B) for at least 124 days prior to their payment to Holders of the Series B Bonds (in the case of principal payments and interest thereon) or for at least 124 days prior to the giving of notice of redemption (in the case of redemption payments and accrued interest with respect thereto), during or prior to either of which 124 day periods no Act of Bankruptcy of the Series B Credit Facility Provider, the Lessee (or any Affiliate thereof) or the Agency (or any “insider”, as defined in the United States Bankruptcy Code, of the Lessee or the Agency) shall have occurred, and (4) any such other amounts with respect to which the Trustee receives a written opinion of counsel experienced in bankruptcy matters to the effect that payment of such amounts to holders of Series B Bonds will not constitute voidable preferences under the Federal Bankruptcy Code; and (b) during any period the Series B Letter of Credit is not in effect, any moneys held by the Trustee in any Fund or Account under the Indenture and available to pay principal, Sinking Fund Installments, Redemption Price or interest on the Series B Bonds.

Prohibited Person shall mean:

(i) any Person (A) who is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or the Agency, or (B) who directly or indirectly controls, is controlled by, or is under common control with, a Person who is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or the Agency, unless such default or breach has been waived in writing by the City or the Agency, respectively;

(ii) any Person (A) who has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or who is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) who directly or indirectly controls, is controlled by, or is under common control with a Person who has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or who is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure;

(iii) any government, or any Person who, directly or indirectly, is controlled (rather than only regulated) by a government, that is finally determined to be in violation of (including, but not limited to, any participant in an international boycott in violation of) the Export Administration Act of 1979, or its successor, or the regulations issued pursuant thereto, or any government, or any Person who, directly or indirectly, is controlled (rather than only regulated) by a government, that is subject to the regulations or controls thereof; or

(iv) any government, or any Person who, directly or indirectly, is controlled (rather than only regulated) by a government, the effects of the activities of which are regulated or controlled pursuant to regulations of the United States Treasury Department or executive orders of the President of the United States of America issued pursuant to the Trading with the Enemy Act of 1917, as amended (including the Arms Export Control Act of 1979, as amended).

Project shall mean the acquisition, construction, equipping and furnishing of a civic facility consisting of the acquisition of a parcel of real property, the construction of a new building and related facilities thereon, and the acquisition and installation of equipment, furniture and other personal property in connection therewith, all for use by the Lessee as a school for pre-kindergarten through twelfth grade.

Project Budget and Draw Schedule shall mean that certain budget and related draw schedule for the Project prepared by the Lessee, duly certified by an Authorized Representative of the Lessee and filed in the principal corporate trust office of the Trustee, as approved by the Credit Enhancers (such approvals not to be unreasonably withheld, delayed or conditioned).

Project Costs shall mean

- (i) the cost of acquisition of the Facility Realty,
- (ii) all costs of engineering and architectural services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the Project;
- (iii) all costs paid or incurred for labor, materials, services, equipment, furnishings, supplies and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;
- (iv) the interest on the Bonds until the Completion Date;
- (v) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;
- (vi) the payment of the fees and expenses of the Trustee and the Series B Credit Facility Provider during the period of construction of the Project;
- (vii) the payment of the Costs of Issuance with respect to the Bonds;
- (viii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project; and
- (ix) all other costs and expenses relating to the completion of the Project or the issuance of Additional Bonds.

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

Project Documents shall mean, collectively, the Security Documents, the Series A Bond Insurance Agreement, the Series B Reimbursement Agreement, the Custody Agreement (Series B), the Subordinate Mortgages and the Remarketing Agreement.

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

Pro-Rata Basis shall mean, in calculating the respective amounts of a sum of money to be deposited into the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C) (or, if such sum of money shall in the aggregate be insufficient to fully fund all required deposits, the portions of such sum of money to be so deposited), those amounts determined by the Trustee, (i) in the case of the amount to be deposited into an Account of the Bond Fund (Series A), by multiplying such sum of money by a fraction the numerator of which is the principal amount of all Series A Bonds Outstanding, and the denominator of which is the principal amount of all Bonds Outstanding, (ii) in the case of the amount to be deposited into an Account of the Reimbursement Fund (Series B), by multiplying such sum of money by a fraction the numerator of which is the principal amount of all Series B Bonds Outstanding, and the denominator of which is the principal amount of all Bonds Outstanding, and (iii) in the case of the amount to be deposited into an Account of the Bond Fund (Series C), by multiplying such sum of money by a fraction the numerator of which is the principal amount of all Series C Bonds Outstanding, and the denominator of which is the principal amount of all Bonds Outstanding.

Purchase Date with respect to the Series B Bonds, shall mean (i) during the Daily Period or Weekly Period, any Business Day on or prior to the Conversion Date, (ii) the Conversion Date, and (iii) any other Business Day on which Series B Bonds are required to be mandatorily tendered for purchase pursuant to the Indenture, in each case on which Series B Bonds tendered or deemed tendered for purchase to the Tender Agent are to be purchased at the Purchase Price pursuant to the Indenture, provided, that if any such date shall not be a Business Day, such date shall be the next succeeding Business Day.

Purchase Price shall mean an amount equal to 100% of the principal amount of any Series B Bond tendered or deemed tendered pursuant to the Indenture, plus 100% of accrued and unpaid interest thereon, if any, to the date of purchase.

Qualified Investments shall mean, to the extent permitted by applicable law, any of the following: (A) (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in clause (A)(2) of this definition), or (2) direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (B) (1) obligations of the following federal agencies, which obligations represent the full faith and credit of the United States of America: the Export-Import Bank, the Farm Credit System Financial Assistance Corporation, the Rural Economic Community Development Administration, the General Services Administration, the United States Maritime Administration, the Small Business Administration, the Government National Mortgage Association, the United States Department of Housing and Urban Development, the Federal Housing Administration and the Federal Financing Bank; (2) direct obligations of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated in the highest long-term rating category by at least two Rating Agencies issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, senior debt obligations of the Federal Home Loan Bank System, and senior debt obligations of other federal government sponsored agencies approved by the Credit Enhancers and the Majority Holders; (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic

commercial banks which either (i) have a rating on their short term certificates of deposit on the date of purchase in the highest short-term rating category of at least two Rating Agencies and maturing no more than 360 days after the date of purchase (rating on holding companies are not considered as the rating of the bank), (ii) are insured at all times by the Federal Deposit Insurance Corporation, or (iii) are collateralized with direct obligations of the United States of America at 102%, valued daily; (4) commercial paper which is rated at the time of purchase in the highest short-term rating category of at least two Rating Agencies and which matures not more than 270 days after the date of purchase; (5) investments in (i) a money market fund subject to SEC Rule 2a-7 and rated in the highest short-term rating category by at least two Rating Agencies and (ii) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the investment made under the Indenture does not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories by at least two Rating Agencies; (6) Pre-Refunded Municipal Obligations; (7) general obligations of states with a short-term rating in one of the two highest rating categories and a long-term rating in one of the two highest rating categories by at least two Rating Agencies (in the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually); (8) investment agreements approved in writing by the Credit Enhancers and the Majority Holders; and (9) other forms of investments (including repurchase agreements) approved in writing by the Credit Enhancers and the Majority Holders. Authorized investments shall be valued monthly as provided in the Indenture.

Rate Period shall mean each period during which the Series B Bonds bear interest at a particular Variable Rate, Term Rate or Fixed Rate.

Rating Agency shall mean S&P or Moody's and such other nationally recognized securities rating agency as shall have awarded a rating to the Series 2002 Bonds.

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

Rating Confirmation shall mean the written confirmation from each Rating Agency that the proposed action or event will not in and of itself result in a reduction or withdrawal in such Rating Agency's current rating on the Series 2002 Bonds.

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

Record Date shall mean (a) when used with respect to the Series A Bonds, the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date; (b) when used with respect to Series B Bonds bearing interest at the Daily, Weekly or Flexible Rate, the Business Day immediately preceding an Interest Payment Date; (c) when used with respect to Series B Bonds bearing interest at the Term or Fixed Rate, the fifteenth day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date; and (c) when used with respect to the Series C Bonds, the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date.

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

Reimbursement Fund (Series B) shall mean the special trust fund so designated, established pursuant to the Indenture.

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

Remarketing Agent shall mean (a) J.P. Morgan Securities Inc., New York, New York, initially, and (b) thereafter, any Person meeting the qualifications of and designated from time to time to act as Remarketing Agent for the Series B Bonds under the Indenture.

Remarketing Agreement shall mean the Remarketing Agreement between the Lessee and the Remarketing Agent.

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

Rental Period shall mean a three (3) month calendar period consisting of (i) the First Rental Period, (ii) the Second Rental Period, (iii) the Third Rental Period, or (v) the Fourth Rental Period.

Representation Letter shall mean the Blanket Issuer Letter of Representations from the Agency and the Trustee to DTC with respect to the Series 2002 Bonds.

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

Restricted Gifts shall mean gifts, grants, bequests, donations and contributions made to the Lessee and designated or specified by the granting authority, donor or maker thereof as being for specified purposes that would prohibit the use of such amounts for the payment of the principal of and interest on the Series 2002 Bonds.

S&P shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Second Rental Period shall mean June, July and August.

Security Documents shall mean, collectively, the Company Lease, the Lease Agreement, the Indenture, the Guaranty Agreement, the Agency Mortgage, the Pledge and Security Agreement, the Control Agreements (Pledged Revenues), the Contingent Pledge Agreement, the Contingent Control Agreements (Unrestricted Investments Fund), the Collateral Assignment of Construction Agreements, the Building Loan Agreement, the Series A Bond Insurance Policy, the Intercreditor Agreement, the Series B Letter of Credit and the Tax Regulatory Agreement.

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

Series A Bond Insurance Agreement shall mean that certain Insurance Agreement, dated as of October 1, 2002, between the Lessee and the Series A Bond Insurer, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Series A Bond Insurance Policy shall mean the municipal bond insurance policy relating to the Series A Bonds issued by the Series A Bond Insurer to the Trustee concurrently with the original issuance of the Series A Bonds insuring the scheduled payment when due of the principal of and interest and Sinking Fund Installments on the Series A Bonds as provided therein.

Series A Bond Insurer shall mean ACA Financial Guaranty Corporation, a Maryland stock insurance company, or any successor thereto as issuer of the Series A Bond Insurance Policy relating to the Series A Bonds.

Series A Bond Insurer Disqualification Event shall mean any of the following events or circumstances:

(i) the Series A Bond Insurer has failed to pay or has wrongfully dishonored any amount under the Series A Bond Insurance Policy,

(ii) the Series A Bond Insurance Policy shall at any time for any reason be determined under applicable law, by a court of final competent jurisdiction, to be null and void and not valid and binding on the Series A Bond Insurer or the validity or enforceability thereof is being contested by the Series A Bond Insurer or by any governmental agency or authority which has taken control of the assets of the Series A Bond Insurer in any bankruptcy, insolvency or similar proceedings and which shall be authorized under applicable law to so act on behalf of the Series A Bond Insurer,

(iii) the Series A Bond Insurer is temporarily restrained from making a payment under the Series A Bond Insurance Policy by court order or by action of any governmental or quasi-governmental body, or

(iv) the Series A Bond Insurance Policy is no longer in effect.

Series A Bond Insurer Documents shall mean, collectively, the Series A Subordinate Mortgage and the Series A Bond Insurance Agreement.

Series A Bonds shall mean the \$40,100,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series A of the Agency issued, executed, authenticated and delivered under the Indenture.

Series A Subordinate Mortgage shall mean the Series A Subordinate Mortgage, dated as of October 1, 2002, from the Lessee and the Agency to the Series A Bond Insurer, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Series B Bonds shall mean the \$30,000,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series B of the Agency issued, executed, authenticated and delivered under the Indenture, and shall include Bank Bonds.

Series B Credit Facility Deficiency shall mean the shortfall in the amount paid by the Series B Credit Facility Provider as more particularly described in the Indenture.

Series B Credit Facility Provider shall mean (i) JP Morgan Chase Bank, New York, New York or (ii) if a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility is then in effect, the Substitute Series B Credit Facility Provider.

Series B Credit Facility Provider Disqualification Event shall mean any of the following events or circumstances:

(i) the Series B Credit Facility Provider has failed to pay or wrongfully dishonored a draft upon strict compliance with the Series B Letter of Credit,

(ii) the Series B Letter of Credit shall at any time for any reason be determined under applicable law, by a court of final competent jurisdiction, to be null and void and not valid and binding on the Series B Credit Facility Provider, or the validity or enforceability thereof is being contested by the Series B Credit Facility Provider or by any governmental agency or authority which has taken control of the assets of the Series B Credit Facility Provider in any bankruptcy, insolvency or similar proceedings and which shall be authorized under applicable law to so act on behalf of the Series B Credit Facility Provider,

(iii) the Series B Credit Facility Provider is temporarily restrained from making a payment under the Series B Letter of Credit by court order or by action of any governmental or quasi-governmental body, or

(iv) the Series B Letter of Credit is no longer in effect and all amounts due to the Series B Credit Facility Provider have been paid in full (such repayment to be evidenced by a certificate to such effect from the Series B Credit Facility Provider to the Trustee).

Series B Credit Facility Provider Documents shall mean, collectively, the Series B Subordinate Mortgage, the Series B Reimbursement Agreement and the Custody Agreement (Series B).

Series B Letter of Credit Termination Date shall mean the latter of (i) that date upon which the Series B Letter of Credit shall expire or terminate pursuant to its terms or the terms of the Series B Reimbursement Agreement, or (ii) that date to which the expiration or termination of the Series B Letter of Credit may be extended, from time to time, either by extension or renewal of the existing Series B Letter of Credit or the issuance of a Substitute Series B Letter of Credit or Substitute Series B Credit Facility.

Series B Letter of Credit shall mean (i) that certain irrevocable direct pay letter of credit dated the Closing Date and issued by the Series B Credit Facility Provider in favor of the Trustee for the benefit of the Holders of the Series B Bonds, including any extension or renewal thereof, and (ii) any Substitute Series B Letter of Credit or Substitute Series B Credit Facility.

Series B Reimbursement Agreement shall mean the Reimbursement Agreement, dated the Closing Date, between the Lessee and the Series B Credit Facility Provider, and any substitute such agreement between the Lessee and the Substitute Series B Credit Facility Provider, and shall include any and all amendments thereof and supplements thereto hereafter made.

Series B Shortfall shall mean the amount by which the aggregate amount on deposit in Account(s) of the Reimbursement Fund (Series B) and available for payment is less than the Series B Credit Facility Deficiency.

Series B Subordinate Mortgage shall mean the Series B Subordinate Mortgage, dated as of October 1, 2002, from the Lessee and the Agency to the Series B Credit Facility Provider, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity thereto.

Series C Bonds shall mean the \$24,000,000 Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series C of the Agency issued, executed, authenticated and delivered under the Indenture.

Series C Representative shall mean The Bank of New York, a banking corporation duly organized and existing under the laws of the State of New York (together with its successors and assigns), in its capacity as the representative of the owners of the Series C Bonds in the Intercreditor Agreement.

Series 2002 Bonds shall mean, collectively, the Series A Bonds, the Series B Bonds and the Series C Bonds.

Short-Term Indebtedness shall mean all Indebtedness other than Long-Term Indebtedness.

Special Amendments shall mean any modification, alteration or amendment which shall (i) change in any material respect any of the provisions of the Lease Agreement, (ii) have the effect of releasing any of (A) the lien and pledge of the Pledge and Security Agreement upon the Pledged Collateral, (B) the contingent lien and pledge of the Contingent Pledge Agreement upon the Contingent Collateral, (C) the covenant of the Lessee not to pledge, lien or encumber the Contingent Collateral or the Pledged Collateral except in favor of the Trustee, or (D) the lien of the Agency Mortgage upon the Facility, or (iii) amend, modify or alter the Intercreditor Agreement (other than in connection with the issuance of a Series of Additional Bonds as provided in the Indenture).

Special Record Date shall mean, with respect to any Series 2002 Bond, the date established by the Trustee in connection with the payment of overdue interest on such Series 2002 Bond pursuant to the Indenture.

State shall mean the State of New York.

Subaccount shall mean a special trust subaccount established under the Indenture.

Subordinate Mortgages shall mean collectively, the Series A Subordinate Mortgage and the Series B Subordinate Mortgage.

Substitute Series B Credit Facility Provider shall mean (i) a commercial bank or savings and loan association or other financial institution which has issued a Substitute Series B Letter of Credit, or (ii) an entity which has issued a Substitute Series B Credit Facility.

Substitute Series B Credit Facility shall mean a bank bond purchase agreement, bond insurance policy, revolving credit agreement, surety bond or other agreement or instrument delivered to the Trustee in accordance with of the Indenture (i) issued by a Substitute Series B Credit Facility Provider, (ii) replacing any existing Series B Letter of Credit, (iii) to become effective at a date prior to the expiration date of the Series B Letter of Credit for which the same is to be substituted, (iv) which shall satisfy the requirements of the Indenture, (v) which will provide the same type of liquidity and credit enhancement under substantially the same terms and conditions as the then existing Series B Letter of Credit, and (vi) which shall provide that amount of coverage required by the Rating Agency or Rating Agencies then rating the Series B Bonds.

Substitute Series B Letter of Credit shall mean an irrevocable direct pay letter of credit delivered to the Trustee in accordance with the Indenture (i) issued by a Substitute Series B Credit Facility Provider, (ii) replacing any existing Series B Letter of Credit, (iii) dated as of a date prior to the expiration date of the Series B Letter of Credit for which the Substitute Series B Letter of Credit is to be substituted, (iv) which shall satisfy the requirements of the Indenture, (v) issued on substantially identical terms and conditions as the then existing Series B Letter of Credit, and (vi) which shall have that amount of coverage required by the Rating Agency or Rating Agencies then rating the Series B Bonds.

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

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 in effect from time to time.

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

Tender Agent shall mean initially, The Bank of New York, New York, New York, and any successor tender agent appointed pursuant to the Indenture.

Term Mode shall mean the mode in which Series B Bonds bear interest at Term Rates during Term Periods.

Term Period shall mean each period during which Series B Bonds bear interest at a particular Term Rate pursuant to the Indenture.

Term Rate shall mean the interest rate to be determined for, and borne by, Series B Bonds for a term of one or more years pursuant to the Indenture.

Term Rate Conversion Date shall mean each day on which Series B Bonds commence to bear interest at a Term Rate pursuant to the Indenture which is immediately preceded by a day on which such Series B Bonds did not bear interest at a Term Rate or bore interest at a Term Rate for a Term Period of a different duration.

Third Rental Period shall mean September, October and November.

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

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

United States Bankruptcy Code shall mean the United States Bankruptcy Reform Act of 1978, as amended from time to time, or any substitute or replacement legislation.

Unrestricted Assets shall have the meaning assigned such term under GAAP.

Unrestricted Investments Fund shall mean one or more investment accounts maintained by the Lessee with third party financial institutions or money managers comprised of unrestricted monies set aside for investment and not needed for current operations (which moneys are, however, not prohibited by the donor or by Legal Requirements from being applied to pay Indebtedness (including the Series 2002 Bonds) of the Lessee) and shall include, among other amounts, all proceeds (whether sales proceeds, insurance proceeds, condemnation awards, damages paid by the potential buyers of the Existing Facilities upon a failure to close on the purchase of the Existing Facilities, or otherwise) from the Existing Facilities, amounts (other than Restricted Gifts) derived from fundraising by the Lessee, and revenues in excess of expenses.

Unrestricted Liabilities shall have the meaning assigned such term under GAAP.

Unrestricted Liquid Funds shall mean cash and marketable securities, inclusive of amounts held in the Unrestricted Investments Fund, but excluding, however, (i) any amounts subject to a restriction imposed by a donor or by Legal Requirements that would prohibit the use of such amounts to pay either Indebtedness and/or operating expenses of the Lessee, and (iii) any Funds, Accounts or Sub-Accounts held by the Trustee.

Unrestricted Liquid Funds Test Date shall mean (y) the last day of the first six (6) months of each Fiscal Year of the Lessee, and (z) the last day of each Fiscal Year of the Lessee.

Unrestricted Liquid Funds to Debt Ratio shall mean the quotient obtained by dividing Unrestricted Liquid Funds as of any Unrestricted Liquid Funds Test Date, by all Indebtedness of the Lessee as of such Unrestricted Liquid Funds Test Date.

Unrestricted Net Assets shall mean all Unrestricted Assets less all Unrestricted Liabilities.

Variable Rate shall mean, as the context requires, the Daily, Weekly or Flexible Rate applicable to Series B Bonds.

Variable Rate Conversion Date shall mean a day on which Series B Bonds commence to bear interest at a Variable Rate for a Variable Rate Period pursuant to the Indenture which is immediately preceded by a day on which such Series B Bonds did not bear interest at a Variable Rate in a like Variable Rate Period.

Variable Rate Period shall mean each period during which Series B Bonds bear interest at a specific Variable Rate.

Variable Rate Indebtedness shall mean Indebtedness that bears interest at a variable, adjustable or floating rate.

Weekly Mode shall mean the mode in which Series B Bonds bear interest at Weekly Rates during Weekly Periods.

Weekly Period shall mean each period during which Series B Bonds bear interest at a particular Weekly Rate pursuant to the Indenture.

Weekly Rate shall mean the interest rate to be determined for, and borne by, Series B Bonds on a weekly basis pursuant to the Indenture.

Weekly Rate Conversion Date shall mean each day on which Series B Bonds commence to bear interest at a Weekly Rate pursuant to the Indenture which is immediately preceded by a day on which such Series B Bonds did not bear interest at a Weekly Rate.

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING DOCUMENTS

Summary of Certain Provisions of the Indenture of Trust

The following is a summary of certain provisions of the Indenture of Trust and is qualified in its entirety by reference to the document itself.

Additional Bonds. So long as each of the Company Lease, the Lease Agreement, the Agency Mortgage, the Pledge and Security Agreement, the Contingent Pledge Agreement, the Control Agreements, the Collateral Assignment of Construction Agreements and the Guaranty Agreement are in effect, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) completing the Project (“Completion Bonds”), (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain (“Restoration Bonds”), (iii) providing extensions, additions, improvements or facilities to the Facility (“Improvement Bonds”), the purpose of which shall be to constitute a “project” within the meaning of the Act, or (iv) refunding one or more Series of Outstanding Bonds (“Refunding Bonds”). Such Additional Bonds shall be payable from the lease rentals, receipts and revenues of the Facility including such extensions, additions and improvements thereto. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Agency and the Lessee shall enter into an amendment to the Lease Agreement which shall provide, among other things, that the rentals payable under the Lease Agreement shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. In addition, the Lessee and the Agency shall enter into an amendment to each Security Document with the Trustee which shall provide that the amounts guaranteed or otherwise secured thereunder be increased accordingly.

Each such Series of Additional Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of the Series of Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(1) a copy of the resolution, duly certified by the Secretary, Assistant Secretary, General Counsel or Vice President for Legal Affairs of the Agency, authorizing, issuing and awarding the Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Company Lease and the Lease Agreement;

(2) original executed counterparts of the Supplemental Indenture and an amendment of or supplement to the Company Lease and the Lease Agreement, expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, the Company Lease and the Lease Agreement, the Facilities referred to therein and the premises leased thereunder shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Bonds now being issued and any Additional Bonds theretofore issued;

(3) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Additional Bonds and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, and that the issuance of the Additional Bonds will

not cause the interest on any Series of Tax-Exempt Bonds Outstanding to become includable in gross income for federal income tax purposes;

(4) except in the case of Refunding Bonds (defined below) refunding all Outstanding Bonds, a certificate of an Authorized Representative of the Lessee to the effect that each Security Document to which it is a party continues in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;

(5) written evidence from each Rating Agency by which the Bonds Outstanding are then rated to the effect that it has reviewed the documentation pertaining to the issuance of the Series of Additional Bonds, and that the issuance of such Series of Additional Bonds will not result in a withdrawal, a suspension or a reduction of the long and short-term ratings then assigned to the Bonds then Outstanding by such Rating Agency;

(6) an amendment to the Intercreditor Agreement to provide for the Holders of such Series of Additional Bonds (and/or any credit enhancer with respect to such Series) to have rights, remedies and limitations comparable to those of the Holders of the Series 2002 Bonds;

(7) an original, executed counterpart of the amendment to each Security Document;

(8) in the case of Completion Bonds, an opinion of an Independent Engineer stating that the proceeds of the Series of Additional Bonds, together with other available funds of the Lessee, will be sufficient to complete the Project;

(9) a certificate of the chief financial officer of the Lessee to the effect that the issuance of such Series of Additional Bonds is in compliance with certain provisions of the Lease Agreement regarding coverage ratio, liquid funds to debt ratio and limitation on indebtedness and that no Event of Default has occurred and is continuing or would result by reason of such issuance, together with the written consent of the Series B Credit Facility Provider; provided, however, that no certificate as to compliance with such provisions of the Lease Agreement, nor consent of the Series B Credit Facility Provider, shall be required (y) for the issuance of Completion Bonds in a principal amount not to exceed \$3,500,000, or (z) for the issuance of Refunding Bonds provided, that, as set forth in a certificate of the chief financial officer of the Lessee delivered to the Trustee, the Annual Debt Service with respect to the Bonds is not increased following the issuance of such Refunding Bonds, and the Lessee shall achieve present value savings in connection with such refunding;

(10) in the case of Refunding Bonds, prior to the issuance thereof, the Trustee receives an Opinion of Counsel stating that upon the issuance of such Series of Refunding Bonds and the application of the proceeds thereof, the Outstanding Bonds to be refunded will no longer be Outstanding;

(11) an amount for deposit in the Debt Service Reserve Fund such that the aggregate amount as shall be on deposit in such Fund shall equal the Debt Service Reserve Fund Requirement after giving effect to the issuance of such Series of Additional Bonds; and

(12) a written order to the Trustee executed by an Authorized Representative of the Agency to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

Upon the request of the Lessee, one or more Series of Refunding Bonds may be authenticated and made available for pick-up upon original issuance to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under the Indenture as described in this heading of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

Refunding Bonds may be authenticated and made available for pick-up only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the second paragraph under this heading, as may be applicable) of: (A) irrevocable instructions from the Agency to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and (B) either: (i) moneys (constituting Priority Amounts in the case of the Series B Bonds) in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or (ii) Defeasance Obligations (constituting Priority Amounts in the case of the Series B Bonds) in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Indenture as described under the heading "Defeasance" below, and any moneys required pursuant to said provisions (with respect to all Outstanding Bonds or any part of one or more series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in said provisions.

The Lessee shall furnish to the Trustee and the Agency at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

Each Series of Additional Bonds issued pursuant to this heading shall be equally and ratably secured under the Indenture with the Series 2002 Bonds and all other Series of Additional Bonds, if any, issued pursuant to the Indenture as described under this heading, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture (including, without limitation, the exception that only the Series A Bonds shall have the benefit of the Series A Bond Insurance Policy and only the Series B Bonds shall have the benefit of the Series B Letter of Credit).

Notwithstanding anything in the Indenture to the contrary (i) no Series of Additional Bonds shall be payable from funds drawn under the Series B Letter of Credit (unless the Series B Letter of Credit shall be increased by an amount at least equal to the principal of and interest on such Series of Additional Bonds), and (ii) no Additional Bonds shall be issued unless the Company Lease, the Lease Agreement, the Agency Mortgage, the Pledge and Security Agreement, the Contingent Pledge Agreement, the Control Agreements, the Collateral Construction Agreements and the Guaranty Agreement are in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default. Each Series of Additional Bonds shall be designated by name and by Series and shall have separate funds and accounts.

Series B Letter of Credit; Substitute Series B Letter of Credit or Substitute Series B Credit Facility. Concurrently with the original issuance and delivery of the Series B Bonds, the Series B Credit Facility Provider will issue and deliver to the Trustee the Series B Letter of Credit, which will authorize the Trustee, subject to the terms and conditions thereof, to draw funds for the payment of the principal of and interest on the Series B Bonds at the scheduled maturity dates, Sinking Fund Installment payment dates, redemption dates or acceleration date thereof, and for the payment of the Purchase Price of Series B Bonds that have been tendered for purchase and for which proceeds of remarketing have not been received. The Trustee shall hold the Series B Letter of Credit for the benefit of the Holders of the Series B Bonds until the Series B Letter of Credit expires or terminates in accordance with its terms. If at any time during the term of the Series B Letter of Credit the Trustee resigns or is removed, and a successor Trustee is appointed and qualified under the Indenture, the Trustee that is resigning or being removed shall request that the Series B Credit Facility Provider transfer the Series B Letter of Credit to the successor Trustee, and shall take all actions necessary to effect the transfer of the Series B Letter of Credit to the successor Trustee. When the Series B Letter of Credit expires or terminates in accordance with its terms, the Trustee shall immediately surrender the Series B Letter of Credit to the Series B Credit Facility Provider.

With respect to the Series B Bonds, the Lessee may at any time, subject to any applicable provisions of the Series B Reimbursement Agreement, arrange for the delivery of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility in substitution for an existing Series B Letter of Credit, and the Trustee shall accept any Substitute Series B Letter of Credit or Substitute Series B Credit Facility, subject to the following limitations:

(i) Each Substitute Series B Letter of Credit or Substitute Series B Credit Facility shall authorize the Trustee to draw funds or undertake to make or provide funds to make payments of the principal or Redemption Price of, Sinking Fund Installments for, and interest on the Series B Bonds, as and when due, and for the payment of the Purchase Price of Series B Bonds that have been tendered for purchase and for which proceeds of remarketing have not been received, and which meets the requirements and conditions of this heading.

(ii) Each Substitute Series B Letter of Credit or Substitute Series B Credit Facility, or a binding commitment to issue and deliver either, must be delivered to the Trustee not less than thirty (30) days prior to the Series B Letter of Credit Termination Date, and must be effective as of a date on or prior to the Series B Letter of Credit Termination Date.

(iii) Each Substitute Series B Letter of Credit or Substitute Series B Credit Facility shall be satisfactory in form and substance to the Trustee, and shall be in a stated amount at least equal to the sum of (1) the aggregate principal amount of Series B Bonds (other than Bank Bonds) at the time Outstanding, plus (2) required coverage for interest. Each Substitute Series B Letter of Credit or Substitute Series B Credit Facility shall have a term of at least 364 days or such longer term as may be required to accommodate the Flexible Mode or Term Mode.

(iv) The Lessee shall give written notice to the Agency, the Trustee, the Series B Credit Facility Provider, the Tender Agent and each Rating Agency maintaining a rating on the Series B Bonds not less than sixty (60) days prior to the Series B Letter of Credit Termination Date, specifying that the Lessee intends to replace the existing Series B Letter of Credit with a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility on or before the Series B Letter of Credit Termination Date. Upon receipt of such notice, the Trustee shall promptly mail a notice of the anticipated delivery of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility by first-class mail to the Agency, the Remarketing Agent and each Holder of Series B Bonds. A draft of each Substitute Series B

Letter of Credit or Substitute Series B Credit Facility and the related Series B Reimbursement Agreement and appropriate information concerning the issuer of such Substitute Series B Letter of Credit or Substitute Series B Credit Facility shall be submitted by the Lessee to each Rating Agency maintaining a rating on the Series B Bonds.

(v) The Lessee shall cause to be delivered to the Trustee not less than thirty (30) days prior to the Series B Letter of Credit Termination Date a commitment by the Substitute Series B Credit Facility Provider which will issue the Substitute Series B Letter of Credit or Substitute Series B Credit Facility. The Series B Bonds shall be subject to mandatory tender as provided in the Indenture, unless the Lessee shall deliver to the Trustee, together with the documents referred to below, under this heading, a Rating Confirmation with respect to the Substitute Series B Letter of Credit or Substitute Series B Credit Facility.

(vi) When the Series B Bonds are in a Daily, Weekly, Flexible or Term Mode, the Lessee shall exercise its best efforts to either extend the term of the Series B Letter of Credit then in effect or to arrange for the delivery to the Trustee of a Substitute Series B Letter of Credit or Substitute Series B Credit Facility to replace any Series B Letter of Credit then in effect upon the expiration thereof not less than thirty (30) days prior to the Series B Letter of Credit Termination Date or the end of any such interest rate period or upon the occurrence of any of the following events or circumstances: (1) if the Series B Credit Facility Provider has rescinded, terminated or repudiated the Series B Letter of Credit, or the Series B Credit Facility Provider or any governmental authority with jurisdiction over the Series B Letter of Credit is challenging the validity of the Series B Letter of Credit or if the Series B Credit Facility Provider is in default of its payment obligations under the Series B Letter of Credit. (2) If the Series B Credit Facility Provider shall not extend the stated expiration date with respect to the current Series B Letter of Credit then in effect, but the term of such Substitute Series B Letter of Credit or Substitute Series B Credit Facility need not (but may) begin prior to the stated expiration date of the current Series B Letter of Credit then in effect. The Lessee shall not terminate the current Series B Letter of Credit until the term of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility has begun.

On or prior to the effective date of any Substitute Series B Letter of Credit or Substitute Series B Credit Facility, the Lessee shall furnish to the Agency and the Trustee:

(i) an executed copy of any reimbursement agreement entered into with respect to the Substitute Series B Letter of Credit or Substitute Series B Credit Facility;

(ii) an opinion of Nationally Recognized Bond Counsel to the effect that the Substitute Series B Letter of Credit or Substitute Series B Credit Facility is authorized under the Indenture and complies with its terms and does not cause the interest on the Series B Bonds to become includable in gross income for federal income tax purposes;

(iii) an agreement executed by the provider of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility to the effect that the provider of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility will (upon the delivery of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility) be deemed to be the "Bank" for all purposes of the Intercreditor Agreement, having all rights of the "Bank" and being subject to all obligations of the "Bank" thereunder;

(iv) copies of any other documents, agreements or arrangements entered into directly or indirectly between the Lessee and the Series B Credit Facility Provider issuing the Substitute Series B Letter of Credit or Substitute Series B Credit Facility with respect to the transactions contemplated by the

Substitute Series B Letter of Credit or Substitute Series B Credit Facility and related reimbursement agreement;

(v) an opinion of counsel to the Series B Credit Facility Provider issuing the Substitute Series B Letter of Credit or Substitute Series B Credit Facility satisfactory to the Trustee and the Agency and addressed to the Trustee, the Agency and the Remarketing Agent to the effect that the Substitute Series B Letter of Credit or Substitute Series B Credit Facility is irrevocable, unconditional and a legal, valid and binding obligation of the Series B Credit Facility Provider enforceable in accordance with its terms;

(vi) an opinion of counsel reasonably satisfactory and addressed to the Trustee and the Agency, to the effect that the Substitute Series B Letter of Credit or Substitute Series B Credit Facility is exempt from registration under the Securities Act of 1933, as amended; and

(vii) such other documents and opinions as the Trustee may reasonably request.

The effective date of a Substitute Series B Letter of Credit or Substitute Series B Credit Facility shall be a Business Day on or prior to the expiration date of the Series B Letter of Credit then in effect. The amount available to be drawn under the Substitute Series B Letter of Credit or Substitute Series B Credit Facility shall be not less than the amount required by the Rating Agency or Rating Agencies then rating the Series B Bonds. The Series B Credit Facility Provider issuing the Substitute Series B Letter of Credit or Substitute Series B Credit Facility shall purchase all Bank Bonds held by the predecessor Series B Credit Facility Provider at a purchase price equal to the amount drawn under the predecessor Series B Letter of Credit to pay the Purchase Price of such Bank Bonds that has not been reimbursed plus interest on such amount calculated in accordance with the Series B Reimbursement Agreement or such other amount as may be agreed to by the predecessor Series B Credit Facility Provider and the Lessee.

The Series B Bonds shall be subject to mandatory tender as provided in the Indenture on the date on which the Substitute Series B Letter of Credit or Substitute Series B Credit Facility is scheduled to become effective with respect to such Series B Bonds, whether or not the Substitute Series B Letter of Credit or Substitute Series B Credit Facility actually becomes effective on such date, unless the Lessee shall deliver to the Trustee, together with the documents referred to above under this heading, a Rating Confirmation with respect to the Substitute Series B Letter of Credit or Substitute Series B Credit Facility. If the Series B Bonds are otherwise subject to mandatory tender on the date on which the Substitute Series B Letter of Credit or Substitute Series B Credit Facility is scheduled to become effective, such mandatory tender shall be conducted in accordance with the applicable provisions of the Indenture, and the Trustee shall draw on the existing Series B Letter of Credit in strict compliance with the terms thereof to pay the Purchase Price of the Series B Bonds and shall not surrender the existing Series B Letter of Credit for cancellation to the Series B Credit Facility Provider of such existing Series B Letter of Credit until such drawing is honored and paid in full. If the Series B Bonds are not otherwise subject to mandatory tender on the date on which the Substitute Series B Letter of Credit or Substitute Series B Credit Facility is scheduled to become effective, such mandatory tender of the Series B Bonds shall be on such date in accordance with the procedures set forth in the Indenture. Notice of such mandatory tender (if required) shall be given by the Trustee to the Holders of the Series B Bonds by first class mail (or, at the option of the Trustee, by certified mail, return receipt requested) not fewer than thirty (30) days prior to the date on which the Substitute Series B Letter of Credit or Substitute Series B Credit Facility is to be effective and shall state that a Substitute Series B Letter of Credit or Substitute Series B Credit Facility is scheduled to become effective, that the Series B Bonds are subject to mandatory tender and the date of such tender, but mailing such copies shall not be a condition precedent to such mandatory

tender and failure to so mail or of a Person to which such notice was mailed to receive such notice shall not affect the validity of the mandatory tender on the proposed date and all Series B Bonds will be deemed tendered as of such date. The Remarketing Agent shall not sell a Series B Bond for which the Substitute Series B Letter of Credit or Substitute Series B Credit Facility had not previously been in effect unless the Remarketing Agent has advised the person to whom the sale is made of the issuer of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility and the expiration date thereof.

The extension of the expiration date of an existing Series B Letter of Credit without any other changes thereto shall not constitute the delivery of a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility for purposes of the Indenture.

If at any time a Substitute Series B Letter of Credit or Substitute Series B Credit Facility is delivered to the Trustee, together with the other documents and opinions required by the Indenture as described under this heading, then the Trustee shall be authorized to accept such Substitute Series B Letter of Credit or Substitute Series B Credit Facility and promptly (but after the effective date of the Substitute Series B Letter of Credit or Substitute Series B Credit Facility) surrender the Series B Letter of Credit previously in effect to the issuer thereof, in accordance with the terms thereof, for cancellation. If at any time there shall cease to be any Series B Bonds Outstanding under the Indenture, if at any time the Series B Bonds shall have been defeased pursuant to the Indenture, or if the Series B Letter of Credit expires in accordance with the terms of such Series B Letter of Credit, the Trustee shall promptly (but after the occurrence of such event) surrender the Series B Letter of Credit to the issuer thereof, in accordance with the terms thereof, for cancellation. The Trustee shall comply with the procedures set forth in the Series B Letter of Credit relating to the expiration or termination thereof.

Creation of Funds and Accounts. The following special trust Funds, Accounts and Subaccounts comprising such Funds are established under the Indenture: (1) Project Fund consisting of (i) Capitalized Interest Account and (ii) Construction Account; (2) Renewal Fund; (3) Bond Fund (Series A) consisting of (i) Principal Account, (ii) Interest Account, (iii) Redemption Account and (iv) Sinking Fund Installment Account; (4) Bond Fund (Series B) consisting of (i) Principal Account, (ii) Interest Account, (iii) Redemption Account and (iv) Sinking Fund Installment Account; (5) Reimbursement Fund (Series B) consisting of (i) Principal Account, (ii) Interest Account, (iii) Redemption Account and (iv) Sinking Fund Installment Account; (6) Bond Fund (Series C) consisting of (i) Principal Account, (ii) Interest Account, (iii) Redemption Account and (iv) Sinking Fund Installment Account; (7) Debt Service Reserve Fund; (8) Earnings Fund; and (9) Rebate Fund.

All of the Funds, Accounts and Subaccounts created under the Indenture shall be held by the Trustee, except that the proceeds derived from the remarketing of the Series B Bonds shall be held by the Tender Agent. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund, Account or Subaccount under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate and be subject to the Lien of the Indenture, provided, however, that the (i) Rebate Fund (including amounts on deposit therein) shall not be subject to any assignment, pledge, lien or security interest in favor of the Trustee or any Bondholder or any other Person; (ii) amounts held from the proceeds of remarketing of Series B Bonds or the draws upon the Series B Letter of Credit to pay the Purchase Price of the Series B Bonds shall be held in trust only in favor of those Persons entitled thereto as provided in the Indenture; (iii) amounts held in the Bond Fund (Series A) shall be pledged only to the Holders of the Series A Bonds; (iv) amounts held in the Bond Fund (Series B) shall be pledged only to the Holders of the Series B Bonds; (v) amounts held in the Reimbursement Fund (Series B) shall be pledged only to the Holders of the Series B Bonds (and to the Series B Credit Facility Provider acting on their behalf) and for the reimbursement of the Series B Credit

Facility Provider under the Series B Reimbursement Agreement; and (vi) amounts held in the Bond Fund (Series C) shall be pledged only to the Holders of the Series C Bonds.

Project Fund. There shall be deposited in the applicable Accounts of the Project Fund any and all amounts required to be deposited therein pursuant to the Lease Agreement or the Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Bondholders, to the extent permitted by law, until disbursed as provided in the Indenture. The Trustee shall apply the amounts on deposit in the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the Lessee or the Agency, of Project Costs.

The Trustee shall apply the amounts in the Capitalized Interest Account of the Project Fund for the payment of interest on the Bonds as the same shall become due until the earlier of the Completion Date or the exhaustion of amounts in such Account (the "Capitalized Interest Period"). During the Capitalized Interest Period, the Trustee shall transfer from the Capitalized Interest Account: (i) with respect to the Series A Bonds, on the Business Day immediately preceding each Lease Rental Payment Date, for deposit in the Interest Account of the Bond Fund (Series A), that amount required to be paid by the Lessee on such Lease Rental Payment Date under the Lease Agreement, less any amounts on deposit in the Interest Account of the Bond Fund (Series A) and available therefor, (ii) with respect to the Series B Bonds, on the Business Day immediately preceding each Lease Rental Payment Date, for deposit in the Interest Account of the Reimbursement Fund (Series B), that amount required to be paid by the Lessee on such Lease Rental Payment Date under the Lease Agreement, less any amounts on deposit in the Interest Account of the Reimbursement Fund (Series B) and available therefor, and (iii) with respect to the Series C Bonds, on the Business Day immediately preceding each Lease Rental Payment Date, for deposit in the Interest Account of the Bond Fund (Series C), that amount required to be paid by the Lessee on such Lease Rental Payment Date under the Lease Agreement, less any amounts on deposit in the Interest Account of the Bond Fund (Series C) and available therefor. Upon the Completion Date, the Trustee shall transfer any balance remaining in the Capitalized Interest Account of the Project Fund, first, to the extent of the amount of interest accrued on the Series 2002 Bonds from the Interest Payment Date immediately preceding the Completion Date through but not including the Completion Date, to the Construction Account of the Project Fund to pay any remaining Project Costs, and second, the balance in accordance with the eighth paragraph below.

The Trustee shall apply the amounts on deposit in the Construction Account of the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the Lessee or the Agency, of Project Costs to the extent requisitioned under the Indenture.

On the Closing Date, the Trustee is authorized to disburse from the Construction Account of the Project Fund amounts required to pay (in whole or in part) the Costs of Issuance of the Series 2002 Bonds and is directed to issue its checks (or, at the direction of the Lessee, make wire transfers) for each disbursement from the Construction Account of the Project Fund for Costs of Issuance, upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Lessee. The Trustee is further authorized to disburse from the Construction Account of the Project Fund from time to time amounts required for the payment of Project Costs other than Costs of Issuance, and is directed to issue its checks (or, at the direction of the Lessee, make wire transfers) for each disbursement from the Construction Account of the Project Fund, upon a requisition submitted to the Trustee signed by an Authorized Representative of the Lessee, and approved by the Construction Monitor. The approval of the Construction Monitor shall not be required with respect to disbursements for Costs of Issuance from the Construction Account of the Project Fund.

Prior to the initial disbursement of Bond proceeds attributable to construction costs: (A) the Lessee shall have provided to the Trustee a complete set of Plans and Specifications, all construction contracts, a construction schedule, a budget (the "Budget") showing the direct construction costs, the cost of construction with respect to the Facility Realty, and the costs of equipping and furnishing the Facility, the Project Budget and Draw Schedule, and the names of the general contractor(s) and each subcontractor(s) to be used or, if any such subcontractor(s) shall not be then identified, the Lessee shall identify such subcontractor(s) promptly upon its selection. Upon revision, if any, to the Plans and Specifications, the Lessee shall, to the extent required by applicable law, file same with all governmental authorities having jurisdiction for the purpose of obtaining all necessary approvals of the Plans and Specifications and all necessary building permits from said authorities; (B) each general contractor for the Project shall provide to the Lessee, and the Lessee shall assign to the Trustee, a materials and labor payment and performance bond (which bond may provide for a dual obligee) issued by a responsible bonding company licensed to do business in the State and rated at least "A" by S&P or A.M. Best Company, Inc. in an amount not less than the guaranteed maximum price under the construction contract for the Project plus interest due on the Bonds and other Indebtedness of the Lessee for at least one year after completion of the Project.

The Lessee shall deliver to the Trustee with each requested disbursement of amounts in the Construction Account of the Project Fund for construction costs, an updated and redated mortgagee title insurance policy as to the current status of title to Facility Realty being within the Lessee and the leasehold interest of the Agency under the Company Lease; and further indicate that there are no Liens (inclusive of materialman's or mechanics' liens), encumbrances, easements, restrictions, objections or defects against or affecting the Facility Realty or the Agency's interest therein or the Lien of the Agency Mortgage thereon, other than Permitted Encumbrances.

Payments for each requisition for construction costs (not including costs of furniture, fixtures or equipment) shall equal 90% of the approved requisition amount until the Lessee shall certify in a requisition that the construction work of the Project is at least fifty percent (50%) complete, and the Project Monitor shall deliver a confirmation in writing to the Trustee of the same, in which event thereafter payments for each requisition shall equal 100% of the approved requisitioned amount. Upon the Completion Date, the Trustee shall pay over to the Lessee any amounts withheld from the approved requisitions.

The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom and shall furnish copies of same to the Agency, the Lessee, the Series A Bond Insurer, the Series B Credit Facility Provider or any Interested Beneficial Owner upon reasonable written request.

The Trustee shall on written request furnish to the Agency, the Lessee, the Series A Bond Insurer, the Series B Credit Facility Provider or any Interested Beneficial Owner within a reasonable time period a written statement of disbursements from the Project Fund, enumerating, among other things, item, cost, amount disbursed, date of disbursement and the person to whom payment was made, together with copies of all bills or invoices submitted to the Trustee for such disbursement. The Trustee shall furnish to the Lessee a monthly statement of outstanding balance of amounts on deposit in each Account of the Project Fund until the Completion Date.

The Completion Date shall be evidenced as set forth in the Lease Agreement including the filing of the certificate of the Authorized Representative of the Lessee referred to therein. Upon the filing of such certificate, the balance in the Capitalized Interest Account of the Project Fund shall be deposited in the Construction Account of the Project Fund to pay any remaining Project Costs as set forth

in such completion certificate of the Authorized Representative of the Lessee. Upon payment of all the costs and expenses incident to the completion of the Project, any balance remaining in the Project Fund shall be applied, first, to the payment of any Rebate Amount as calculated pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below and transferred to and deposited in the Rebate Fund, second, to the payment of any deficiency in the Debt Service Reserve Fund and, third, on a Pro-Rata Basis to each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to be applied to redeem the Series 2002 Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to effect such redemption) in accordance with the applicable general optional redemption provisions of the Indenture on the first available optional redemption date for the respective series of Series 2002 Bonds and no direction from the Lessee shall be required to effect such redemption; provided, however, that if the amount to be deposited under the clause “third” shall be less than \$5,000,000, such amount shall be deposited in the Redemption Account of the Reimbursement Fund (Series B). Until such amounts are so applied to redeem the Series 2002 Bonds, the amounts so deposited in clause “third” above shall not be invested at a Yield in excess of the Yield on the Series 2002 Bonds. The Trustee shall promptly notify the Lessee of any amounts so deposited in the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) pursuant to this paragraph.

In the event the Lessee shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the Lease Agreement, the balance in the Capitalized Interest Account and in the Construction Account of the Project Fund and the balance in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below) shall be deposited on a Pro-Rata Basis in each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption of the Series 2002 Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to effect such redemption). In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default under the Indenture, the balance in the Capitalized Interest Account and in the Construction Account of the Project Fund and the balance in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below) shall be deposited, subject to the terms and provisions of the Intercreditor Agreement, on a Pro-Rata Basis in each of the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C), all as provided in the Indenture as described under the heading “Application of Revenues and Other Moneys After Default” below.

Payments into Renewal Fund; Application of Renewal Fund. The Net Proceeds resulting from any Loss Event (as received pursuant to the Lease Agreement) with respect to the Facility, together with any other amounts so required to be deposited therein under the Lease Agreement, shall be deposited in the Renewal Fund (except as otherwise provided in the Lease Agreement). The amounts in the Renewal Fund shall be subject to a security interest, Lien and charge in favor of the Trustee (for the benefit of the Bondholders, to the extent permitted by law) until disbursed as provided in the Indenture.

In the event the Bonds shall be subject to redemption in whole (either by reason of such Loss Event or otherwise) pursuant to the terms thereof or the Indenture, and the Lessee shall have so directed the Trustee in writing within ninety (90) days of the occurrence of such Loss Event, the Trustee shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement

and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below and making any transfer to the Debt Service Reserve Fund to the extent of any deficiency therein, transfer the amounts deposited in the Renewal Fund on a Pro-Rata Basis to each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption (in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to effect such redemption) of the Series 2002 Bonds in whole.

If, on the other hand, (1) the Bonds shall not be subject to redemption in whole (whether by reason of such Loss Event or otherwise), or (2) the Bonds shall be subject to redemption in whole (whether by reason of such Loss Event or otherwise), and the Lessee shall have failed to direct the Trustee, within ninety (90) days of the occurrence of the Loss Event, to transfer the amounts deposited in the Renewal Fund on a Pro-Rata Basis to each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption (in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to effect such redemption) of the Series 2002 Bonds in whole, or (3) the Lessee shall have notified the Trustee of its intent to rebuild, replace, repair and restore the Facility, the Trustee shall apply the amounts on deposit in the Renewal Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, and making any transfer to the Debt Service Reserve Fund to the extent of any deficiency therein, to such rebuilding, replacement, repair and restoration.

If an Event of Default shall exist at the time of the receipt by the Trustee of the Net Proceeds in the Renewal Fund, the Trustee shall promptly request the written direction of the Majority Holders, and shall thereupon apply such Net Proceeds, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, and making any transfer to the Debt Service Reserve Fund to the extent of any deficiency therein, to the rebuilding, replacement, repair and restoration of the Facility, or for deposit on a Pro-Rata Basis to each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption (in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to effect such redemption) of the Series 2002 Bonds in whole, as directed by the Majority Holders (or if no such direction shall be received within ninety (90) days after request therefor by the Trustee shall have been made, for deposit on a Pro-Rata Basis to each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption (in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to effect such redemption) of the Series 2002 Bonds in whole).

The Trustee is authorized and directed to apply the amounts in the Renewal Fund to the payment (or reimbursement to the extent the same have been paid by or on behalf of the Lessee or the Agency) of the costs required for the rebuilding, replacement, repair and restoration of the Facility upon written instructions from the Lessee; provided, however, if the opinion of the Independent Engineer delivered to the Trustee by the Lessee pursuant to the Lease Agreement shall indicate that the cost of such rebuilding, replacement, repair and restoration exceeds the amount on deposit in the Renewal Fund, the Trustee shall make no initial disbursement from the Renewal Fund until the Lessee shall have paid such deficiency to the Trustee for deposit in the Renewal Fund. The Trustee is further authorized and directed to issue its checks for each disbursement from the Renewal Fund upon a requisition submitted to the

Trustee and signed by an Authorized Representative of the Lessee; provided that payments for each requisition from the Renewal Fund for construction costs (not including costs of furniture, fixtures or equipment) shall equal 90% of the requisitioned amount until the Lessee shall certify in a requisition that the reconstruction of the Facility is at least fifty percent (50%) complete, and the Independent Engineer shall deliver a confirmation in writing to the Trustee of the same, in which event thereafter payments for each requisition shall equal 100% of the approved requisition amount (upon the completion of the reconstruction of the Facility, as evidenced by the delivery by the Lessee of the certificate of completion referred to in the Indenture, the Trustee shall pay over to the Lessee the amounts withheld from requisitions). The Trustee shall keep and maintain adequate records pertaining to the Renewal Fund and all disbursements therefrom and shall furnish copies of same to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider, any Interested Beneficial Owner or the Lessee upon reasonable written request therefor.

The date of completion of the restoration of the Facility shall be evidenced to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee by a certificate of an Authorized Representative of the Lessee stating (i) the date of such completion, (ii) that all labor, services, equipment, furnishings, materials and supplies used therefor and all costs and expenses in connection therewith have been paid for, (iii) that the Facility has been restored to at least substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, (iv) that the Agency has a good and valid leasehold interest in all property constituting part of the restored Facility and all property of the Facility is subject to the Company Lease and the Lease Agreement and the mortgage liens and security interests of the Agency Mortgage and the Subordinate Mortgages, and (v) that the restored Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the 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 the Indenture and the Lease Agreement, and (z) that no Person other than the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider or the Trustee may benefit therefrom. Such certificate shall be accompanied by (i) a temporary or permanent certificate of occupancy, if required, and any and all permissions, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by the Lease Agreement; and (ii) an Opinion of Counsel addressed to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee, to the effect that the Facility as restored is adequately described for such purposes in the Appendices to the Company Lease, the Lease Agreement, the Indenture, the Agency Mortgage and the Subordinate Mortgages.

All earnings on amounts on deposit in the Renewal Fund shall be transferred by the Trustee and deposited in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from the Earnings Fund prior to drawing any amounts from the Renewal Fund.

Any surplus remaining in the Renewal Fund after the completion of the rebuilding, replacement, repair and restoration of the Facility shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Payments into Rebate Fund; Application of Rebate Fund" below, and after depositing in the Debt Service Reserve Fund an amount equal to any deficiency therein, shall, first, be paid to the Lessee free and clear of the Lien of the Indenture to the extent of any deficiency in the Net Proceeds to pay the costs of rebuilding, replacement, repair and restoration of the Facility, and, second, be transferred by the Trustee on a Pro-Rata Basis to each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond

Fund (Series C) to effect the redemption (in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to effect such redemption) of the Series 2002 Bonds in whole.

Payments into Bond Fund (Series A). The Trustee shall promptly deposit the following receipts into the Bond Fund (Series A) so indicated:

(a) The interest accruing on the Series A Bonds from their date to the date of delivery, if any, which shall be credited to the Interest Account of the Bond Fund (Series A) and applied to the payment of interest on the Series A Bonds.

(b) Amounts disbursed from the Project Fund for the payment of interest on the Series A Bonds during the construction of the Project, which shall be credited to the Interest Account of the Bond Fund (Series A) and applied to the payment of interest on the Series A Bonds.

(c) Excess or remaining amounts in the Project Fund required to be deposited (subject to any transfer required to be made (y) to the Rebate Fund in accordance with directions received pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, and (z) to the Debt Service Reserve Fund to the extent of any deficiency therein) (i) in the Redemption Account of the Bond Fund (Series A) pursuant to the penultimate paragraph under the heading “Project Fund” above or the first sentence of the last paragraph under the heading “Project Fund” above, which shall be kept segregated from other moneys with such Account, or (ii) in the Bond Fund (Series A) pursuant to the second sentence of the last paragraph under the heading “Project Fund” above.

(d) Any amounts transferred from the Debt Service Reserve Fund pursuant to the Indenture as described under the heading “Debt Service Reserve Fund” below, which shall be deposited in and credited to the Interest Account, the Principal Account, the Sinking Fund Installment Account or the Redemption Account, as the case may be, of the Bond Fund (Series A).

(e) Any amounts paid by the Series A Bond Insurer pursuant to the Series A Bond Insurance Policy, which shall be deposited in and credited to the Interest Account, the Principal Account, the Sinking Fund Installment Account or the Redemption Account, as the case may be, of the Bond Fund (Series A).

(f) Rental payments received by the Trustee pursuant to the Lease Agreement, which shall be deposited in and credited, to the extent necessary, first to the Interest Account, second to the Principal Account, and third to the Sinking Fund Installment Account of the Bond Fund (Series A).

(g) Advance rental payments received by the Trustee with respect to the Series A Bonds pursuant to the Lease Agreement, which shall be deposited in and credited to the Redemption Account of the Bond Fund (Series A).

(h) Any amounts transferred from the Earnings Fund pursuant to the Indenture as described in the third paragraph under the heading “Payments into Earnings Fund; Application of Earnings Fund” below, which shall be deposited in and credited to the Interest Account of the Bond Fund (Series A).

(i) The excess amounts referred to in the Indenture as described in the fourth paragraph under the heading “Application of Bond Fund (Series A)” below which shall be deposited in and credited to the Interest Account of the Bond Fund (Series A).

(j) Any amounts transferred from the Redemption Account of the Bond Fund (Series A) pursuant to the Indenture as described in the last paragraph under the heading “Application of Bond Fund (Series A)” below, which shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Bond Fund (Series A), as the case may be, and in such order of priority, and applied solely to such purposes.

(k) All other receipts when and if required by the Lease Agreement or by the Indenture or by any other Security Documents to be paid into the Bond Fund (Series A), which shall be credited (except as provided in the Indenture as described under the heading “Application of Revenues and Other Moneys After Default” below) to the Interest Account of the Bond Fund (Series A).

Duties with Respect to the Series A Bond Insurance Policy. As long as the Series A Bond Insurance Policy shall be in force and effect, the Trustee agrees to comply with the following procedures, and the registered owners of the Series A Bonds irrevocably designate, appoint, direct and authorize the Trustee to act as attorney-in-fact for such owners in connection with the following procedures:

(a) At least two (2) Business Days prior to any date upon which interest, principal, Sinking Fund Installments or Redemption Price shall be due on the Series A Bonds (a “Series A Bond Payment Date”), the Trustee shall determine whether there will be on deposit with the Trustee, after making all transfers and deposits required under the Indenture, funds sufficient to pay the amounts due on the Series A Bonds due on such Series A Bond Payment Date. If the Trustee determines that there will be insufficient funds in such funds and accounts, the Trustee shall give notice to the Series A Bond Insurer by telephone or teletype, confirmed in writing by registered or certified mail, of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. Such notice shall specify the amount of the anticipated deficiency, the Series A Bonds to which such deficiency is applicable and whether such Series A Bonds will be deficient as to principal or interest, or both. To the extent that the amount of such deficiency shall be reduced prior to the applicable Series A Bond Payment Date, the Trustee shall immediately so notify the Series A Bond Insurer. If the Trustee has not so notified the Series A Bond Insurer at least two (2) Business Days prior to a Series A Bond Payment Date, the Series A Bond Insurer will make payments of principal or interest due on the Series A Bonds on or before the second Business Day next following the date on which the Series A Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Series A Bond Insurer as provided in paragraph (a) above, make available to the Series A Bond Insurer the registration books of the Agency maintained by the Trustee and all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee shall provide the Series A Bond Insurer with a list of registered owners of Series A Bonds entitled to receive principal or interest payments from the Series A Bond Insurer under the terms of the Series A Bond Insurance Policy, and shall make arrangements with the Series A Bond Insurer (1) to execute and deliver to the Series A Bond Insurer, in form satisfactory to the Series A Bond Insurer, an instrument appointing the Series A Bond Insurer as agent for such owners in any legal proceeding relating to the payment of such principal or interest to the extent paid by the

Series A Bond Insurer to such owners, and (2) to receive from the Series A Bond Insurer on behalf of, and to disburse to, such owners such principal or interest payments.

(d) The Trustee shall, at the time that it provides notice to the Series A Bond Insurer pursuant to paragraph (a) above, notify registered owners of Series A Bonds entitled to receive the payment of principal or interest thereon from the Series A Bond Insurer (1) as to the fact of such entitlement, (2) that the Series A Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Trustee, in form satisfactory to the Trustee, of an appropriate assignment of the registered owner's right to payment, (3) that should they be entitled to receive full payment of principal from the Series A Bond Insurer, they must surrender their Series A Bonds (along with an appropriate instrument of assignment in form satisfactory to the Trustee to permit ownership of such Series A Bonds to be registered in the name of the Series A Bond Insurer) for payment to the Trustee, and (4) that should they be entitled to receive partial payment of principal from the Series A Bond Insurer, they must surrender their Series A Bonds for payment thereon to the Trustee, who shall note on such Series A Bonds the portion of the principal paid by the Trustee from the Trust Estate and the amount payable from the Series A Bond Insurance Policy.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series A Bond which has become Due for Payment (as defined in the Series A Bond Insurance Policy) and which is made to a Holder of Series A Bonds by or on behalf of the Agency has been deemed a preferential transfer and therefore recovered from its registered owner pursuant to the Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time that the Series A Bond Insurer is notified pursuant to paragraph (a) above, notify all registered owners of Series A Bonds that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Series A Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Series A Bond Insurer its records evidencing the payments of principal of and interest on the Series A Bonds which have been made by the Trustee and subsequently recovered from the registered owners and the dates on which such payments were made.

(f) The Series A Bond Insurer shall be entitled to pay principal or interest on the Series A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such term is defined in the Series A Bond Insurance Policy) by the Agency or the Lessee and any amounts due on the Series A Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Series A Bond Insurer has received a Notice of Nonpayment (as defined in the Series A Bond Insurance Policy) or a claim upon the Series A Bond Insurance Policy.

(g) Payments with respect to claims for interest on and principal of Series A Bonds disbursed by the Trustee from proceeds of the Series A Bond Insurance Policy shall not be considered to discharge the obligation of the Agency under the Indenture with respect to such Series A Bonds, and the Series A Bond Insurer shall become the owner of such unpaid Series A Bond and claims for the interest thereon in accordance with the tenor of the assignment made to it under the provisions of the Indenture as described under this heading or otherwise.

(h) In addition to those rights granted to the Series A Bond Insurer under the Indenture, the Series A Bond Insurer shall, to the extent it makes payment of principal of or interest on Series A Bonds and whether or not the assignments in favor of the Series A Bond Insurer required by the Indenture as described under this heading are executed and delivered, (i) become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series A Bond Insurance Policy, and (ii) the Trustee will accordingly pay to the Series A Bond Insurer the amount of such principal and

interest, with interest thereon as provided in the Security Documents and the Series A Bonds, but only from the sources and in the manner provided in the Indenture for the payment of principal of and interest on the Series A Bonds to Holders, and will otherwise treat the Series A Bond Insurer as the owner of such rights to the amount of such principal and interest. To evidence such subrogation (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Series A Bond Insurer's rights as subrogee on the registration books of the Agency maintained by the Trustee upon receipt from the Series A Bond Insurer of proof of payment of interest thereon to the registered owners of the Series A Bonds, and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Series A Bond Insurer's rights as subrogee on the registration books of the Agency maintained by the Trustee upon surrender of the Series A Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Payments into Bond Fund (Series B). The Trustee shall promptly deposit the following receipts into the Bond Fund (Series B) so indicated:

(a) Moneys drawn by the Trustee under the Series B Letter of Credit for the payment of principal of the Series B Bonds, which shall be credited to the Principal Account of the Bond Fund (Series B) and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture as described in the first paragraph under the heading "Priority Amounts; Series B Letter of Credit" below, together with other Priority Amounts available in the Principal Account of the Bond Fund (Series B), to the payment of principal of the Series B Bonds.

(b) Moneys drawn by the Trustee under the Series B Letter of Credit for the payment of Sinking Fund Installments for the Series B Bonds, which shall be credited to the Sinking Fund Installment Account of the Bond Fund (Series B) and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture as described in the first paragraph under the heading "Priority Amounts; Series B Letter of Credit" below, together with other Priority Amounts available in the Sinking Fund Installment Account of the Bond Fund (Series B), to the payment of Sinking Fund Installments for the Series B Bonds.

(c) Moneys drawn by the Trustee under the Series B Letter of Credit for the payment of interest on the Series B Bonds, which shall be credited to the Interest Account of the Bond Fund (Series B) and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture as described in the first paragraph under the heading "Priority Amounts; Series B Letter of Credit" below, together with other Priority Amounts available in the Interest Account of the Bond Fund (Series B), to the payment of interest on the Series B Bonds.

(d) Moneys drawn by the Trustee under the Series B Letter of Credit for the payment of the Redemption Price of the Series B Bonds to be redeemed in whole or in part, which shall be credited to the Redemption Account of the Bond Fund (Series B) in the manner set forth in the Indenture and the Lease Agreement and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture as described in the first paragraph under the heading "Priority Amounts; Series B Letter of Credit" below, together with other Priority Amounts available in the Redemption Account of the Bond Fund (Series B), to pay the Redemption Price of the Series B Bonds to be redeemed.

(e) Amounts transferred from the Principal Account of the Reimbursement Fund (Series B) upon the circumstances set forth in the Indenture as described in the second sentence in the fourth paragraph under the heading "Priority Amounts; Series B Letter of Credit" below which shall be deposited in the Principal Account of the Bond Fund (Series B), as needed, and applied, subject to the Indenture as described in the first paragraph under the heading "Priority Amounts; Series B Letter of

Credit” below, together with other Priority Amounts available in the Principal Account of the Bond Fund (Series B), to the payment of principal of the Series B Bonds.

(f) Amounts transferred from the Sinking Fund Installment Account of the Reimbursement Fund (Series B) upon the circumstances set forth in the Indenture as described in the second sentence in the fourth paragraph under the heading “Priority Amounts; Series B Letter of Credit” below which shall be deposited in the Sinking Fund Installment Account of the Bond Fund (Series B), as needed, and applied, subject to the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” below, together with other Priority Amounts available in the Sinking Fund Installment Account of the Bond Fund (Series B), to the payment of Sinking Fund Installments for the Series B Bonds.

(g) Amounts transferred from the Interest Account of the Reimbursement Fund (Series B) upon the circumstances set forth in the Indenture as described in the second sentence in the fourth paragraph under the heading “Priority Amounts; Series B Letter of Credit” below which shall be deposited in the Interest Account of the Bond Fund (Series B), as needed, and applied, subject to the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” below, together with other Priority Amounts available in the Interest Account of the Bond Fund (Series B), to the payment of interest on the Series B Bonds.

(h) Amounts transferred from the Redemption Account of the Reimbursement Fund (Series B) upon the circumstances set forth in the Indenture as described in the second sentence in the fourth paragraph under the heading “Priority Amounts; Series B Letter of Credit” below which shall be deposited in the Redemption Account of the Bond Fund (Series B), as needed, and applied, subject to the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” below, together with other Priority Amounts available in the Redemption Account of the Bond Fund (Series B), to pay the Redemption Price of the Series B Bonds to be redeemed.

(i) The excess amounts referred to in the Indenture as described in the third sentence in the fourth paragraph under the heading “Application of Bond Fund (Series B)” below, which shall be credited to the Interest Account of the Bond Fund (Series B).

(j) Any amounts transferred from the Redemption Account of the Bond Fund (Series B) pursuant to the Indenture as described in the last paragraph under the heading “Application of Bond Fund (Series B)” below, which shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Bond Fund (Series B), as the case may be and in such order of priority, and applied, subject to the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” below, solely to such purposes.

(k) All other receipts when and if required by the Lease Agreement or by the Indenture or by any other Security Document to be paid into the Bond Fund (Series B) which shall be credited (except as provided in the Indenture as described under the heading “Application of Revenues and Other Moneys After Default” below) to the Interest Account of the Bond Fund (Series B), subject to the Indenture as described under the heading “Priority Amounts; Series B Letter of Credit” below.

Payments into Reimbursement Fund (Series B). The Trustee shall promptly deposit the following receipts into the Reimbursement Fund (Series B) as indicated.

(a) Amounts disbursed from the Project Fund for the payment of interest on the Series B Bonds during the construction of the Project, which shall be credited to the Interest Account of

the Reimbursement Fund (Series B) and applied to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit for the payment of interest on the Series B Bonds.

(b) Excess or remaining amounts in the Project Fund required to be deposited (subject to any transfer required to be made (y) to the Rebate Fund in accordance with directions received pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, and (z) to the Debt Service Reserve Fund to the extent of any deficiency therein) (i) in the Redemption Account of the Reimbursement Fund (Series B) pursuant to the Indenture as described in the penultimate paragraph or the first sentence of the last paragraph under the heading “Project Fund” above, which shall be kept segregated from other moneys with such Account, or (ii) in the Reimbursement Fund (Series B) pursuant to the Indenture as described in the second sentence in the last paragraph under the heading “Project Fund” above.

(c) Any amounts transferred from the Debt Service Reserve Fund pursuant to the Indenture as described under the heading “Debt Service Reserve Fund” below, which shall be deposited in and credited to the Interest Account, the Principal Account, the Sinking Fund Installment Account or the Redemption Account, as the case may be, of the Reimbursement Fund (Series B).

(d) Rental payments received by the Trustee pursuant to the Lease Agreement, which shall be deposited in and credited, to the extent necessary, first to the Interest Account, second to the Principal Account, and third to the Sinking Fund Installment Account of the Reimbursement Fund (Series B)

(e) Advance rental payments received by the Trustee with respect to the Series B Bonds pursuant to the Lease Agreement, which shall be deposited in and credited to the Redemption Account of the Reimbursement Fund (Series B).

(f) Any amounts transferred from the Earnings Fund pursuant to the Indenture as described in the third paragraph under the heading “Payments into Earning Fund; Application of Earnings Fund” below, which shall be deposited in and credited to the Interest Account of the Reimbursement Fund (Series B).

(g) The excess amounts referred to in the Indenture as described in the fourth paragraph under the heading “Application of Bond Fund (Series B)” below which shall be deposited in and credited to the Interest Account of the Reimbursement Fund (Series B).

(h) Any amounts transferred from the Redemption Account of the Bond Fund (Series B) pursuant to the Indenture as described in the last paragraph under the heading “Application of Bond Fund (Series B)” below, which shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Reimbursement Fund (Series B), as the case may be and in such order of priority, and applied solely to such purposes.

(i) All other receipts when and if required by the Lease Agreement or by the Indenture or by any other Security Documents to be paid into the Reimbursement Fund (Series B), which shall be credited (except as provided in the Indenture as described under the heading “Application of Revenues and Other Moneys After Default” below) to the Interest Account of the Reimbursement Fund (Series B).

Priority Amounts: Series B Letter of Credit. All payments made to Holders of Series B Bonds of principal, Sinking Fund Installments, interest or the Redemption Price (including redemption

premium) of Series B Bonds, shall be made, first, from amounts drawn under the Series B Letter of Credit (but not with respect to Bank Bonds or Series B Bonds registered in the name of the Lessee or any Person actually known by a Responsible Officer of the Trustee to be an Affiliate of the Lessee), second, from amounts as shall constitute Priority Amounts as shall not derive from a draw under the Series B Letter of Credit, and, third, from amounts as shall not constitute Priority Amounts. Any general optional redemption of Series B Bonds permitted under the Indenture may not be made except from Priority Amounts.

The Trustee shall draw on or otherwise realize upon the Series B Letter of Credit, in such manner in accordance with the terms thereof, by no later than 12:00 noon, New York City time, (i) on each principal payment date, Interest Payment Date or redemption date, as the case may be, to the extent necessary to make timely payments to Holders of Series B Bonds (other than Bank Bonds or other Series B Bonds registered in the name of the Lessee or any Person actually known by a Responsible Officer of the Trustee to be an Affiliate of the Lessee) of any amounts due with respect to such Series B Bonds issued under the Indenture, whether on account of the principal thereof, Sinking Fund Installments, Redemption Price, if applicable, or interest due thereon, upon the acceleration or redemption thereof or otherwise, and (ii) upon the occurrence of an Event of Default, as provided in the Indenture, and the acceleration of the Series B Bonds, or upon receipt of a notice from the Series B Credit Facility Provider to the effect that the Series B Letter of Credit shall terminate, to pay the principal of and interest on the Series B Bonds.

On or before 12:00 noon, New York City time, on each Purchase Date, the Trustee shall draw on the Series B Letter of Credit, in such manner in accordance with the terms thereof to pay the Purchase Price of Series B Bonds (other than Bank Bonds or other Series B Bonds registered in the name of the Lessee or any Person actually known by a Responsible Officer of the Trustee to be an Affiliate of the Lessee) tendered or deemed tendered, less moneys derived from or representing the remarketing of Series B Bonds, together with interest, if any, accrued thereon, to the extent necessary to provide amounts required for the purchase of such Series B Bonds pursuant to the provisions of the Indenture. In the event the Trustee shall receive no notice by 11:30 a.m., New York City time, on such Purchase Date, of the amount of moneys received by the Remarketing Agent from the remarketing of tendered Series B Bonds, the Trustee shall draw on the Series B Letter of Credit by 12:00 noon, New York City time, in an amount as necessary to pay the Purchase Price of Series B Bonds on such Purchase Date, computed on the assumption that no moneys were derived from the remarketing thereof.

Upon the receipt by the Trustee of the amount drawn from the Series B Credit Facility Provider under the Series B Letter of Credit with respect to clauses (i), (ii) or (iii) of the second paragraph above, the Trustee shall promptly remit to the Series B Credit Facility Provider all amounts on deposit in the Reimbursement Fund (Series B) but not greater than that amount as shall be necessary to reimburse the Series B Credit Facility Provider for such drawing. In the event the Series B Credit Facility Provider shall fail to pay to the Trustee the amount or any portion thereof duly requested to be drawn by the Trustee under the Series B Letter of Credit as provided in clauses (i) or (ii) of the second paragraph above (the shortfall in the amount paid by the Series B Credit Facility Provider being herein called the "Series B Credit Facility Deficiency"), or the Series B Letter of Credit shall no longer be in effect, the Trustee shall transfer the amounts on deposit in the corresponding Accounts of the Reimbursement Fund (Series B) to the appropriate Accounts of the Bond Fund (Series B) (or such portion thereof as shall be necessary therefor) to be applied for the purpose so originally requested in connection with such drawings as provided in paragraphs (e), (f), (g) and (h) under the heading "Payments into the Bond Fund (Series B)" above to satisfy the Series B Credit Facility Deficiency, and, if the aggregate amount on deposit in the Account(s) of the Reimbursement Fund (Series B) and available for payment is less than the Series B

Credit Facility Deficiency (the amount by which it is less being herein called the “Series B Shortfall”), the Trustee shall make demand on the Lessee for the payment of any such Series B Shortfall.

Notwithstanding any provision to the contrary which may be contained in the Indenture, including, without limitation, the second paragraph under this heading, (i) in computing the amount to be drawn under the Series B Letter of Credit on account of the payment of the principal, Sinking Fund Installments or Purchase Price of, and interest on the Series B Bonds, the Trustee shall exclude any such amounts in respect of any Series B Bonds which are Bank Bonds or other Series B Bonds registered in the name of the Lessee or any Person actually known by a Responsible Officer of the Trustee to be an Affiliate of the Lessee, on the date such payment is due, (ii) amounts drawn by the Trustee under the Series B Letter of Credit shall not be applied to the payment of the principal of, Sinking Fund Installments for, or interest on, any Series B Bonds which are Bank Bonds or any other Series B Bonds registered in the name of the Lessee or any Person actually known by a Responsible Officer of the Trustee to be an Affiliate of the Lessee, on the date such payment is due, and (iii) Priority Amounts will not be applied to Bank Bonds until all the payments that are required to be made for non-Bank Bonds have been made.

All amounts drawn by the Trustee under the Series B Letter of Credit shall be held in trust by or on behalf of the Trustee for the benefit of the Holders of the Series B Bonds, or those Holders of Series B Bonds entitled to the payment of Purchase Price in the case of a drawing for the payment of Purchase Price, but in any case not in favor of the Series B Credit Facility Provider, until disbursed as provided in the Indenture, shall be held by the Trustee in separate trust subaccounts and not commingled with any other moneys; nor shall any such amounts so drawn be invested. Further, all amounts held by the Trustee which, with the passage of time and the non-occurrence of an Act of Bankruptcy, are to become Priority Amounts, shall be held in separate trust accounts and not commingled with any other moneys. In no event shall the Agency, the Lessee, any Affiliate of either of them, or any “insider” of any of the foregoing have any title to or interest in, beneficial or otherwise, or any right to control, any proceeds from a draw by the Trustee under the Series B Letter of Credit, all of which shall be held in trust by the Trustee for the sole benefit of the Holders of the Series B Bonds.

In the event the amounts drawn by the Trustee under the Series B Letter of Credit shall exceed the amounts needed by the Trustee for the purpose of such draw, the Trustee shall promptly return such excess to the Series B Credit Facility Provider, provided, that, upon receiving such excess funds, the Series B Credit Facility Provider shall confirm to the Trustee in writing that the Series B Letter of Credit shall be reinstated to the extent of the amounts so received.

Upon any mandatory tender of the Series B Bonds in connection with a conversion of the interest rate on the Series B Bonds, the Trustee shall not surrender the Series B Letter of Credit for cancellation to the Series B Credit Facility Provider until the drawing for such mandatory tender is honored and paid in full.

Payments into the Bond Fund (Series C). The Trustee shall promptly deposit the following receipts in the Bond Fund (Series C) so indicated:

(a) The interest accruing on the Series C Bonds from their date to the date of delivery, if any, which shall be credited to the Interest Account of the Bond Fund (Series C) and applied to the payment of interest on the Series C Bonds.

(b) Amounts disbursed from the Project Fund for the payment of interest on the Series C Bonds during the construction of the Project, which shall be credited to the Interest Account of the Bond Fund (Series C) and applied to the payment of interest on the Series C Bonds.

(c) Excess or remaining amounts in the Project Fund required to be deposited (subject to any transfer required to be made (y) to the Rebate Fund in accordance with directions received pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, and (z) to the Debt Service Reserve Fund to the extent of any deficiency therein) (i) in the Redemption Account of the Bond Fund (Series C) pursuant to the indenture as described in the penultimate paragraph or the first sentence of the last paragraph under the heading “Project Fund” above, which shall be kept segregated from other moneys with such Account, or (ii) in the Bond Fund (Series C) pursuant to the second sentence of the Indenture as described in the second sentence in the last paragraph under the heading “Project Fund” above.

(d) Any amounts transferred from the Debt Service Reserve Fund pursuant to the Indenture as described under the heading “Debt Service Reserve Fund” below, which shall be deposited in and credited to the Interest Account, the Principal Account, the Sinking Fund Installment Account or the Redemption Account, as the case may be, of the Bond Fund (Series C).

(e) Rental payments received by the Trustee pursuant to the Lease Agreement, which shall be deposited in and credited, to the extent necessary, first to the Interest Account, second to the Principal Account, and third to the Sinking Fund Installment Account of the Bond Fund (Series C).

(f) Advance rental payments received by the Trustee with respect to the Series C Bonds pursuant to the Lease Agreement, which shall be deposited in and credited to the Redemption Account of the Bond Fund (Series C).

(g) Any amounts transferred from the Earnings Fund pursuant to the Indenture as described in the third paragraph under the heading “Payments into Earnings Fund; Application of Earnings Fund” below, which shall be deposited in and credited to the Interest Account of the Bond Fund (Series C).

(h) The excess amounts referred to in the Indenture as described in the fourth paragraph under the heading “Application of Bond Fund (Series C)” below which shall be deposited in and credited to the Interest Account of the Bond Fund (Series C).

(i) Any amounts transferred from the Redemption Account of the Bond Fund (Series C) pursuant to the Indenture as described in the last paragraph under the heading “Application of Bond Fund (Series C)” below, which shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Bond Fund (Series C), as the case may be and in such order of priority, and applied solely to such purposes.

(j) All other receipts when and if required by the Lease Agreement or by the Indenture or by any other Security Documents to be paid into the Bond Fund (Series C), which shall be credited (except as provided in the Indenture as described under the heading “Application of Revenues and Other Moneys After Default” below) to the Interest Account of the Bond Fund (Series C).

Application of Bond Fund (Series A). The Trustee shall (i) on each Interest Payment Date for the Series A Bonds pay or cause to be paid out of the Interest Account in the Bond Fund (Series A) the interest due on the Series A Bonds, and (ii) further pay out of the Interest Account of the

Bond Fund (Series A) any amounts required for the payment of accrued interest upon any purchase or redemption (including any mandatory Sinking Fund Installment redemption) of the Series A Bonds.

The Trustee shall on each principal payment date for the Series A Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund (Series A), the principal amount, if any, due on the Series A Bonds (other than as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Series A Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Series A Bonds).

There shall be paid from the Sinking Fund Installment Account of the Bond Fund (Series A) to the Paying Agents on each Sinking Fund Installment payment date for the Series A Bonds in immediately available funds the amounts required for the Sinking Fund Installment due and payable with respect to Series A Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Series A Bonds being payable from the Interest Account of the Bond Fund (Series A)). Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Series A Bonds for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Series A Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Bond Fund (Series A).

Amounts in the Redemption Account of the Bond Fund (Series A) shall be applied, at the written direction of the Lessee, as promptly as practicable, to the purchase of Series A Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which the Series A Bonds are next subject to redemption pursuant general optional redemption provisions of the Indenture, as may be applicable, plus in each case accrued interest to the date of redemption (accrued interest on such Series A Bonds being payable out of the Interest Account of the Bond Fund (Series A)). Any amount in the Redemption Account of the Bond Fund (Series A) not so applied to the purchase of Series A Bonds by forty-five (45) days prior to the next date on which the Series A Bonds are so redeemable shall be applied to the redemption of Series A Bonds on such redemption date; provided that if such amount aggregates less than \$100,000, it need not be then applied to such redemption. Any amounts deposited in the Redemption Account of the Bond Fund (Series A) and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Series A Bonds (except if held in accordance with the Indenture as described under the heading "Defeasance" below) shall be transferred to the Interest Account of the Bond Fund (Series A). Upon the purchase of any Series A Bonds as provided in this paragraph, or upon the redemption of any Series A Bonds, an amount equal to the principal of such Series A Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for such Series A Bonds in such order as shall be specified in a written direction to the Trustee of an Authorized Representative of the Lessee, or, in the absence of any such direction, in direct chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Series A Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Series A Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account of the Bond Fund (Series A) to be applied to the redemption of Series A Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Series A Bonds being redeemed plus interest on such Series A Bonds accrued to the

redemption date (accrued interest on such Series A Bonds being payable from the Interest Account of the Bond Fund (Series A)).

In connection with purchases of Series A Bonds out of the Redemption Account of the Bond Fund (Series A) as provided in the paragraph above, the Trustee shall negotiate or arrange for purchases of Series A Bonds in such manner (through brokers or otherwise, and with or without receiving tenders) as it is specifically directed by the Lessee in writing; provided, however, that the Trustee may not effect such purchases through a broker unless the Lessee shall have previously approved in writing the use of such broker and the amount of such broker's fees. The payment of the purchase price shall be made out of the moneys deposited in the Redemption Account of the Bond Fund (Series A) and the payment of accrued interest shall be made out of moneys deposited in the Interest Account of the Bond Fund (Series A).

The Agency shall receive a credit in respect of Sinking Fund Installments for any Series A Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Agency or the Lessee to the Trustee on or before the forty-fifth (45th) day next preceding any Sinking Fund Installment payment date for the Series A Bonds and for any Series A Bonds which prior to such date have been purchased or redeemed (otherwise than through the operation of the Sinking Fund Installment Account of the Bond Fund (Series A) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment for the Series A Bonds (whether pursuant to the second paragraph above or otherwise). Each Series A Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Agency on such Sinking Fund Installment payment date with respect to the Series A Bonds of such maturity and the principal amount of such Series A Bonds to be redeemed by operation of the Sinking Fund Installment Account of the Bond Fund (Series A) on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in such order as shall be specified in a written direction to the Trustee of an Authorized Representative of the Lessee, or, in the absence of any such direction, in direct chronological order of the due dates thereof, and the principal amount of Series A Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

The Lessee shall on or before the forty-fifth (45th) day next preceding each Sinking Fund Installment payment date with respect to the Series A Bonds furnish the Trustee with the certificate of an Authorized Representative of the Lessee indicating whether or not and to what extent the provisions of the Indenture as provided under this heading are to be availed of with respect to such Sinking Fund Installment payment, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

Moneys in the Redemption Account of the Bond Fund (Series A) which are not set aside or deposited for the redemption or purchase of Series A Bonds shall be transferred by the Trustee to the Interest Account, to the Principal Account or to the Sinking Fund Installment Account of the Bond Fund (Series A).

Application of Bond Fund (Series B). Subject to the provisions of the Indenture as described in the first paragraph under the heading "Priority Amounts; Series B Letter of Credit" above, the Trustee shall (i) on each Interest Payment Date for the Series B Bonds pay or cause to be paid out of the Interest Account in the Bond Fund (Series B) the interest due on the Series B Bonds, and (ii) further pay out of the Interest Account of the Bond Fund (Series B) any amounts required for the payment of

accrued interest upon any purchase (but not for Purchase Price) or redemption (including any mandatory Sinking Fund Installment redemption) of the Series B Bonds.

Subject to the provisions of the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” above, the Trustee shall on each principal payment date for the Series B Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund (Series B), the principal amount, if any, due on the Series B Bonds (other than as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Series B Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Series B Bonds).

Subject to the provisions of the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” above, there shall be paid from the Sinking Fund Installment Account of the Bond Fund (Series B) to the Paying Agents on each Sinking Fund Installment payment date for the Series B Bonds in immediately available funds the amounts required for the Sinking Fund Installment due and payable with respect to Series B Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Series B Bonds being payable from the Interest Account of the Bond Fund (Series B)). Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Series B Bonds for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Series B Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Bond Fund (Series B).

Subject to the provisions of the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” above, the amounts in the Redemption Account of the Bond Fund (Series B) shall be applied, at the written direction of the Lessee, as promptly as practicable, to the purchase of Series B Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which the Series B Bonds are next subject to redemption pursuant to the general optional redemption provisions of the Indenture, as may be applicable, plus in each case accrued interest to the date of redemption (accrued interest on such Series B Bonds being payable out of the Interest Account of the Bond Fund (Series B)). Any amount in the Redemption Account of the Bond Fund (Series B) not so applied to the purchase of Series B Bonds by forty-five (45) days prior to the next date on which the Series B Bonds are so redeemable shall be applied, subject to the provisions of the Indenture as described in the first paragraph under the heading “Priority Amounts; Series B Letter of Credit” above, to the redemption of Series B Bonds on such redemption date; provided that if such amount aggregates less than \$100,000, it need not be then applied to such redemption. Any amounts deposited in the Redemption Account of the Bond Fund (Series B) and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Series B Bonds (except if held in accordance with the Indenture as described under the heading “Defeasance” below) shall be transferred to the Interest Account of the Bond Fund (Series B). Upon the purchase of any Series B Bonds as provided in this paragraph, or upon the redemption of any Series B Bonds, an amount equal to the principal of such Series B Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for the Series B Bonds in chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Series B Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Series B Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account of the Bond Fund (Series B) to be applied to the redemption of Series B Bonds shall

be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Series B Bonds being redeemed plus interest on such Series B Bonds accrued to the redemption date (accrued interest on such Series B Bonds being payable from the Interest Account of the Bond Fund (Series B)).

In connection with purchases of Series B Bonds out of the Redemption Account of the Bond Fund (Series B) as provided in the paragraph above, the Trustee shall negotiate or arrange for purchases of Series B Bonds in such manner (through brokers or otherwise, and with or without receiving tenders) as it is specifically directed by the Lessee in writing; provided, however, that the Trustee may not effect such purchases through a broker unless the Lessee shall have previously approved in writing the use of such broker and the amount of such broker's fees. The payment of the purchase price shall be made out of the moneys deposited in the Redemption Account of the Bond Fund (Series B) and the payment of accrued interest shall be made out of moneys deposited in the Interest Account of the Bond Fund (Series B).

The Agency shall receive a credit in respect of Sinking Fund Installments for any Series B Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Agency or the Lessee to the Trustee on or before the forty-fifth (45th) day next preceding any Sinking Fund Installment payment date for the Series B Bonds and for any Series B Bonds which prior to such date have been purchased or redeemed (otherwise than through the operation of the Sinking Fund Installment Account of the Bond Fund (Series B) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment for the Series B Bonds (whether pursuant to the second paragraph above or otherwise). Each Series B Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Agency on such Sinking Fund Installment payment date with respect to the Series B Bonds of such maturity and the principal amount of such Bonds to be redeemed by operation of the Sinking Fund Installment Account of the Bond Fund (Series B) on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in such order as shall be specified in a written direction to the Trustee of an Authorized Representative of the Lessee, or, in the absence of any such direction, in direct chronological order of the due dates thereof, and the principal amount of Series B Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

The Lessee shall on or before the forty-fifth (45th) day next preceding each Sinking Fund Installment payment date with respect to the Series B Bonds furnish the Trustee with the certificate of an Authorized Representative of the Lessee indicating whether or not and to what extent the provisions under this heading are to be availed of with respect to such Sinking Fund Installment payment, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

Moneys in the Redemption Account of the Bond Fund (Series B) which are not set aside or deposited for the redemption or purchase of Series B Bonds shall be transferred by the Trustee to the Interest Account, to the Principal Account or to the Sinking Fund Installment Account of the Bond Fund (Series B).

Application of Bond Fund (Series C). The Trustee shall (i) on each Interest Payment Date for the Series C Bonds pay or cause to be paid out of the Interest Account in the Bond Fund (Series C) the interest due on the Series C Bonds, and (ii) further pay out of the Interest Account of the

Bond Fund (Series C) any amounts required for the payment of accrued interest upon any purchase or redemption (including any mandatory Sinking Fund Installment redemption) of the Series C Bonds.

The Trustee shall on each principal payment date for the Series C Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund (Series C), the principal amount, if any, due on the Series C Bonds (other than as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Series C Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Series C Bonds).

There shall be paid from the Sinking Fund Installment Account of the Bond Fund (Series C) to the Paying Agents on each Sinking Fund Installment payment date for the Series C Bonds in immediately available funds the amounts required for the Sinking Fund Installment due and payable with respect to Series C Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Series C Bonds being payable from the Interest Account of the Bond Fund (Series C)). Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Series C Bonds for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Series C Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Bond Fund (Series C).

Amounts in the Redemption Account of the Bond Fund (Series C) shall be applied, at the written direction of the Lessee, as promptly as practicable, to the purchase of Series C Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which the Series C Bonds are next subject to redemption pursuant to the general optional redemptions provisions of the Indenture, as may be applicable, plus in each case accrued interest to the date of redemption (accrued interest on such Series C Bonds being payable out of the Interest Account of the Bond Fund (Series C)). Any amount in the Redemption Account of the Bond Fund (Series C) not so applied to the purchase of Series C Exempt Bonds by forty-five (45) days prior to the next date on which the Series C Bonds are so redeemable shall be applied to the redemption of Series C Bonds on such redemption date; provided that if such amount aggregates less than \$100,000, it need not be then applied to such redemption. Any amounts deposited in the Redemption Account of the Bond Fund (Series C) and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Series C Bonds (except if held in accordance with the Indenture as described under the heading "Defeasance" below) shall be transferred to the Interest Account of the Bond Fund (Series C). Upon the purchase of any Series C Bonds as provided in this paragraph, or upon the redemption of any Series C Bonds, an amount equal to the principal of such Series C Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for the Series C Bonds in chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Series C Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Series C Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account of the Bond Fund (Series C) to be applied to the redemption of Series C Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Series C Bonds being redeemed plus interest on such Series C Bonds accrued to the redemption date (accrued interest on such Series C Bonds being payable from the Interest Account of the Bond Fund (Series C)).

In connection with purchases of Series C Bonds out of the Redemption Account of the Bond Fund (Series C) as provided in the paragraph above, the Trustee shall negotiate or arrange for purchases of Series C Bonds in such manner (through brokers or otherwise, and with or without receiving tenders) as it is specifically directed by the Lessee in writing; provided, however, that the Trustee may not effect such purchases through a broker unless the Lessee shall have previously approved in writing the use of such broker and the amount of such broker's fees. The payment of the purchase price shall be made out of the moneys deposited in the Redemption Account of the Bond Fund (Series C) and the payment of accrued interest shall be made out of moneys deposited in the Interest Account of the Bond Fund (Series C).

The Agency shall receive a credit in respect of Sinking Fund Installments for any Series C Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Agency or the Lessee to the Trustee on or before the forty-fifth (45th) day next preceding any Sinking Fund Installment payment date for the Series C Bonds and for any Series C Bonds which prior to such date have been purchased or redeemed (otherwise than through the operation of the Sinking Fund Installment Account of the Bond Fund (Series C) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment for the Series C Bonds (whether pursuant to the second paragraph above or otherwise). Each Series C Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Agency on such Sinking Fund Installment payment date with respect to the Series C Bonds of such maturity and the principal amount of such Bonds to be redeemed by operation of the Sinking Fund Installment Account of the Bond Fund (Series C) on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in such order as shall be specified in a written direction to the Trustee of an Authorized Representative of the Lessee, or, in the absence of any such direction, in direct chronological order of the due dates thereof, and the principal amount of Series C Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

The Lessee shall on or before the forty-fifth (45th) day next preceding each Sinking Fund Installment payment date with respect to the Series C Bonds furnish the Trustee with the certificate of an Authorized Representative of the Lessee indicating whether or not and to what extent the provisions as described under this heading are to be availed of with respect to such Sinking Fund Installment payment, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

Moneys in the Redemption Account of the Bond Fund (Series C) which are not set aside or deposited for the redemption or purchase of Series C Bonds shall be transferred by the Trustee to the Interest Account, to the Principal Account or to the Sinking Fund Installment Account of the Bond Fund (Series C).

Debt Service Reserve Fund. If on any Interest Payment Date or redemption date on (i) the Series A Bonds, the amount in the Interest Account of the Bond Fund (Series A) shall be less than the amount of interest then due and payable on the Series A Bonds, (ii) the Series B Bonds, the amount in the Interest Account of the Reimbursement Fund (Series B) shall be less than the amount of interest then due and payable on the Series B Bonds, or (iii) the Series C Bonds, the amount in the Interest Account of the Bond Fund (Series C) shall be less than the amount of interest then due and payable on the Series C Bonds, then, after giving effect to all payments or transfers received by the Trustee in immediately available funds by 10:00 a.m., New York City time, on such date from or on behalf of the Lessee on

account of such interest, the Trustee shall forthwith transfer moneys from the Debt Service Reserve Fund to the Interest Account of the Bond Fund (Series A), the Interest Account of the Reimbursement Fund (Series B) and/or the Interest Account of the Bond Fund (Series C) to the extent of each such deficiency, or, if the amount on deposit in the Debt Service Reserve Fund shall be insufficient to fund in full each such deficiency, then to each of the Interest Account of the Bond Fund (Series A), the Interest Account of the Reimbursement Fund (Series B) and the Interest Account of the Bond Fund (Series C), as applicable, to the extent of the Debt Service Reserve Fund Deficiency Share.

If on any principal payment date on (i) the Series A Bonds, the amount in the Principal Account of the Bond Fund (Series A) shall be less than the amount of principal then due and payable on the Series A Bonds, (ii) the Series B Bonds, the amount in the Principal Account of the Reimbursement Fund (Series B) shall be less than the amount of principal then due and payable on the Series B Bonds, or (iii) the Series C Bonds, the amount in the Principal Account of the Bond Fund (Series C) shall be less than the amount of principal then due and payable on the Series C Bonds, then, after giving effect to all payments or transfers received by the Trustee in immediately available funds by 10:00 a.m., New York City time, on such date from or on behalf of the Lessee on account of such principal, the Trustee shall forthwith transfer moneys from the Debt Service Reserve Fund to the Principal Account of the Bond Fund (Series A), the Principal Account of the Reimbursement Fund (Series B) and/or the Principal Account of the Bond Fund (Series C) to the extent of each such deficiency, or, if the amount on deposit in the Debt Service Reserve Fund shall be insufficient to fund in full each such deficiency, then to each of the Principal Account of the Bond Fund (Series A), the Principal Account of the Reimbursement Fund (Series B) and the Principal Account of the Bond Fund (Series C), as applicable, to the extent of the Debt Service Reserve Fund Deficiency Share.

If on any Sinking Fund Installment payment date on (i) the Series A Bonds, the amount in the Sinking Fund Installment Account of the Bond Fund (Series A) shall be less than the amount of the Sinking Fund Installments then due and payable on the Series A Bonds, (ii) the Series B Bonds, the amount in the Sinking Fund Installment Account of the Reimbursement Fund (Series B) shall be less than the amount of the Sinking Fund Installments then due and payable on the Series B Bonds, or (iii) the Series C Bonds, the amount in the Sinking Fund Installment Account of the Bond Fund (Series C) shall be less than the amount of interest then due and payable on the Series C Bonds, then, after giving effect to all payments or transfers received by the Trustee in immediately available funds by 10:00 a.m., New York City time, on such date from or on behalf of the Lessee on account of such Sinking Fund Installments, the Trustee shall forthwith transfer moneys from the Debt Service Reserve Fund to the Sinking Fund Installment Account of the Bond Fund (Series A), the Sinking Fund Installment Account of the Reimbursement Fund (Series B) and/or the Sinking Fund Installment Account of the Bond Fund (Series C) to the extent of each such deficiency, or, if the amount on deposit in the Debt Service Reserve Fund shall be insufficient to fund in full each such deficiency, then to each of the Sinking Fund Installment Account of the Bond Fund (Series A), the Sinking Fund Installment Account of the Reimbursement Fund (Series B) and the Sinking Fund Installment Account of the Bond Fund (Series C), as applicable, to the extent of the Debt Service Reserve Fund Deficiency Share.

Amounts on deposit in the Debt Service Reserve Fund shall be applied to fund deficiencies, first, to any Interest Account, second, to any Principal Account, and third, to any Sinking Fund Installment Account.

The Trustee shall give to the Lessee on or prior to each date on which the Lessee is obligated pursuant to the Lease Agreement to pay to the Trustee amounts in respect of any deficiency in the Debt Service Reserve Fund, telephonic notice (to be promptly confirmed in writing) in respect of any deficiency in the Debt Service Reserve Fund. The failure of the Trustee to deliver such notice or any

defect in such notice shall not relieve the Agency from any of its obligations under the Indenture or the Lessee from any of its obligations under any of the Security Documents.

In the further event that the Lessee shall deliver written notice to the Trustee of its intention to redeem Series 2002 Bonds, the Lessee may direct the Trustee to apply such amounts in the Debt Service Reserve Fund on a Pro-Rata Basis to each Series of the Series 2002 Bonds to effect such redemption such that the amount remaining in the Debt Service Reserve Fund upon such redemption shall not be less than the reduced Debt Service Reserve Fund Requirement as will be applicable to the Series 2002 Bonds as shall then remain Outstanding.

To the extent that amounts on deposit in the Debt Service Reserve Fund shall be sufficient (after taking into account amounts on deposit in the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C)) to pay the Outstanding principal amount of the Series 2002 Bonds and accrued interest thereon, the Trustee shall, upon the written direction of an Authorized Representative of the Lessee, transfer amounts on deposit in the Debt Service Reserve Fund to the appropriate Accounts of the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C) to effect such payment (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit).

Payments into Earnings Fund; Application of Earnings Fund. The amounts in the Earnings Fund shall be subject to a security interest, lien and charge in favor of the Trustee for the benefit of the Holders of the Bonds until disbursed as provided in the Indenture.

All investment income or earnings on amounts held in any Fund or Account or Subaccount established under the Indenture (other than the Rebate Fund or any of the Bond Funds) shall be deposited upon receipt by the Trustee into the Earnings Fund. The Trustee shall keep account of all amounts deposited in the Earnings Fund and by journal entry indicate the Fund and Account source of the income or earnings.

Within sixty (60) days after each Computation Date (as defined in the Tax Regulatory Agreement), if the Rebate Amount (as defined in the Tax Regulatory Agreement) exceeds the amount on deposit in the Rebate Fund as of such date, pursuant to the Tax Regulatory Agreement, an Authorized Representative of the Lessee shall instruct the Trustee to deposit an amount (the "Deficiency Amount") in the Rebate Fund such that the balance in the Rebate Fund after such deposit shall equal the Rebate Amount. The Trustee shall withdraw the lesser of (i) the Deficiency Amount and (ii) the amount on deposit in the Earnings Fund on the date of such withdrawal, from the Earnings Fund and deposit the amount so withdrawn in the Rebate Fund. Any amounts remaining in the Earnings Fund following such withdrawal shall be deposited in the Construction Account of the Project Fund until the Completion Date and thereafter on a Pro-Rata Basis into the Interest Account of the Bond Fund (Series A), the Interest Account of the Reimbursement Fund (Series B) and the Interest Account of the Bond Fund (Series C).

Payments into Rebate Fund; Application of Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider, any Bondholder or any other Person.

The Trustee, upon the receipt of a certification of the Rebate Amount (as defined in the Tax Regulatory Agreement) from an Authorized Representative of the Lessee, shall deposit in the Rebate Fund within sixty (60) days following each Computation Date (as defined in the Tax Regulatory Agreement), an amount such that the amount held in the Rebate Fund after such deposit is equal to the

Rebate Amount calculated as of such Computation Date. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Project or the restoration of the Facility, pursuant to the Lease Agreement or the Indenture as described in the seventh paragraph under the heading “Payments into Renewal Fund; Application of Renewal Fund”, respectively, at any time during a Bond Year the Trustee shall deposit in the Rebate Fund at that time an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of the Project or the restoration of the Facility as aforesaid. The amount deposited in the Rebate Fund pursuant to the previous sentences shall be withdrawn from the Earnings Fund. If the amount on deposit in the Rebate Fund following such deposit is less than the Rebate Amount, the Trustee shall promptly deliver a notice stating the amount of such deficiency to the Lessee. Promptly upon receipt of such notice, the Lessee shall deliver the amount necessary to make up such deficiency to the Trustee for deposit in the Rebate Fund.

In the event that within sixty (60) days following any Computation Date, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Lessee, shall withdraw such excess amount from the Rebate Fund and deposit it in the Construction Account of the Project Fund until the Completion Date, or, after the Completion Date, deposit it on a Pro-Rata Basis into the Interest Account of the Bond Fund (Series A), the Interest Account of the Reimbursement Fund (Series B) and the Interest Account of the Bond Fund (Series C).

The Trustee, upon the receipt of specific written instructions from an Authorized Representative of the Lessee, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the Closing Date, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to the Series 2002 Bonds as of the date of such payment and (ii) notwithstanding the provisions of the Indenture as described under the heading “Defeasance” below, not later than thirty (30) days after the date on which all Series 2002 Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment.

The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from an Authorized Representative of the Lessee to make such transfer.

Investment of Funds and Accounts. Amounts in any Fund, Account or Subaccount established under the Indenture, other than the Debt Service Reserve Fund, may, if and to the extent then permitted by law, be invested only in Qualified Investments; provided, that, (y) moneys derived from the Series A Bond Insurance Policy, the Series B Letter of Credit or the remarketing of Series B Bonds shall be held uninvested; and (z) any Qualified Investment shall not have a maturity date greater than five (5) years from the date of the making of such investment unless such Qualified Investment may be put at par at any time at the option of the holder for the purposes required or permitted pursuant to the Indenture. Amounts in the Debt Service Reserve Fund may, if and to the extent then permitted by law, be invested only in Qualified Investments rated in any of the two (2) highest Rating Categories by a Rating Agency; provided, that any such Qualified Investment shall not have a maturity date more than five (5) years from the date of the making of such investment, unless such Qualified Investment may be put at par at any time at the option of the holder for the purposes required or permitted pursuant to the Indenture. Amounts in the Redemption Account of the Bond Fund (Series A), in the Redemption Account of the Reimbursement Fund (Series B) and in the Redemption Account of the Bond Fund (Series C), deposited therein and as described in the Indenture regarding redemption of excess proceeds of the Series 2002 Bonds remaining in the Project Fund after the completion of the Project from proceeds of the Series 2002 Bonds, shall not

be invested at a Yield in excess of the Yield on the Series 2002 Bonds. Any investment authorized in the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code. In particular, unexpended Bond proceeds transferred from the Project Fund (or from the Earnings Fund with respect to amounts deposited therein from the Project Fund) to the Redemption Account of the Bond Fund (Series A), to the Redemption Account of the Reimbursement Fund (Series B) or to the Redemption Account of the Bond Fund (Series C) pursuant to the Indenture as described in the penultimate paragraph under the heading “Project Fund” above may not be invested at a Yield which is greater than the Yield on the Series 2002 Bonds. Such investments shall be made by the Trustee only at the specific written request of an Authorized Representative of the Lessee; and if such investment is to be in one or more certificates of deposit, then such specific written request shall include written assurance to the effect that such investment complies with the Tax Regulatory Agreement. Any investment under the Indenture shall be made in accordance with the Tax Regulatory Agreement, and the Lessee shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund. Net income or gain received and collected from such investments shall be credited and losses charged to (i) the Rebate Fund with respect to the investment of amounts held in the Rebate Fund, (ii) the respective Bond Fund with respect to the investment of amounts held in such Bond Fund, and (iii) the Earnings Fund with respect to the investment of amounts held in all other Funds.

Upon timely request of an Authorized Representative of the Lessee, the Trustee shall notify the Lessee ten (10) days prior to each Lease Rental Payment Date under the Lease Agreement of the amount of such net investment income or gain received and collected subsequent to the last such rental payment and the amount then available in the Project Fund and in each Account of the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C).

Upon the specific written direction of an Authorized Representative of the Lessee, the Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities among various Funds, Accounts and Subaccounts as may be required from time to time pursuant to the provisions of the Indenture. The Trustee shall not be liable for any losses incurred as a result of actions taken in good faith in accordance with this paragraph. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Lessee.

On May 15 and November 15 of each year and upon any withdrawal from the Debt Service Reserve Fund, the Trustee shall determine the amount on deposit in the Debt Service Reserve Fund. If on any such date a deficiency exists, the Trustee shall notify the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Lessee of such deficiency. If a surplus exists, the Trustee shall notify the Agency and the Lessee thereof and, subject to the requirements of the Tax Regulatory Agreement, the Trustee shall transfer such surplus, (i) prior to the completion of the Project, to the Construction Account of the Project Fund, and (ii) after the completion of the Project, on a Pro-Rata Basis to each of the Interest Account of the Bond Fund (Series A), the Interest Account of the Reimbursement Fund (Series B) and the Interest Account of the Bond Fund (Series C).

For purposes of this heading, the value of Qualified Investments, other than cash, shall be determined as follows and valued monthly: “Value,” which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(iii) as to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest; and

(iv) as to any investment not specified above, the value thereof established by prior agreement between the Trustee and the Credit Enhancers.

Promptly following receipt from the Remarketing Agent pursuant to the Indenture of the Average Quarterly Interest Rate with respect to the Series B Bonds and a stated Rental Period, the Trustee shall deliver notice thereof to the Lessee. No failure of the Trustee to deliver such notice shall constitute a defense to the Lessee for any failure to make a rental payment under the Lease Agreement.

Neither the Trustee nor the Agency shall be liable for any loss arising from, or any depreciation in the value of any obligations in which moneys of the Funds and Accounts shall be invested. The investments authorized by the Indenture as described under this heading shall at all times be subject to the provisions of applicable law, as amended from time to time.

Application of Moneys in Certain Funds for Retirement of Bonds. Notwithstanding any other provisions of the Indenture, if on any Interest Payment Date or redemption date the amounts held in the Funds established under the Indenture (other than the Rebate Fund) are sufficient to pay one hundred percent (100%) of the principal or Redemption Price, as the case may be, of all Outstanding Bonds and the interest accruing on such Bonds to the next date on which such Bonds are redeemable or payable, as the case may be, whichever is earlier, the Trustee shall so notify the Agency, the Lessee, the Series A Bond Insurer and the Series B Credit Facility Provider. Upon receipt of written instructions from the Lessee directing such redemption, the Trustee shall proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by the Indenture.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund, Account or Subaccount under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust for the benefit of the Bondholders, to the extent permitted by law, and while held by the Trustee constitute part of the Trust Estate, and be subject to the Lien of the Indenture (other than as provided in the Indenture).

Repayment to the Lessee from the Funds. After payment in full of (i) the Bonds (in accordance with the Indenture as described under the heading "Defeasance" below), (ii) the fees, charges and expenses of the Trustee, the Bond Registrar, the Tender Agent, the Remarketing Agent, the Series A Bond Insurer, the Series B Credit Facility Provider, the Paying Agents and the Agency in accordance with the Indenture, (iii) all rents and all other amounts payable under the Lease Agreement and under each of the other Project Documents, (iv) all amounts required to be rebated to the federal government pursuant to the Tax Regulatory Agreement or the Indenture, (v) all amounts required to be paid to the Series A Bond

Insurer under the Series A Bond Insurance Agreement, (vi) all amounts required to be paid to the Series B Credit Facility Provider under the Series B Reimbursement Agreement, and (vi) all amounts required to be paid under any Project Document, all amounts remaining in any Fund, Account or Subaccount shall be paid to the Lessee upon the expiration or sooner or later termination of the term of the Lease Agreement as provided therein.

Non-presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, and funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, all liability of the Agency to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to pay such funds to the Person entitled thereto or if the Person is not known to the Trustee, to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Funds remaining with the Trustee as above and unclaimed for the earlier of two (2) years or one month less than the applicable statutory escheat period shall be paid to the Lessee. After the payment of such unclaimed moneys to the Lessee, the Holder of such Bond shall thereafter look only to the Lessee for the payment thereof, and all obligations of the Trustee or such Paying Agent with respect to such moneys shall thereupon cease.

Payment of Principal and Interest. The Agency covenants that it will from the sources contemplated in the Indenture promptly pay or cause to be paid the principal of, Sinking Fund Installments for, Purchase Price of, and interest on the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Sinking Fund Installments for, Purchase Price of, redemption premium, if any, or interest on the Bonds or the Redemption Price, if any, together with interest accrued thereon to the date of redemption or for any claim based thereon or under the Indenture against any such member, officer, director, employee or agent or against any natural person executing the Bonds. Neither the Bonds, the principal thereof, the interest thereon, the Purchase Price thereof, the Sinking Fund Installments thereof, nor the Redemption Price thereof, if any, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State or of the City, and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Agency other than those pledged therefor. The Agency shall not be required under the Indenture or the Lease Agreement or any other Project Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the lease rentals, revenues and receipts, rental income and other moneys held or derived from or in connection with the Facility and pledged to the payment of the Bonds, (iii) any income or gains therefrom, and (iv) the Net Proceeds with respect to the Facility.

Creation of Liens; Indebtedness; Sale of Facility. The Agency shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any Lien or charge upon or pledge of the revenues and rental income derived from or in connection with the Facility and assigned to the Trustee under the Indenture, except the Lien, charge and pledge created by the Indenture, the Lease Agreement, and Permitted Encumbrances. The Agency further covenants and agrees not to sell, convey, transfer, lease, mortgage or encumber the Facility or any part thereof except as specifically permitted

under the Indenture, the Lease Agreement and Permitted Encumbrances, so long as any of the Bonds are Outstanding. The Agency shall have no pecuniary liability for its covenants set forth in the Indenture.

Rights of the Series A Bond Insurer. The Agency and the Trustee agree for the benefit of the Series A Bond Insurer, that:

(i) to the extent the Series A Bond Insurer makes payments under the Series A Bond Insurance Policy on account of the principal or Redemption Price of, Sinking Fund Installments for, or interest on Series A Bonds, the Series A Bond Insurer will be subrogated to the rights of the Holders of the Series A Bonds to receive the amount so paid, solely from the sources provided therefor in the Indenture,

(ii) a notice that is required by the Indenture or any other of the Security Documents to be given to the Holders of the Series A Bonds, shall also be given to the Series A Bond Insurer,

(iii) any provision of the Indenture or any other Security Document expressly recognizing or granting rights in or to the Series A Bond Insurer may not be amended in any manner which affects the rights or remedies of the Series A Bond Insurer thereunder without the prior written consent of the Series A Bond Insurer,

(iv) if the consent, approval or direction of the Holders of the Series A Bonds shall be required in connection with any action to be taken under the Indenture or under any other Security Document, then, for so long as no Series A Bond Insurer Disqualification Event shall exist, the Series A Bond Insurer shall be entitled to deliver such consent, approval or direction on behalf of the Holders of the Series A Bonds (except in connection with those matters referred to in the Indenture as described under the heading “Waivers of Default” below (with respect to waivers of any default in payment), clause (i), (ii), (iii), (iv) or (v) of the first paragraph under the heading “Supplemental Indentures With Bondholders’ Consent” below or clause (i) under the heading “Amendments of Related Security Documents Requiring Consent of Bondholders” below, with respect to which the consent of 100% of the Holders of the Series A Bonds, together with the consent of the Series A Bond Insurer, shall be required), provided, however, that if Series A Bond Insurer Disqualification Event shall exist, the Series A Bond Insurer shall nevertheless be able to exercise the rights of the Series A Bonds which it owns (whether by subrogation or otherwise),

(v) if the consent, approval or direction of the Series A Bond Insurer shall be required on its own behalf (as distinguished from a consent, approval or direction on behalf of the Holders of the Series A Bonds) in connection with any action to be taken under the Indenture or under any other Security Document, the consent, approval or direction of the Series A Bond Insurer shall not be required for so long as a Series A Bond Insurer Disqualification Event shall exist,

(vi) to the extent that the principal or Redemption Price of, Sinking Fund Installments for, or interest on the Series A Bonds shall be paid by the Series A Bond Insurer pursuant to the Series A Bond Insurance Policy, that portion of the Series A Bonds so paid shall remain Outstanding for all purposes and not be considered defeased or otherwise satisfied and paid, and the Series A Bond Insurer shall be deemed to be the Holder of the Series A Bonds to the extent so paid, and

(vii) if the Series A Bond Insurance Policy shall no longer be in effect, and all amounts owed to the Series A Bond Insurer under the Series A Bond Insurance Agreement shall have been paid in full, all approvals, directions or consents of the Series A Bond Insurer required under the

Security Documents shall instead be delivered by the Holders of a majority in aggregate principal amount of the Series A Bonds Outstanding.

Rights of the Series B Credit Facility Provider. The Agency and the Trustee agree for the benefit of the Series B Credit Facility Provider, that:

(i) to the extent the Series B Credit Facility Provider makes payments under the Series B Letter of Credit on account of the principal or Redemption Price of, Purchase Price, Sinking Fund Installments for, or interest on the Series B Bonds, the Series B Credit Facility Provider will be a Holder of the Series B Bonds to receive the amount so paid, solely from the sources provided therefor in the Indenture,

(ii) a notice that is required by the Indenture or any other of the Security Documents to be given to the Holders of the Series B Bonds, shall also be given to the Series B Credit Facility Provider,

(iii) any provision of the Indenture or any other Security Document expressly recognizing or granting rights in or to the Series B Credit Facility Provider may not be amended in any manner which affects the rights or remedies of the Series B Credit Facility Provider thereunder without the prior written consent of the Series B Credit Facility Provider,

(iv) if the consent, approval or direction of the Holders of Series B Bonds shall be required in connection with any action to be taken under the Indenture or under any other Security Document, then, for so long as no Series B Credit Facility Provider Disqualification Event shall exist, the Series B Credit Facility Provider shall be entitled to deliver such consent, approval or direction on behalf of the Holders of the Series B Bonds (except in connection with those matters referred to in the Indenture as described under the heading “Waivers of Default” below (with respect to waivers of any default in payment), clause (i), (ii), (iii), (iv) or (v) of the first paragraph under the heading “Supplemental Indentures With Bondholders’ Consent” below or clause (i) under the heading “Amendments of Related Security Documents Requiring Consent of Bondholders” below, with respect to which the consent of 100% of the Holders of the Series B Bonds, together with the consent of the Series B Credit Facility Provider, shall be required), provided, however, that if a Series B Credit Facility Provider Disqualification Event shall exist, the Series B Credit Facility Provider shall nevertheless be able to exercise the rights of the Series B Bonds which it owns,

(v) if the consent, approval or direction of the Series B Credit Facility Provider shall be required on its own behalf (as distinguished from a consent, approval or direction on behalf of the Holders of the Series B Bonds) in connection with any action to be taken under the Indenture or under any other Security Document, the consent, approval or direction of the Series B Credit Facility Provider shall not be required for so long as a Series B Credit Facility Provider Disqualification Event shall exist,

(vi) to the extent that the principal or Redemption Price of, Sinking Fund Installments for, or interest on the Series B Bonds shall be paid by the Series B Credit Facility Provider pursuant to the Series B Letter of Credit, that portion of the Series B Bonds so paid shall remain Outstanding for all purposes and not be considered defeased or otherwise satisfied and paid, and the Series B Credit Facility Provider shall be the Holder of the Series B Bonds to the extent so paid, and

(vii) if the Series B Letter of Credit shall no longer be in effect, and all amounts owed to the Series B Credit Facility Provider under the Series B Reimbursement Agreement shall have been paid in full, all approvals, directions or consents of the Series B Credit Facility Provider required under

the Security Documents shall instead be delivered by the Holders of a majority in aggregate principal amount of the Series B Bonds Outstanding.

Actions by the Trustee. In the event a Series A Bond Insurer Disqualification Event or a Series B Credit Facility Provider Disqualification Event shall exist, the Trustee shall proceed to protect and enforce its rights and the rights of the Series A Bondholders and the Series B Bondholders under the Series A Bond Insurance Policy or the Series B Letter of Credit, as applicable, by such suits, actions or special proceedings in equity or at law, as the Trustee shall deem necessary and appropriate (subject, however, to the indemnity provisions of the Indenture).

Consents of the Trustee. Except as expressly provided to the contrary in the Indenture or in any other Security Document, all provisions in the Indenture and each other Security Document regarding consents, directions, approvals or requests by the Trustee shall, for so long as any Bonds shall be Outstanding, be upon the written direction to the Trustee by the Majority Holders.

Agency Tax Covenant. The Agency covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the Lessee, the Series A Bond Insurer, the Series B Credit Facility Provider or the Trustee, which would cause the interest on the Bonds to become includable in gross income for Federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Agency and the only remedy to which the Agency shall be subject shall be specific performance.

Events of Default; Acceleration of Due Date. Each of the following events is defined as and shall constitute an “Event of Default”:

(1) Failure to duly and punctually pay the interest on any Bond when the same shall become due and payable;

(2) Failure to duly and punctually pay the principal, Sinking Fund Installments or redemption premium, if any, of any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise;

(3) Failure to duly and punctually pay the Purchase Price of any Series B Bond tendered or deemed tendered for purchase pursuant to the Indenture;

(4) Failure of the Agency to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in paragraph (1), (2) or (3) above) and (A) continuance of such failure for a period of thirty (30) days after receipt by the Agency and the Lessee of written notice specifying the nature of such default from the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Agency or 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, or shall in any event fail to cure the same within ninety (90) days after receipt by the Agency and the Lessee of such written notice;

(5) The occurrence of an “Event of Default” under the Lease Agreement or any other Security Document; or

(6) If the Series B Letter of Credit shall then be in effect, notification received by the Trustee from the Series B Credit Facility Provider in writing (A) that an “event of default” as defined in the Series B Reimbursement Agreement has occurred, or (B) that the obligations of the Series B Credit Facility Provider under the Series B Letter of Credit will not be reinstated pursuant to the Series B Letter of Credit or the Series B Reimbursement Agreement; or

(7) If the Series A Bond Insurance Policy shall then be in effect, notification received by the Trustee from the Series A Bond Insurer in writing that an “event of default” has occurred under the Series A Bond Insurance Agreement and is continuing beyond any grace period provided therein.

Upon the happening and continuance of any Event of Default specified in paragraph (4) or (5) above, unless the principal of all the Bonds shall have already become due and payable, but subject to the terms and provisions of the Intercreditor Agreement, either the Trustee (by notice in writing to the Agency and the Lessee) or the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding (by notice in writing to the Agency, the Lessee and the Trustee) may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding. Upon such declaration the same shall become and be immediately due and payable, and, if the Series B Letter of Credit shall continue in effect, the Trustee shall promptly draw on the Series B Letter of Credit with respect to the Series B Bonds, to the extent permitted by the terms thereof.

Upon the happening and continuance of any Event of Default specified in paragraph (1), (2), (3) or (7) above, but subject to the terms and provisions of the Intercreditor Agreement, or upon the happening of any Event of Default specified in paragraph (6) above, the Trustee shall declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration the Bonds Outstanding shall become and be immediately due and payable, and, if the Series B Letter of Credit shall continue in effect, the Trustee shall promptly draw on the Series B Letter of Credit with respect to the Series B Bonds, to the extent permitted by the terms thereof. The obligation of the Trustee to make such declaration and, if the Series B Letter of Credit shall continue in effect, to draw on or otherwise realize upon the Series B Letter of Credit, shall be absolute and shall be exercised, notwithstanding any objection of the Lessee, the Agency, the Trustee, any Bondholder, the Series A Bond Insurer, the Series B Credit Facility Provider or any other Person.

If there shall occur an Event of Default under the Lease Agreement relating to liquidation or bankruptcy of the Lessee, but subject to the terms and provisions of the Intercreditor Agreement, the unpaid principal of all the Bonds Outstanding (and all principal installments of rent under the Lease Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person, and, if the Series B Letter of Credit shall continue in effect, the Trustee shall promptly draw on the Series B Letter of Credit with respect to the Series B Bonds to the extent permitted by the terms thereof. Upon such acceleration the Bonds Outstanding shall become and be immediately due and payable, and, if the Series B Letter of Credit shall continue in effect, the Trustee shall promptly draw on the Series B Letter of Credit with respect to the Series B Bonds, to the extent permitted by the terms thereof.

The right of the Trustee or of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding to make any such acceleration as aforesaid (but not its obligation under the first or second paragraph above, however, is subject to the condition that if, at any time before such declaration, (i) all overdue installments of principal of and interest on all of the Bonds

which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed have been paid by or for the account of the Agency or provision reasonably satisfactory to the Trustee shall be made for such payment, (ii) all other Events of Default have been otherwise remedied, (iii) the liabilities and the reasonable and proper charges and expenses (including legal fees and expenses) of the Trustee shall either be paid by or for the account of the Agency or provision satisfactory to the Trustee shall be made for such payment, (iv) all defaults have been otherwise remedied as provided in the Indenture, (v) the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist), the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist), and Holders of a majority in aggregate principal amount of each Series of the Bonds Outstanding shall have waived in writing any such Event of Default, and (vi) if the Series B Letter of Credit shall continue in effect, the Series B Credit Facility Provider shall have delivered its written consent to the Trustee of such annulment as contemplated by this paragraph and, if applicable, rescinded any declaration of an “event of default” under the Series B Reimbursement Agreement, and shall have delivered written evidence to the Trustee reasonably satisfactory to the Trustee to the effect that the Series B Credit Facility Provider has reinstated the Series B Letter of Credit to an amount equal to that amount required by the Rating Agency or Rating Agencies then rating the Series B Bonds, then and in every such case any such default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Pursuant to the Lease Agreement, the Agency has granted to the Lessee full authority for the account of the Agency to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Lessee to constitute a default under the Indenture, in the name and stead of the Agency with full power to do any and all things and acts to the same extent that the Agency could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Lessee as performance by the Agency.

Enforcement of Remedies. Upon the occurrence and continuance of any Event of Default, but subject to the terms and provisions of the Intercreditor Agreement, then and in every case the Trustee shall proceed upon the written request of the Majority Holders, to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds, the Lease Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable, to the extent permitted by law.

In the enforcement of any right or remedy under the Indenture, under any other Security Document or under the Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Agency, for principal, Sinking Fund Installments, interest, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the

Bondholders, and to recover and enforce judgment or decree against the Agency, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C) and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Lessee, the Series A Bond Insurer, the Series B Credit Facility Provider, the Agency or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and in each case furnished with reasonable security and indemnity, but subject to the terms and provisions of the Intercreditor Agreement, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

Application of Revenues and Other Moneys After Default. **The provisions described under this heading shall apply only in the event the Intercreditor Agreement shall not be in effect.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document, and all moneys held in all Funds, Accounts and Subaccounts (other than the Rebate Fund), shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, and after making any required deposits to the Rebate Fund in accordance with the Tax Regulatory Agreement, be deposited on a Pro-Rata Basis in the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C); provided, however, that (i) amounts derived from the Series A Bond Insurance Policy shall only be applied to the payment of the Series A Bonds, (ii) amounts derived from the Series B Letter of Credit shall only be applied to the payment of the Series B Bonds, and (iii) amounts derived from the remarketing of the Series B Bonds shall only be paid to the Persons entitled thereto. All moneys so deposited and available for payment of the Bonds shall be applied, subject to the compensation provisions of the Indenture, as follows; provided, however, that (i) amounts derived from the Series A Bond Insurance Policy shall only be applied to the payment of the Series A Bonds, (ii) amounts derived from the Series B Letter of Credit shall only be applied to the payment of the Series B Bonds, (iii) amounts, if any, derived from the remarketing of Series B Bonds shall only be paid to the Persons entitled thereto; and (iv) amounts held for untendered or non-presented Bonds or for defeasance of Bonds under the Indenture as described under the heading “Defeasance” below or under the heading “Moneys Held for Particular Bonds” below shall be applied to the payment of such Bonds only (other than the Bank Bonds or Bonds registered in the name of the Lessee or in the name of any Person actually known by a Responsible Officer of the Trustee to be an Affiliate of the Lessee), and, in the case of clauses (i) through (iv), inclusive, shall not be applied to pay any fees, expenses or advances of the Trustee or the Agency or for any other purpose):

(1) FIRST: (A) Unless the principal of all of the Bonds shall have become or have been declared due and payable, First - To the payment to the Persons entitled thereto of all installments of

interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and Second - To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(B) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon the Bonds and, if applicable, to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, Sinking Fund Installments, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference. If, as to any Series of Bonds, the principal installments of rent related to such Series of Bonds under the Lease Agreement shall be accelerated, but the principal of such Series of Bonds shall have been accelerated, the amounts to be applied in the preceding sentence shall deem such accelerated rentals to be equivalent to amounts due under the related Series of Bonds.

(C) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of paragraph (B) above which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of paragraph (A) above.

(2) **SECOND:** To such Persons as shall be lawfully entitled to receive the same as a court of competent jurisdiction may direct.

The provisions of the Indenture as described in the paragraphs above under this heading shall survive the payment in full of the Bonds and, upon such payment, if any amounts remain unpaid under the Series A Bond Insurance Agreement and/or the Series B Reimbursement Agreement, the Trustee shall assign, as applicable, to the Series A Bond Insurer and/or the Series B Credit Facility Provider all of the right, title and interest of the Trustee in the Trust Estate, and the Series A Bond Insurer and/or the Series B Credit Facility Provider shall be entitled to exercise all of the rights and remedies available to the Trustee under the Indenture, and the Series A Bond Insurer and/or the Series B Credit Facility Provider shall be subrogated to the right, title and interest of the Trustee and the Bondholders in and to the Trust Estate, the Security Documents, and other security held for the payment of the Bonds.

Whenever moneys are to be applied pursuant to the provisions of the Indenture as provided under this heading, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue; provided, however, that if the

principal or Redemption Price of the Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to the Indenture as described under the heading “Events of Default; Acceleration of Due Date” below, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders promptly upon receipt of the deposit with it of any such moneys of such deposit and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Actions by Trustee. All rights of actions under the Indenture, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions of the Indenture as described under the heading “Application of Revenues and Other Moneys After Default” below, be for the equal benefit of the Holders of the Outstanding Bonds, or if the Bonds are no longer Outstanding, the Series A Bond Insurer and the Series B Credit Facility Provider until payment in full of all obligations due and owing under the Series A Bond Insurance Agreement and the Series B Reimbursement Agreement, and thereafter to the Lessee.

Majority Holders Control Proceedings. Subject at all times and in all respects to the terms and provisions of the Intercreditor Agreement, and notwithstanding any provision in the Indenture to the contrary, the Majority Holders shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Individual Bondholder Action Restricted. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Security Document or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of the Indenture as described under the heading “Application of Revenues and Other Moneys After Default” below, be for the equal benefit of all Holders of the Outstanding Bonds, to the extent permitted by law. For purposes of this paragraph, neither the Series A Bond Insurer nor the Series B Credit Facility Provider shall be deemed an individual “Bondholder”.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, Purchase Price of, and interest on any Bond at and after the maturity thereof, or the obligation of the Agency to pay the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, Purchase Price of, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner in the Indenture and in said Bonds expressed.

Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Agency, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Delay or Omission. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Notice of Default. The Trustee shall promptly mail to the Agency, to registered Holders of Bonds, to the Series A Bond Insurer, to the Series B Credit Facility Provider, to any Interested Beneficial Owner and to the Lessee by registered or certified mail, postage prepaid, return receipt requested, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder or Interested Beneficial Owner by reason of its failure to mail any notice required by the Indenture.

Waivers of Default. The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration only upon the written request of the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist), the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist), and the Holders of a majority in aggregate principal amount of each Series of the Bonds Outstanding; provided, however, that there shall not be waived without the consent of the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist), the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) and the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee and reasonable legal fees and expenses in connection with such default shall have been paid or provided for, and provided further, that (i) if the Series B Letter of Credit shall continue in effect, any Event of Default under the Indenture triggered by an "event of default" under the Series B Reimbursement Agreement may only be waived upon the written request of the Series B Credit

Facility Provider (and in such case no consent of any Bondholder shall be required), (ii) any Event of Default under the Indenture regarding the Series B Letter of Credit shall not be waived unless prior to such waiver, the Series B Credit Facility Provider shall have consented thereto and reinstated the Series B Letter of Credit as to principal and interest to that amount required by the Rating Agency or Rating Agencies then rating the Series B Bonds, and (iii) any Event of Default under the Indenture regarding the Series A Bond Insurance Policy may only be waived upon the written request of the Series A Bond Insurer (and in such case no consent of any Bondholder shall be required), and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Remedies Under the Indenture are Subject to the Intercreditor Agreement.

Notwithstanding any other provision of the Indenture to the contrary, all rights and remedies of the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider and the Bondholders under the Indenture are subject to the terms and provisions of the Intercreditor Agreement. To this end, then, for so long as the Intercreditor Agreement shall apply and be in full force and effect, the following provisions shall have application notwithstanding any provisions to the contrary as may elsewhere be set forth in the Indenture: (i) the Trustee shall take such Unrestricted Actions or Restricted Remedies (as such terms are defined in the Intercreditor Agreement) as directed in accordance with the Intercreditor Agreement, provided, however, that, (x) the provisions of the Indenture as described under the heading "Majority Holders Control Proceedings" above shall have no application to the extent the same shall be inconsistent with operative provisions of the Intercreditor Agreement, (y) the exercise of a Restricted Remedy by the Trustee (whether during the 2 Year Standstill period, as defined in the Intercreditor Agreement, or not) at the direction of an Acting Party (as defined in the Intercreditor Agreement) shall, to the extent inconsistent with any Unrestricted Action, supersede any exercise by the Trustee of such Unrestricted Action, and (z) the exercise by the Trustee of the Restricted Remedy of foreclosing the Agency Mortgage shall, to the extent inconsistent, with any other Restricted Remedy, supersede the exercise by the Trustee of such other Restricted Remedy, (ii) to the extent so directed or permitted by the Intercreditor Agreement, the Trustee shall declare, at the direction of the Acting Party (as defined in the Intercreditor Agreement) so authorized to act pursuant to the Intercreditor Agreement (and, in the case of the Credit Enhancers, authorized to act with respect to their related Series of Bonds as provided in the Indenture) with respect to the related Series of Bonds, the principal of all or any Series of Bonds then Outstanding, and the interest accrued thereon, and/or the principal installments of rental payments payable by the Lessee under the Lease Agreement with respect to one or more Series of Bonds, and the interest accrued on such principal installments, to be due and payable immediately, and (iii) notwithstanding the provisions of the Indenture as described under the heading "Application of Revenues and Other Moneys After Default" above, moneys received by the Trustee shall be applied to such Persons and in such manner and to such purposes as directed in accordance with the Intercreditor Agreement.

Defeasance. If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Lease Agreement, and any other amounts required to be rebated to the Federal government pursuant to the Tax Regulatory Agreement or the Indenture, shall be paid in full, and if all amounts due and owing to the Series A Bond Insurer under the Series A Bond Insurance Agreement and to the Series B Credit Facility Provider under the Series B Reimbursement Agreement shall be paid in full, then the pledge of any lease rentals, revenues or receipts from or in connection with

the Security Documents or the Facility under the Indenture and the estate and rights thereby granted, and all covenants, agreements and other obligations of the Agency to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any Lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below in this paragraph. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee shall deliver the Series B Letter of Credit to the Series B Credit Facility Provider for cancellation upon written receipt therefor and shall cancel and discharge the Lien of the Indenture and execute and deliver to the Lessee all such instruments as may be appropriate to satisfy such Liens and to evidence such discharge and satisfaction, and (2) the Trustee and the Paying Agents shall pay over or deliver to the Lessee or on its order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of principal or Redemption Price, if applicable, Sinking Fund Installments, Purchase Price, if any, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents or (iii) for the payment of any amounts the Trustee has been directed to pay to the Federal government under the Tax Regulatory Agreement or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph above, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice, (ii) if the maturity or redemption date of any such Bond shall not then have arrived, provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds of the full amount to which they would be entitled by way of principal or Redemption Price and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment, and (iii) in the case of the Series B Bonds, only if the Series B Bonds are then in the Term Period, Flexible Period or Fixed Rate Period and only if all amounts to be paid to the Holders of the Series B Bonds as provided in this paragraph are Priority Amounts (which may include amounts drawn by the Trustee under the Series B Letter of Credit at the direction of the Lessee). Upon any defeasance of the Series B Bonds in whole as provided in this paragraph, the Rate Period on the Series B Bonds shall no longer be subject to conversion to another Rate Period. Not later than thirty (30) days nor earlier than fifteen (15) days following the date that any defeasance of the Series B Bonds in whole as provided in this paragraph shall become effective, the Trustee shall surrender the Series B Letter of Credit to the Series B Credit Facility Provider for cancellation.

Prior to any defeasance becoming effective as provided in the paragraph above, there shall have been delivered to the Agency and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, (B) a verification from an independent certified public accountant or firm of independent certified public accountants (in each case reasonably satisfactory to the Agency and the Trustee) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, interest on, and redemption premium, if any,

of the Bonds to be defeased, and (C) an Opinion of Counsel experienced in bankruptcy matters to the effect that payments of principal of and interest in the Bonds from the proceeds of any such deposit to effectuate a defeasance under the Indenture shall not constitute voidable preferences in a case commenced under the Federal Bankruptcy Code by or against the Lessee or the Agency, and in case of insolvency, the escrow deposit will not be treated as part of the estate of the Agency or the Lessee.

If the Bonds are rated by one or more Rating Agencies, then the Trustee shall give notice to the Rating Agency or Rating Agencies that rated the Bonds of any defeasance of all or any of the Bonds.

Notwithstanding anything in the Indenture to the contrary, (1) in the event that the principal and/or interest due on the Series A Bonds shall be paid by the Series A Bond Insurer pursuant to the Series A Bond Insurance Policy, the Series A Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Trust Estate with respect to the Series A Bonds shall continue and run to the benefit of the Series A Bond Insurer, and the Series A Bond Insurer shall be subrogated to any and all rights of the Holders of the Series A Bonds and (2) any escrow agreement executed in connection with a defeasance under the Indenture of the Series A Bonds shall be subject to the prior written approval of the Series A Bond Insurer.

No provision of the Indenture as described in this heading, including any defeasance of Bonds, shall limit the rights of the Holder of any Bonds under the Indenture regarding transfer, exchange or substitution of Bonds until such Bonds shall have been paid in full.

Supplemental Indentures Without Consent of the Bondholders. The Agency and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without consent of the Bondholders, but with the prior written consent of the Credit Enhancers, for any of the following purposes:

(1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the Lien of the Indenture, if such action is not materially adverse to the interests of the Bondholders.

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred, which are not contrary to or inconsistent with the Indenture as theretofore in effect, and which are not to the material prejudice of the Trustee or the Bondholders.

(3) To add to the covenants and agreements of the Agency in the Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect, and which are not to the material prejudice of the Trustee or the Bondholders.

(4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect, and which are not to the material prejudice of the Trustee or the Bondholders.

(5) To confirm, as further assurance, any pledge under, and the subjection to any Lien or pledge created or to be created by, the Indenture, of the properties of the Facility, or revenues or

other income from or in connection with the Facility or of any other moneys, securities or funds, or to subject to the Lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure the Federal tax exemption of the interest on the Bonds.

(7) To authorize the issuance of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture.

(8) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(9) To give effect to the delivery of Substitute Series B Letter of Credit or Substitute Series B Credit Facility, or to the conversion of the interest rate on the Series B Bonds to a new Rate Period.

(10) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(11) To modify, amend or supplement any of the times, dates or other mechanical procedures for the setting of interest rates, the designation of Rate Periods, or the tender and remarketing of Bonds set forth in the Indenture, provided that such change is not to the material prejudice of the Bondholders, or a Rating Confirmation is received with respect to such change.

(12) To evidence the appointment of a new Remarketing Agent or Tender Agent, and in connection therewith to change any times of day specified in the Indenture by which any action must be taken.

(13) To alter the manner in which the Remarketing Agent may, in the reasonable exercise of its judgment, act pursuant to the Indenture to increase the likelihood of achieving the lowest net interest cost during the term of the Series B Bonds, but only if the Lessee provides to the Trustee and the Agency an opinion of Nationally Recognized Bond Counsel to the effect that the amendment will not adversely affect the exclusion from gross income of interest on any Series B Bonds for federal income tax purposes.

(14) With respect to any Supplemental Indenture affecting only the Series B Bonds, during any period that all Outstanding Series B Bonds bear interest at the Daily Rate or the Weekly Rate, to modify, amend or supplement the Indenture in such manner as shall be deemed necessary by the Agency if, not less than thirty (30) days before the effective date of such modification, amendment or supplement, the Trustee sends notice thereof to all Holders of the Series B Bonds, and all Holders of the Series B Bonds have the right to tender their Series B Bonds for purchase before such effective date.

(15) With respect to any Supplemental Indenture affecting only the Series B Bonds, any modification, amendment or supplement to the Indenture to be made effective on a date after the date upon which all Series B Bonds must be mandatorily tendered for purchase.

Before the Agency and the Trustee shall enter into any Supplemental Indenture pursuant to the Indenture, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms.

Supplemental Indentures With Consent of the Bondholders, the Series A Bond Insurer and the Series B Credit Facility Provider. Subject to the terms and provisions contained in the Indenture, the Majority Holders, the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist) and the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) shall have the right from time to time, to consent to and approve the entering into by the Agency and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that if the Supplemental Indenture shall only affect a single Series of Bonds, only the Holders of not less than a majority in aggregate principal amount of the Bonds of such Series then Outstanding so affected shall be required to consent to such Supplemental Indenture. Nothing in the Indenture contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Sinking Fund Installments for, Purchase Price, if any, of, redemption premium, if any, or interest (except upon conversion as provided in the Indenture) on any Outstanding Bonds, a change in the terms of redemption (except upon conversion as provided in the Indenture) or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, a change in the method of determining the rate of interest on any Bond (except as provided in the Indenture), or a change in the terms of the purchase thereof, without the consent of the Holder of such Bond, (ii) the creation of a Lien upon or pledge of revenues or rental income from or in connection with the Facility other than the Liens or pledge created by the Indenture, except as provided in the Indenture with respect to Additional Bonds or Permitted Encumbrances, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this paragraph, without, in the case of items (ii) through and including (v) of this paragraph, the written consent of the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist), the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) and one hundred percent (100%) of the Holders of the Outstanding Bonds or of the Series of Bonds Outstanding affected thereby.

If at any time the Agency shall determine to enter into any Supplemental Indenture for any of the purposes as described under this heading, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to the Series A Bond Insurer, to the Series B Credit Facility Provider and to all Bondholders. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by the Series A Bond Insurer, the Series B Credit Facility Provider and all Bondholders.

Within one year after the date of such notice, the Agency and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Majority Holders, the Series A Bond

Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist) and the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) or, if applicable, the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist), the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) and the Holders of 100%, in aggregate principal amount of the Bonds then Outstanding or the Holders of a majority in aggregate principal amount of the affected Series of Bonds Outstanding, (ii) the written consent of the Lessee as provided in the Indenture as described under the heading “Rights of Lessee” below, and (iii) an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms. Any such consent of a Bondholder shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

If the Majority Holders, the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist) and the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) or the Holders of not less than 100% in aggregate principal amount of the Bonds then Outstanding or the Holders of a majority in aggregate principal amount of the affected Series of Bonds Outstanding, as applicable, shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Agency from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of this heading, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Supplemental Indenture Part of the Indenture. Any Supplemental Indenture executed in accordance therewith thereafter form a part of the Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provisions authorized to be contained therein shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. The Trustee shall execute any Supplemental Indenture entered into in accordance with the provisions as described under the first and second headings above.

Trustee’s Obligation To Enter Into Supplemental Indentures. The Trustee shall enter into any Supplemental Indenture which is authorized or permitted by the Indenture (as described in the Indenture) if such Supplemental Indenture does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If a Supplemental Indenture does adversely affect the rights, duties, liabilities or immunities of the Trustee, the Trustee may, but need not, enter into it. In entering into a Supplemental Indenture, the Trustee may rely (and will be fully protected in relying) on an opinion of Nationally Recognized Bond Counsel delivered pursuant to the Indenture as described under the second or third headings above to the effect that such Supplemental Indenture is authorized or permitted by the Indenture.

Rights of Lessee. Anything in the Indenture to the contrary notwithstanding, no Supplemental Indenture shall become effective unless and until the Lessee shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of the Lessee.

Amendments of Related Security Documents Not Requiring Consent of the Bondholders.

The Agency and/or the Trustee, as applicable, may from time to time and at any time, without the consent of or notice to the Bondholders, but with the prior written consent of the Credit Enhancers, enter into or consent to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to provide for the issuance of Additional Bonds (to the extent such Additional Bonds shall be Completion Bonds in an aggregate principal amount not in excess of \$3,500,000); (v) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (vi) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture; and (vii) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this heading. Before the Agency or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Bonds Outstanding.

Amendments of Related Security Documents Requiring Consent of the Bondholders, the Series A Bond Insurer and the Series B Credit Facility Provider. Except as provided in the heading above, the Agency and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist), the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) and the Majority Holders given and procured as in the Indenture as described under the heading “Supplemental Indentures With Bondholders’ Consent” above (or, if such amendment, change or modification shall only affect one Series of Bonds, the consent of the Holders of not less than a majority in aggregate principal amount of the affected Series of Bonds Outstanding); provided, however, there shall be no amendment, change or modification to (i) the obligation of the Lessee to make lease rental payments under the Lease Agreement with respect to the Bonds, the obligation of the Lessee to guarantee payment of the Bonds pursuant to the Guaranty Agreement, the obligation of the Series A Bond Insurer to make payments under the Series A Bond Insurance Policy, the obligation of the Series B Credit Facility Provider to pay the principal of, Sinking Fund Installments for, Purchase Price for, and interest on the Series B Bonds, or that would reduce the amounts required to be paid under the Series B Letter of Credit (except in accordance with its terms) or extend the time for payment of such amounts or accelerate the expiration date thereof, provided, however, the original Series B Letter of Credit may be extended upon similar terms and the amount of the Series B Letter of Credit may be reduced to reflect a reduction in principal amount of Outstanding Series B Bonds), without the prior written approval of the Holders of 100% in aggregate principal amount of the Bonds at the time Outstanding given and procured as in the Indenture as described under the heading “Supplemental Indentures With Bondholders’ Consent” above (or, if such amendment, change or modification shall only affect one Series of Bonds, the consent of the Holders of 100% in aggregate principal amount of the affected Series of Bonds Outstanding), (ii) any of

the Special Amendments without the prior written approval of the Series A Bond Insurer (for so long as no Series A Bond Insurer Disqualification Event shall exist), the Series B Credit Facility Provider (for so long as no Series B Credit Facility Provider Disqualification Event shall exist) and the Holders of a majority in aggregate principal amount of each Series of the Bonds Outstanding, or (iii) the Tax Regulatory Agreement without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on any Series of Bonds to become includable in gross income for Federal income tax purposes. If at any time the Lessee shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders, the Series A Bond Insurer and the Series B Credit Facility Provider. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exemption from federal income taxation of interest on any Series of Bonds Outstanding.

Trustee's Obligation with Respect to Related Security Documents. The Trustee shall enter into or consent to any amendment, change or modification of any of the Related Security Documents which is authorized or permitted by the Indenture, if such amendment, change or modification does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If an amendment, change or modification of any Related Security Document does adversely affect the rights, duties, liabilities or immunities of the Trustee, the Trustee may, but need not, enter into or consent to such amendment, change or modification.

Tender Agent - Procedures for Tendering Series B Bonds. Upon receipt by the Tender Agent of any tender notice and the Series B Bonds delivered pursuant to it for purchase in accordance with the Indenture, the Tender Agent shall deliver to the Person delivering the tender notice and the Series B Bonds written evidence of the Tender Agent's receipt of such materials.

The Tender Agent shall promptly return any such tender notice (together with the Series B Bonds submitted in connection therewith) that is incomplete or improperly completed or not delivered by the date required under such tender notice to the Person submitting the notice upon surrender of the receipt, if any, issued therefor.

The Tender Agent's determination of whether such tender notice is properly completed or delivered on a timely basis shall be binding on the Lessee and the Holder of the Series B Bonds submitted therewith.

Tender Agent - Sources of Funds for the Purchase of Tendered Series B Bonds. On each Purchase Date the Tender Agent shall purchase, but only from the funds listed below and in no event from its own funds, Series B Bonds delivered to it for purchase in accordance with the Indenture at the Purchase Price thereof (unless such Series B Bonds are being redeemed as provided in the Indenture). Funds for the payment of such Purchase Price shall be derived, first, from the proceeds of the sale of such Series B Bonds by the Remarketing Agent pursuant to the Indenture as described under the heading below, second, from amounts drawn under the Series B Letter of Credit, and, third, from amounts paid by the Lessee pursuant to the Lease Agreement. The Trustee shall draw on or otherwise realize moneys under the Series B Letter of Credit to provide funds for the timely payment of such Purchase Price in the

event and to the extent that the proceeds of Series B Bonds sold by the Remarketing Agent and deposited with the Tender Agent shall not be sufficient therefor.

The Tender Agent shall deliver the funds for the purchase of Series B Bonds tendered or deemed tendered for purchase pursuant to the Indenture to the Person designated in the related tender notice to receive such payment.

Remarketing Agent - Remarketing and Sale of Tendered Series B Bonds. Upon the receipt by the Remarketing Agent of any notice of tender pursuant to the Indenture, the Remarketing Agent, subject to the terms of the Remarketing Agreement, shall offer for sale, and shall use its best efforts to sell (other than to the Agency, the Lessee or their affiliates or any “insider” of the Agency or the Lessee), the Series B Bonds in respect of which such notice has been given. Unless otherwise instructed by the Agency or the Lessee, the Remarketing Agent will offer for sale and use its best efforts to sell any Series B Bonds purchased pursuant to the Indenture. Any such Series B Bonds shall be offered: (i) at 100% of the principal amount thereof, plus interest accrued, if any, to the Purchase Date, and (ii) pursuant to terms calling for payment of the Purchase Price on such Purchase Date against delivery of such Series B Bonds; provided that the Remarketing Agent shall not sell any Series B Bond if the amount to be received from the sale of such Series B Bond (including accrued interest, if any) plus the amount available to be drawn by the Trustee under the Series B Letter of Credit for such purpose is less than the Purchase Price (including accrued interest, if any) to be paid for such Series B Bond. The Lessee acknowledges that it and its Affiliates shall have no title to or interest in, beneficial or otherwise, and no right to control, any proceeds of the remarketing of Series B Bonds, all of which shall be held in trust by the Trustee or the Tender Agent for the sole benefit of the Holders of the Series B Bonds and, to the extent that the Holders have been paid with draws on the Series B Letter of Credit, for the benefit of the Series B Credit Facility Provider.

The Remarketing Agent shall in accordance with the Remarketing Agreement, continue to offer for sale and use its best efforts to sell at par plus accrued interest any Bank Bonds.

If there shall exist and be continuing an Event of Default under the Indenture or if a notice of redemption shall have been given, the Series B Bonds shall not be remarketed. Any purchase of Series B Bonds after an Event of Default shall have occurred and be continuing shall be made only with proceeds of a drawing under the Series B Letter of Credit, and any Series B Bonds so purchased shall remain pledged to the Series B Credit Facility Provider until the Event of Default shall have been cured or waived or the principal amount of the Series B Bonds shall have been accelerated.

Moneys Held for Particular Bonds. The amounts held by the Trustee or Paying Agents for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, and subject to any rebate requirements as set forth in the Tax Regulatory Agreement or the Indenture, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto. Such amounts so held shall be uninvested or, if invested, invested only in Government Obligations, maturing within thirty (30) days.

Payments Due on Saturdays, Sundays and Holidays. In any case where any payment date of principal, Sinking Fund Installments, Purchase Price, if any, and/or interest on the Bonds, or the date fixed for redemption of any Bonds, shall be a day other than a Business Day, then payment of such principal, Sinking Fund Installments, Purchase Price, and/or interest or the Redemption Price, if applicable, need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the principal, Sinking Fund Installments, Purchase Price, and/or

Interest Payment Date or the date fixed for redemption, as the case may be, except that interest shall not accrue for the period after such date.

Summary of Certain Provisions of the Lease Agreement

The following is a summary of certain provisions of the Lease Agreement and is qualified in its entirety by reference to the document itself.

The Project. Pursuant to the Company Lease, the Lessee shall cause to be conveyed to the Agency on the Closing Date a good and valid leasehold interest in the Facility free and clear of all Liens, claims, charges, encumbrances, security interests and servitudes other than Permitted Encumbrances.

Promptly following the Closing Date, and after receipt of the proceeds of sale of the Series 2002 Bonds, the Lessee will proceed with due diligence to complete the Project in accordance with the Plans and Specifications and the Project Budget and Draw Schedule and perform or cause to be performed all of the work required therefor. The Lessee may effect amendments, modifications or changes to the Plans and Specifications (a "Plan Change") (y) without the prior written approval of the Agency, the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider or any Holders of the Bonds to the extent that the Plan Change shall not (1) modify the intended use of the Facility as set forth in the Lease Agreement and the Tax Regulatory Agreement, (2) materially reduce the student capacity of the Facility, or (3) delay the completion of the Project to a date after September 1, 2003, and to the extent that (4) (A) the consent of the Credit Enhancers is required for a change order as provided in the last paragraph under this heading and such consent has been obtained, and (B) a Favorable Opinion of Bond Counsel with respect to such Plan Change shall have been delivered to the Trustee, or (z) otherwise with the prior written approval of the Credit Enhancers (such approval not to be unreasonably withheld, delayed or conditioned).

The cost of the Project shall be paid from the Project Fund established under the Indenture or as otherwise provided in the Lease Agreement as described under the next heading below. All contractors, materialmen, vendors, suppliers and other companies, firms or persons furnishing labor, equipment, furniture, services or materials for or in connection with the Project shall be designated by the Lessee.

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

The Lessee covenants that it will promptly obtain or cause to be obtained all necessary approvals from any and all governmental agencies with respect to the Project, all of which will be done in compliance with all applicable Legal Requirements and with the conditions and requirements of all policies of insurance with respect to the Facility and the Lease Agreement. Upon completion of the Project, the Lessee will promptly obtain or cause to be obtained all required occupancy and operation permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility for the purposes contemplated by the Lease Agreement and shall furnish copies of same to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee immediately upon receipt thereof.

Upon request, the Lessee will extend to the Trustee all 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, to the extent permitted by such warranties.

The Lessee shall take such action and institute such proceedings (“Corrective Measures”) 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 the Lease Agreement as described under this heading (“Correction Expenses”) to be considered a Project Cost. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with Corrective Measures, after deduction of Correction Expenses, if recovered prior to the date of completion of the Project, shall be deposited in 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 on a Pro-Rata Basis into each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption of the related Series of Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a corresponding draw on the Series B Letter of Credit to effect the redemption of Series B Bonds). Correction Expenses shall include, without limitation, hard and soft costs incurred by the Lessee in connection with the Corrective Measures, the correcting of defective work and costs and expenses incurred by the Lessee as a result of defective work.

A good and valid leasehold interest in all materials, equipment, machinery and other property intended to be incorporated or installed as part of the Facility and to constitute Facility Equipment 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 promptly, upon the acquisition thereof, convey or cause to be conveyed to the Agency a good and valid leasehold interest in any item of Facility Equipment which has not theretofore been conveyed to the Agency, free and clear of all Liens, claims, charges, security interests and encumbrances other than Permitted Encumbrances, and cause each item of Facility Equipment to be subjected to the leasehold estates of the Company Lease and the Lease Agreement, and the security interest of the Agency Mortgage and the Subordinate Mortgages. The Lessee shall take all action necessary to so convey a leasehold interest in the Facility Equipment to the Agency and to protect such leasehold interest of the Agency against claims of any third parties.

Prior to the completion of the Project, no material modifications, alterations or amendments shall be made to the Facility or its operation from the description of the Facility and its operation as set forth in the Tax Regulatory Agreement, unless the Lessee shall have theretofore delivered to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee the following: (i) a certificate of an Authorized Representative of the Lessee describing in reasonable detail the modifications, alterations or amendments and stating that the modifications, alterations or amendments (x) will not cause the Facility to be operated for purposes other than as a qualified “civic facility” under the Act, (y) will be made or performed subject to and in accordance with all applicable provisions and requirements of the Security Documents, and (z) will not materially and adversely affect the interests of the Holders of the Bonds; (ii) an opinion of Nationally Recognized Bond Counsel to the effect that the modifications, alterations or amendments and the expenditure of proceeds of the Bonds in connection therewith will not cause interest on any Bonds Outstanding to be includable in gross income for federal income tax purposes; and (iii) copies of any representations or certifications of fact made by or on behalf of the Lessee and upon which Nationally Recognized Bond Counsel relied in rendering its opinion as described in the preceding clause (ii).

Any change orders may be made to the construction contract for the Project (y) without the consent of the Agency, the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider or any Holders of the Bonds to the extent that (1) prior written notice of such change order shall be given by the Lessee to the Credit Enhancers, (2) no such change order is for an amount in excess of \$75,000, and (3) the aggregate of all such change orders shall not exceed \$1,000,000, or (z) otherwise with the prior written approval of the Credit Enhancers (such approvals not to be unreasonably withheld, conditioned or delayed). Further, the Lessee shall effect no reallocation of construction costs which, in the opinion of the title insurance company issuing the mortgagee title insurance policies insuring the mortgage Lien of the Agency Mortgage would be in contravention of the Lien Law of the State or adversely effect or impair in any manner the Lien or priority of the Agency Mortgage, in any case without the prior written consent of the Credit Enhancers (such consent not to be unreasonably withheld, conditioned or delayed).

Completion by Lessee. The Lessee covenants and agrees, subject to the provisions of the Lease Agreement regarding force majeure, that it will complete the Project, or cause the Project to be completed, by December 31, 2003, and that such completion will be effected in a first-class workmanlike manner, in accordance with the Plans and Specifications, free of defects in materials or workmanship (including latent defects), as applicable, and in accordance with the Lease Agreement and the Indenture. 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 Series A Bond Insurer, the Series B Credit Facility Provider 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 the Lease Agreement or under any other Security Document.

Upon completion of the Project, the Lessee shall deliver to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee a certificate of an Authorized Representative of the Lessee substantially in the form attached to the Lease Agreement, together with all attachments required therein. The certificate of the Authorized Representative of the Lessee shall be accompanied by a report of the Project Monitor confirming as correct the items set forth in certain paragraphs of said Lessee certificate.

Lease of the Facility. Pursuant to the Company Lease, the Lessee has leased the Facility to the Agency. The Agency subleases to the Lessee and the Lessee subleases from the Agency the Facility, all for and during the term provided in the Lease Agreement and upon and subject to the terms and conditions set forth in the Lease Agreement. The Lessee shall at all times during the term of the Lease Agreement occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as a civic facility in accordance with the provisions of the Act and for the general purposes specified in the Lease Agreement. 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 which may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto.

Duration of Term. The term of the Lease Agreement shall commence on the Closing Date and shall expire on June 1, 2032 (midnight, New York City time) or such earlier date as the Lease Agreement may be terminated as provided in the Lease Agreement, but in no event earlier than the date upon which all Bonds shall cease to be Outstanding and all amounts, if any, owing to the Series A Bond Insurer and the Series B Credit Facility Provider shall have been paid in full. The Agency delivers to the Lessee and the Lessee accepts sole and exclusive possession of the Facility to the extent that the Agency has received the same under the Company Lease.

Rental Provisions with respect to the Series 2002 Bonds; Pledge of Agreement and Rent.

The Lessee covenants and agrees to make rental payments with respect to the Series 2002 Bonds which the Agency agrees shall be paid by the Lessee directly to the Trustee on each Lease Rental Payment Date:

(i) with respect to the Series A Bonds for deposit in the Bond Fund (Series A) in an amount equal to the sum of: (w) with respect to interest due and payable on the Series A Bonds, an amount equal to the interest accruing on the Series A Bonds in the Rental Period with respect to such Lease Rental Payment Date, but in any event in an amount in the aggregate such that on each Interest Payment Date, there shall be on deposit in the Interest Account of the Bond Fund (Series A) the amount of interest coming due on the Series A Bonds on such Interest Payment Date; provided, however, that there shall be credited to the amounts to be paid with respect to interest on the Series A Bonds any amounts transferred to and on deposit in the Interest Account of the Bond Fund (Series A) from the Capitalized Interest Account of the Project Fund, the Construction Account of the Project Fund or otherwise as provided in the Indenture; (x) with respect to principal due on the Series A Bonds (whether at maturity or upon acceleration but not upon redemption of the Series A Bonds), if the Lease Rental Payment Date shall be with respect to the Third Rental Period or the Fourth Rental Period an amount equal to one-half (1/2) of the principal of the Series A Bonds coming due, if any, on the next succeeding June 1, but in any event in the aggregate such that on the next principal payment date on the Series A Bonds, there shall be on deposit in the Principal Account of the Bond Fund (Series A) the amount of principal coming due on the Series A Bonds on such principal payment date; provided, however, that there shall be credited to the amounts to be paid with respect to principal on the Series A Bonds any amounts transferred to and on deposit in the Principal Account of the Bond Fund (Series A) as provided in the Indenture; (y) with respect to Sinking Fund Installments due on the Series A Bonds, if the Lease Rental Payment Date shall be with respect to the Third Rental Period or the Fourth Rental Period, an amount equal to one-half (1/2) of the Sinking Fund Installment of the Series A Bonds coming due, if any, on the next succeeding June 1, but in any event in the aggregate such that on the next Sinking Fund Installment payment date on the Series A Bonds, there shall be on deposit in the Sinking Fund Installment Account of the Bond Fund (Series A) the amount of the Sinking Fund Installment coming due on the Series A Bonds on such Sinking Fund Installment payment date; provided, however, that there shall be credited to the amounts to be paid with respect to Sinking Fund Installments on the Series A Bonds any amounts transferred to and on deposit in the Sinking Fund Installment Account of the Bond Fund (Series A) as provided in the Indenture; and (z) with respect to the Redemption Price due on the Series A Bonds in the Rental Period with respect to such Lease Rental Payment Date, an amount for deposit in the Redemption Account of the Bond Fund (Series A) equal to the principal of and redemption premium, if any, on the Series A Bonds to be redeemed which will become due on the immediately succeeding redemption date together with accrued interest to the date of redemption;

(ii) with respect to the Series B Bonds for deposit in the Reimbursement Fund (Series B) in an amount equal to the sum of: (v) with respect to interest due and payable on the Series B Bonds (other than Bank Bonds), an amount equal to the interest accruing on the Series B Bonds at the Assumed Series B Variable Interest Rate in the Rental Period with respect to such Lease Rental Payment Date, but in any event in an amount in the aggregate such that on each Interest Payment Date, there shall be on deposit in the Interest Account of the Reimbursement Fund (Series B) the amount of interest coming due on the Series B Bonds on such Interest Payment Date; provided, however, that there shall be credited to the amounts to be paid with respect to interest on the Series B Bonds any amounts transferred to and on deposit in the Interest Account of the Reimbursement Fund (Series B) from the Capitalized Interest Account of the Project Fund, the Construction Account of the Project Fund or otherwise as provided in the Indenture; (w) with respect to interest due and payable on the Bank Bonds, an amount equal to the interest accruing on the Bank Bonds at the Bank Rate (assuming, in the case of any variable Bank Rate, the highest applicable Bank Rate determined as of the Lease Rental Payment Date) in the

Rental Period with respect to such Lease Rental Payment Date, but in any event in an amount in the aggregate such that on each Interest Payment Date, there shall be on deposit in the Interest Account of the Reimbursement Fund (Series B) the amount of interest coming due on the Bank Bonds on such Interest Payment Date; provided, however, that there shall be credited to the amounts to be paid with respect to interest on the Bank Bonds any amounts transferred to and on deposit in the Interest Account of the Reimbursement Fund (Series B) from the Capitalized Interest Account of the Project Fund, the Construction Account of the Project Fund or otherwise as provided in the Indenture; (x) with respect to principal due on the Series B Bonds (whether at maturity or upon acceleration but not upon redemption of the Series B Bonds), if the Lease Rental Payment Date shall be with respect to the Third Rental Period or the Fourth Rental Period, an amount equal to one-half (1/2) of the principal of the Series B Bonds coming due, if any, on the next succeeding June 1, but in any event in the aggregate such that on the next principal payment date on the Series B Bonds, there shall be on deposit in the Principal Account of the Reimbursement Fund (Series B) the amount of principal coming due on the Series B Bonds on such principal payment date; provided, however, that there shall be credited to the amounts to be paid with respect to principal on the Series B Bonds any amounts transferred to and on deposit in the Principal Account of the Reimbursement Fund (Series B) as provided in the Indenture; (y) with respect to Sinking Fund Installments due on the Series B Bonds, if the Lease Rental Payment Date shall be with respect to the Third Rental Period or the Fourth Rental Period, an amount equal to one-half (1/2) of the Sinking Fund Installments of the Series B Bonds coming due, if any, on the next succeeding June 1, but in any event in the aggregate such that on the next Sinking Fund Installment payment date on the Series B Bonds, there shall be on deposit in the Sinking Fund Installment Account of the Bond Fund (Series B) the amount of the Sinking Fund Installment coming due on the Series B Bonds on such Sinking Fund Installment payment date; provided, however, that there shall be credited to the amounts to be paid with respect to Sinking Fund Installments on the Series B Bonds any amounts transferred to and on deposit in the Sinking Fund Installment Account of the Bond Fund (Series B) as provided in the Indenture; and (z) with respect to the Redemption Price due on the Series B Bonds in the Rental Period with respect to such Lease Rental Payment Date, an amount for deposit in the Redemption Account of the Reimbursement Fund (Series B) equal to the principal of and redemption premium, if any, on the Series B Bonds to be redeemed which will become due on the immediately succeeding redemption date together with accrued interest to the date of redemption; and

(iii) with respect to the Series C Bonds for deposit in the Bond Fund (Series C) in an amount equal to the sum of: (w) with respect to interest due and payable on the Series C Bonds, an amount equal to the interest accruing on the Series C Bonds in the Rental Period with respect to such Lease Rental Payment Date but in any event in an amount in the aggregate such that on each Interest Payment Date, there shall be on deposit in the Interest Account of the Bond Fund (Series C) the amount of interest coming due on the Series C Bonds on such Interest Payment Date; provided, however, that there shall be credited to the amounts to be paid with respect to interest on the Series C Bonds any amounts transferred to and on deposit in the Interest Account of the Bond Fund (Series C) from the Capitalized Interest Account of the Project Fund, the Construction Account of the Project Fund or otherwise as provided in the Indenture; (x) with respect to principal due on the Series C Bonds (whether at maturity or upon acceleration but not upon redemption of the Series C Bonds), if the Lease Rental Payment Date shall be with respect to the Third Rental Period or the Fourth Rental Period, an amount equal to one-half (1/2) of the principal of the Series C Bonds coming due, if any, on the next succeeding June 1, but in any event in the aggregate such that on the next principal payment date on the Series C Bonds, there shall be on deposit in the Principal Account of the Bond Fund (Series C) the amount of principal coming due on the Series C Bonds on such principal payment date; provided, however, that there shall be credited to the amounts to be paid with respect to principal on the Series C Bonds any amounts transferred to and on deposit in the Principal Account of the Bond Fund (Series C) as provided in the Indenture; (y) with respect to Sinking Fund Installments due on the Series C Bonds, if the Lease

Rental Payment Date shall be with respect to the Third Rental Period or the Fourth Rental Period, an amount equal to one-half (1/2) of the Sinking Fund Installments of the Series C Bonds coming due, if any, on the next succeeding June 1, but in any event in the aggregate such that on the next Sinking Fund Installment payment date on the Series C Bonds, there shall be on deposit in the Sinking Fund Installment Account of the Bond Fund (Series C) the amount of the Sinking Fund Installment coming due on the Series C Bonds on such Sinking Fund Installment payment date; provided, however, that there shall be credited to the amounts to be paid with respect to Sinking Fund Installments on the Series C Bonds any amounts transferred to and on deposit in the Sinking Fund Installment Account of the Bond Fund (Series C) as provided in the Indenture; and (z) with respect to the Redemption Price due on the Series C Bonds in the Rental Period with respect to such Lease Rental Payment Date, an amount for deposit in the Redemption Account of the Bond Fund (Series C) equal to the principal of and redemption premium, if any, on the Series C Bonds to be redeemed which will become due on the immediately succeeding redemption date together with accrued interest to the date of redemption.

Upon receipt by the Lessee of notice from the Trustee pursuant to the Indenture that the amount on deposit in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Fund Requirement, and the basis for such deficiency shall be a valuation of the investments held in the Debt Service Reserve Fund and not a draw from amounts held in the Debt Service Reserve Fund, the Lessee shall pay to the Trustee for deposit in the Debt Service Reserve Fund four (4) substantially equal monthly payments commencing on the first day of the month immediately following receipt by the Lessee of notice of such deficiency and on the first day of the next three (3) months thereafter such that the aggregate of such four (4) monthly payments shall equal such deficiency in the Debt Service Reserve Fund. Further, upon receipt by the Lessee of notice from the Trustee pursuant to the Indenture that the amount on deposit in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Fund Requirement and the basis for such deficiency shall be a draw from amounts held in the Debt Service Reserve Fund, the Lessee shall pay such deficiency to the Trustee for deposit in the Debt Service Reserve Fund within thirty (30) days following receipt by the Lessee of notice of such deficiency.

Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in any Bond Fund or the Reimbursement Fund (Series B) is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the related Series of 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 such Bond Fund or the Reimbursement Fund (Series B), as the case may be, and such payment shall constitute rental payments under this heading.

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 heading, 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.

The Lessee shall have the option to prepay its rental obligation with respect to any Series of Bonds, in whole or in part at the times and in the manner provided in the Lease Agreement as and to the extent provided in the Indenture for redemption of such Series of Bonds; provided, however, that any optional redemption or defeasance of Bonds by the Lessee shall be on a Pro-Rata Basis, except that (y) the Lessee may elect a single Series of Bonds to be redeemed or defeased from advance rental payments to the extent that the source of such advance rental payments shall be refunding Indebtedness incurred by the Lessee in accordance with the provisions of the Lease Agreement, and (z) if Series 2002 Bonds are to be redeemed from excess Bond proceeds as provided in the Indenture and such excess Bond proceeds shall be less than \$5,000,000, such excess Bond proceeds shall be applied to redeem the Series B Bonds.

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

No further rental payments need be made to the Agency during the term of the Lease Agreement when and so long as the amount of cash and/or Defeasance Obligations on deposit in the related Bond Fund is sufficient to satisfy and discharge the obligations of the Agency under the Indenture and pay such Series of Bonds as provided in the Indenture.

Pursuant to the Agency Mortgage, the Agency shall grant a mortgage Lien on and security interest in its interest under the Company Lease in the Facility prior to the Liens of the Company Lease and the Lease Agreement, and pursuant to the Indenture, the Agency will pledge and assign to the Trustee as security for the Series 2002 Bonds all of the Agency's right, title and interest in the Lease Agreement (except for the Agency's Reserved Rights), and in furtherance of said pledge the Agency will unconditionally assign such rental payments with respect to the Series 2002 Bonds to the Trustee for deposit in accordance with the Indenture. The Lessee consents to the above-described Lien and security interest, and pledge and assignment of the Lease Agreement.

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.

As security for the performance of its rental payment obligations under this heading with respect to the Series B Bonds, the Lessee shall, simultaneously with the issuance and delivery of the Series B Bonds, arrange for the delivery of the Series B Letter of Credit to the Trustee. The Lessee authorizes and directs the Trustee to draw moneys under the Series B Letter of Credit in accordance with the provisions of the Indenture to the extent and at the times necessary to pay the principal or Redemption Price of, Sinking Fund Installments for, and interest on the Series B Bonds when due. The Lessee and the Agency acknowledge their intention to minimize the risk that any payment made to a Holder of Series B Bonds 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 provided in the Indenture, payments to Holders of the Series B Bonds shall be made only from Priority Amounts, except when and to the extent no Priority Amounts are available for the purpose. The payment obligations of the Lessee under the Lease Agreement with respect to the Series B Bonds are subject in all respects to the use of Priority Amounts for the payment of the Series B Bonds. Optional prepayments permitted with respect to the Series B Bonds by the Lessee as provided in the Lease Agreement may not be made except from Priority Amounts. The Agency shall have no liability with respect to any payments made in violation of this paragraph.

Obligation of Lessee Unconditional. The obligation of the Lessee to pay the rent and all other payments provided for in the Lease Agreement and to maintain the Facility in accordance with the

Lease Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider 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 the Lease Agreement. The Lessee will not suspend or discontinue any such payment or terminate the Lease Agreement (other than such termination as is provided for thereunder) for any cause whatsoever, and the Lessee waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender the Lease Agreement or any obligation of the Lessee under the Lease Agreement or the Facility or any part thereof except as provided in the Lease Agreement or to any abatement, suspension, deferment, diminution or reduction in the rentals or other payments under the Lease Agreement.

Payment for Tendered Series B Bonds. The Lessee agrees, as provided in the Indenture, to pay rent to the Tender Agent, for the account of the Agency, as lessor, equal to all amounts necessary for the purchase of Series B Bonds pursuant to the Indenture and not deposited with the Tender Agent by the Remarketing Agent from the proceeds of the sale of such Series B Bonds or from drawings on or other realizations under the Series B Letter of Credit. Each such payment by the Lessee to the Tender Agent in accordance with the Lease Agreement as provided in this heading shall be in immediately available funds and paid to the Tender Agent at its principal office by 2:15 p.m. (New York City time) on each Purchase Date. The Lessee further agrees to pay such immediately available funds to the Tender Agent at the times and in the manner specified in the Indenture.

The Lessee shall provide for the payment of the amount to be paid as described under this heading by delivery of the Series B Letter of Credit to the Trustee, simultaneously with the issuance and delivery of the Series B Bonds. The Lessee authorizes and directs the Trustee to draw moneys under the Series B Letter of Credit in accordance with the provisions of the Indenture to the extent necessary to make such payments when due. The obligation of the Lessee the Lease Agreement as described under this heading shall be deemed to be satisfied and discharged to the extent of any corresponding drawing made by the Trustee on the Series B Letter of Credit and applied to such payment. It is understood, however, that such payment under the Series B Letter of Credit shall not relieve the Lessee of any of its obligations under the Series B Reimbursement Agreement, including the obligation to reimburse the Series B Credit Facility Provider for any draw under the Series B Letter of Credit.

The Lessee approves and agrees to be bound by the provisions of the Indenture regarding the purchase, offer, sale and delivery of Series B 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 Series B Bonds or any related arrangements, except that the Agency at the expense of the Lessee shall cooperate in the making of any such arrangements.

If the Lessee elects to cause the interest rate on the Series B Bonds to be converted to a new interest rate mode pursuant to the Indenture, the Lessee shall deliver or cause to be delivered the notice, the Favorable Opinion of Bond Counsel (if so required under the Indenture) and such other documents required under the Indenture in connection with such conversion, all as provided in the Indenture.

Interest Rate Cap for Series B Bonds. In the event that the Bond Market Association Municipal Swap Index as produced by Municipal Market Data (or, if such Index shall not be produced or available as of any date, such index as shall be selected by the Series B Credit Facility Provider and

derive from short-term tax-exempt variable rate demand obligations) at any time shall exceed seven and three-quarters percent (7-3/4%) for a period of 180 consecutive calendar days, the Lessee covenants to purchase an interest rate cap on terms and from a counterparty reasonably acceptable to the Series B Credit Facility Provider.

Maintenance, Alterations and Improvements. During the term of the Lease 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 the Lease Agreement, and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) reasonably necessary to ensure that the security for the Bonds shall not be materially 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 applicable Legal 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 agrees to assume full responsibility therefor.

Subsequent to the completion of the Project, the Lessee may make such alterations of 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 workmanlike 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, and (iv) 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 the Company Lease, the Lease Agreement, the Indenture, the Agency Mortgage and the Subordinate Mortgages, and the Lessee shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to subject such property to the Company Lease and the Lease Agreement and the Lien and security interest of the Indenture, the Agency Mortgage and the Subordinate Mortgages, free and clear of all Liens, charges, encumbrances, security interests or claims other than Permitted Encumbrances.

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, the Company Lease or the Lease Agreement except for Permitted Encumbrances.

To the extent required by the New York State Finance Law §137, prior to executing any contract with any party for any improvement (as such term is defined in the New York Lien Law) in connection with the Project or the Facility or the provision of any goods or services in connection therewith, and prior to authorizing any party to undertake such improvement (or the provision of such goods and services) without a contract, the Lessee shall deliver to the Agency a copy of the proposed contract therefor along with a bond, in compliance with State Finance Law §137 and otherwise satisfactory to the Agency, guaranteeing prompt payment of monies due all persons furnishing labor or materials for the contractor or his subcontractor in the prosecution of his work provided for in such contract. The Agency shall have no liability or responsibility for the cost of such bond(s). Should the Lessee fail to comply with the foregoing requirement, the Lessee shall immediately cease to be the agent

for the Agency in connection with the Project (such agency relationship being deemed to be immediately revoked, subject to reinstatement upon compliance with such requirement).

Removal of Property of the Facility. Subject to the Lease Agreement as described under the heading “Limitation on Disposition of Assets” below, 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 equipment, furniture or other property constituting part of the Facility Equipment (the “Existing Facility Property”), provided that: (i) such Existing Facility Property is simultaneously substituted or replaced by property (y) having equal or greater fair market value, operating efficiency and utility and (z) 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 for consideration in excess of \$50,000 the Lessee shall pay to the Trustee for deposit on a Pro-Rata Basis into each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption of the related Series of Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a corresponding draw on the Series B Letter of Credit to effect the redemption of the Series B Bonds) 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 clause (i) or (ii) above shall be effected if (x) such removal would change the nature of the Facility so it would not constitute a civic facility and a qualified “project” as defined in and as contemplated by the Act, (y) such removal would impair the usefulness, structural integrity or operating efficiency of the Facility, or (z) if there shall exist and be continuing an Event of Default under the Lease Agreement. If the amount received pursuant to clause (ii) above is not in excess of \$50,000, such amount shall be retained by the Lessee.

The Lessee shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents subjecting such substitute or replacement property to the Company Lease and the Lease Agreement and the Lien and security interest of the Agency Mortgage and the Subordinate Mortgages, and upon written request of the Lessee, the Agency shall deliver to the Lessee appropriate documents releasing all of the Agency’s right, title and interest, if any, to any property removed from the Facility as described in the first paragraph under this heading. The Lessee agrees to pay all costs and expenses (including reasonable counsel fees and disbursements) incurred in subjecting to the Company Lease and the Lease Agreement, and the Lien and security interest of the Agency Mortgage and the Subordinate Mortgages, any property installed or placed on the Facility Realty as part of the Facility pursuant to this heading.

The Lessee shall not, without the prior written consent of the Agency and the Trustee (at the direction of the Credit Enhancers) and except as permitted above, part with possession or control of or suffer to allow to pass out of its possession or control any item of the Facility Equipment or change the location of the Facility Equipment or any part thereof from the Facility Realty; provided, however, it is acknowledged that Affiliates of the Lessee may operate or utilize, at the Facility Realty, the Facility Equipment or any part thereof.

The removal from the Facility of any Existing Facility Property as described in the first paragraph under this heading shall not entitle the Lessee to any abatement or reduction in the rentals and other amounts payable by the Lessee under the Lease Agreement or under any other Security Document.

Taxes, Assessments and Charges. The Lessee shall pay when the same shall become due all taxes and assessments, general and specific, if any, levied and assessed upon or against the Facility,

the Pledged Revenues, the Company Lease, the Lease Agreement, any estate or interest of the Agency or the Lessee in the Facility, the Pledged Revenues, or the rentals thereunder during the term of the Lease Agreement and all water and sewer charges, Business Improvement District 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 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.

In the event the Facility is exempt from Impositions solely due to the Agency's leasehold interest in the Facility, the Lessee shall pay all Impositions to the appropriate taxing authorities equivalent to the Impositions which would have been imposed on the Facility if the Agency had no interest in the Facility (unless the Lessee, as an eligible not-for-profit corporation, is exempt for reasons other than the Agency's leasehold interest in the Facility).

None of the foregoing shall prevent the Lessee from contesting 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 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 Trustee, the Series A Bond Insurer or the Series B Credit Facility Provider 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 requested by the Agency or the Trustee to protect the security intended to be offered by the Security Documents.

Insurance. At all times throughout the term of the Lease 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 enterprises of like size and type as that of the Lessee. In addition to this general requirement, such insurance shall, for purposes of this heading, include, without limitation (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, the Series A Bond Insurer, the Series B Credit Facility Provider 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 (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; (iii) General Liability insurance and/or Umbrella Liability insurance, including contractual liability coverage, 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; (iv) Workers' compensation insurance, disability benefits insurance and such other forms of insurance which 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; (v) Flood insurance if at any time the Facility Realty becomes designated as a federal "special hazard area" in an amount equal to the full replacement cost or the maximum amount then available under the National Flood Insurance Program; (vi) Commencing on the Completion Date, 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) Commencing not later than the Completion Date, Business Interruption Insurance or Extra Expense Insurance covering the loss of revenues to the Lessee by reason of the total or partial suspension of, or interruption in, the Lessee's operations caused by a risk of loss insured against under the Property damage insurance during a period of suspension or interruption of at least twelve (12) calendar months, in an amount at least equal to two (2) years' estimated revenues, provided, however, that such insurance may exclude any loss of revenues sustained during a period of total or partial interruption of use customary in insurance for similar facilities; (viii) Automobile liability insurance, to the extent not covered by General Liability insurance, in the amount of \$1,000,000 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; (ix) Directors and officers omissions liability insurance, in the amount of \$10,000,000; and (x) Such other insurance in such amounts and against such insurable hazards as the Trustee (at the direction of the Majority Holders) or the Agency from time to time may reasonably require.

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 the Lease Agreement as described under the heading "Damage, Destruction and Condemnation" below and the Indenture. To the extent that the Lessee does not carry the Specific Coverage required by the Lease Agreement, it shall pay promptly to the Person(s) entitled thereto such amount as would have been received by such Person(s) had the Specific Coverage been carried to the extent required by the Lease Agreement. If for any reason the Specific Coverage required by the Lease Agreement is insufficient to pay claims or losses, the Lessee shall pay an amount sufficient to make up any deficiency and such sum shall be treated as proceeds of insurance for such purpose.

Upon receipt by the Lessee of the prior written approval of each of the Agency, the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider, which approvals may be unreasonably withheld by any such Person, the Lessee may, pursuant to a program recommended by the Insurance Consultant, initiate self-insurance with respect to, and in substitution for, its obligation to maintain liability insurance under the Lease Agreement as described in the second paragraph above.

The Agency does not in any way represent that the insurance specified, whether in scope or coverage or limits of coverage, is adequate or sufficient to protect the business or interest of the Lessee.

Advances by Agency, Series A Bond Insurer, Series B Credit Facility Provider or Bondholders. In the event the Lessee fails to make any payment or perform or observe any obligation required of it under the Lease Agreement or under any other Security Document, the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider or any Bondholder, 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, the Series A Bond Insurer, the Series B Credit Facility Provider or such Bondholder under the Lease 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 thereunder. All amounts so advanced therefor by the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider or such Bondholder shall become an additional obligation of the Lessee to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider or such Bondholder, which amounts, together with interest thereon at the rate of the Trustee's "prime rate" plus two percent (2%) per annum from the date advanced, the Lessee will pay upon demand therefor by the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider or such Bondholder. Any remedy in the Lease Agreement vested in the Agency, the Trustee or Bondholders for the collection of the rental payments or other amounts due

thereunder shall also be available to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider or such Bondholder for the collection of all such amounts so advanced.

Compliance with Legal Requirements. The Lessee agrees that it will, throughout the term of the Lease Agreement and at its sole cost and expense, promptly observe and comply with all Legal Requirements, whether foreseen or unforeseen, ordinary or extraordinary, which shall now or at any time hereafter be binding upon or applicable to the Lessee, any occupant, user or operator of the Facility or any portion thereof (including without limitation those relating to zoning, land use, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices), and will 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 will not, without the prior written consent of the Agency and the Trustee (at the direction of the Majority Holders), initiate, join in or consent to any private restrictive covenant, zoning ordinance, or other public or private restrictions, limiting or defining the uses 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 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 Trustee, the Series A Bond Insurer or the Series B Credit Facility Provider 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 requested by the Agency or the Trustee to protect the security intended to be offered by the Security Documents.

Damage, Destruction and Condemnation. In the event that at any time during the term of the Lease Agreement the whole or part of the Facility shall be damaged or destroyed, or be taken or condemned by a competent authority for any public use or purpose, or by agreement between the Lessee and those authorized to exercise such right, or if the temporary use of the Facility or any part thereof shall be so taken by condemnation or agreement (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 the Lease Agreement or under any other Security Document; and (iii) the Lessee will promptly give written notice of such Loss Event to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee, generally describing the nature and extent thereof.

Upon the occurrence of a Loss Event, (y) if the Net Proceeds derived therefrom shall be less than \$250,000, the Net Proceeds shall be paid to the Lessee and applied to rebuild, replace, repair or restore the Facility, and (z) if the Net Proceeds derived therefrom shall be equal to or greater than \$250,000, the entirety of same shall be paid to the Trustee and deposited in the Renewal Fund and 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 the Indenture), 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 Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider or any Bondholder, nor shall the rent or other amounts payable by the Lessee under the Lease Agreement or under any other Security Document be abated, postponed or reduced, or (ii) if, to the extent and upon the conditions permitted to do so under the Lease Agreement as described under the heading "Options" below and under

the Indenture, exercise its option to terminate the Lease Agreement, cause the Bonds to be redeemed in whole and, upon compliance with the Lease Agreement as described under the heading “Options” below (other than in the case of a taking or condemnation of the Facility), receive from the Agency documents conveying or reconveying to the Lessee the Agency’s leasehold interest in the Facility. Not later than ninety (90) days after the occurrence of a Loss Event, the Lessee shall advise the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee in writing of the action to be taken by the Lessee under this paragraph, a failure to so timely notify being deemed an election in favor of clause (i) above to be exercised in accordance with the provisions of clause (i) above.

If the Lessee shall elect to or shall otherwise be required to rebuild, replace, repair or restore the Facility as set forth in clause (i) in the paragraph above, the Lessee shall promptly deliver to the Trustee an opinion of an Independent Engineer as to the amount necessary to effect such rebuilding, replacement, repair or restoration. If the amount set forth in such opinion shall exceed the Net Proceeds, no amounts shall be disbursed from the Renewal Fund by the Trustee until the Lessee shall have paid to the Trustee such deficiency for deposit by the Trustee in the Renewal Fund. The Trustee shall disburse the Net Proceeds from the Renewal Fund in the manner set forth in 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 Lease Agreement and the Indenture, exercise its option in clause (ii) in the paragraph above, the Trustee shall transfer the Net Proceeds from the Renewal Fund for deposit on a Pro-Rata Basis into each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption of the related Series of Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a corresponding draw on the Series B Letter of Credit to effect the redemption of the Series B Bonds).

All such rebuilding, replacements, repairs or restorations shall (i) automatically be deemed a part of the Facility and be subject to the Company Lease and the Lease Agreement, and the Lien and security interest of the Agency Mortgage and Subordinate Mortgages, (ii) not change the nature of the Facility as a qualified “project” as defined in and as contemplated by the Act, (iii) to the extent required by the Lease Agreement as described in the last paragraph under the heading “Maintenance, Alterations and Improvements” above, be preceded by the furnishing by the Lessee to the Agency and the Trustee of a labor and materials payment bond, or other security, reasonably satisfactory to the Trustee (as directed by the Majority Holders) and the Agency, and (iv) 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 (v) if the estimated cost of such rebuilding, replacement, repair or restoration be in excess of \$500,000, be effected under the supervision of an Independent Engineer.

Pending the disbursement or transfer thereof, the Net Proceeds in the Renewal Fund shall be applied and may be invested as provided in the Indenture.

The Agency, the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider 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 Trustee and the Lessee (such approvals not to be unreasonably withheld).

If all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Lessee as contemplated by the Lease

Agreement, the Lessee shall exercise its option to terminate the Lease Agreement pursuant to the Lease Agreement as described under the heading “Options” below, and the amount of the Net Proceeds so recovered shall be transferred from the Renewal Fund and deposited on a Pro-Rata Basis into each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption in whole of each of the related Series of Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a corresponding draw on the Series B Letter of Credit to effect the redemption of the Series B Bonds), and the Lessee shall thereupon pay to the Trustee such additional amount, if any, which, when added to any amounts then in the Bond Fund (Series A), the Reimbursement Fund (Series B) and the Bond Fund (Series C) 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 Tender Agent, the Remarketing Agent, the Series A Bond Insurer, the Series B Credit Facility Provider and the Paying Agents, together with all other amounts due under the Indenture, under the Lease Agreement, under each of the other Security Documents, under the Series A Bond Insurance Agreement and under the Series B Reimbursement Agreement, and such amount shall be applied, together with such other available moneys in such Funds, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

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

Restrictions on the Lessee. The Lessee agrees that at all times during the term of the Lease Agreement it will (i) maintain its corporate existence, (ii) continue to be a not-for-profit education 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 in the State, (iii) not sell, transfer, pledge or otherwise encumber all or substantially all of its assets, (iv) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets, and (v) not consolidate with or merge into another entity or acquire all or substantially all of the assets of any other entity or permit one or more entities to consolidate with or merge into it. The Lessee may, however, without violating the foregoing, consolidate with or merge into another not-for-profit corporation as shall constitute a Tax-Exempt Organization or permit one or more other not-for-profit corporations as shall constitute Tax-Exempt Organizations 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 entity (and thereafter liquidate, wind-up or dissolve or not, as the Lessee may elect), or acquire all or substantially all of the assets of any other entity, if: (i) the Lessee is the surviving, resulting or transferee entity, and (A) the Lessee has Unrestricted Net Assets (as calculated in accordance with GAAP and certified to the Trustee by an Independent Accountant) after the merger, consolidation, sale or transfer at least equal to that of the Lessee immediately prior to such merger, consolidation, sale or transfer, (B) the Lessee shall have delivered to the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such merger, consolidation, sale or transfer will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes, (C) the Lessee shall have delivered to the Trustee a certificate of an Authorized Representative of the Lessee to the effect that such merger, consolidation, sale or transfer will not result in an Event of Default, nor an event which, upon notice or lapse of time or both, would constitute such an Event of Default, (D) the Lessee shall have delivered to the Trustee a certificate of the chief financial officer of the Lessee to the effect that the Lessee remains in compliance, on a pro forma basis, with the Liquid Funds to Debt Ratio, and (E) the prior written consent of the Credit Enhancers and the Majority Holders is delivered to the Trustee, or (ii) if the Lessee is not the surviving, resulting or transferee entity, the surviving, resulting or transferee entity (the “New Entity”), (A) is a solvent not-for-profit corporation and a Tax-Exempt

Organization subject to service of process in the State and is either organized under the laws of the State, or is organized under the laws of any other state of the United States and is duly qualified to do business in the State, (B) assumes in a written instrument in recordable form delivered to the Agency, the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider all of the obligations of the Lessee contained in the Lease Agreement and all other Project Documents to which the Lessee shall have been a party, (C) delivers to the Agency, the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider an Opinion of Counsel to the effect that (1) the New Entity shall be bound by all of the terms applicable to the Lessee of the Lease Agreement and all other Project Documents to which the Lessee shall have been a party, (2) such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents, (3) the New Entity is a not-for-profit corporation constituting a Tax-Exempt Organization, and (4) all licenses and certifications of the New Entity necessary or desirable to the operation of the Facility of the New Entity in the manner in which it was operated by the Lessee immediately prior to such consolidation, merger, sale or transfer have been transferred to or reissued in the name of the New Entity and remain in full force and effect, (D) delivers to the Agency and the Trustee an opinion of the Management Consultant to the effect that the New Entity is capable of operating the Facility without a material adverse effect upon Net Revenues, (E) the New Entity shall have Unrestricted Net Assets (as calculated in accordance with GAAP and certified to the Trustee by an Independent Accountant) after the merger, consolidation, sale or transfer at least equal to that of the predecessor corporation immediately prior to such merger, consolidation, sale or transfer, (F) the New Entity shall have delivered to the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such merger, consolidation, sale or transfer will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes, (G) the New Entity shall have delivered to the Agency and the Trustee a certificate of an Authorized Representative of the Lessee to the effect that neither the New Entity nor any Affiliate thereof shall be a Prohibited Person, (H) the New Entity shall have delivered to the Trustee a certificate of an Authorized Representative of the Lessee to the effect that such merger, consolidation, sale or transfer will not result in an Event of Default, nor an event which, upon notice or lapse of time or both, would constitute such an Event of Default, (I) the New Lessee shall have delivered to the Trustee a certificate of the chief financial officer of the New Entity to the effect that the New Entity is in compliance, on a pro forma basis, with the Liquid Funds to Debt Ratio, and (J) the New Entity shall have delivered to the Trustee the prior written consent of the Credit Enhancers and the Majority Holders.

The Lessee further covenants and agrees that throughout the term of the Lease Agreement (x) neither the Lessee nor any Affiliate thereof shall be a Prohibited Person, (y) it will continue to be duly qualified to do business in the State, and (z) any entity succeeding to the rights of the Lessee under the Lease Agreement shall be and continue to be duly qualified to do business in the State and shall be a not-for-profit corporation and a Tax-Exempt Organization.

Indemnity. The Lessee shall at all times indemnify, defend, protect and hold the Agency, the Trustee, the Tender Agent, the Series A Bond Insurer, the Series B Credit Facility Provider, the Series C Representative, the Remarketing Agent, the Bond Registrar and the Paying Agents, and any director, member, officer, employee, servant, agent (excluding for this purpose the Lessee, which is not obligated to indemnify its own employees, Affiliates or affiliate individuals) of any of such Persons and persons under the control or supervision of any of such Persons (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, the "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 June 12, 2001, the date the Agency adopted its original inducement resolution for the Project, and continuing throughout the term of the

Lease Agreement (subject to the last two paragraphs under this heading), other than, with respect to any Indemnified Party, losses arising from the gross negligence or willful misconduct of such Indemnified Party, arising upon or about any of the Facilities or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Facility and the marketing, remarketing, issuance and sale of the Bonds for such purpose, (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, furnishing, installation or completion of the Project or any part or component thereof or the effecting of any work done in or about the Facility or any defects (whether latent or patent) in the Facility, (iii) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any portion thereof, (iv) the execution and delivery by the Indemnified Party, the Lessee or any other Person of, or performance by the Indemnified Party, the Lessee or any other Person, as the case may be, of, any of their respective obligations under, any of the Lease Agreement, the Indenture or any other Project Document, or other document or instrument delivered in connection therewith or the enforcement of any of the terms or provisions thereof or the transactions contemplated 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, (vii) any damage or injury to the person or property of (A) the Lessee, (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 defined below) that are on, from, or affecting any of the Facilities, 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, 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 clauses (i) through (viii) of this paragraph. Notwithstanding the foregoing, the Lessee's indemnification and defense requirements set forth in this paragraph 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 in the Lease Agreement and shall survive the termination of the Lease Agreement.

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 clauses (i) through (ix) of the paragraph above, excluding 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. 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 the Lease Agreement as described under this heading; such notice shall be given in sufficient time to allow the Lessee to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a defense under the Lease Agreement nor in any way impair the obligations of the Lessee under the Lease Agreement as described under this heading.

The indemnifications and protections set forth in the Lease Agreement as described under this heading 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 heading, the Lessee shall not be deemed an employee, agent or servant of the Agency or a person under the Agency's control or supervision.

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

For purposes of the provisions under this heading, 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.

Retention of Title to or Interest in Facility; Grant of Easements. Neither the Lessee nor the Agency shall sell, assign, encumber (other than Permitted Encumbrances), convey or otherwise dispose of the Facility or any part thereof or interest therein during the term of the Lease Agreement, except as set forth in the Lease Agreement as described under the headings "Removal of Property of the Facility", "Remedies on Default" and "Termination on Exercise of Option to Terminate", without the prior written consent of the other party and the Trustee (as directed by the Credit Enhancers and the Majority Holders) and any purported disposition without such consent shall be void.

So long as there exists no Event of Default under the Lease Agreement, the Lessee may 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, subject to the leasehold estate of the Company Lease and the Lease Agreement and the Lien of the Agency Mortgage and the Subordinate Mortgages, as shall be necessary or convenient for the operation or use of the Facility, provided that such rights-of-way, easements, permits or licenses shall not adversely affect the use, operation or value of the Facility, and provided, further, that (y) any consideration received by the Lessee from the granting of said rights of way, easements, permits or licenses may be retained by the Lessee, and (z) no such grant by the Lessee shall be effected unless the Lessee shall have delivered to the Trustee, the Agency, the Series A Bond Insurer and the Series B Credit Facility Provider a Favorable Opinion of Bond Counsel.

Lessee's Covenant as to Tax Exemption. The Lessee covenants with the Agency, the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider and each of the Holders of the Bonds, that it will comply with all of the terms, provisions and conditions set forth in the Tax Regulatory Agreement, including, without limitation, the making of any payments and filings required thereunder.

If any Bondholder receives from the Internal Revenue Service a notice of assessment and demand for payment with respect to interest on any Bond, an appeal may be taken by the Bondholder at the option of either the Bondholder or the Lessee. In either case all expenses of the appeal including reasonable counsel fees shall be paid by the Lessee, and the Bondholder and the Lessee shall cooperate and consult with each other in all matters pertaining to any such appeal, except that no Bondholder shall be required to disclose or furnish any non-publicly disclosed information, including, without limitation, financial information and tax returns. Before the taking of any appeal, however, the Bondholder shall have the right to require the Lessee to pay the tax assessed and conduct the appeal as a contest for reimbursement.

Financial Statements; Reports; No-Default Certificates. The Lessee agree to furnish to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider (and to the Agency but only upon written request by the Agency therefor), and to any Interested Beneficial Owner (in the case of paragraphs (i), (ii), (iii) and/or (iv) below.

(i) as soon as available and in any event within one hundred and twenty (120) days after the close of each Fiscal Year of the Lessee, a copy of its annual consolidated financial statements, including statements of financial position, statements of activities and statements of cash flow (or similar statements) for such Fiscal Year of the Lessee, prepared in accordance with GAAP and audited and prepared by an Independent Accountant, together with a management letter to the Lessee with respect to such Fiscal Year of the Lessee; such annual audited financial statements shall be accompanied by (y) a report thereon of the Independent Accountant and a written statement of the Independent Accountant to the effect that its audit examination included a review of the terms of the Lease Agreement as it relates to accounting matters and further stating whether, in the course of its audit examination and such review, the Independent Accountant obtained knowledge (and whether, as of the date of such statement, the Independent Accountant has knowledge) of the existence of any Event of Default or any event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default, and if so, specifying the nature thereof, and (z) a report prepared by the chief financial officer of the Lessee setting forth total net assets, changes in unrestricted net assets, selected utilization statistics, cash flow statements, an accounts receivable activity report, if any, to the extent the Lessee shall become involved in any accounts receivables securitization program, and the amount of Pledged Revenues (subject to the later reporting requirements of the Lease Agreement as described under the heading "Coverage Ratio Covenants" below) for such Fiscal Year of the Lessee;

(ii) as soon as available and in any event no later than thirty (30) days prior to the commencement of each Fiscal Year of the Lessee, a budget for the next succeeding Fiscal Year of the Lessee showing for the period covered thereby all estimated Pledged Revenues, divided into monthly amounts reflecting, as nearly as possible, the total amount of operating expenses and Pledged Revenues estimated for each calendar month; each annual budget shall be approved by the Board of Trustees of the Lessee; an annual budget may be revised by the Lessee after its delivery to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider (and the Agency, if applicable) if such revised budget shall be also approved by the Board of Trustees of the Lessee and thereafter delivered to the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider and any Interested Beneficial Owner (and to the Agency, if requested);

(iii) not less than thirty (30) days prior to the beginning of each Fiscal Year of the Lessee, a copy of the preliminary annual budget for such Fiscal Year of the Lessee, and, as soon as available, a copy of the final annual budget;

(iv) as soon as available and in any event within forty-five (45) days after the close of each operating quarter of each Fiscal Year of the Lessee, a copy of the unaudited consolidated financial statements of the Lessee as at the end of such quarter, and the related statements of financial position, activities and cash flow, together with selected utilization statistics, revenue and expense statements, an accounts receivable activity report, if any, to the extent the Lessee shall become involved in any accounts receivables securitization program, the amount of Pledged Revenues, total net assets, balances and changes in unrestricted net assets for such period, all prepared in accordance with GAAP, certified by the chief financial officer of the Lessee;

(v) with each delivery of annual and quarterly financial statements required by paragraphs (i) and (iv) above, a certificate of an Authorized Representative of the Lessee (y) as to whether or not, as of the close of such preceding Fiscal Year of the Lessee, or fiscal quarter, and at all times during such Fiscal Year or fiscal quarter, the Lessee was in compliance with all the provisions which relate to the Lessee in the Lease Agreement (including, without limitation, sections regarding coverage ratio covenants, liquid funds to debt ratio, limitation on indebtedness and disposition of assets) and in any other Project Document to which the Lessee shall be a party, and if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default, he 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 under the Lease Agreement, and any action proposed to be taken by the Lessee with respect thereto, and (z) that the insurance it maintains complies with the provisions of the Lease Agreement, that such insurance has been in full force and effect at all times during the preceding Fiscal Year of the Lessee or fiscal quarter, 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;

(vi) as soon as available and in any event not later than September 1 (with respect to the semester commencing in September) and January 1 (with respect to the semester commencing in January), a certificate signed by an Authorized Representative of the Lessee setting forth demand and enrollment statistics for such coming semester, including, without limitation, enrollment, applications, acceptances and matriculations, average standardized entrance examination scores, schedule of tuition and fee rates, number of faculty (full-time/part-time), and other relevant data with respect to the Lessee's activities for such coming semester;

(vii) notice of any threatened termination of any accreditation material to the activities of the Lessee (from any body regulating the Lessee, including, but not limited to, appropriate officials or agencies of the Republic of France), within five (5) Business Days after the Lessee has knowledge of such threatened termination;

(viii) notice within thirty (30) days after the Lessee shall have knowledge of (x) the commencement of any litigation or other governmental or judicial proceeding in which the probable recovery, if any, or probable outcome after application of available insurance proceeds, would have a material adverse effect on the operations or financial condition of the Lessee, and any other event which reasonably could be expected to have a material adverse effect on the operations or financial condition of the Lessee, (y) any litigation, proceeding, investigation or dispute which may exist at any time between the Lessee and any governmental regulatory body which might substantially interfere with the normal business operations of the Lessee, and (z) all litigation and proceedings in which the Lessee is a defendant and in which (A) the amount involved is \$250,000 or more and not covered by insurance, or (B) in which injunctive or similar relief is sought, which relief would have a material adverse effect on the operations or financial condition of the Lessee;

(ix) a copy of any notice required to be given to Bondholders, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Trustee, promptly after the same is so given; and

(x) upon request by the Series A Bond Insurer or the Series B Credit Facility Provider, such additional information as may be reasonably requested, including, without limitation, information sufficient to confirm the compliance by the Lessee with its covenant in the Lease Agreement as described under the heading “Special Operational Covenant” below.

In addition to the requirements of paragraph (v) above, upon twenty (20) days prior request by the Agency, the Trustee, the Series A Bond Insurer or the Series B Credit Facility Provider, the Lessee will execute, acknowledge and deliver to the Agency, the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider a certificate of an Authorized Representative of the Lessee either stating that to his knowledge no default or breach exists under the Lease Agreement or under any other Project Document or specifying each such default or breach of which he has knowledge.

The Lessee shall immediately notify the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider 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 Project Document of which it has knowledge, or of any default under any material instrument or other agreement of the Lessee, or of any withdrawal or deficiency in any of the Debt Service Reserve Fund. Any notice required to be given pursuant to this paragraph 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.

The Lessee agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with GAAP, of all business and affairs of the Lessee.

The Lessee will permit the Series A Bond Insurer, the Series B Credit Facility Provider and any Interested Beneficial Owner to discuss the affairs, finances and accounts of the Lessee or any information that the Series A Bond Insurer, the Series B Credit Facility Provider or any Interested Beneficial Owner may reasonably request regarding the security for the Bonds with appropriate officers of the Lessee. The Lessee will permit the Series A Bond Insurer, the Series B Credit Facility Provider and any Interested Beneficial Owner to have access to and make copies of all books and records relating to the Bonds and the security therefor on any Business Day upon reasonable prior notice.

The Series A Bond Insurer or the Series B Credit Facility Provider shall have the right to direct an accounting at the Lessee’s expense.

Discharge of Liens. 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 Pledged Revenues or any part thereof or the Facility or any part thereof or the interest therein of the Agency, the Lessee, the Series A Bond Insurer, the Series B Credit Facility Provider or the Trustee or against any of the rentals or other amounts payable under the Lease Agreement or the interest of the Lessee under the Lease Agreement or the Company Lease other than Permitted Encumbrances, the Lessee within thirty (30) days of 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 Series A Bond Insurer, the Series B Credit

Facility Provider and the Trustee and take all action (including the payment of money and/or the securing of a bond) at its own cost and expense as may be necessary or appropriate to obtain the discharge in full thereof and to remove or nullify the basis therefor. Nothing contained in the Lease 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 interest in the Facility.

The Lessee may at its sole expense contest (after prior written notice to the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider 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 Company Lease or the Lease Agreement, of the Agency, the Lessee, the Series A Bond Insurer, the Series B Credit Facility Provider or the Trustee or against any of the rentals or other amounts payable under the Lease Agreement, (2) neither the Pledged Revenues nor the Facility nor any interest therein would be in any danger of being sold, forfeited or lost, (3) neither the Lessee, the Agency, the Trustee, the Series A Bond Insurer nor the Series B Credit Facility Provider 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 to protect the security intended to be offered by the Security Documents.

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 the extent to which proceeds derived from the sale of the Series 2002 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.

Amounts Remaining in Funds. It is agreed by the Agency and the Lessee that any amounts remaining in the Funds and Accounts held under the Indenture upon the expiration or sooner termination of the term of the Lease Agreement as provided in the Lease Agreement, after payment in full of (i) the Bonds (in accordance with the Indenture), (ii) the fees, charges and expenses of the Trustee, the Bond Registrar, the Tender Agent, the Remarketing Agent, the Series A Bond Insurer, the Series B Credit Facility Provider, the Paying Agents and the Agency in accordance with the Indenture, (iii) all rents and all other amounts payable under the Lease Agreement and under each of the other Project Documents, (iv) all amounts required to be rebated to the federal government pursuant to the Tax Regulatory Agreement or the Indenture, (v) all amounts required to be paid to the Series A Bond Insurer under the Series A Bond Insurance Agreement, (vi) all amounts required to be paid to the Series B Credit Facility Provider under the Series B Reimbursement Agreement, and (vii) all amounts required to be paid under any Project Document, shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

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 to enter

into a Supplemental Indenture and issue one or more series of Additional Bonds on a parity with the Series A Bonds (without regard to the Series A Bond Insurance Policy), the Series B Bonds (without regard to the Series B Letter of Credit) and the Series C Bonds for the purpose of (i) completing the Project, (ii) providing funds in excess of the Net Proceeds of insurance or eminent domain to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facility, or (iv) refunding one or more Series of Outstanding Bonds. If the Lessee is not in default under the Lease Agreement and subject to the provisions of the Lease Agreement as described under the heading "Limitation on Indebtedness" below, 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 the Lease 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 the Lease Agreement and the Company Lease to the same extent as if originally included thereunder.

Redemption Under Certain Circumstances; Special Covenants. Upon the determination by resolution of the members of the Agency that the Lessee is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, 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 Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee), the Lessee covenants and agrees, subject, however, to the terms and provisions of the Intercreditor Agreement, that it shall, on the immediately succeeding Interest Payment Date following the termination of such sixty (60) day (or longer) 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 one hundred percent (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 period of sixty (60) days with diligence (and is capable of being cured) and the Lessee promptly commences the curing of such non-compliance 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, the Series A Bond Insurer and the Series B Credit Facility Provider of any such extension. 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 Series A Bond Insurer, the Series B Credit Facility Provider and the Trustee, which notice shall be no less than sixty (60) days prior to such meeting.

In the event (x) the Lessee fails to obtain or maintain the public liability insurance with respect to the Facility required under the Lease Agreement, or (y) the Lessee or any Affiliate of the Lessee shall be a Prohibited Person, and the Lessee shall fail to cure such noncompliance within ten (10) days, in the case of clause (x), or thirty (30) days in the case of clause (y), of the receipt by the Lessee of written notice of such noncompliance from the Agency and a demand by the Agency on the Lessee to cure such noncompliance, upon notice or waiver of notice as provided in the Indenture, the Lessee shall pay to the Trustee, subject to the terms and provisions of the Intercreditor Agreement, advance rentals in

immediately available funds in an amount sufficient to redeem all Bonds then Outstanding in whole at the Redemption Price of one hundred per centum (100%) of the unpaid principal amount of the Bonds, together with interest accrued thereon to the date of redemption.

Upon the circumstances set forth in the Indenture regarding mandatory redemptions, 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. The Lessee shall, prior to directing the redemption of any Bonds in accordance with this paragraph, consult with Nationally Recognized Bond Counsel for advice as to a manner of selection of Bonds for redemption that will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

If, prior to completion of the construction 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 the Project, the Lessee shall promptly deliver written notice thereof to each of the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider and apply such gift or grant to completion of the construction of the Project. In the event that the amount of such gift or grant is in excess of the amount necessary to complete the Project, and if proceeds of Bonds have been expended on costs of the Project, the Lessee shall deliver to the Trustee, for deposit on a Pro-Rata Basis into each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption of the related Series of Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a corresponding draw on the Series B Letter of Credit to effect the redemption of the Series B Bonds) an amount equal to such excess only to the extent to which proceeds of Bonds were expended for such costs of the Project. The Trustee shall apply such moneys, at the specific written direction of an Authorized Representative of the Lessee, to the purchase (at prices not exceeding par) and surrender for cancellation, or redemption, of an equal principal amount of Bonds.

If, after completion of the construction 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 the Project, and if proceeds of the Bonds have been expended on such cost of the Project, the Lessee shall promptly deliver written notice thereof to each of the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider and shall, to the extent not inconsistent with the terms of such gift or grant, deliver to the Trustee, for deposit on a Pro-Rata Basis into each of the Redemption Account of the Bond Fund (Series A), the Redemption Account of the Reimbursement Fund (Series B) and the Redemption Account of the Bond Fund (Series C) to effect the redemption of the related Series of Bonds (or, in the case of the Series B Bonds, to reimburse the Series B Credit Facility Provider for a corresponding draw on the Series B Letter of Credit to effect the redemption of the Series B Bonds), an amount of money equal to such gift or grant, but only to the extent to which proceeds of Bonds were expended for such costs of the Project. The Trustee shall apply such moneys, at the specific written direction of an Authorized Representative of the Lessee, to the purchase (at prices not exceeding par) and surrender for cancellation, or redemption, of an equal principal amount of Bonds.

Preservation of Exempt Status. The Lessee represents and warrants that as of the Closing Date: (i) it is an organization described in Section 501(c)(3) of the Code; (ii) it has received a ruling letter or 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 or determination; (v) the facts and circumstances which form the basis of such letter or 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.

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; (iii) the Project conforms to the description thereof contained in the Appendices to the Lease Agreement and it shall not directly or indirectly use the proceeds of any Bonds to make or finance loans to persons other than governmental units or Section 501(c)(3) organizations; (iv) it shall not take any action or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the date of issue of any Bonds, would cause such Bonds to be “arbitrage bonds” under the Code or cause the interest paid by the Agency on such Bonds to be subject to federal income tax in the hands of the Holders thereof; and (v) it shall use its best efforts to maintain the tax-exempt status of any Bonds.

The Lessee (or any related person, as defined in Section 144(a)(3) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase any Bonds in an amount related to the amount of the payments due from the Lessee under the Lease Agreement.

The covenants and agreements of the Lessee set forth under this heading shall apply to the Facility notwithstanding the release of the Facility from the Lease Agreement until all Bonds shall cease to be Outstanding, except to the extent any such covenant or agreement need not, in the opinion of Nationally Recognized Bond Counsel, continue to so apply in order to maintain the non-includability in gross income for federal income tax purposes of the interest on the Bonds.

Securities Law Status. The Lessee affirmatively represents, warrants and covenants that, as of the Closing Date, the Facility shall be operated: (i) exclusively for civic or charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of the Lessee shall inure 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 paragraph.

Covenants as to Maintenance of Property, Etc. The Lessee covenants in the Lease Agreement (a) to continue throughout the term of the Lease Agreement the activities which it conducts as of the Closing Date; (b) at all times to cause its business to be carried on and conducted and its property to be maintained, preserved and kept in good repair, working order and condition, ordinary wear and tear excepted, and all needful and proper repairs, renewals and replacements thereof to be made; (c) to do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof and to duly observe and conform in all material respects to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its property; (d) promptly to pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its property; (e) promptly to pay or otherwise satisfy and discharge all of its obligations and indebtedness and all demands and claims against it as and when the same become due and payable; (f) subject to the specific agreements of the Lease Agreement regarding insurance in the case of the Facility, to keep its property insured in accordance with proper industry standards; (g) at all times

to comply in all material respects with all terms, covenants and provisions of any Liens at such time existing upon its property or any part thereof or securing any of its Indebtedness; (h) to procure and maintain all necessary licenses and rights, permits and other governmental approvals, all to the extent that the failure to do so would have a material adverse effect on the financial condition of the Lessee or the ability of the Lessee to perform its obligations under the Lease Agreement and each other Project Document to which the Lessee is a party; (i) to maintain its status as a Tax Exempt Organization and to take no action or suffer any action to be taken by others under its control which would result in the interest on any Bond becoming subject to federal income taxes; (j) in connection with the operation, maintenance, repair and replacement of the Lessee's property, to comply in all material respects with all applicable Federal, state and local ordinances, laws, rules, regulations and orders; (k) to cause its property and facilities to be in compliance in all material respects with all applicable Federal, state and local zoning, subdivision, building, land use, environmental and similar laws and ordinances; and (l) to pay and discharge at or before maturity (including any applicable extension or grace periods), all of its obligations and liabilities, including, without limitation, tax liabilities, except where the same may be contested in good faith and with due diligence, and maintain in accordance with GAAP appropriate reserves for the accrual of any of the same.

Scholarship Covenants and Representations. The Lessee represents that it is, and covenants that throughout the term of the Lease Agreement it will be, registered with the New York State Department of Education as an eligible education institution.

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 (as same may be amended or replaced 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 the Lease Agreement, a Sharing Plan shall continue to be in effect and shall be implemented.

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 (as same may be amended or replaced 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 throughout the term of the Lease Agreement, the Lessee shall either implement a Community Service Program, or it shall employ a staff member as aforesaid.

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

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 the Lease Agreement: (i) 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; (ii) 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 such scholarships in an amount equal to at least fifty percent (50%) of their tuition at the Facility; and (iii) 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.

Coverage Ratio Covenants. The Lessee covenants to set, charge and collect tuition, fees and charges and other amounts (i) to constitute Pledged Revenues sufficient to produce a Gross Revenues Coverage Ratio of 1.50 commencing with the Fiscal Year of the Lessee ending June 30, 2003, and in each Fiscal Year of the Lessee thereafter throughout the term of the Lease Agreement, and (ii) to constitute Net Revenues Available for Debt Service sufficient to produce a Net Revenues Available for Debt Service Coverage Ratio of 1.15 for the Fiscal Year of the Lessee ending June 30, 2004, of 1.20 for the Fiscal Year of the Lessee ending June 30, 2005, and of 1.25 for the Fiscal Year of the Lessee ending June 30, 2006 and for each Fiscal Year of the Lessee thereafter throughout the term of the Lease Agreement. The Lessee shall deliver to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider (and to the Agency, if requested by the Agency) within one hundred twenty (120) days after the end of each Fiscal Year of the Lessee, a certificate of the chief financial officer of the Lessee setting forth the Gross Revenues Coverage Ratio and the Net Revenues Available for Debt Service Coverage Ratio for the immediately preceding Fiscal Year of the Lessee, which calculation shall be verified as to mathematical accuracy in an accompanying report of the Independent Accountant.

In the event the Gross Revenues Coverage Ratio, calculated at the end of any Fiscal Year of the Lessee, is less than 1.50 (such Fiscal Year of the Lessee being referred to as the "Failed Gross Revenues Coverage Fiscal Year"), the Lessee shall, within thirty (30) days following such calculation, deliver prompt written notice thereof to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider and retain the Management Consultant to make written recommendations with respect to the operations of the Lessee to increase the Gross Revenues Coverage Ratio for the then current and the following Fiscal Years of the Lessee to at least 1.50. A copy of the written recommendations of the Management Consultant shall be filed with the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider within thirty (30) days after such Management Consultant is retained unless the Trustee extends, by prior written consent of the Credit Enhancers and the Majority Holders, the time within which such written recommendations must be so filed.

In the event the Net Revenues Available for Debt Service Coverage Ratio, calculated at the end of any Fiscal Year of the Lessee, is less than that required for such Fiscal Year in accordance with the first paragraph under this heading (such Fiscal Year of the Lessee being referred to as the "Failed Net Revenues Coverage Fiscal Year"), the Lessee shall, within thirty (30) days following such calculation, deliver prompt written notice thereof to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider and retain the Management Consultant to make written recommendations with respect to the operations of the Lessee to increase the Net Revenues Available for Debt Service Coverage Ratio for the then current and following Fiscal Years of the Lessee to that required for such Fiscal Year in accordance with the first paragraph under this heading. A copy of the written recommendations of the Management Consultant shall be filed with the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider within thirty (30) days after such Management Consultant is retained unless the Trustee

extends, by prior written consent of the Credit Enhancers and the Majority Holders, the time within which such written recommendations must be so filed.

The Lessee agrees that it will, to the extent permitted by applicable Legal Requirements, revise its tuition, fees, and charges, its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. The Lessee shall deliver to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider: (i) within thirty (30) days of receipt of such recommendations (y) a report setting forth in reasonable detail the steps the Lessee proposes to take to implement such recommendations, and (z) a certified copy of a resolution adopted by the Board of Trustees of the Lessee accepting the recommendations of the Management Consultant, and (ii) quarterly reports demonstrating the progress made by the Lessee in implementing the recommendations of the Management Consultant.

If the Lessee complies in all material respects with the recommendations of the Management Consultant, the Lessee will be deemed to have complied with the covenants contained in this heading for such Fiscal Year of the Lessee, notwithstanding that the Gross Revenues Coverage Ratio shall be less than 1.50 or the Net Revenues Available for Debt Service Coverage Ratio shall be less than that required for such Fiscal Year in accordance with the first paragraph under this heading; provided, however, that the Lessee will not be deemed to have complied with the covenant (y) contained in the first paragraph under this heading, and it shall be an Event of Default as provided in the Lease Agreement, for any Fiscal Year of the Lessee if the Gross Revenues Coverage Ratio is less than 1.10, or if for any two consecutive Fiscal Years of the Lessee following the Failed Gross Revenues Coverage Fiscal Year, the Gross Revenues Coverage Ratio is less than 1.50, and (z) contained in the first paragraph under this heading, and it shall be an Event of Default as provided in the Lease Agreement, for any Fiscal Year of the Lessee if the Net Revenues Available for Debt Service Coverage Ratio is less than 1.10 for any Fiscal Year of the Lessee ending June 30, 2004 or any Fiscal Year of the Lessee thereafter (provided, however, that with respect to the Fiscal Years of the Lessee ending June 30, 2004, June 30, 2005 and June 30, 2006, the Credit Enhancers shall have the right to waive the occurrence of any Event of Default for so long as the Net Revenues Available for Debt Service Coverage Ratio is not less than 1.00, and if less than 1.00, only the Directing Majority may waive any such Event of Default), or if for any two consecutive Fiscal Years of the Lessee following the Failed Net Revenues Coverage Fiscal Year, the Net Revenues Available for Debt Service Coverage Ratio shall be less than that required in accordance with clause (ii) in the first paragraph under this heading.

Unrestricted Liquid Funds to Debt Ratio. The Lessee shall maintain on each Unrestricted Liquid Funds Test Date the related ratio of Unrestricted Liquid Funds to Debt Ratio set forth below:

<u>Unrestricted Liquid Funds Test Date(s)</u>	<u>Unrestricted Liquid Funds to Debt Ratio</u>
December 31, 2002 and June 30, 2003	.01 to 1.0
December 31, 2003, June 30, 2004, December 31, 2004 and June 30, 2005	.30 to 1.0
December 31, 2005, June 30, 2006, December 31, 2006, June 30, 2007, December 31, 2007 and June 30, 2008	.35 to 1.0
December 31, 2008, June 30, 2009,	.40 to 1.0

December 31, 2009, June 30, 2010,
December 31, 2010 and June 30, 2011

December 31, 2011 and each Unrestricted .45 to 1.0
Liquid Funds Test Date thereafter

Limitation on Indebtedness. The Lessee shall not incur nor permit to exist any Indebtedness, except as follows:

(a) Indebtedness evidenced by the Project Documents or enumerated on the Schedule of Existing Indebtedness attached to the Appendices to the Lease Agreement;

(b) Indebtedness (which may be in the form of Additional Bonds) incurred up to \$3,500,000 to pay costs to complete the Project;

(c) Capitalized Leases and purchase money security interests provided that (y) no more than \$1,000,000 of all such Indebtedness in the aggregate is outstanding at any one time, and (z) no more than \$300,000 is payable in Annual Debt Service with respect to such aggregate Indebtedness;

(d) Short-Term Indebtedness (y) to the extent that such Indebtedness is unsecured, is not outstanding in an amount in excess of \$1,000,000 at any one time, and is reduced to an amount not greater than \$100,000 for at least thirty (30) consecutive days during each Fiscal Year of the Lessee, and (z) as otherwise permitted with the prior written consent of the Directing Majority;

(e) Indebtedness issued to refund Long-Term Indebtedness of the Lessee provided, that, (y) the Annual Debt Service paid by the Lessee in any Fiscal Year is not increased following the incurrence of such Indebtedness, and (z) the Lessee shall achieve present value savings in connection with such refunding, in each case as set forth in a certificate of the chief financial officer of the Lessee delivered to the Trustee; and

(f) any other Long-Term Indebtedness (the "Additional Indebtedness"), provided, that, the Lessee delivers to the Trustee, the Series A Bond Insurer and the Series B Credit Facility Provider: (i) a certificate of an Independent Accountant to the effect that (y) the actual Net Revenues Available for Debt Service of the Lessee for each of the three (3) most recent Fiscal Years of the Lessee are equal to at least 1.25 times the sum of Maximum Annual Debt Service on all Long-Term Indebtedness of the Lessee (including the Additional Indebtedness), plus the average annual interest on all Short-Term Indebtedness of the Lessee paid in each of the three (3) most recent Fiscal Years of the Lessee, and (z) projected Net Revenues Available for Debt Service of the Lessee for each of the three (3) Fiscal Years of the Lessee immediately succeeding the later of the date of the issuance or incurrence of the Additional Indebtedness or the end of the capitalized interest period, if applicable, are equal to at least 1.25 times Maximum Annual Debt Service on all Long-Term Indebtedness of the Lessee (including the Additional Indebtedness) plus the average annual interest on all Short-Term Indebtedness of the Lessee paid in each of the three (3) most recent Fiscal Years of the Lessee; and (ii) the written consent of the Series B Credit Facility Provider.

For the purposes of any calculations of Indebtedness under the preceding paragraph, the items in paragraphs (a) through (e) of this heading, inclusive, shall be included in any such computations.

Limitation on Disposition of Assets. Subject to the Lease Agreement, the Lessee shall not sell or dispose of any item of PP&E, unless (i) the item of PP&E is obsolete or worn out, (ii) the Lessee receives fair market value in exchange for such item of PP&E, or (iii) the fair market value of all items of PP&E disposed of in any Fiscal Year of the Lessee does not exceed five percent (5%) of the total fair market value of all PP&E of the Lessee for such Fiscal Year of the Lessee.

The Lessee shall not sell or otherwise dispose of any item of Unrestricted Liquid Funds, unless (i) the Lessee receives fair market value in exchange for such item of Unrestricted Liquid Funds, or (ii) the total fair market value of all Unrestricted Liquid Funds disposed of in any Fiscal Year of the Lessee does not exceed one percent (1%) of the total fair market value of all Unrestricted Liquid Funds of the Lessee as of the last day of the most recent Fiscal Year of the Lessee for which audited financial statements of the Lessee shall have been delivered to the Trustee in accordance with the Lease Agreement.

Notwithstanding the provisions above, the Lessee shall not sell, pledge, factor or otherwise dispose of any of its Accounts Receivables.

The Lessee shall not create, assume, incur or suffer to exist any Lien of any kind or nature whatsoever on its property wherever located and whether now owned or hereafter acquired by the Lessee other than Permitted Encumbrances.

Special Agreement with the Series A Bond Insurer. The Lessee agrees to pay or reimburse the Series A Bond Insurer any and all charges, fees, costs and expenses which the Series A Bond Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Series A Bond Insurance Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of any of the Project Documents including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Agency or the Lessee or any Affiliate thereof) relating to the Lease Agreement or any other Project Document, any party to the Lease Agreement or any other Project Document or the transaction contemplated by the Project Documents (the "Transaction"), (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Lease Agreement or any other Project Document, or the pursuit of any remedies under the Indenture or any other Project Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (iv) any amendment, waiver or other action with respect to, or related to, the Lease Agreement or any other Project Document whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Series A Bond Insurer spent in connection with the actions described in clauses (ii) - (iv) above; and the Series A Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Lease Agreement or any other Project Document.

In addition to any and all rights of reimbursement, subrogation and any other rights pursuant to the Lease Agreement or under law or in equity, the Lessee agrees to pay or reimburse the Series A Bond Insurer any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which the Series A Bond Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Series A Bond Insurer within the meaning of either Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934, may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection

with, in respect of or relating to the transactions contemplated by the Lease Agreement or any other Project Document by reason of: (i) any omission or action (other than of or by the Series A Bond Insurer) in connection with the offering, issuance, sale remarketing or delivery of the Bonds; (ii) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Agency or the Lessee in connection with any transaction arising from or relating to the Lease Agreement or any other Project Document; (iii) the violation by the Agency or the Lessee of any law, rule or regulation, or any judgment, order or decree applicable to it; (iv) the breach by the Agency or the Lessee of any representation, warranty or covenant under the Lease Agreement or any other Project Document or the occurrence, in respect of the Agency or the Lessee, under the Lease Agreement or any other Project Document of any “Event of Default” or any event which, with the giving of notice or lapse of time or both, would constitute any “Event of Default”; or (v) any untrue statement or alleged untrue statement of a material fact contained in any official statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement and furnished by the Series A Bond Insurer in writing expressly for use therein.

Special Operational Covenant. The Lessee covenants that, upon and with completion of the Project, it will operate and maintain the Facility as a school for pre-kindergarten through twelfth grade, which school is certified as a “Lycée” by the appropriate officials of the Republic of France, and to maintain such certification and status thereof throughout the term of the Lease Agreement. The Lessee shall make such certification and the status thereof available upon request by the Series A Bond Insurer, the Series B Credit Facility Provider, the Trustee or the Agency.

Plans of Reorganization. The Lessee shall effect no plan of reorganization or similar arrangement without the prior written consent of the Trustee (as directed by the Credit Enhancers and the Majority Holders).

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

(a) Failure of the Lessee to pay any rental that has become due and payable by the terms of the Lease Agreement as described (y) in the first paragraph under the heading “Rental Provisions with respect to the Series 2002 Bonds; Pledge of Lease Agreement and Rent” and the continuation of such failure for thirty (30) days, or (z) under the heading “Payment for Tendered Series B Bonds” above;

(b) Failure of the Lessee to pay any amount required of it under the Lease Agreement as described in the second paragraph under the heading “Rental Provisions with respect to the Series 2002 Bonds; Pledge of Lease Agreement and Rent”;

(c) Failure of the Lessee to pay any amount (except as set forth paragraph (a) above or (b) below) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under the Lease Agreement as described under the heading “Taxes, Assessments and Charges” or “Insurance” above and continuance of such default or failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nature of such default or failure from the Agency, the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding;

(d) Failure of the Lessee to observe and perform any covenant, condition or agreement under the Lease Agreement on its part to be performed (except as set forth in paragraph (a),

(b), (c), (g), (h), (i) or (j) under this heading) and (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 or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or (2) if by reason of the nature of such default or failure the same can be remedied, but not within such period of 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, or shall in any event fail to cure the same within ninety (90) days after receipt by the Lessee of such written notice.

(e) 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) take any action for the purpose of effecting any of the foregoing; or (vii) be adjudicated bankrupt or insolvent by any court;

(f) 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, (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 against the Lessee shall be entered and continue unstayed and in effect, for a period of ninety (90) days or (iv) the Lessee shall 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; the terms "dissolution" or "liquidation" of the Lessee as used above shall not be construed to prohibit any action otherwise permitted by the Lease Agreement as described under the heading "Restrictions on the Lessee" above;

(g) Failure of the Lessee to have a Gross Revenues Coverage Ratio of at least 1.10 for any Fiscal Year of the Lessee, or failure of the Lessee for any two (2) consecutive Fiscal Years of the Lessee following the Failed Gross Revenues Coverage Fiscal Year to meet the Gross Revenues Coverage Ratio of 1.50;

(h) Failure of the Lessee to have a Net Revenues Available for Debt Service Coverage Ratio of at least 1.10 for any Fiscal Year of the Lessee ending June 30, 2004 or any Fiscal Year of the Lessee thereafter (provided, however, that with respect to the Fiscal Years of the Lessee ending June 30, 2004, June 30, 2005 and June 30, 2006, the Credit Enhancers shall have the right to waive the occurrence of any Event of Default for so long as the Net Revenues Available for Debt Service Coverage Ratio is not less than 1.00, and if less than 1.00, only the Directing Majority may waive any such Event of Default), or failure of the Lessee for any two (2) consecutive Fiscal Years of the Lessee following the Failed Net Revenues Coverage Fiscal Year to meet the Net Revenues Available for Debt Service Coverage Ratio as required under the Lease Agreement as described under the heading "Coverage Ratio Covenants" above;

(i) Failure of the Lessee to maintain an Unrestricted Liquid Funds Test Date the applicable Unrestricted Liquid Funds to Debt Ratio, and the failure of the Lessee within thirty (30) days of the most recent Unrestricted Liquid Funds Test Date to achieve the Unrestricted Liquid Funds to Debt

Ratio required under the Lease Agreement for such immediately preceding Unrestricted Liquid Funds Test Date;

(j) Failure of the Lessee to observe the conditions, covenants and agreements set forth in the Lease Agreement as described under the heading “Coverage Ratio Covenants” or “Limitation on Indebtedness” above; provided, however, the Lessee shall not be deemed to have failed to observe the conditions, covenants and agreements set forth in the Lease Agreement as described under the heading “Limitation on Indebtedness” above if the basis for such failure shall have been the entering into of a term-out loan with the Series B Credit Facility Provider for the payment of Bank Bonds as provided in the Series B Reimbursement Agreement;

(k) Failure of the term of the Series B Letter of Credit to be renewed resulting in a mandatory tender of the Series B Bonds and for so long as and until, at any time during the 2 Year Standstill period (as defined in the Intercreditor Agreement), either all of the unremarketed Series B Bonds shall be successfully remarketed, or a Substitute Series B Letter of Credit or a Substitute Series B Credit Facility shall have been delivered in accordance with the requirements of the Indenture; or any or all of the Series B Bonds shall have been Bank Bonds for a period of six (6) months;

(l) Failure by the Lessee to satisfy any final judgment against the Lessee for the payment of money within sixty (60) days after the entry thereof if at the end of such sixty- (60) day period there shall be undischarged any final judgment or judgments against the Lessee for the payment of money which shall alone or in the aggregate exceed \$250,000 (a judgment not being final if any appeal or further proceedings relating thereto shall be pending and supersede as bond shall have been posted, or if the time within which any party may seek an appeal on further proceeding shall not have expired);

(m) Abandonment by the Lessee of the Facility;

(n) Any representation or warranty made (i) by or on behalf of the Lessee in the application, commitment letter and related materials submitted to the Agency or the underwriter of any of the Bonds for approval of the Project or its financing, or (ii) by the Lessee in the Lease Agreement or in any of the other Project Documents, or (iii) in any Letter of Representation and Indemnity Agreement delivered to the Agency, the Trustee and the underwriter of any of the Bonds, or (iv) in the Tax Regulatory Agreement, or (v) in any report, certificate, financial statement or other instrument furnished pursuant to the Lease Agreement or any of the foregoing, shall in any case prove to be false, misleading or incorrect in any material respect as of the date made; or

(o) An “Event of Default” under the Indenture or under any other Project Document shall occur and be continuing.

Remedies on Default. Whenever any Event of Default referred to in the heading above shall have occurred and be continuing, the Agency or the Trustee where so provided, may, take any one or more of the following remedial steps (subject, however, in all respects to the terms and provisions of the Intercreditor Agreement):

(a) The Trustee, as and to the extent provided in the Indenture, may cause all principal installments of rent payable under the Lease Agreement as described under the heading “Rental Provisions with respect to the Series 2002 Bonds; Pledge of Lease Agreement and Rent” above for the remainder of the term of the Lease Agreement as to any or all Series of Bonds to be immediately due and payable (which acceleration need not require, in the case of the Series A Bonds, the concurrent acceleration of the Series A Bonds), 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 paragraph (e) or (f) in the heading above, all principal installments of rent payable under the Lease Agreement as described under the heading “Rental Provisions with respect to the Series 2002 Bonds; Pledge of Lease Agreement and Rent” above for the remainder of the term of the Lease Agreement, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Agency, 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 delivered at the direction of the Majority Holders) or the Trustee (at the direction of the Majority Holders) may re-enter and take possession of the Facility without terminating the Lease 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 under the Lease Agreement;

(c) The Agency, with the prior written consent of the Trustee delivered at the direction of the Majority Holders, or the Trustee (at the written direction of the Majority Holders), may terminate the Lease Agreement, and exclude the Lessee from possession of the Facility, in which case the Lease Agreement and all of the estate, right, title and interest therein granted or vested in the Lessee shall cease and terminate. No such termination of the Lease Agreement shall relieve the Lessee of its liability and obligations thereunder and such liability and obligations shall survive any such termination;

(d) The Agency or the Trustee (at the written direction of the Majority Holders) 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 the Lease Agreement;

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

(f) The Agency, without the consent of the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider 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 and the Lessee appoints the Agency its true and lawful agent and attorney-in-fact (which appointment shall be deemed to be an agency coupled with an interest) with full power of substitution to file on its behalf all affidavits, questionnaires and other documentation necessary to accomplish such conveyance.

In the event that the Lessee fails to make any rental payment required in the Lease Agreements, 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 as described under this heading (including repossession of the Facility or termination of the Lease Agreement as described under this heading or by operation of law or otherwise) shall, except as expressly provided in the Lease Agreement, relieve the Lessee from the Lessee’s obligations thereunder, all of which shall survive any such action.

Reletting of Facility. If the right of the Lessee to the occupancy, use and possession of the Facility shall be terminated in any way, the Agency may relet the same or any part thereof for the account and benefit of the Lessee for such rental terms to such Persons and for such period or periods as

may be fixed and determined by the Agency after notice to and approval by the Trustee (at the written direction of the Majority Holders), but the Agency shall not unreasonably refuse to accept or receive any suitable occupant or tenant offered by the Lessee; provided that such occupant or tenant is not a Prohibited Person, and provided, further, that such reletting shall not adversely affect the tax-exempt status of the interest on the Bonds. The Agency and the Trustee shall not otherwise be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Lessee, and if a sufficient sum shall not be received from any reletting to satisfy the rental payments agreed to be made by the Lessee, after paying the expenses of reletting and collection, then the Lessee agrees to pay and satisfy any such deficiency if, as and when the same exists; provided, however, any excess rentals from any such reletting shall be credited to any rental due or to become due by the Lessee.

Remedies Cumulative. The rights and remedies of the Agency or the Trustee under the Lease Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency or the Trustee allowed by law with respect to any default under the Lease Agreement. Failure by the Agency or the Trustee to insist upon the strict performance of any of the covenants and agreements set forth in the Lease Agreement or to exercise any rights or remedies upon default by the Lessee thereunder 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 thereof, 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.

Remedies Under the Lease Agreement are Subject to the Intercreditor Agreement. Notwithstanding any other provision of the Lease Agreement to the contrary, all rights and remedies of the Trustee, the Series A Bond Insurer, the Series B Credit Facility Provider and the Bondholders under the Lease Agreement are subject to the terms and provisions of the Intercreditor Agreement and the provisions of the Indenture.

Options. The Lessee has the option to make advance rental payments to effect the retirement of the Bonds in whole or the redemption in whole or in part of the Bonds or any Series thereof, all in accordance with the terms of the Indenture, but subject to the provisions of the Lease Agreement; provided, however, that no partial redemption of the Bonds or any Series of Bonds may be effected through advance rental payments under the Lease Agreement if there shall exist and be continuing an Event of Default. 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 in accordance with the Indenture, with a copy to the Agency, the Series A Bond Insurer and the Series B Credit Facility Provider, setting forth (i) the amount of the advance rental payment, (ii) the Series of Bonds to be redeemed (subject to the provisions of the Lease Agreement), (iii) the principal amount of Bonds Outstanding of such Series 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 (iv) the date on which such principal amount of Bonds of such Series are to be redeemed. Such advance rental payment shall be paid to the Trustee in legal tender (and, with respect to the Series B Bonds, shall be effected through a draw by the Trustee on the Series B Letter of Credit) on or before the redemption date and shall be an amount which, when added to the amount on deposit in the related Bond Fund and available therefor (with respect to the Series B Bonds, when added to the amounts on deposit in the Redemption Account of the Reimbursement Fund and available therefor), will be sufficient to pay the Redemption Price of the Bonds of such Series to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Agency, the Bond Registrar, the Trustee, the Tender Agent, the Remarketing Agent and the Paying Agents in connection with such redemption; provided, however, no such redemption of the Series B Bonds shall be effected except from Priority Amounts. The Lessee

authorizes and directs the Trustee to draw moneys under the Series B Letter of Credit in an amount sufficient to redeem the principal amount of Series B Bonds requested to be redeemed, together with interest accrued and to accrue thereon to the date of 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 Series A Bond Insurer, the Series B Credit Facility Provider, the Trustee, the Tender Agent, the Remarketing Agent, the Bond Registrar and the Paying Agents, as the case may be, all fees and expenses owed such party or any other party entitled thereto under the Lease Agreement, the Indenture and each other Project Document together with (i) all other amounts due and payable under the Lease Agreement and the other Security Documents, and (ii) any amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Regulatory Agreement.

The Lessee shall have the option to terminate the Lease Agreement on any date during the term of the Lease Agreement by causing the redemption, purchase or defeasance in whole of all Outstanding Bonds in accordance with the terms set forth in the Indenture.

As a condition precedent to the termination of the Lease Agreement, pursuant to the paragraph above, the Lessee shall pay to the Trustee, in consideration thereof, in legal tender, advance rental payments (if payment in full of the principal or the Redemption Price of, and interest on, all the Outstanding Bonds, and the interest thereon at maturity or upon earlier redemption has not yet been made) (through causing a draw by the Trustee, with respect to the Series B Bonds, under the Series B Letter of Credit) equal to the sum of the following: (1) for deposit in the Bond Fund (Series A) and the Bond Fund (Series C), an amount which, when added to the amount on deposit in such Bond Funds and available therefor, will be sufficient to redeem, purchase or defease the Outstanding Series A Bonds and Series C 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 Series A Bonds and Series C Bonds; (2) for deposit in the Reimbursement Fund (Series B), an amount which will be sufficient to reimburse the Series B Credit Facility Provider for a draw on the Series B Letter of Credit to redeem, purchase or defease the Outstanding Series B 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 Series B Bonds; (3) expenses of redemption, the fees and expenses of the Agency, the Series A Bond Insurer, the Series B Credit Facility Provider, the Tender Agent, the Remarketing Agent and the Trustee and all other amounts due and payable under the Lease Agreement, the Indenture and each other Project Document on or before such date; (4) any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement; and (5) one dollar. The Lessee authorizes and directs the Trustee to draw moneys under the Letter of Credit in an amount sufficient to pay the principal of and interest on the Series B Bonds to maturity or the redemption date, as the case may be.

Upon such payment in full of the principal of and interest on the Outstanding Bonds (whether at maturity or earlier redemption) in accordance with the paragraph above, the Lessee may terminate the Lease Agreement by (1) delivering to the Agency 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 terminate the Lease Agreement which notice shall set forth a requested closing date for the termination of the Lease Agreement which shall be not later than sixty (60) days after the payment in full of the Bonds, and (2) paying on such closing date the fees and expenses of the Agency, the Trustee, the Tender Agent, the Paying Agent, the Remarketing Agent, the Series A Bond Insurer and the Series B Credit Facility Provider (including the reasonable fees and expenses of counsel) and all other amounts due and payable under the Lease Agreement, the Indenture and the other Project Documents.

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.

The Lessee shall not, at any time, assign or transfer its option to terminate the Lease Agreement as described under this heading separate and apart from a permitted assignment of the Lease Agreement pursuant thereto as described under the heading "Assignment or Sublease" below without the prior written consent of the Agency and the Trustee (at the direction of the Credit Enhancers and the Majority Holders).

Termination on Exercise of Option to Terminate. Upon termination of the Lease Agreement in accordance with the provisions as described in the heading above, the Agency will, upon payment of the consideration payable in accordance with the provisions as described in the heading above deliver or cause to be delivered to the Lessee a termination of the Lease Agreement in recordable form. Concurrently with the delivery of such termination documents, there shall be delivered by the Agency to the Trustee any instructions or other instruments required by the Indenture to defease and pay the Bonds.

Option to Purchase or Invite Tenders of Bonds. The Lessee shall have the option, at any time during the term of the Lease 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 (other than Series B Bonds tendered for purchase in accordance with the Indenture) 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.

Assignment or Sublease. The Lessee shall not at any time (i) assign or transfer the Lease Agreement or sublet the whole of the Facility, without the prior written consents of the Trustee (at the direction of the Credit Enhancers and the Majority Holders) and the Agency (which consents may be unreasonably withheld), or (ii) sublet the Facility in part without the prior written consent of the Trustee (at the direction of the Credit Enhancers and the Majority Holders) and the Agency (which consents may not be unreasonably withheld); provided further, that, in any event, (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 the Lease Agreement and of any other Project Document to which it shall be a party, (2) any assignee or transferee of the Lessee in whole of the Facility shall have assumed in writing and have agreed to keep and perform all of the terms of the Lease Agreement and each other Project Document 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 the Lease Agreement or of any other Project Document to which the Lessee shall be a party, nor impair or limit in any respect the obligations of any obligor under any other Project Document, (4) in the opinion of Nationally Recognized Bond Counsel, such assignment, transfer or sublease shall not cause interest on the Bonds to become includable in gross income for federal income tax purposes, (5) any assignee, transferee or sublessee shall utilize the Facility as a qualified "project" within the meaning of the Act, shall be a not-for-profit corporation constituting a Tax-Exempt Organization, and shall not be (nor shall any Affiliate of such assignee, transferee or sublessee be) a Prohibited Person, (6) such assignment, transfer or sublease shall not violate any provision of the Lease Agreement, the Indenture or any other Project Document, (7) 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

subleased by the Lessee, (8) such assignment, transfer or sublease shall in no way diminish or impair the Lessee's obligation to carry the insurance required under the Lease Agreement and the Lessee shall furnish written evidence satisfactory to the Agency and the Trustee (as directed by the Credit Enhancers and the Majority Holders) that such insurance coverage shall in no manner be limited by reason of such assignment, transfer or sublease, and (9) each such assignment, transfer or sublease contains such other provisions as the Agency or the Trustee (as directed by the Credit Enhancers and the Majority Holders) may reasonably require. The Lessee shall furnish or cause to be furnished to the Agency 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 or the Trustee (as directed by the Credit Enhancers and the Majority Holders) 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 and the Trustee (as directed by the Credit Enhancers and the Majority Holders) consent to any other or subsequent assignment, transfer or sublease, or as modifying or limiting the rights of the Agency or the Trustee under the foregoing covenant by the Lessee.

If the Facility or any part thereof 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 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 provided in the Lease Agreement, and no such collection shall be deemed a waiver of the covenant therein against assignment, transfer or sublease of the Lease 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 therein contained on the part of the Lessee.

Benefit of and Enforcement by Bondholders. The Agency and the Lessee agree that the Lease Agreement is executed in part to induce (i) the purchase by others of the Bonds, (ii) the issuance of the Series A Bond Insurance Policy by the Series A Bond Insurer, (iii) the issuance of the Series B Letter of Credit by the Series B Credit Facility Provider, and (iv) the further securing of the Bonds, and all covenants and agreements on the part of the Agency and the Lessee as set forth in the Lease Agreement are declared to be for the benefit of the Holders from time to time of the Bonds, the Series A Bond Insurer and the Series B Credit Facility Provider and may be enforced as provided in the Indenture on behalf of the Bondholders, the Series A Bond Insurer and the Series B Credit Facility Provider by the Trustee.

Investment of Funds. Any moneys held as part of any Fund or Account held under the Indenture or in any special fund provided for in the Lease Agreement or in the Indenture to be invested in the same manner as in any said Fund or Account shall, at the specific 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 Regulatory Agreement). Neither the Agency nor the Trustee nor any of their members, directors, officers, agents, servants or employees shall be liable for any depreciation in the value of any such investments or for any loss arising therefrom.

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

Summary of Certain Provisions of the Guaranty Agreement

The following is a summary of certain provisions of the Guaranty Agreement. This summary is qualified in its entirety by reference to the document itself.

Obligations Guaranteed. The Lessee unconditionally guarantees to the Trustee for the benefit of the Holders from time to time of the Series 2002 Bonds (1) the full and prompt payment of the principal of the Series 2002 Bonds (including Sinking Fund Installments therefor) and the indebtedness represented thereby, and the redemption premium, if any, on the Series 2002 Bonds when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise; (2) the Purchase Price of the Series B Bonds; and (3) the full and prompt payment of interest on the Series 2002 Bonds when and as the same shall become due and payable (the payments referred to in clauses (1), (2) and (3) above being collectively referred to as the “Guaranteed Obligations”). The Lessee further irrevocably and unconditionally agrees that upon any default in any of the Guaranteed Obligations, the Lessee will promptly pay the same. All payments by the Lessee shall be paid in lawful money of the United States of America. Each and every default in any of the Guaranteed Obligations shall give rise to a separate cause of action under the Guaranty Agreement, and separate suits may be brought thereunder as each cause of action arises.

The Lessee further agrees that the Guaranty Agreement constitutes an absolute, unconditional, present and continuing guarantee of payment and not of collection, and waives any right to require that any resort be had by the Trustee or the Holders of the Series 2002 Bonds to (1) any security held by or for the benefit of the Holders of the Series 2002 Bonds for any of the Guaranteed Obligations, (2) the Trustee’s or any Bondholder’s rights against any other Person, or (3) any other right or remedy available to the Trustee or any Holder of the Series 2002 Bonds by contract, applicable law or otherwise. The obligations of the Lessee under the Guaranty Agreement are direct, unconditional and completely independent of the obligations of any other Person, and a separate cause of action or separate causes of action may be brought and prosecuted against the Lessee without the necessity of joining the Agency or any other party or previously proceeding with or exhausting any other remedy against any other Person who might have become liable for any of the Guaranteed Obligations or of realizing upon any security held by or for the benefit of the Holders of the Series 2002 Bonds.

Reference is made to the defeasance provisions of the Indenture which provides that, subject to certain conditions, the Series 2002 Bonds may cease to be Outstanding prior to the date on which all of the Series 2002 Bonds have become due and payable if there shall be deposited with the Trustee moneys and/or Defeasance Obligations in an amount sufficient to pay the entire principal of, redemption premium, if any, and interest due and to become due on such Series 2002 Bonds on or prior to the maturity or redemption thereof. If any lien, encumbrance or charge based on any claim of any kind (including, without limitation, any claim for income, franchise or other taxes, whether Federal, state or otherwise but excluding any claim against any Bondholder) shall be asserted or filed against any moneys so deposited with the Trustee (or the income therefrom) so as to (i) interfere with the due application by the Trustee of such moneys to the payment of the Series 2002 Bonds pursuant to the applicable provisions of the Indenture, or (ii) subject the Holders of the Series 2002 Bonds to any obligation to refund any moneys applied to payment of the Series 2002 Bonds, then the Lessee promptly will take, or cause the taking of, such action (including, but not limited to, the payment of money) as may be necessary to prevent, or to nullify the cause or result of, such interference or such obligation, as the case may be.

The discharge of the lien and pledge of the Indenture prior to the date on which all Series 2002 Bonds have become due and payable shall not release the Lessee from its obligations under the Guaranty Agreement.

Obligations Unconditional. The obligations of the Lessee under the Guaranty Agreement shall be absolute and unconditional, and shall remain in full force and effect until the Guaranteed Obligations shall have been paid in full or provided for, and all costs, Trustee's fees and commissions and expenses, if any, referred to in the Guaranty Agreement shall have been paid in full, and, to the extent permitted by law, such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event, including, without limitation, those specified in the Guaranty Agreement.

Survival of Guaranteed Obligations. If the Trustee receives any payment on account of the Guaranteed Obligations, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be transferred or repaid to a trustee, receiver, assignee for the benefit of creditors or any other party under any bankruptcy act or code, state or Federal law or common law or equitable doctrine or for any other reason whatsoever, then to the extent of any sum not finally retained by the Trustee, the Guaranty Agreement shall remain in full force and effect until the Lessee shall have made payment to the Trustee of such sum, which payment shall be due on demand. If the Trustee chooses to contest any such matter, the Lessee agrees to indemnify and hold harmless the Trustee with respect to all costs (including court costs and reasonable attorneys' fees and expenses) of such litigation.

Waiver of Rights of Trustee. No payment by the Lessee under the Guaranty Agreement shall entitle the Lessee by subrogation to the rights of the Trustee to any payment by any other obligor or out of the property of any other obligor, except after payment and performance in full of the Guaranteed Obligations. The Lessee waives any benefit of, or any right to participation in, any security whatsoever now or hereafter held by the Trustee.

Remedies Subject to the Intercreditor Agreement. Notwithstanding any other provision of the Guaranty Agreement to the contrary, all rights and remedies of the Trustee under the Guaranty Agreement are subject to the terms and provisions of the Intercreditor Agreement and the Indenture.

Summary of Certain Provisions of the Pledge and Security Agreement

The following is a summary of certain provisions of the Pledge and Security Agreement. This summary is qualified in its entirety by reference to the document itself.

Pledge and Security Created. The Lessee represents that the Pledge and Security Agreement creates a pledge and security interest in the Pledged Collateral in favor of the Trustee as security for payment of the Obligations and is not prohibited by, and does not constitute a default under, any agreements constituting a part of the Pledged Collateral and no consent is required of any Person to effect such pledge and security interest. The pledge and security interest in the Pledged Revenues that are on deposit in the funds subject to the Control Agreements (Pledged Revenues) will be perfected upon the execution and delivery of such Control Agreements (Pledged Revenues). The pledge and security interest in the Pledged Revenues and the proceeds thereof will be perfected upon the filing of the Uniform Commercial Code financing statements. By the Closing Date, the Lessee will have filed all Uniform Commercial Code financing statements describing, and transferred such possession or control over, the Pledged Collateral, as may be necessary to establish and maintain such priority in each jurisdiction in which the Lessee is organized or the Pledged Collateral may be located or that may otherwise be applicable pursuant to Sections 9.301-9.306 of the Uniform Commercial Code of such jurisdiction. Under the laws of the State, the security interest granted by the Pledge and Security Agreement to secure the Obligations is and shall be prior to any judicial lien hereafter imposed on the Pledged Collateral to enforce a judgment against the Lessee on a simple contract.

Pledge of Pledged Collateral. As security for the prompt payment and performance of all of the Obligations, the Lessee pledges, assigns, hypothecates, bargains, sells, conveys, mortgages and grants to the Trustee a security interest in and general lien upon all of the right, title and interest of the Lessee in and to the following (collectively referred to as the “Pledged Collateral”):

- (i) all Pledged Revenues;
- (ii) all claims and causes of action arising from or otherwise related to any of the foregoing, and all rights and judgments related to any legal actions in connection with such claims or causes of action, and all cash (or evidences of cash or of rights to cash) or other property or rights thereto relating to such claims or causes of action; and
- (iii) all proceeds of any of the above.

The Pledge and Security Agreement shall also be, and be construed as, a security agreement with respect to any of the properties or interests described in the Pledge and Security Agreement characterized by law as items of personal property, of whatever nature, including proceeds thereof. The Lessee shall use its best efforts to obtain all consents or waivers from any party to any agreement or other instrument constituting part of the Pledged Collateral to the extent necessary to enable the Lessee to grant the pledge and lien under the Pledge and Security Agreement with respect to the Pledged Collateral without being in breach of or in default under any of the agreements included in the Pledged Collateral or any agreement to which the Lessee is a party relating to any of the Pledged Collateral. Nothing in the Pledge and Security Agreement shall be deemed to effect any assignment or release of liability of the Lessee under any of the agreements referred to above. The Lessee will deliver to the Trustee executed counterparts (or, if not available, copies of executed documents) of each contract or agreement constituting part of the Pledged Collateral promptly after each such contract or agreement has been executed. So long as any Obligations shall remain unpaid, the Trustee, on behalf of the Holders of

the Series 2002 Bonds and the Credit Enhancers, shall have all of the rights of a secured party under the Uniform Commercial Code of the State (as said law may at any time be amended) or other applicable law, and in addition thereto the rights and remedies provided for in the Pledge and Security Agreement and in the other Security Documents. The Lessee agrees that it will join with the Trustee in executing and, at the expense of the Lessee, filing or recording, such notices, financing statements and other documents, in form and substance satisfactory to the Trustee, as is necessary for the perfection of the security interest and lien of the Trustee under the Pledge and Security Agreement, and will execute and deliver to the Trustee such additional agreements, instruments and other documents, in form satisfactory to the Trustee and do such further acts and things of any nature as may be required to carry out the purposes as described in this paragraph. Except as and to the extent permitted under any of the other Security Documents, the Lessee will not pledge or encumber the Pledged Collateral, or any portion thereof, to secure any Indebtedness of the Lessee or to secure any payment constituting the deferred purchase price of property, and will otherwise keep the Pledged Collateral free of all Liens other than Permitted Encumbrances and the security interest granted by the Pledge and Security Agreement. The Lessee will apply any amounts comprising the Pledged Collateral as directed by the Trustee (at the written direction of the Majority Holders) in accordance with the Intercreditor Agreement.

Until the occurrence of an Event of Default, the Lessee may otherwise freely dispose of, but shall not pledge or encumber, amounts comprising Pledged Revenues. The Lessee irrevocably constitutes and appoints the Trustee as its true and lawful agent and attorney-in-fact, with full power (i) to take possession of and endorse in the name of the Lessee any notes, checks, drafts, bills of exchange, money orders, commercial paper of any kind, and any other documents received in payment of the Pledged Collateral, or any part thereof; (ii) to collect, sue for and give acquittances for, moneys due on account of the Pledged Collateral; (iii) to withdraw any claims, suits or proceedings pertaining to, or arising out of the assignment of, the Pledged Collateral, (iv) to take any and all such action as the Trustee or any of its agents, nominees or attorneys may, in its or their sole and absolute discretion, reasonably determine as necessary or advisable for the purpose of maintaining, preserving or protecting the security constituted by the Pledge and Security Agreement or any of the rights, remedies, powers or privileges of the Trustee under the Pledge and Security Agreement; (v) generally, in the name of the Lessee to exercise all or any of the powers, authorities and discretions, conferred on or reserved to the Trustee by or pursuant to the Pledge and Security Agreement, and (without prejudice to the generality of any of the foregoing) to seal and deliver or otherwise perfect any deed, assurance, agreement, instrument or act as the Trustee may deem proper in or for the purpose of exercising any of such powers, authorities or discretions, in each case. The Lessee ratifies and confirms, and y agrees to ratify and confirm, whatever lawful acts the Trustee or any of the Trustee's agents, nominees or attorneys shall do or purport to do in the exercise of the power of attorney granted to the Trustee pursuant to the Pledge and Security Agreement as described in this paragraph which power of attorney, being given for security, is irrevocable.

Control Agreement (Pledged Revenues). The Lessee has subjected each account at which any or all of the Pledged Collateral are located to a Control Agreement (Pledged Revenues). The Lessee will deposit all Pledged Collateral (other than any Pledged Revenues (y) not susceptible for deposit in an account, or (z) required to be deposited into the Unrestricted Investments Fund) into an account that is subject to a Control Agreement (Pledged Revenues) promptly upon receipt of such Pledged Collateral; provided, however, that any Pledged Revenues not intended by the Lessee for current year's operating expenses shall be deposited by the Lessee into the Unrestricted Investments Fund. Prior to transferring all or any portion of the Pledged Collateral to a new account, or establishing a new account for any or all of the Pledged Collateral, the Lessee shall cause the depository of such new account to execute a Control Agreement (Pledged Revenues) in substantially the same form as the Control Agreement (Pledged Revenues) delivered on the Closing Date or such other form as may be otherwise acceptable to the Credit Enhancers and the Trustee. Prior to the execution of such new Control

Agreement (Pledged Revenues), the Lessee shall deliver to the Trustee an Opinion of Counsel addressed to the Trustee to the effect that (y) the Trustee has a perfected security interest in the Pledged Collateral, and (2) such perfected security interest will not be set aside as a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Lessee. Further, in the event that any depository of an account that is subject to a Control Agreement (Pledged Revenues) shall terminate either such account or the related Control Agreement (Pledged Revenues), the Lessee shall transfer all Pledged Revenues within such account to a new account held by such depository which shall be subject to a Control Agreement (Pledged Revenues), or to another depository subject again to a Control Agreement (Pledged Revenues), in each case upon compliance with the two preceding sentences.

No Liens. The Lessee is, and as to Pledged Collateral acquired by it from time to time after the Closing Date the Lessee will be, the owner of all Pledged Collateral free from any liens (other than liens created by the Pledge and Security Agreement and other Permitted Encumbrances); and the Lessee shall defend the Pledged Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein, in any case, inconsistent with the foregoing warranty of the Lessee.

Other Financing Statements. So long as any of the Obligations remain unpaid, the Lessee will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Pledged Collateral, except financing statements filed or to be filed in respect of and covering the liens and security interests granted pursuant to the Pledge and Security Agreement and the other Security Documents or in respect of other Permitted Encumbrances.

Delivery of Records. After the occurrence and during the continuance of an Event of Default, if requested by the Trustee (at the written direction of the Credit Enhancers and the Majority Holders), the Lessee shall deliver to the Trustee all such tangible evidence of the receivables and contract rights that constitute Pledged Collateral (including, without limitation, originals or copies, of all documents evidencing the same) as are then in the possession of, or in the books and records of, the Lessee.

Direction to Account Debtors; Contracting Parties, etc. After the occurrence and during the continuance of an Event of Default, if requested by the Trustee, the Lessee shall (a) cause all payments that constitute Pledged Collateral and all proceeds of any Pledged Collateral or other payments payable to the Lessee under or in respect of the Pledged Collateral, to the extent permitted by law, to be made directly to the Trustee or its designee, and (b) notify (and the Lessee agrees that the Trustee may, at its option, notify) any obligors with respect to any of the foregoing to make payments with respect thereto as provided in the preceding clause (a). Without notice to or assent by the Lessee, the Trustee may, after the occurrence and during the continuance of an Event of Default, (i) enforce any receivable or contract that constitutes Pledged Collateral against the other party or parties thereto on behalf of the Lessee, and (ii) collect all payments on account of the receivables and the contracts that constitute Pledged Collateral and collect and/or enforce all other payments payable to the Lessee under or in respect of the Pledged Collateral. The Lessee authorizes and directs any party to any receivable or contract that constitutes Pledged Collateral and any obligor with respect to payments payable to the Lessee under or in respect of the Pledged Collateral to comply with any notice given by the Trustee and to recognize any action taken by the Trustee, in each case, as described in this paragraph.

Investment of the Pledged Collateral. The Lessee shall invest amounts constituting Pledged Collateral only in Qualified Investments and such other investments as shall be approved by the Trustee (at the direction of the Credit Enhancers).

Events of Default. An “Event of Default” shall exist if any of the following occurs and is continuing:

(a) the Lessee fails to observe and perform any covenant, condition or agreement of the Pledge and Security Agreement and (i) continuance of such default or failure for more than thirty (30) days after written notice of such default or failure has been given to the Lessee by the Trustee, or (ii) if by reason of the nature of such default or failure 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, or shall in any event fail to cure the same within ninety (90) days after receipt by the Lessee of such written notice;

(b) any warranty, representation or other statement made or given by or on behalf of the Lessee in the Pledge and Security Agreement is false, misleading or incorrect in any material respect as of the date made; or

(c) an Event of Default under any other of the Project Documents shall occur and be continuing.

Upon an Event of Default the Trustee shall have the right to proceed first and directly against the Lessee under the Pledge and Security Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any security held by the Trustee or by any obligor under any of the Security Documents. All moneys recovered by the Trustee pursuant to the Pledge and Security Agreement shall be applied in accordance with the Intercreditor Agreement if then in effect, or if not, deposited in accordance with of the Indenture and used and applied in accordance therewith.

The Trustee shall be under no obligation to institute any suit or to take any remedial action under the Pledge and Security Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under the Pledge and Security Agreement, until it shall be indemnified to its satisfaction against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its gross negligence or willful misconduct.

Remedies; Obtaining the Pledged Collateral Upon Default. Upon the occurrence and during the continuance of an Event of Default, the Trustee, in addition to any rights now or hereafter existing under applicable law or in equity, shall have all rights of a secured creditor under the Uniform Commercial Code as in effect in all relevant jurisdictions, including, without limitation, the right to:

(a) personally, or by agents or attorneys, immediately take or retake possession of the Pledged Collateral or any part thereof, from the Lessee or any other Person who then has possession of any part thereof, and for that purpose may enter upon the Lessee’s premises where any of the Pledged Collateral is located and remove the same and, in connection with such removal, may use any and all services, supplies, aids and other facilities of the Lessee;

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, any contract and any receivable) constituting Pledged Collateral to render any performance or to make any payment required by the terms of such instrument or agreement directly to the Trustee or its designee;

(c) sell, assign or otherwise liquidate, or direct the Lessee to sell, assign or otherwise liquidate any or all of the Pledged Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation;

(d) take possession of such portions of the Pledged Collateral as may be moveable or any part thereof, by directing the Lessee in writing to deliver the same to the Trustee at any place or places designated by the Trustee, in which event the Lessee shall at its own expense: (i) forthwith cause the same to be moved to the place or places so designated by the Trustee and there delivered to the Trustee, (ii) store and keep any Pledged Collateral so delivered to the Trustee at such place or places pending further action by the Trustee as provided in the Pledge and Security Agreement as described in under the heading "Remedies; Disposition of the Pledged Collateral" below, and (iii) while the Pledged Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain the Pledged Collateral in good condition;

(e) during normal business hours enter upon the property of the Lessee and examine and make copies of the financial books and records of the Lessee relating to the Pledged Collateral and take possession of all instruments, chattel paper, checks or other orders for payment of money and moneys in the possession of the Lessee representing Pledged Collateral or proceeds thereof; provided that the Trustee shall thereafter promptly provide to the Lessee a list of all such items taken;

(f) notify any account debtors obligated on any Pledged Collateral to make payments directly to the Trustee and of the amount to be so paid; provided, however, that written notice of such notification shall be mailed to the Lessee five (5) days prior to mailing or otherwise making such notification to account debtors and that, immediately upon receipt of such notice, the Lessee shall deliver to the Trustee the name, address and telephone and facsimile numbers and any other contact information for each of its account debtors, together with information with respect to its efforts to enforce and collect Pledged Collateral owing from each such debtor, and shall thereupon cease all such efforts; and provided further that until the Lessee shall receive such notice it shall have the full authority and responsibility to enforce, collect and settle Pledged Collateral owing from its account debtors;

(g) following the above-mentioned notification to account debtors, collect, or, in good faith, compromise, settle, compound or extend amounts payable as Pledged Collateral which are in the form of accounts receivable or contract rights from the Lessee's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Lessee whether or not the full amount of any such account receivable or contract right owing shall be paid to the Trustee; provided that the Trustee shall, promptly after each such action, provide notice to the Lessee of such action taken in sufficient detail for the Lessee to track and document the Pledged Collateral affected;

(h) by written notice to the Lessee, forbid the Lessee to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Collateral, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or to allow any credit or discount thereon; and

(i) by prior written notice to the Lessee, endorse in the name of the Lessee any checks or other orders for the payment of money representing any unpaid assigned Pledged Collateral or the proceeds thereof.

It is understood that the Lessee's obligation so to deliver the moveable Pledged Collateral is of the essence of the Pledge and Security Agreement and that, accordingly, upon application to a court

of equity having jurisdiction, the Trustee shall be entitled to a decree requiring specific performance by the Lessee of said obligation.

Remedies; Disposition of the Pledged Collateral. Upon the occurrence and during the continuance of an Event of Default, any Pledged Collateral repossessed by or transferred to the Trustee under or pursuant to Pledge and Security Agreement as described under the provisions in the heading above and any other Pledged Collateral whether or not so repossessed by the Trustee, may be sold, assigned, leased or otherwise disposed of (at the expense of the Lessee) under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, at public or private sale, and in general in such manner, at such time or times, at such place or places and on such terms as may be commercially reasonable. Any of the Pledged Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Trustee or after any overhaul or repair which may be commercially reasonable. Any such disposition which shall be a private sale shall be made upon not fewer than ten (10) days' written notice to the Lessee specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor (which notice the Lessee agrees is commercially reasonable). Any such disposition which shall be a public sale shall be made upon not fewer than ten (10) days written notice to the Lessee specifying the time and place of such sale (which notice the Lessee agrees is commercially reasonable) and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Trustee's option, be subject to reserve), after publication of notice of such auction not less than ten (10) days prior thereto in one newspaper in general circulation in The City of New York. To the extent permitted by applicable law, the Trustee may bid for and become the purchaser of the Pledged Collateral or any item thereof, offered for sale in accordance with the Pledge and Security Agreement as described in this heading without accountability to the Lessee (except to the extent provided in the Pledge and Security Agreement as described in the provisions under the heading "Application of Proceeds" below.

Waiver of Claims. Upon the occurrence and during the continuance of an Event of Default, then, to the extent permitted by applicable law, the Lessee waives all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law that may prevent or delay the enforcement of the Pledge and Security Agreement or the absolute sale of the Pledged Collateral or any portion thereof and all benefit of all laws relating thereto.

Effect of Realization. Any sale of, or any other realization upon, any Pledged Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Lessee therein and thereto, and shall be a perpetual bar both at law and in equity against the Lessee and against any and all Persons claiming or attempting to claim the Pledged Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Lessee.

Application of Proceeds. All the proceeds of any Pledged Collateral and any other amounts received or realized by the Trustee by reason of the exercise by the Trustee of any right or remedy with respect to the Pledged Collateral shall be applied in accordance with, and in the manner set forth in, the Intercreditor Agreement if then in effect, or if not, the Indenture. The Lessee shall remain liable to the extent of any deficiency between the aggregate amount so received or realized by the Trustee and the aggregate amount of the Obligations.

Remedies Cumulative; No Waiver of Remedies. Each and every right, power and remedy specifically given to the Trustee by the Pledge and Security Agreement shall be in addition to every other right, power and remedy specifically given thereunder or under the other Security Documents or now or hereafter existing at law or in equity, and each and every right, power and remedy whether specifically given in the Pledge and Security Agreement or otherwise existing may be exercised from

time to time or simultaneously and as often and in such order as may be deemed expedient by the Trustee. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Trustee in the exercise of any right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy. In the event that the Trustee shall bring any suit to enforce any of its rights under the Pledge and Security Agreement and shall be entitled to judgment, then in such suit the Trustee may recover reasonable expenses, including reasonable attorneys' fees, and the amounts thereof shall be included in such judgment.

No delay on the part of the Trustee in exercising any of its rights, remedies, powers and privileges under the Pledge and Security Agreement, and no partial or single exercise thereof, shall constitute a waiver thereof. No notice to or demand on the Lessee in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Trustee to any other or further action in any circumstances without notice or demand.

To the extent permitted by applicable law, the lien and security interest of the Trustee in the Pledged Collateral and the obligations of the Lessee under the Pledge and Security Agreement shall remain in full force and effect without regard to, and shall not be impaired by, (i) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of the Pledge and Security Agreement or any other Project Document (except as may be otherwise specifically agreed in writing by the Trustee); or (ii) any amendment to or modification of any Project Document or any security for any of the Obligations; whether or not the Lessee shall have notice or knowledge of any of the foregoing.

Discontinuance of Proceedings. In case the Trustee shall have instituted any proceeding to enforce any right, power or remedy under the Pledge and Security Agreement by foreclosure, sale, entry or otherwise, and such proceeding 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 Lessee and the Trustee shall, subject to any binding decision by a court of competent jurisdiction, be restored to their former positions and rights under the Pledge and Security Agreement with respect to the Pledged Collateral, and all rights, remedies and powers of the Trustee shall continue as if no such proceeding had been instituted.

Limitation on the Trustee's Duty in Respect of the Pledged Collateral. The Trustee shall not have any duty as to any Pledged Collateral in its possession or control or in the possession or control of any agent or nominee of it or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto, except that the Trustee shall use reasonable care with respect to the Pledged Collateral in its possession or under its control; provided, however, that the Trustee shall only be responsible for its gross negligence or willful misconduct. Upon written request of the Lessee, the Trustee shall account promptly for any moneys received by it in respect of any foreclosure on or disposition of the Pledged Collateral.

Waiver of Rights of Trustee. No payment under the Pledge and Security Agreement by the Lessee shall entitle the Lessee by subrogation to the rights of the Trustee to any payment by any other obligor or out of the property of any other obligor, except after payment and performance in full of the Obligations. The Lessee waives any benefit of, or any right to participation in, any security whatsoever now or hereafter held by the Trustee.

No Waiver or Set-Off. No act or commission or omission of any kind or at any time upon the part of the Trustee in respect of any matter whatsoever shall in any way impair the rights of the

Trustee to enforce any right, power or benefit under the Pledge and Security Agreement and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Lessee of its obligations under the Pledge and Security Agreement), which the Lessee or any other obligor under any of the Security Documents has or may have against the Trustee or any other Person shall be available under the Pledge and Security Agreement to the Lessee.

Remedies Under the Pledge and Security Agreement are Subject to the Intercreditor Agreement. Notwithstanding any other provision of the Pledge and Security Agreement to the contrary, all rights and remedies of the Trustee under the Pledge and Security Agreement are subject to the terms and provisions of the Intercreditor Agreement and of the Indenture.

Summary of Certain Provisions of the Contingent Pledge Agreement

The following is a summary of certain provisions of the Contingent Pledge Agreement. This summary is qualified in its entirety by reference to the document itself.

Pledge and Security Interest Created. The Lessee represents that the Contingent Pledge Agreement will create, on the Attachment Date, a pledge and security interest in the Contingent Collateral in favor of the Trustee as security for the Obligations and is not prohibited by, and does not constitute a default under, any agreements constituting a part of the Contingent Collateral and no consent is required of any Person to effect such pledge and security interest. Such pledge and security interest in the Contingent Collateral will be perfected after the Attachment Date pursuant to the Contingent Control Agreements (Unrestricted Investments Fund).

Pledge of Contingent Collateral. As security for the prompt payment and performance of all of the Obligations, the Lessee pledges, assigns, hypothecates, bargains, sells, conveys, mortgages and grants to the Trustee a contingent pledge, contingent security interest in and contingent general lien upon all of the right, title and interest of the Lessee in and to the following (collectively referred to as the "Contingent Collateral"):

- (i) the Unrestricted Investments Fund;
- (ii) all cash and investment property within the Unrestricted Investments Fund; and
- (iii) all proceeds of any of the above,

provided, however, the pledge, security interest and general lien upon the Contingent Collateral shall not vest or attach to the Contingent Collateral on the Closing Date but shall instead only vest or attach on the Attachment Date and shall continue only through the Attachment Period. The Lessee shall not mortgage, pledge or encumber the Contingent Collateral at any time during the term of the Contingent Pledge Agreement except in favor of the Trustee during the Attachment Period. Notwithstanding the foregoing limitation on mortgaging, pledging and encumbering the Contingent Collateral, at any time other than during the Attachment Period, the Lessee may freely and without restriction expend or apply any amounts comprising the Contingent Collateral for any of its corporate purposes, without limitation as to amount or purpose, and such expenditures shall be free and clear of any liens and encumbrances by virtue of the contingent pledge granted under the Contingent Pledge Agreement.

The Contingent Pledge Agreement shall also be, and be construed as, during the Attachment Period, a security agreement with respect to any of the properties or interests described in the Contingent Pledge Agreement characterized by law as items of personal property, of whatever nature, including proceeds thereof. So long as any Obligations shall remain unpaid, the Trustee, on behalf of the Holders of the Series 2002 Bonds and the Credit Enhancers, during the Attachment Period, shall have all of the rights of a secured party under the Uniform Commercial Code of the State (as said law may at any time be amended) or other applicable law, and in addition thereto the rights and remedies provided for in the Contingent Pledge Agreement and in the other Security Documents. The Lessee agrees that, during the Attachment Period, it will join with the Trustee in executing and, at the expense of the Lessee, filing or recording, such notices, financing statements and other documents, in form and substance satisfactory to the Trustee, as is necessary for the perfection of the security interest and lien of the Trustee under the Contingent Pledge Agreement, and will execute and deliver to the Trustee such additional agreements, instruments and other documents, in form satisfactory to the Trustee and do such further acts and things

of any nature as may be required to carry out the purposes of the Contingent Pledge Agreement as described under this heading. During the Attachment Period, and except as and to the extent permitted under any of the other Security Documents, the Lessee will not pledge or encumber the Contingent Collateral, or any portion thereof, to secure any Indebtedness of the Lessee or to secure any payment constituting the deferred purchase price of property, and will otherwise keep the Contingent Collateral free of all Liens other than Permitted Encumbrances and the security interest granted by the Contingent Pledge Agreement. The Lessee will apply any amounts comprising the Contingent Collateral as directed by the Trustee (at the written direction of the Majority Holders) in accordance with the Intercreditor Agreement.

Until the occurrence of an Attachment Event, the Lessee may otherwise freely dispose of amounts comprising the Unrestricted Investments Fund, subject, however, to the covenants of the Lessee set forth in the penultimate sentence of the first paragraph under this heading. Effective on and throughout the Attachment Period, the Lessee irrevocably constitutes and appoints the Trustee as its true and lawful agent and attorney-in-fact, with full power (i) to take possession of and endorse in the name of the Lessee any notes, checks, drafts, bills of exchange, money orders, commercial paper of any kind, and any other documents received in payment of the Contingent Collateral, or any part thereof; (ii) to collect, sue for and give acquittances for, moneys due on account of the Contingent Collateral; (iii) to withdraw any claims, suits or proceedings pertaining to, or arising out of the assignment of, the Contingent Collateral, (iv) to take any and all such action as the Trustee or any of its agents, nominees or attorneys may, in its or their sole and absolute discretion, reasonably determine as necessary or advisable for the purpose of maintaining, preserving or protecting the security constituted by the Contingent Pledge Agreement or any of the rights, remedies, powers or privileges of the Trustee under the Contingent Pledge Agreement; (v) generally, in the name of the Lessee to exercise all or any of the powers, authorities and discretions, conferred on or reserved to the Trustee by or pursuant to the Contingent Pledge Agreement, and (without prejudice to the generality of any of the foregoing) to seal and deliver or otherwise perfect any deed, assurance, agreement, instrument or act as the Trustee may deem proper in or for the purpose of exercising any of such powers, authorities or discretions, in each case. The Lessee ratifies and confirms, and agrees to ratify and confirm, whatever lawful acts the Trustee or any of the Trustee's agents, nominees or attorneys shall do or purport to do in the exercise of the power of attorney granted to the Trustee as described in this paragraph which power of attorney, being given for security, is irrevocable.

The Lessee covenants that it shall neither take nor suffer to be taken any action described below within ninety (90) days of the occurrence of an Attachment Event: (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) take any action for the purpose of effecting any of the foregoing; or (vii) be adjudicated bankrupt or insolvent by any court.

Establishment of Unrestricted Investments Fund. The Lessee has established and shall maintain throughout the term of the Contingent Pledge Agreement the Unrestricted Investments Fund and has caused there to be executed by each depository at which accounts comprising all or part of the Contingent Collateral are located, a Contingent Control Agreement (Unrestricted Investments Fund). The Lessee will deposit all amounts comprising part of the Unrestricted Investments Fund into an account that is subject to a Contingent Control Agreement (Unrestricted Investments Fund) promptly upon receipt of such amounts. Prior to transferring all or any portion of the Contingent Collateral to any new account, or establishing a new account for any or all of the Contingent Collateral, the Lessee shall cause the

depository of such new account to execute a Contingent Control Agreement (Unrestricted Investments Fund) in substantially the same form as the Contingent Control Agreement (Unrestricted Investments Fund) delivered on the Closing Date or such other form as may be otherwise acceptable to the Credit Enhancers and the Trustee. Prior to the execution of such new Contingent Control Agreement (Unrestricted Investments Fund), the Lessee shall deliver to the Trustee an Opinion of Counsel addressed to the Trustee to the effect that (y) during the Attachment Period, the Trustee will have a perfected security interest in the Unrestricted Investments Fund, and (z) such perfected security interest will not be set aside as a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Lessee. Further, in the event that any depository of an account that is subject to a Contingent Control Agreement (Unrestricted Investments Fund) shall terminate either such account or the related Contingent Control Agreement (Unrestricted Investments Fund), the Lessee shall transfer all the Unrestricted Investments Fund within such account to a new account held by such depository which shall be subject to a Contingent Control Agreement (Unrestricted Investments Fund), or to another depository subject again to a Contingent Control Agreement (Unrestricted Investments Fund), in each case upon compliance with the two preceding sentences.

No Liens. The Lessee is the owner of all Contingent Collateral free from any Liens (other than the Liens created by the Contingent Pledge Agreement and Permitted Encumbrances), and shall defend the Contingent Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein, in any case, inconsistent with the foregoing warranty of the Lessee.

Other Financing Statements. So long as any of the Obligations remain unpaid, and effective on and throughout the Attachment Period, the Lessee will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Contingent Collateral, except financing statements filed or to be filed in respect of and covering the liens and security interests granted pursuant to the Contingent Pledge Agreement and the other Security Documents or in respect of other Permitted Encumbrances.

Delivery of Records. After the occurrence and during the continuance of an Event of Default, if requested by the Trustee (at the written direction of the Credit Enhancers and the Majority Holders), the Lessee shall deliver to the Trustee all such tangible evidence of the receivables and contract rights that constitute Contingent Collateral (including, without limitation, originals or copies, of all documents evidencing the same) as are then in the possession of, or in the books and records of, the Lessee.

Direction to Account Debtors; Contracting Parties, etc. After the occurrence and during the continuance of an Event of Default, if requested by the Trustee, the Lessee shall (a) cause all payments that constitute Contingent Collateral and all proceeds of any Contingent Collateral or other payments payable to the Lessee under or in respect of the Contingent Collateral, to the extent permitted by law, to be made directly to the Trustee or its designee, and (b) notify (and the Lessee agrees that the Trustee may, at its option, notify) any obligors with respect to any of the foregoing to make payments with respect thereto as provided in the preceding clause (a). Without notice to or assent by the Lessee, the Trustee may, after the occurrence and during the continuance of an Event of Default, (i) enforce any receivable or contract that constitutes Contingent Collateral against the other party or parties thereto on behalf of the Lessee, and (ii) collect all payments on account of the receivables and the contracts that constitute Contingent Collateral and collect and/or enforce all other payments payable to the Lessee under or in respect of the Contingent Collateral. Effective on and throughout the Attachment Period the Lessee authorizes and directs any party to any receivable or contract that constitutes Contingent Collateral and any obligor with respect to payments payable to the Lessee under or in respect of the Contingent Collateral to comply with any notice given by the Trustee and to recognize any action taken by the

Trustee, in each case, in accordance with the Contingent Pledge Agreement as described under the heading “Direction to Account Debtors; Contracting Parties, etc.” below.

Investment and Disposition of the Unrestricted Investments Fund. Effective on and throughout the Attachment Period, the Lessee shall invest amounts held in the Unrestricted Investments Fund only in Qualified Investments and such other investments as shall be consistent with an investment policy therefor adopted by the Board of Trustees of the Lessee and approved by the Trustee (at the direction of the Credit Enhancers); provided, however, that the Yield on any investment of amounts held in the Unrestricted Investments Fund during the Attachment Period shall not exceed the Yield on the Series 2002 Bonds, or, if the same shall exceed such Yield, invested such that, in the opinion of Nationally Recognized Bond Counsel, such investment shall not cause the interest on the Series 2002 Bonds to become includable in gross income for Federal income tax purposes.

Events of Default. An “Event of Default” shall exist if any of the following occurs and is continuing:

(a) the Lessee fails to observe and perform any covenant, condition or agreement of the Contingent Pledge Agreement and (i) continuance of such default or failure for more than thirty (30) days after written notice of such default or failure has been given to the Lessee by the Trustee, or (ii) if by reason of the nature of such default or failure 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, or shall in any event fail to cure the same within ninety (90) days after receipt by the Lessee of such written notice;

(b) any warranty, representation or other statement made or given by or on behalf of the Lessee in the Contingent Pledge Agreement is false, misleading or incorrect in any material respect as of the date made; or

(c) an Event of Default under any other of the Project Documents shall occur and be continuing.

Upon an Event of Default the Trustee shall have the right to proceed first and directly against the Lessee under the Contingent Pledge Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any security held by the Trustee or by any obligor under any of the Security Documents. All moneys recovered by the Trustee pursuant to the Contingent Pledge Agreement shall be applied in accordance with the Intercreditor Agreement if then in effect, or if not, deposited in accordance with the Indenture and used and applied in accordance therewith.

The Trustee shall be under no obligation to institute any suit or to take any remedial action under the Contingent Pledge Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under the Contingent Pledge Agreement, until it shall be indemnified to its satisfaction against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its gross negligence or willful misconduct.

Remedies; Obtaining the Contingent Collateral Upon Default. Upon the occurrence and during the continuance of an Event of Default, the Trustee, in addition to any rights now or hereafter existing under applicable law or in equity, shall have all rights of a secured creditor under the Uniform Commercial Code as in effect in all relevant jurisdictions, including, without limitation, the right to:

(a) personally, or by agents or attorneys, immediately take or retake possession of the Contingent Collateral or any part thereof, from the Lessee or any other Person who then has possession of any part thereof, and for that purpose may enter upon the Lessee's premises where any of the Contingent Collateral is located and remove the same and, in connection with such removal, may use any and all services, supplies, aids and other facilities of the Lessee;

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, any contract and any receivable) constituting Contingent Collateral to render any performance or to make any payment required by the terms of such instrument or agreement directly to the Trustee or its designee;

(c) sell, assign or otherwise liquidate, or direct the Lessee to sell, assign or otherwise liquidate any or all of the Contingent Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation;

(d) take possession of such portions of the Contingent Collateral as may be moveable or any part thereof, by directing the Lessee in writing to deliver the same to the Trustee at any place or places designated by the Trustee, in which event the Lessee shall at its own expense:

(i) forthwith cause the same to be moved to the place or places so designated by the Trustee and there delivered to the Trustee, and

(ii) store and keep any Contingent Collateral so delivered to the Trustee at such place or places pending further action by the Trustee as provided in the Contingent Pledge Agreement as described under the next heading;

(e) during normal business hours enter upon the property of the Lessee and examine and make copies of the financial books and records of the Lessee relating to the Contingent Collateral and take possession of all instruments, chattel paper, checks or other orders for payment of money and moneys in the possession of the Lessee representing Contingent Collateral or proceeds thereof; provided that the Trustee shall thereafter promptly provide to the Lessee a list of all such items taken;

(f) notify any account debtors obligated on any Contingent Collateral to make payments directly to the Trustee and of the amount to be so paid; provided, however, that written notice of such notification shall be mailed to the Lessee five (5) days prior to mailing or otherwise making such notification to account debtors and that, immediately upon receipt of such notice, the Lessee shall deliver to the Trustee the name, address and telephone and facsimile numbers and any other contact information for each of its account debtors, together with information with respect to its efforts to enforce and collect Contingent Collateral owing from each such debtor, and shall thereupon cease all such efforts; and provided further that until the Lessee shall receive such notice it shall have the full authority and responsibility to enforce, collect and settle Contingent Collateral owing from its account debtors;

(g) following the above-mentioned notification to account debtors, collect, or, in good faith, compromise, settle, compound or extend amounts payable as Contingent Collateral which are in the form of accounts receivable or contract rights from the Lessee's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Lessee whether or not the full amount of any such account receivable or contract right owing shall be paid to the Trustee; provided that the Trustee shall, promptly after each such action, provide notice to the Lessee of such action taken in sufficient detail for the Lessee to track and document the Contingent Collateral affected;

(h) by written notice to the Lessee, forbid the Lessee to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Contingent Collateral, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or to allow any credit or discount thereon; and

(i) by prior written notice to the Lessee, endorse in the name of the Lessee any checks or other orders for the payment of money representing any unpaid assigned Contingent Collateral or the proceeds thereof.

It is understood that the Lessee's obligation so to deliver the moveable Contingent Collateral is of the essence of the Contingent Pledge Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Trustee shall be entitled to a decree requiring specific performance by the Lessee of said obligation.

Remedies; Disposition of the Contingent Collateral. Upon the occurrence and during the continuance of an Event of Default, any Contingent Collateral repossessed by or transferred to the Trustee under or pursuant to the Contingent Pledge Agreement as described under the immediate heading above and any other Contingent Collateral whether or not so repossessed by the Trustee, may be sold, assigned, leased or otherwise disposed of (at the expense of the Lessee) under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, at public or private sale, and in general in such manner, at such time or times, at such place or places and on such terms as may be commercially reasonable. Any of the Contingent Collateral may be sold, leased or otherwise disposed of in the condition in which the same existed when taken by the Trustee. Any such disposition which shall be a private sale shall be made upon not fewer than ten (10) days' written notice to the Lessee specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor (which notice the Lessee agrees is commercially reasonable). Any such disposition which shall be a public sale shall be made upon not fewer than ten (10) days written notice to the Lessee specifying the time and place of such sale (which notice the Lessee agrees is commercially reasonable) and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Trustee's option, be subject to reserve), after publication of notice of such auction not less than ten (10) days prior thereto in one newspaper in general circulation in The City of New York. To the extent permitted by applicable law, the Trustee may bid for and become the purchaser of the Contingent Collateral or any item thereof, offered for sale in accordance with this heading without accountability to the Lessee (except to the extent provided in the Contingent Pledge Agreement as described under the heading "Application of Proceeds").

Waiver of Claims. Upon the occurrence and during the continuance of an Event of Default, then, to the extent permitted by applicable law, the Lessee waives all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law that may prevent or delay the enforcement of the Contingent Pledge Agreement or the absolute sale of the Contingent Collateral or any portion thereof and all benefit of all laws relating thereto.

Effect of Realization. Any sale of, or any other realization upon, any Contingent Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Lessee therein and thereto, and shall be a perpetual bar both at law and in equity against the Lessee and against any and all Persons claiming or attempting to claim the Contingent Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Lessee.

Application of Proceeds. All the proceeds of any Contingent Collateral and any other amounts received or realized by the Trustee by reason of the exercise by the Trustee of any right or

remedy with respect to the Contingent Collateral shall be applied in accordance with, and in the manner set forth in, the Intercreditor Agreement if then in effect, or if not, the Indenture. The Lessee shall remain liable to the extent of any deficiency between the aggregate amount so received or realized by the Trustee and the aggregate amount of the Obligations.

Remedies Cumulative; No Waiver of Remedies. Subject to the provisions of the Contingent Pledge Agreement as described under the last sentence of the first paragraph under the heading “Pledge of Contingent Collateral” above, each and every right, power and remedy specifically given to the Trustee by the Contingent Pledge Agreement shall be in addition to every other right, power and remedy specifically given under the Contingent Pledge Agreement or under the other Security Documents or now or hereafter existing at law or in equity, and each and every right, power and remedy whether specifically given in the Contingent Pledge Agreement or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Trustee. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Trustee in the exercise of any right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy. In the event that the Trustee shall bring any suit to enforce any of its rights under the Contingent Pledge Agreement and shall be entitled to judgment, then in such suit the Trustee may recover reasonable expenses, including reasonable attorneys’ fees, and the amounts thereof shall be included in such judgment.

No delay on the part of the Trustee in exercising any of its rights, remedies, powers and privileges under the Contingent Pledge Agreement, and no partial or single exercise thereof, shall constitute a waiver thereof. No notice to or demand on the Lessee in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Trustee to any other or further action in any circumstances without notice or demand.

To the extent permitted by applicable law, the contingent lien and security interest of the Trustee in the Contingent Collateral and the obligations of the Lessee under the Contingent Pledge Agreement shall remain in full force and effect without regard to, and shall not be impaired by, (i) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of the Contingent Pledge Agreement or any other Project Document (except as may be otherwise specifically agreed in writing by the Trustee); or (ii) any amendment to or modification of any Project Document or any security for any of the Obligations; whether or not the Lessee shall have notice or knowledge of any of the foregoing.

Discontinuance of Proceedings. In case the Trustee shall have instituted any proceeding to enforce any right, power or remedy under the Contingent Pledge Agreement by foreclosure, sale, entry or otherwise, and such proceeding 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 Lessee and the Trustee shall, subject to any binding decision by a court of competent jurisdiction, be restored to their former positions and rights under the Contingent Pledge Agreement with respect to the Contingent Collateral, and all rights, remedies and powers of the Trustee shall continue as if no such proceeding had been instituted.

Limitation on the Trustee’s Duty in Respect of the Contingent Collateral. The Trustee shall not have any duty as to any Contingent Collateral in its possession or control or in the possession or control of any agent or nominee of it or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto, except that the Trustee shall use reasonable care with respect to the Contingent Collateral in its possession or under its control; provided, however, that the Trustee shall only be responsible for its gross negligence or willful misconduct. Upon written request of

the Lessee, the Trustee shall account promptly for any moneys received by it in respect of any foreclosure on or disposition of the Contingent Collateral.

Waiver of Rights of Trustee. No payment under by the Lessee under the Contingent Pledge Agreement shall entitle the Lessee by subrogation to the rights of the Trustee to any payment by any other obligor or out of the property of any other obligor, except after payment and performance in full of the Obligations. The Lessee waives any benefit of, or any right to participation in, any security whatsoever now or hereafter held by the Trustee.

No Waiver or Set-Off. No act or commission or omission of any kind or at any time upon the part of the Trustee in respect of any matter whatsoever shall in any way impair the rights of the Trustee to enforce any right, power or benefit under the Contingent Pledge Agreement and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Lessee of its obligations under the Contingent Pledge Agreement), which the Lessee or any other obligor under any of the Security Documents has or may have against the Trustee or any other Person shall be available under the Contingent Pledge Agreement to the Lessee.

Remedies Under the Contingent Pledge Agreement are Subject to the Intercreditor Agreement. Notwithstanding any other provision of the Contingent Pledge Agreement to the contrary, all rights and remedies of the Trustee under the Contingent Pledge Agreement are subject to the terms and provisions of the Intercreditor Agreement and of the Indenture.

Contingent Pledge Agreement to Become Effective. Notwithstanding that the Lien, pledge and security interest of the Contingent Pledge Agreement shall not attach to the Contingent Collateral until the Attachment Date, the obligations of the Lessee under the Contingent Pledge Agreement shall arise absolutely and unconditionally when the Series 2002 Bonds shall have been issued, authenticated, sold and delivered by the Agency.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee in the Contingent Pledge Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Contingent Pledge Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default, default, omission or failure of performance under the Contingent Pledge Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in the Contingent Pledge Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Contingent Pledge Agreement. In the event any provision contained in the Contingent Pledge Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Contingent Pledge Agreement. No waiver, amendment, release or modification of the Contingent Pledge Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by the Contingent Pledge Agreement.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION DELIVERED ON NOVEMBER 21, 2002
AND
FORM OF BOND COUNSEL'S OPINION RELATING TO ISSUANCE
OF SERIES B LETTER OF CREDIT

Form of Bond Counsel's Opinion Delivered On November 21, 2002

Hawkins, Delafield & Wood
67 Wall Street, New York 10005

November 21, 2002

New York City Industrial
Development Agency
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series B in the aggregate principal amount of \$30,000,000 (the "Series B Bonds") of the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State of New York (the "Agency").

The Series B Bonds are issued under and pursuant to 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 the State of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act"), and under and pursuant to an Indenture of Trust, dated as of October 1, 2002 (the "Indenture"), between the Agency and The Bank of New York, as trustee (the "Trustee"), and a resolution of the Agency adopted on February 12, 2002 authorizing the Series B Bonds.

The Series B Bonds are dated the date hereof (except as otherwise provided in the Indenture), are issuable as fully registered bonds in the denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof, mature on June 1, 2032 and bear interest at the Daily Rate, the Weekly Rate, the Flexible Rate, the Term Rate or the Fixed Rate (as each term is defined in the Indenture). The interest rate borne by the Series B Bonds will initially be the Daily Rate and may be converted to a different interest rate mode as provided in the Indenture on the conversion date. The conversion of the interest rate on the Series B Bonds shall be at the option of the Lessee (as hereinafter referred to) upon the satisfaction of certain conditions specified in the Indenture. The Series B Bonds are subject to redemption prior to maturity, including from mandatory Sinking Fund Installments, in the manner and upon the terms and conditions set forth in the Indenture.

The Series B Bonds, together with the New York City Industrial Development Agency Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series A issued simultaneously with the Series B Bonds in the aggregate principal amount of \$40,100,000 (the “Series A Bonds”) and the New York City Industrial Development Agency Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series C issued simultaneously with the Series B Bonds in the aggregate principal amount of \$24,000,000 (the “Series C Bonds”; together with the Series B Bonds and the Series A Bonds, being collectively referred to as the “Series 2002 Bonds”), are issued for the purpose of financing a portion of the cost of the acquisition, construction, equipping and furnishing of a civic facility (the “Facility”) consisting of the acquisition of a parcel of real property, the construction of a new building and related facilities thereon, and the acquisition and installation of equipment, furniture and other personal property in connection therewith, all for use as a school for pre-kindergarten through twelfth grade (the “Project”).

Pursuant to a Company Lease Agreement, dated as of October 1, 2002 (the “Company Lease”), from Lycée Français de New York, a not-for-profit education corporation organized under the laws of the State of New York (the “Lessee”), to the Agency, the Lessee has leased the Facility to the Agency. The Agency and the Lessee have entered into a Lease Agreement, dated as of October 1, 2002 (the “Lease Agreement”), providing, among other things, for the acquisition, construction, equipping and furnishing of the Facility and the subleasing of the Facility by the Agency to the Lessee. The Series 2002 Bonds are secured pursuant to an Agency Mortgage and Security Agreement (Acquisition Loan), an Agency Mortgage and Security Agreement (Building Loan) and an Agency Mortgage and Security Agreement (Indirect Loan), each dated as of October 1, 2002, and each from the Agency and the Lessee to the Trustee (collectively, the “Agency Mortgages”), pursuant to which mortgage liens on the Lessee’s fee interest in the Facility, and on the Agency’s leasehold interest in the Facility under the Company Lease, have been granted to the Trustee. Further, pursuant to a Pledge and Security Agreement, dated as of October 1, 2002, from the Lessee to the Trustee (the “Pledge and Security Agreement”), the Lessee has granted to the Trustee a pledge and security interest in the Pledged Revenues (as therein defined) of the Lessee. In addition, pursuant to a Contingent Pledge Agreement, dated as of October 1, 2002, from the Lessee to the Trustee (the “Contingent Pledge Agreement”), the Lessee has granted to the Trustee a contingent pledge of the Lessee’s Unrestricted Investments Fund (as therein defined). Pursuant to a certain Collateral Assignment of Construction Agreements, Bonds and Warranties, dated as of October 1, 2002, from the Lessee to the Trustee (the “Collateral Assignment of Construction Agreements”), the Lessee has made a collateral assignment of Project construction agreements, warranties and bonds to the Trustee. Further, the payment of the principal of, redemption premium, if applicable, Sinking Fund Installments for, and interest on the Series 2002 Bonds, and the Purchase Price on the Series B Bonds, has been guaranteed by the Lessee pursuant to a Guaranty Agreement, dated as of October 1, 2002, from the Lessee to the Trustee (the “Guaranty Agreement”).

Simultaneously with the issuance and delivery of the Series B Bonds, the Lessee has arranged to be delivered to the Trustee an irrevocable direct pay letter of credit (the “Series B Letter of Credit”) issued by JPMorgan Chase Bank (the “Series B Credit Facility Provider”), dated the date of original issuance of the Series B Bonds, which will expire, unless earlier terminated or extended, on November 20, 2005. Under the Series B Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay (a) the principal of the Series B Bonds, (b) the portion of the Purchase Price of the Series B Bonds corresponding to the principal of the Series B Bonds, and (c) an amount equal to up to fifty-two (52) interest on the Series B Bonds during the Daily Period or the Weekly Period (at a maximum rate of ten percent (10%) per annum). In addition, ACA Financial Guaranty Corporation (the “Series A Bond Insurer”) has issued a non-cancelable financial guaranty insurance policy (the “Series A Bond Insurance Policy”) to provide for the prompt payment of the principal of, interest and Sinking Fund Installments on the Series A Bonds when due, to the extent that the Trustee has not received sufficient

funds for such payment. The holders of the Series A Bonds will not have the benefit of the Series B Letter of Credit, and the holders of the Series B Bonds will not have the benefit of the Series A Bond Insurance Policy. The holders of the Series C Bonds will neither have the benefit of the Series A Bond Insurance Policy nor of the Series B Letter of Credit.

The Agency Mortgages, and the mortgage liens thereunder granted to the Trustee, also secure the payment of certain fees owed to the Series A Bond Insurer and the Series B Credit Facility Provider that are on a parity with the Series 2002 Bonds, and unreimbursed payments of principal and interest on the Series 2002 Bonds, with interest thereon, as may be owing to the Series A Bond Insurer or the Series B Credit Facility Provider.

In order to provide for and establish the relative priority of the rights, remedies and options of each of the Series A Bond Insurer, the Series B Credit Facility Provider, and the respective holders of each of the Series A Bonds, the Series B Bonds and the Series C Bonds, each of the Agency, the Trustee, the Lessee, the Series A Bond Insurer, the Series B Credit Facility Provider and the Series C Representative (as such term is defined in the Intercreditor Agreement hereinafter referred to) have entered into a certain Intercreditor Agreement, dated as of October 1, 2002 (the "Intercreditor Agreement").

It is provided in the Indenture that, upon satisfying certain conditions, the Agency may issue additional bonds from time to time on the terms and conditions and for the purposes stated in the Indenture, and said additional bonds, if issued, will be equally and ratably secured under the Indenture with the Series 2002 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series B Bonds in order that interest on the Series B Bonds be and remain excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We have examined the Tax Regulatory Agreement, dated the date hereof, from the Lessee and the Agency to the Trustee (the "Tax Regulatory Agreement"), in which the Agency and the Lessee have made representations, warranties and covenants relating to such exclusion from gross income. The Tax Regulatory Agreement obligates the Lessee to do and perform all acts and things necessary or desirable to assure that interest on the Series B Bonds be and remain excluded from gross income pursuant to Section 103 of the Code.

We are of the opinion that:

1. The Agency is duly created and validly existing under the Act, and has good right and lawful authority to acquire, construct, equip and furnish the Project and sublease the Facility to the Lessee and collect revenues and rental income therefrom, in accordance with the terms of the Lease Agreement and as provided in the Indenture.

2. The Agency has the right and power pursuant to the Act to enter into the Indenture, and the Indenture has been duly authorized, executed and delivered by the Agency, is in full force and effect, and is valid and binding upon the Agency and enforceable against the Agency in accordance with its terms.

3. The Agency has the right and power pursuant to the Act to enter into the Lease Agreement, and the Lease Agreement has been duly authorized, executed and delivered by the Agency, is in full force and effect, and constitutes a valid and binding agreement of the Agency enforceable against the Agency in accordance with its terms.

4. The Agency has the right and power pursuant to the Act to enter into the Company Lease, and the Company Lease has been duly authorized, executed and delivered by the Agency, is in full force and effect, and constitutes a valid and binding agreement of the Agency enforceable against the Agency in accordance with its terms.

5. The Agency has the right and power pursuant to the Act to enter into each of the Agency Mortgages, and the Agency Mortgages have been duly authorized, executed and delivered by the Agency, are in full force and effect, and constitute valid and binding agreements of the Agency enforceable against the Agency in accordance with their respective terms.

6. The Agency has the right and power pursuant to the Act to enter into the Intercreditor Agreement, and the Intercreditor Agreement has been duly authorized, executed and delivered by the Agency, is in full force and effect, and is valid and binding upon the Agency and enforceable against the Agency in accordance with its terms.

7. The Series B Bonds have been duly authorized and issued by the Agency in accordance with law and in accordance with the Indenture, and are the valid and binding special obligations of the Agency, payable solely from the lease rentals, revenues and receipts derived from the Lease Agreement and pledged under the Indenture. The Series 2002 Bonds are additionally secured by the mortgage liens on and security interests in the Facility pursuant to the Agency Mortgages. Further, the Series 2002 Bonds are secured by the Lessee's pledge and security interest in its Pledged Revenues pursuant to the Pledge and Security Agreement. In addition, pursuant to the Contingent Pledge Agreement the Lessee has granted to the Trustee a contingent pledge of its Unrestricted Investments Fund. Further, pursuant to the Collateral Assignment of Construction Agreements, the Lessee has made a collateral assignment of Project construction agreements, warranties and bonds to the Trustee. In addition, the payment of the principal of, redemption premium, if applicable, Sinking Fund Installments for, and interest on the Series 2002 Bonds, and the Purchase Price on the Series B Bonds, has been guaranteed by the Lessee pursuant to the Guaranty Agreement. The Series B Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefit of the Act and the Indenture. All conditions precedent to the delivery of the Series B Bonds have been fulfilled.

8. Under existing statutes and court decisions, and assuming continuing compliance with the tax covenants and procedures set forth in the Tax Regulatory Agreement in the form as in effect on the date hereof, (i) interest on the Series B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. No opinion is expressed as to such exclusion from gross income for federal income tax purposes of interest on any Series B Bond subsequent to the conversion of the interest rate on the Series B Bonds from a rate period of one year or less to a rate period of more than one year, or *vice versa*. We call your attention to the fact that the conversion of the interest rate on the Series B Bonds as referred to above is conditioned in the Indenture upon the receipt of an opinion of nationally recognized bond counsel experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions to the effect that such conversion would not adversely affect the exclusion for federal income tax purposes of the interest on the Series B Bonds.

9. The interest on the Series B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York)

and the Series B Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for estate or gift taxes and taxes on transfers.

10. In rendering the opinions in paragraph 8 above, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Agency Tax Certification, delivered on the date hereof by the Agency, and in the Tax Regulatory Agreement with respect to the use of proceeds of the Series B Bonds and the investment of certain funds, and other matters affecting the exclusion of interest on the Series B Bonds from gross income for federal income tax purposes under Section 103 of the Code, (ii) compliance by the Agency and the Lessee with the procedures and covenants set forth in the Tax Regulatory Agreement and with the tax covenants set forth in the Indenture and the Lease Agreement, and (iii) the opinion of Garfunkel, Wild & Travis, P.C., counsel to the Lessee, dated the date hereof. Under the Code, failure to comply with such procedures and covenants may cause the interest on the Series B Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Series B Bonds, irrespective of the date on which such noncompliance occurs or is ascertained. Compliance with certain of such requirements may necessitate that persons not within the control of the Agency or the Lessee take or refrain from taking certain actions.

Except as stated in paragraphs 8 and 9 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Series B Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds, or under state and local law.

The foregoing opinions are qualified only to the extent that the enforceability of the Series B Bonds, the Guaranty Agreement, the Agency Mortgages, the Pledge and Security Agreement, the Contingent Pledge Agreement, the Collateral Assignment of Construction Agreements, the Intercreditor Agreement, the Indenture, the Tax Regulatory Agreement, the Lease Agreement and the Company Lease may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and is subject to general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

We express no opinion with respect to the due authorization, execution or delivery of the Series B Letter of Credit by the Series B Credit Facility Provider or the validity or enforceability thereof.

In rendering this opinion, we have relied as to matters of the Agency's leasehold interest in the real property constituting a part of the Facility and the mortgages on the Facility, on the leasehold and mortgagee title insurance policies issued by Fidelity National Title Insurance Company of New York insuring the Agency's leasehold interest under the Company Lease in the real property constituting a part of the Facility and the mortgages on the Facility, respectively, and the opinion of Garfunkel, Wild & Travis, P.C., counsel to the Lessee, each dated the date hereof.

In rendering this opinion, with respect to the due recording or filing, as applicable, of the Lease Agreement, the Company Lease, the Agency Mortgages, the Intercreditor Agreement, the Indenture and the Building Loan Agreement, dated as of October 1, 2002, among the Agency, the Lessee and the Trustee (the "Building Loan Agreement"), and the due filing and sufficiency of financing statements under the New York State Uniform Commercial Code, we have relied on the opinions of Richard E. Marshall, Esq., Vice President for Legal Affairs of the Agency, and Garfunkel, Wild & Travis, P.C., counsel to the Lessee, each dated the date hereof.

In rendering this opinion, with respect to the due authorization, execution and delivery of the Lease Agreement, the Company Lease, the Tax Regulatory Agreement, the Building Loan Agreement, the Agency Mortgages, the Pledge and Security Agreement, the Contingent Pledge Agreement, the Collateral Assignment of Construction Agreements, the Intercreditor Agreement, and the Guaranty Agreement by the Lessee, we have relied upon the opinion of Garfunkel, Wild & Travis, P.C., counsel to the Lessee, dated the date hereof.

In rendering this opinion, with respect to the due authorization, execution and delivery of the Indenture, the Tax Regulatory Agreement, the Pledge and Security Agreement, the Intercreditor Agreement, the Contingent Pledge Agreement, the Collateral Assignment of Construction Agreements and the Guaranty Agreement by the Trustee and the Series C Representative (in the case of the Intercreditor Agreement), we have relied upon the opinion of Emmet, Marvin & Martin, LLP, counsel to the Trustee and the Series C Representative, dated the date hereof.

In rendering this opinion, we express no opinion as to the necessity for obtaining any licenses, permits or other approvals relating to the acquisition, construction, equipping and furnishing of the Facility or the operation of the Facility, or the application or effect of any environmental laws, ordinances, rules, regulations or other requirements of any governmental authority with respect to the Facility or the transactions contemplated under the Indenture.

The foregoing opinions are further subject, however, to the qualification that we express no opinion as to matters relating to the rights in, title to or sufficiency of the description of any property or collateral described in the Security Documents (as defined in the Indenture) or the creation, perfection or relative priority of any lien or security interest created with respect to such property or collateral thereunder.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Lessee or the Series B Credit Facility Provider other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the Series B Bonds.

We have examined a Series B Bond in fully registered form numbered BR-1 and, in our opinion, the form of said Series B Bond and its execution are regular and proper.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series B Bonds and express herein no opinion relating thereto.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

Form of Bond Counsel's Opinion Relating to Issuance of Series B Letter of Credit

Upon the delivery of the Series B Letter of Credit, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Agency, proposes to issue its opinion in substantially the following form:

Hawkins Delafield & Wood LLP

ONE CHASE MANHATTAN PLAZA
NEW YORK, NEW YORK 10005
WWW.HAWKINS.COM

November __, 2008

New York City Industrial
Development Agency
New York, New York

The Bank of New York Mellon,
as Trustee
New York, New York

TD Bank, N.A.,
as Letter of Credit Provider
Brooklyn, New York

Ladies and Gentlemen:

On November 21, 2002, the New York City Industrial Development Agency (the "Agency") issued its Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series B in the original principal amount of \$30,000,000 (the "Series B Bonds"). The Series B Bonds were issued pursuant to an Indenture of Trust, dated as of October 1, 2002 (the "Indenture"), between the Agency and The Bank of New York Mellon (formerly known as The Bank of New York), a New York banking corporation, as trustee (the "Trustee"), to finance a portion of the cost of the acquisition, construction, equipping and furnishing of a civic facility (the "Facility") for Lycée Français de New York, a not-for-profit education corporation organized under the laws of the State of New York (the "Lessee"). The Lessee leased the Facility to the Agency pursuant to a Company Lease Agreement, dated as of October 1, 2002, and the Agency subleased the Facility to the Lessee pursuant to a Lease Agreement, dated as of October 1, 2002, between the Agency and the Lessee (the "Lease Agreement").

The Series B Bonds are secured in part pursuant to an irrevocable letter of credit issued by JPMorgan Chase Bank, N.A. (the "Existing Bank") in favor of the Trustee (the "Existing Letter of Credit"). We have been advised that the Lessee proposes to arrange for delivery to the Trustee on the date hereof of an irrevocable letter of credit (the "Substitute Letter of Credit") to be issued on this date by TD Bank, N.A. (the "Substitute Bank") in substitution for the Existing Letter of Credit.

We have reviewed a copy of each of: (i) the Indenture, (ii) the Lease Agreement, (iii) the Substitute Letter of Credit, (iv) the Reimbursement Agreement, dated as of November 1, 2008, between the Lessee and the Substitute Bank, (v) the opinion of Harris Beach PLLC, special counsel to the Substitute Bank, dated the date hereof and addressed to the Agency, the Trustee and Commerce Capital Markets, Inc., as remarketing agent, and (vi) an Assumption Agreement executed by the Substitute Bank dated the date hereof regarding the assumption by the Substitute Bank of the “Bank” under the Intercreditor Agreement (as defined in the Indenture).

We are of the opinion that:

1. The delivery of the Substitute Letter of Credit to the Trustee in substitution for the Existing Letter of Credit will not cause the interest on the Series B Bonds to become includable in gross income for Federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”).

2. The delivery of the Substitute Letter of Credit to the Trustee is authorized under the Indenture and complies with the terms of the Indenture.

Except as described above, we have not examined any matters or documents subsequent to the delivery of our opinion on November 21, 2002. We are therefore unable to and do not express any opinion as to whether any such other subsequent matter or document may have adversely affected the tax-exempt status of interest on the Series B Bonds or as to whether interest on the Series B Bonds is in fact, as of the date hereof, not includable in gross income for Federal income tax purposes under the Code.

This opinion addresses the legal consequences of only the facts and assumptions stated or referred to herein and is given as of the date hereof. The opinions expressed herein are based upon our analysis of existing laws and court decisions and cover matters not directly addressed by such authorities. We have not undertaken to determine, or to inform any person of, the occurrence or nonoccurrence of any such actions, events or changes. We disclaim any obligation to update or supplement our opinion to reflect facts or circumstances, or changes in any laws or court decisions, occurring or coming to our attention after the date hereof. We do not render any opinion with respect to any matter other than as expressly set forth above.

Very truly yours,

APPENDIX E

Intercreditor Agreement dated as of October 1, 2002

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INTERCREDITOR AGREEMENT

among

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

and

LYCÉE FRANÇAIS DE NEW YORK

and

ACA FINANCIAL GUARANTY CORPORATION, as Series A Bond Insurer

and

JPMORGAN CHASE BANK, as Series B Letter of Credit Provider

and

THE BANK OF NEW YORK, as Series C Representative

and

THE BANK OF NEW YORK, as Trustee

Dated as of October 1, 2002

Block: 1487
Lots: 5, 8 and 43
County: New York
City: New York
State: New York
Premises: 503-509 East 75th Street
a/k/a 502-512th East 76th Street, New York, New York

Record and Return to:
Arthur M. Cohen, Esq.
Hawkins, Delafield & Wood
67 Wall Street
New York, NY 10005

THIS INTERCREDITOR AGREEMENT (as amended, modified or supplemented from time to time in accordance with Section 9 hereof, this "**Agreement**") dated as of October 1, 2002, by and among the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, a body corporate and politic constituting a public benefit corporation of the State of New York (the "**Agency**"), LYCÉE FRANÇAIS DE NEW YORK, a not-for-profit education corporation organized and existing under the laws of the State of New York (the "**Institution**"), ACA FINANCIAL GUARANTY CORPORATION, a stock insurance company duly organized and existing under the laws of the State of Maryland, as the bond insurer of the hereinafter mentioned Series A Bonds (together with its successors and assigns, and any other party who provides bond insurance for a series of Bonds, as defined in and provided for under the Indenture (as defined below), being referred to herein as the "**Bond Insurer**"), JPMORGAN CHASE BANK, a banking corporation duly organized and existing under the laws of the State of New York, as provider of a letter of credit for the benefit of the owners of the hereinafter mentioned Series B Bonds (together with its successors and assigns, and any other party who provides a letter of credit for the benefit of the owners of a series of Bonds under the Indenture, being referred to herein as the "**Bank**") (the Bank and the Bond Insurer being referred to herein collectively as the "**Credit Enhancers**"), THE BANK OF NEW YORK, a banking corporation duly organized and existing under the laws of the State of New York, in its capacity as the representative of the owners of the hereinafter mentioned Series C Bonds (together with its successors and assigns, the "**Series C Representative**"), and THE BANK OF NEW YORK, a banking corporation duly organized and existing under the laws of the State of New York, in its capacity as trustee under the hereinafter defined Indenture (together with its successors and assigns, the "**Trustee**").

BACKGROUND

WHEREAS the Agency proposes to issue its Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series A in the aggregate principal amount of \$40,100,000 (the "**Series A Bonds**"), its Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series B in the aggregate principal amount of \$30,000,000 (the "**Series B Bonds**"), and its Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series C in the aggregate principal amount of \$24,000,000 (the "**Series C Bonds**") (the Series A Bonds, the Series B Bonds and the Series C Bonds being collectively referred to herein as the "**2002 Bonds**"), pursuant to an Indenture of Trust, dated as of October 1, 2002, by and between the Agency and the Trustee (the "**Indenture**").

WHEREAS pursuant to the Lease Agreement, dated as of October 1, 2002 (the "**Lease Agreement**"), between the Agency and the Institution, the proceeds of the 2002 Bonds will be used, together with any other available funds of the Institution, for the financing of the acquisition of a parcel of real property, the construction of a new building and related facilities thereon, and the acquisition and installation of equipment, furniture and other personal property in connection therewith, all for use by the Institution as a school for pre-kindergarten through twelfth grade, (ii) to pay interest on the 2002 Bonds during construction, (iii) to make a deposit to the Debt Service Reserve Fund (as defined in the Indenture), and (iv) to pay a portion of the Costs of Issuance (as defined in the Indenture) incurred in connection with the issuance of the 2002 Bonds.

WHEREAS pursuant to the terms of the Lease Agreement, the Institution is obligated to make advance rental payments in the amounts corresponding to the debt service and other payments required in respect of the 2002 Bonds.

WHEREAS the payment of the 2002 Bonds is secured by, among other things, (i) a security interest in the Pledged Revenues (as defined in the Lease Agreement), (ii) the Agency Mortgages on the Facility (it being understood that the Facility includes the land described in Exhibit A hereto) in favor of the Trustee, and (iii) a contingent pledge of the Institution's Unrestricted Investments Fund (as defined herein).

WHEREAS in order to enhance the marketability of the Series A Bonds and the Series B Bonds and thereby achieve interest cost savings and other savings to the Institution, (i) the Bond Insurer has agreed to provide credit enhancement for the Series A Bonds by issuing its non-cancelable financial guaranty insurance policy, dated the date of delivery of the Series A Bonds (the "**Series A Bond Insurance Policy**"), and (ii) the Bank has agreed to provide credit enhancement and liquidity support for the Series B Bonds pursuant to an irrevocable, direct pay letter of credit (the "**Series B Letter of Credit**") issued pursuant to a Reimbursement Agreement, dated as of October 1, 2002 (the "**Series B Reimbursement Agreement**"), by and between the Institution and the Bank.

WHEREAS the obligations of the Institution to pay the Bond Insurer, as subrogee of the owners of the Series A Bonds, are and will be secured by the same security provided to the owners of the Series B Bonds (other than the Series B Letter of Credit) and the Series C Bonds.

WHEREAS the obligations of the Institution to reimburse the Bank for amounts drawn under the Series B Letter of Credit are and will be secured by the same security provided to the owners of the Series A Bonds (other than the Series A Bond Insurance Policy) and the Series C Bonds.

WHEREAS as additional security for certain payment obligations owing to the Bank and the Bond Insurer, the Institution and the Agency will grant two mortgages on the Facility, each on a parity with the other but both subordinate to the Agency Mortgages (the "**Subordinate Mortgages**").

WHEREAS the parties to this Agreement understand and agree, and have undertaken the transactions contemplated by the Project Security Documents with the intention that the Series A Bonds, the Series B Bonds and the Series C Bonds (and any other Bonds issued under the Indenture after the date hereof) are and will remain on a parity as among all of said Bonds with respect to the liens and security interests created in favor thereof.

WHEREAS the parties are entering into this Agreement in order to establish certain rights, remedies, understandings and options available to said parties under the various documents described herein.

NOW THEREFORE, the parties hereto covenant and agree as follows:

Section 1. Definitions. All capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Indenture or in the Lease Agreement. In addition, all capitalized terms defined in the foregoing recitals shall have the meaning ascribed thereto in said recitals and the following terms are defined as having the meanings ascribed thereto as set forth below:

"**Acting Party**" means the Agency, the Bank, the Bond Insurer, the Series C Representative or the Trustee, individually or in concert with each other, with respect to the initiation of a Restricted Remedy or an Unrestricted Action taken in accordance with the

provisions of Sections 3, 4, 5 and 6 of this Agreement, following an Event of Default under any of the Project Security Documents.

“Control Agreement” means any agreement whereby the Institution, the Trustee and a bank or other financial institution have agreed in an authenticated record (such as a signed writing) that such bank or other financial institution will comply with instructions originated by the Trustee, at the direction of an Acting Party hereunder, directing disposition of the funds, securities or other intangibles in or credited to a fund, account or other depository or investment arrangement with such bank or other financial institution without further consent of the Institution.

“Controlled Fund” means any fund, account or other similar depository or investment arrangement of the Institution which is subject to a Control Agreement that has been activated in the manner provided in this Agreement.

“Directing Majority” means, with respect to a decision made or direction to the Trustee under this Agreement, the affirmative written agreement of the Bond Insurer (or the affirmative agreement of the owners of a majority in aggregate principal amount of the Series A Bonds then Outstanding following the occurrence and continuation of a Series A Bond Insurer Disqualification Event), the Bank (or the affirmative agreement of the owners of a majority in aggregate principal amount of the Series B Bonds then Outstanding following the occurrence and continuation of a Series B Credit Facility Provider Disqualification Event) and the Series C Representative.

“Event of Default” shall mean any “Event of Default” as defined in any of the Project Security Documents.

“Majority Holders” shall mean the owners of at least a majority in aggregate principal amount of the Outstanding 2002 Bonds; provided, however, that in calculating such majority, (y) the Series A Bond Insurer shall be deemed to be the owner of the Series A Bonds for so long as no Series A Bond Insurer Disqualification Event shall exist, and (z) the Series B Credit Facility Provider shall be deemed to be the owner of the Series B Bonds for so long as no Series B Credit Facility Provider Disqualification Event shall exist.

“Project Security Documents” shall mean the Company Lease, the Lease Agreement, the Indenture, the Guaranty Agreement, the Agency Mortgages, the Pledge and Security Agreement, the Control Agreements (Pledged Revenues), the Contingent Pledge Agreement, the Contingent Control Agreements (Unrestricted Investments Fund), the Collateral Assignment of Construction Agreements, the Building Loan Agreement, the Series A Bond Insurance Policy, the Series A Bond Insurance Agreement, the Series B Letter of Credit, the Series B Reimbursement Agreement, the Custody Agreement (Series B), this Intercreditor Agreement, the Tax Regulatory Agreement, and the Subordinate Mortgages.

“Pro Rata Share” means, with respect to any amount available for distribution for a series of 2002 Bonds on any calculation date including amounts (i) from a Controlled Fund pursuant to an Unrestricted Action, (ii) derived from the implementation of a Restricted Remedy, or (iii) constituting recovered amounts described in Section 6(f) hereof, such amount (after deduction for fees and expenses of the Trustee) multiplied by a fraction, the numerator of which equals the unpaid scheduled principal of a series of 2002 Bonds then due, plus unpaid interest owed on such series of 2002 Bonds then due, plus unpaid fees owed to the Credit Enhancer with respect to such series of 2002 Bonds, if any, which are secured on a parity with the 2002 Bonds under the Agency Mortgages, plus unreimbursed payments of scheduled principal and interest on such series of the

2002 Bonds previously paid by such Credit Enhancer, together with unpaid interest thereon; and the denominator of which equals the aggregate amount of unpaid scheduled principal of the 2002 Bonds then due, plus the aggregate amount of unpaid interest owed on the 2002 Bonds, plus the aggregate amount of unpaid fees owed to the Credit Enhancers, if any, which are secured on a parity with the 2002 Bonds under the Agency Mortgages, plus the aggregate amount of unreimbursed payments of scheduled principal and interest on the 2002 Bonds previously paid by the Credit Enhancers, together with the aggregate amount of unpaid interest thereon. In the case of a distribution to make a lease payment, the amount of principal or interest on the 2002 Bonds "then due" shall mean the portion of the lease payment then due relating to the payment of principal of or interest on the 2002 Bonds, as applicable.

"Restricted Remedies" means any one or more of the following, directly or indirectly: (i) acceleration of any payment obligations of the Institution under any of the Project Security Documents or declaration of the entire amount of the 2002 Bonds or any series thereof, or any rental payments under the Lease Agreement with respect to the 2002 Bonds or any series thereof, to be due and payable, (ii) the exercise of any remedial right under any of the Project Security Documents relating to (a) the appointment of a receiver or officer with powers similar to a receiver, (b) the commencement of proceedings to foreclose the lien of the Agency Mortgages; (c) the initiation of any power of sale or any similar right; (d) the acceptance of a deed in lieu of foreclosure; (e) the initiation of bankruptcy or other insolvency proceedings by or against the Institution; (f) the exercise by the Agency or the Trustee of any landlord rights to enter onto the Facility and exclude the Institution from the use thereof as described in Section 7.2 (b) or (c) or Section 7.3 of the Lease Agreement; (g) the exercise by the Agency of its right to effect a mandatory redemption of the 2002 Bonds as otherwise permitted by Section 2.14(e) of the Indenture, or (h) termination of the Lease Agreement (provided that such Restricted Remedy does not directly or constructively include the Agency's rights under Section 7.2(f) of the Lease Agreement to convey its interest in the Facility to the Institution). The term "Restricted Remedy" shall not include any action for "specific performance" or any other proceeding, if the result of such action or proceeding would not (A) cause an acceleration of maturity or a mandatory redemption or tender of all of the 2002 Bonds or any series thereof, or an acceleration of any rental payments under the Lease Agreement with respect to the 2002 Bonds or any series thereof, or (B) materially adversely affect (x) the security interest of the Trustee in the Pledged Revenues or any Controlled Fund or (y) the liens of the Agency Mortgages upon the Facility.

"Series C Representative" means the Trustee, or any duly appointed successor under the Indenture, acting under this Agreement at the direction of the owners of a majority in aggregate principal amount of the Series C Bonds then Outstanding.

"Unrestricted Actions" means all remedial rights of an Acting Party under the Project Security Documents which are not Restricted Remedies, including, without limitation, the activation of Control Agreements relating to the Institution's Pledged Revenues and the Institution's Unrestricted Investments Fund, the enforcement by the Agency of the Agency's Reserved Rights other than a mandatory redemption permitted by Section 2.14(e) of the Indenture, and any other action not included as a Restricted Remedy.

"Unrestricted Investments Fund" shall mean one or more investment accounts maintained by the Institution with third party financial institutions or money managers comprised of moneys set aside for investment and not intended for current operations (which moneys are, however, not prohibited by the donor or by Legal Requirements from being applied to pay either Indebtedness and/or operating expenses of the Institution) and shall include, among other amounts, all proceeds

(whether sales proceeds, insurance proceeds, condemnation awards, damages paid by the potential buyers of the Existing Facilities upon a failure to close on the purchase of the Existing Facilities, or otherwise) from the Existing Facilities, amounts, (other than Restricted Gifts) derived from fundraising by the Institution, and revenues in excess of expenses.

Unless the context otherwise requires:

(i) 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 delivery of the 2002 Bonds.

(ii) 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*.

(iii) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

Terms which are defined in this Agreement or by reference to the Indenture or the Lease Agreement shall have their meanings as defined herein and therein when used in any document, certificate, report or agreement furnished from time to time in connection with this Agreement, unless the context otherwise requires; provided, however, that in the event the same terms are defined in this Agreement and in the Indenture or the Lease Agreement, the definitions expressed in this Agreement shall control for purposes of this Agreement. To the extent that any definition incorporated herein by reference to the Indenture and the Lease Agreement is modified after the date of issuance of the 2002 Bonds, such definition, as so modified, shall be incorporated by reference into this Agreement.

Section 2. Consent to Liens and Encumbrances. Each of the parties hereto acknowledges and consents to the creation and perfection of the liens on, pledges of, security interests in and encumbrances against (collectively, the “Liens”) the Pledged Revenues, the Institution’s Unrestricted Investments Fund and the Facility, as set forth in the Project Security Documents, and each of the parties hereto further agrees that said Liens created by the Institution and granted in favor of other parties under such Project Security Documents shall be deemed to not constitute a “default” or “event of default” under such Project Security Documents.

Section 3. Initiation of Unrestricted Actions and Restricted Remedies by the Agency, the Trustee, the Credit Enhancers and the Series C Representative. (a) The Agency, the Trustee, the Bank, the Bond Insurer and the Series C Representative are each individually entitled and authorized to initiate any Unrestricted Action upon the occurrence and continuance of an Event of Default under any of the Project Security Documents or request the Trustee to initiate an Unrestricted Action, provided, that the Acting Party gives prompt prior written notice to all of the parties to this Agreement of (i) the nature and circumstance of the Event of Default, and (ii) the type of Unrestricted Action being initiated, and provided further, that enforcement by the Acting Party of any judgment for the payment of moneys against the Institution shall be limited by the provisions of Section 6(c) hereof.

(b) No Restricted Remedy may be initiated by an Acting Party for a period of two years from the date of the occurrence of an Event of Default under any Project Security Document

(as such date is determined by the applicable Project Security Document, the “Triggering Event of Default”) unless all Credit Enhancers shall consent in writing to such Restricted Remedy and so direct the Trustee to initiate the specified Restricted Remedy (the “2 Year Standstill”). The 2 Year Standstill period shall automatically commence upon the date of the Triggering Event of Default and shall be deemed to continue unless and until such Triggering Event of Default and all subsequent Events of Default that occur during such period are cured by the Institution or waived by a Directing Majority. If an Acting Party proposes to initiate a Restricted Remedy during the 2 Year Standstill period, the Acting Party shall give written notice of such intention to the Trustee, the Credit Enhancers and the Series C Representative. Each Credit Enhancer shall have fifteen (15) Business Days, or such longer period as may be acceptable to the Acting Party, in which to advise the Acting Party in writing of whether such Credit Enhancer consents to the initiation of such Restricted Remedy. The Acting Party shall not proceed to initiate such Restricted Remedy, or request the Trustee to proceed with such Restricted Remedy, unless written consent is obtained from all Credit Enhancers.

(c) During the 2 Year Standstill period, the Agency, the Trustee and the Series C Representative hereby recognize and agree that they, individually or in concert with each other, shall not be authorized to initiate any Restricted Remedy under the Project Security Documents without the prior written consent of each Credit Enhancer (provided that such written consent shall not be required to the extent that the provisions of Section 17(b) hereof are applicable).

(d) On and after the second anniversary of the occurrence of a Triggering Event of Default, unless all Events of Default (including, but not limited to, an Event of Default described in the second proviso to Section 7 hereof) have been cured by the Institution or waived by a Directing Majority, the Trustee, the Bank, the Bond Insurer and the Series C Representative shall each be entitled to individually initiate a Restricted Remedy as Acting Party (or direct the Trustee to initiate a Restricted Remedy) without the consent of either Credit Enhancer or any other party to this Agreement; provided that at least five (5) Business Days prior to initiating any such Restricted Remedy, the Acting Party shall give written notice to all of the parties to this Agreement (i) certifying that the 2 Year Standstill period has elapsed, (ii) of the nature and circumstance of the Triggering Event of Default and any subsequent Event of Default, as applicable, and (iii) of the type of Restricted Remedy to be initiated.

Section 4. Exercise of Credit Enhancers' Rights. (a) Subject to the restrictions contained in Section 3 above, so long as the provisions of Section 17(b) hereof shall not be applicable, the Bond Insurer or the Bank shall each be permitted and are hereby authorized to take any and all actions and to exercise (or direct the exercise of) any and all rights, remedies and options contained in any Project Security Document as if each constituted the sole owner of the Series A Bonds or the Series B Bonds, as applicable.

(b) In the event the Institution shall institute or have instituted against it by a person other than a party to this Agreement any proceeding or case seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors (including under Title 11 of the United States Code) and such proceeding or case is not dismissed within ninety (90) days of the commencement thereof, or the Institution shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall take any action to authorize or effect any of the actions set forth in this subsection, then, notwithstanding the provisions of Section 3 hereof relating to Restricted Remedies and the

applicability of the 2 Year Standstill, the Bank or the Bond Insurer may take any and all actions available to either or both of them.

(c) Notwithstanding anything to the contrary in this Agreement, the Credit Enhancers, acting either individually or together, hereby agree and acknowledge that they may only exercise any rights and remedies under the Subordinate Mortgages in conjunction with the implementation by the Trustee of a Restricted Remedy under this Agreement relating to the Agency Mortgages.

Section 5. Exercise of Rights by the Agency or the Trustee. Notwithstanding anything to the contrary contained herein, the Agency or the Trustee may enforce their respective rights and remedies against the Institution to enforce payment of fees, expenses, indemnities and all other amounts (other than amounts representing debt service on the 2002 Bonds) owed by the Institution to the Agency or the Trustee, respectively, provided that the Agency and the Trustee shall not commence any action under the Project Security Documents for the payment of any such amounts owed to them if such action would constitute a Restricted Remedy except as permitted by Sections 3 or 4 hereof, provided, however, that in the event the Institution shall institute or have instituted against it by a person other than a party to this Agreement any proceeding or case seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors (including under Title 11 of the United States Code) and such proceeding or case is not dismissed within ninety (90) days of the commencement thereof, or the Institution shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall take any action to authorize or effect any of the actions set forth in this subsection, then, notwithstanding the provisions of Section 3 hereof relating to Restricted Remedies and the applicability of the 2 Year Standstill, the Agency or the Trustee may take any and all actions available to either or both of them.

Section 6. Administration of Pledged Revenues and Unrestricted Investments Fund; Control Agreements and Distribution of Controlled Funds and Foreclosure Proceeds. (a) Upon the occurrence and continuance of an Event of Default under any of the Project Security Documents, the Trustee may, and at the direction of the Bank, the Bond Insurer or the Series C Representative, shall activate all Control Agreements relating to the Pledged Revenues and the Institution's Unrestricted Investments Fund by so notifying the other parties hereto and the affected bank or other financial institution, in writing (a "**Control Agreement Notice**"). Upon receipt of a Control Agreement Notice (unless the Trustee is the Acting Party), the Trustee shall promptly establish control over the affected fund or funds so that it shall constitute a Controlled Fund for purposes of this Agreement. During any period for which a Control Agreement Notice has been duly provided (a "**Control Period**"), the Institution agrees to continue to deposit, as received, all moneys, checks or other orders for the payment of money, securities, chattel paper or other instruments which represent (i) Pledged Revenues or (ii) assets of or designated additions to the Unrestricted Investments Fund, in all cases, to Controlled Funds, and not to deposit in or redirect any such moneys, checks or other orders for the payment of money, securities, chattel paper or other instruments to any other account or fund of the Institution.

(b) During a Control Period, the Directing Majority shall have the right to direct the Trustee to disburse amounts held in Controlled Funds to the Institution to pay operating expenses of the Institution that have been documented to the satisfaction of such owners. Such disbursements may be directed by the Directing Majority regardless of whether such disbursements do, or would be expected to, cause or result in a payment default under the Lease Agreement because of an insufficiency of amounts to pay such operating expenses and the quarterly rental

payment under the Lease Agreement then coming due, provided that the Institution has formulated and submitted to the Agency, the Trustee, the Credit Enhancers and the Series C Representative a plan reasonably acceptable to the Directing Majority for the continued operation of the Institution's facilities and the resumption of full and timely payment of amounts due under the Lease Agreement. Nothing in this Section is intended to cause any party to this Agreement other than the Institution to be, or be deemed to be, an "operator" of the Facility or the "Institution" for purposes of any applicable regulations of the New York State Department of Education or otherwise.

(c) During a Control Period while the 2 Year Standstill period is in effect, on each March 1, June 1, September 1 and December 1, the Trustee shall withdraw amounts equal to the scheduled lease payments due under the Lease Agreement on such dates from Controlled Funds (utilizing moneys constituting Pledged Revenues first and, to the extent such moneys are insufficient therefor, any other moneys derived from the Unrestricted Investments Fund), or if the available amounts in such Controlled Funds are insufficient therefor, such available amounts allocated on the basis of Pro Rata Shares for each series of the 2002 Bonds and (i) deposit the full or Pro Rata Share, as applicable, of such amount representing debt service for each series of 2002 Bonds in the respective Bond Funds, or with respect to the Series B Bonds, the Reimbursement Fund (Series B), held under the Indenture, and (ii) pay to the respective Credit Enhancers the full or Pro Rata Share, as applicable, of such amount representing (A) unpaid fees owed to the Credit Enhancers which are on a parity with the 2002 Bonds under the Agency Mortgages and (B) unreimbursed payments of scheduled principal and interest on a series of 2002 Bonds previously paid by the Credit Enhancers, together with interest unpaid thereon. The parties hereto acknowledge and agree that the sufficiency of available amounts for withdrawal from Controlled Funds may be adversely affected by the amount by which the Directing Majority has directed the Trustee to apply, or hold for application, toward the payment of operating expenses in accordance with subsection 6(b) of this Agreement. To the extent that there remain available amounts in Controlled Funds after the withdrawal of moneys for the purposes described in clauses (i) and (ii) of this subsection (c), the Trustee shall also withdraw an amount equal to any unpaid amounts owed to the Credit Enhancers which are subordinate in payment to the application of moneys described in clauses (i) and (ii) of this subsection (c) (or such lesser amount if the moneys in Controlled Funds are insufficient therefor) and pay the full amounts due to the respective Credit Enhancers (or such lesser amount as may be available pro rata to each Credit Enhancer on the basis of the relative amounts owed to each Credit Enhancer). Notwithstanding any other provision of this Agreement to the contrary, during a Control Period while the 2 Year Standstill period is in effect, no party hereto shall be entitled to receive from the Trustee any moneys of the Institution resulting from any Unrestricted Action maintained by such party other than its Pro Rata Share described in this Section 6(c). Nothing in this Section 6(c) or elsewhere in this Agreement shall be interpreted as permitting the Directing Majority to make any determination with respect to the use of moneys on deposit in the Debt Service Reserve Fund, which moneys shall be applied in accordance with the provisions of the Indenture.

(d) If a Restricted Remedy is implemented in accordance with the provisions of Section 3 hereof, the Trustee shall (i) take control of all proceeds derived from a foreclosure of the liens of the Agency Mortgages and the Subordinate Mortgages and (ii) immediately withdraw all amounts deposited in or credited to all Controlled Funds (the amounts described in clause (i) and (ii) of this subsection (d) being collectively referred to as the "Available Proceeds") and (A) deposit the full or Pro Rata Share, as applicable, of the amount representing debt service for each series of 2002 Bonds (determined as if the aggregate principal amount of the 2002 Bonds was accelerated and

then due) in the respective Bond Funds, or with respect to the Series B Bonds, the Reimbursement Fund (Series B), held under the Indenture, and (B) pay to the respective Credit Enhancers the full or Pro Rata Share, as applicable, of the amount representing (1) unpaid fees owed to the Credit Enhancers which are on a parity with the 2002 Bonds under the Agency Mortgages and (2) unreimbursed payments of scheduled principal and interest on a series of 2002 Bonds previously paid by the Credit Enhancers, together with interest unpaid thereon. To the extent that after the application of Available Proceeds for the purposes described in Section 6(c)(i) and 6(c)(ii) hereof there remain Available Proceeds, the Trustee shall apply such remaining Available Proceeds to the payment of all unpaid amounts owed to the Credit Enhancers which are subordinate in payment to the purposes described in Section 6(c)(i) and 6(c)(ii) (or such lesser amount if the remaining Available Proceeds are insufficient therefor pro rata to each Credit Enhancer on the basis of the relative amounts owed to both Credit Enhancers).

(e) In addition to the right to exercise control over the Pledged Revenues of the Institution or the Institution's Unrestricted Investments Fund during a Control Period, the Trustee may, and at the direction of the Bank, the Bond Insurer or the Series C Representative, shall, realize upon any security interest which it may then have in the pledge of Pledged Revenues and of the Unrestricted Investments Fund and the respective rights to receive the same and in any manner consistent with the rights of the Trustee set forth in the Pledge and Security Agreement and in the Contingent Pledge Agreement or as contained in this Agreement, by any one or more of the following actions: (i) during normal business hours enter upon the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and the Unrestricted Investments Fund and take possession of all instruments, chattel paper, checks or other orders for payment of money and moneys in the possession of the Institution representing Pledged Revenues and assets of the Unrestricted Investments Fund or the respective proceeds thereof; provided that the Trustee shall thereafter promptly provide to the Institution a list of all such items taken; (ii) notify any account debtors obligated on any Pledged Revenues to make payments directly to the Trustee and of the amount to be so paid; provided, however, that written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors and that, immediately upon receipt of such notice, the Institution shall deliver to the Trustee the name, address and telephone and facsimile numbers and any other contact information for each of its account debtors, together with information with respect to its efforts to enforce and collect Pledged Revenues owing from each such debtor, and shall thereupon cease all such efforts; and provided further that until the Institution shall receive such notice it shall have full authority and responsibility to enforce, collect and settle Pledged Revenues owing from its account debtors; (iii) following the above-mentioned notification to account debtors, collect, or, in good faith, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Trustee; provided that the Trustee shall, promptly after each such action, provide notice to the Institution of such action taken in sufficient detail for the Institution to track and document the Pledged Revenues affected; (iv) by written notice to the Institution, forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or to allow any credit or discount thereon; and (v) by prior written notice to the Institution, endorse in the name of the Institution any checks or other orders for the payment of

money representing any unpaid assigned Pledged Revenues or deposits to the Unrestricted Investments Fund or the respective proceeds thereof.

(f) If subsequent to the occurrence of an Event of Default, the Bank, the Bond Insurer or the Series C Representative (the “**Recovering Party**”) shall obtain payment of any amount due to it by any means other than those contemplated in Sections 3 and 6 hereof (including any payment obtained from or charged against any third party), the Recovering Party shall deposit such recovered amounts with the Trustee (net of any expenses which the Recovering Party shall have incurred in obtaining such recovered amounts) in order to assure that such recovered amounts are applied on a Pro Rata Share basis.

(g) During any Control Period and prior to the initiation of a Restricted Remedy, if the Triggering Event of Default and all subsequent Events of Default (including an Event of Default described in the proviso to Section 7 hereof) have either been cured by the Institution or waived by the Directing Majority, then the Trustee shall, as soon as practicable, (1) provide notice to such effect to the other parties hereto, and (2) withdraw the Control Agreement Notice(s) and relinquish control over all Controlled Funds. Thereafter, unless and until any subsequent Control Agreement Notice is received by the parties hereto and the affected bank or financial institution, all Pledged Revenues and amounts on deposit in or credited to the Institution’s Unrestricted Investments Fund shall cease to be subject to any restrictions imposed by a Control Agreement; all books and records of the Institution relating to Pledged Revenues or the Institution’s Unrestricted Investments Fund which were taken shall be promptly returned to the Institution; the Trustee shall provide notice to account debtors to make payments directly to the Institution; the Trustee shall not collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institution’s account debtors without written approval of the Institution; the Trustee shall promptly deliver to the Institution any future payments received from account debtors; and Pledged Revenues may be collected, compromised, settled, compounded, extended and applied by the Institution subject only to the pledge and limitations set forth in the Project Security Documents.

(h) The Institution further covenants that it shall not enter into any Control Agreements with respect to or otherwise encumber any of its assets other than as contemplated by, and in accordance with, the Project Security Documents.

(i) To the extent that either or both of the Credit Enhancers direct the Trustee to act or refrain from acting under this Agreement, such Credit Enhancer(s) shall be deemed to be an Acting Party, and as such, agrees to pay, and to indemnify the Trustee against, all reasonable costs, fees and expenses (including reasonable attorneys’ fees and expenses) incurred by the Trustee acting pursuant to such direction; provided, however, that the Credit Enhancers shall not be obligated to pay any costs, fees or expenses which the Trustee may suffer to incur by reason of the gross negligence or willful failure of the Trustee to perform its duties hereunder.

Section 7. Failure to Remarket Series B Bonds or Expiration of the Series B Letter of Credit in the Absence of an Event of Default by the Institution. An Event of Default under the Project Security Documents shall be deemed to have occurred solely for purposes of commencing the 2 Year Standstill provision relating to the initiation of a Restricted Remedy hereunder in the event (i) all or a portion of the Series B Bonds shall have been the subject of a failed remarketing and any of such Series B Bonds shall have been Bank Bonds for a period of six (6) months or (ii) the term of the Series B Letter of Credit is not renewed resulting in a mandatory tender of the Series B Bonds and a corresponding draw on the Series B Letter of Credit immediately prior to its

expiration date. If, at any time during the 2 Year Standstill period, either all of the unremarketed Series B Bonds shall be successfully remarketed or a replacement Series B Letter of Credit shall have been obtained by the Institution in accordance with the requirements of Section 2.21 of the Indenture, the Event of Default described in this Section 7 shall be deemed cured. Notwithstanding any provision to the contrary in any other Project Security Document, no payment of the principal amount of any Tender Drawing that may be payable to the Bank pursuant to a "term out" or other loan provision contained in the Series B Reimbursement Agreement shall be paid to the Bank during the 2 Year Standstill period, and the failure to pay such amounts during the 2 Year Standstill period shall not be deemed to constitute an Event of Default under any Project Security Document; provided, however, that at the end of the 2 Year Standstill period, all such accrued but unpaid principal payment under such "term out" or other loan provision shall be immediately payable to the Bank if, on the date of payment, (A) the Triggering Event of Default and all subsequent Events of Default (other than the failure to remarket any Bank Bonds) have been cured by the Institution or waived by the Directing Majority, and (B) the Institution is able to demonstrate that (1) following the payment of such accrued but unpaid principal payment it is in compliance with the Unrestricted Liquid Funds to Debt Ratio covenant set forth in Section 6.23 of the Lease Agreement with such payment date being deemed to be a special Unrestricted Liquid Funds Test Date, and (2) such payment is being made from amounts on deposit in the Unrestricted Investments Funds or from amounts that are not required to be deposited in a Controlled Fund; provided further, that the failure by the Institution to pay such accrued principal payment when due shall constitute a subsequent Event of Default for purposes of Section 3(c) hereof entitling any party hereto to immediately initiate any Restricted Remedy hereunder in accordance with the provisions of such section.

Section 8. Notice of Default. Each party to this Agreement shall promptly give the other parties to this Agreement a copy of any notice or other communication given by it to the Institution with respect to any Event of Default under a Project Security Document, or with respect to any other occurrence that would give rise to the right to initiate an Unrestricted Action or a Restricted Remedy.

Section 9. Amendment of this Agreement and the Other Project Security Documents. No amendment to this Agreement shall be effective without the prior written agreement of the Bank and the Bond Insurer (provided that the provisions of Section 17(b) shall not at such time be in effect), the Agency, the Trustee and the Series C Representative. Amendments to any of the other Project Security Documents (other than the Series A Bond Insurance Agreement and the Series B Reimbursement Agreement) may be effected only in accordance with the provisions of the Indenture. Any reference in this Agreement to any document constituting a Project Security Document that is supplemented or amended subsequent to the date of execution of this Agreement shall be deemed to be a reference to such document as so supplemented or amended.

Section 10. Trustee Appointment; Successor. (a) Each of the Bank, the Bond Insurer and the Series C Representative hereby designates and appoints the Trustee, and the Trustee hereby accepts such appointment, as such party's exclusive agent hereunder to act in such party's place, name and stead with respect to Unrestricted Actions and Restricted Remedies, as well as to exercise such powers and to perform such duties as are reasonably incident thereto. The Institution hereby acknowledges such appointment of the Trustee for such purpose.

(b) The Trustee shall be entitled to the advice of counsel (who may be counsel for any party other than the Institution) and shall not be liable for any action taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate or other document

furnished to it under this Agreement and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or omitted to be taken by it in good faith and reasonably believed by it not within the power or discretion conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error or judgment reasonably made by it. When any action by the Trustee is called for by this Agreement, the Trustee may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or default, by any person, firm or corporation except by itself or by its own directors, officers and employees. For the purposes of this Agreement, matters shall not be considered to be known to the Trustee unless they are actually known to an officer in its corporate trust department or should have been known to such an officer based on information in such officer's possession.

(c) The Institution shall pay when billed all agreed upon fees and all reasonable compensation and expenses of the Trustee and of the Series C Representative under this Agreement, including reasonable fees and expenses for legal counsel. The Institution agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability, damage, claim or expense incurred without gross negligence, fraud, deceit or bad faith on the part of the Trustee arising out of or in connection with this Agreement or any action taken under or contemplated by this Agreement. In case any such claim should be made or action brought against the Trustee in respect of which indemnity may be sought against the Institution, the Trustee shall, as a condition of its right to indemnification hereunder, promptly notify the Institution in writing setting forth the particulars of such claim or action and shall cooperate as the Institution may reasonably request. The Trustee shall, at the cost and expense of the Institution, be entitled to employ separate counsel in any action or proceeding arising out of any alleged act or omission which occurred or is alleged to have occurred while the Trustee was acting within the scope of its employment or duties, and to conduct the defense thereof. The Institution's obligations under this subsection (c) shall survive the termination of this Agreement.

(d) Distributions from Controlled Funds or of amounts derived as a result of a Restricted Remedy shall be made by the Trustee in accordance with the provisions of Section 6 (c) and 6(d) hereof taking into account the amount of proceeds available for distribution and the likelihood of obtaining additional proceeds. The Trustee shall verify that moneys held in Controlled Funds pending disbursement are invested in Qualified Investments (as defined under the Indenture) as directed by the Credit Enhancers in writing maturing or redeemable at the option of the holder of such Qualified Investments at or before the time when such moneys are expected to be disbursed.

(e) The Trustee may resign its duties under this Agreement, or be removed from its duties under this Agreement, only in accordance with the provisions of the Indenture for the resignation or removal of the Trustee.

Section 11. Agreement for Benefit of Parties Hereto; Third Party Beneficiaries. Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person other than the Agency, the Bank, the Bond Insurer, the Series C Representative and the Trustee, and their respective successors and assigns, any right, remedy or claim hereunder or any covenant, stipulation, promise and agreement contained herein. This Agreement and all of the covenants, stipulations, promises and agreements herein contained by and

on behalf of each party hereto shall be for the sole and exclusive benefit of the Agency, the Bank, the Bond Insurer, the Series C Representative and the Trustee and their respective successors and assigns and the owners of the 2002 Bonds. The Trustee shall be entitled to rely conclusively on the written instructions of the Bank and the Bond Insurer for all consents and directions of the Credit Enhancers provided for hereunder. Subject to the provisions of Section 17 hereof, the holders of the Series A Bonds and the Series B Bonds shall not be entitled to enforce any provision of this Agreement directly as third party beneficiaries.

Section 12. Severability. If one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the remaining provisions shall not in any way be affected or impaired.

Section 13. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by first class mail, postage prepaid, with proper address as indicated below. Each party may, by written notice given to the other parties, designate any other address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Agreement. Until otherwise so provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

If to Agency:

New York City Industrial Development Agency
110 William Street
New York, New York 10038
Attention: Chairman (with a copy to the Executive Director
and the General Counsel at the same address)

If to Trustee or Series C Representative:

The Bank of New York
101 Barclay Street, Floor 21W
New York, New York 10286
Attention: Corporate Trust Administration

If to the Bank:

JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Municipal Credit Department

With a copy to:

JPMorgan Chase Bank
c/o J.P. Morgan Treasury Services
Standby Letter of Credit Department
10420 Highland Manor Drive, 4th Floor
Tampa, FL 33610

If to the Bond Insurer:

ACA Financial Guaranty Corporation
140 Broadway, 47th Floor
New York, New York 10005
Attention: Surveillance (with a copy to the General
Counsel at the same address)

If to the Institution:

Lycée Français de New York
9 East 72nd Street
New York, New York 10021
Attention: Head of School (with a copy to the Director of Finance and Administration
at 503-509 East 75th Street, New York, NY 10021)

With a copy to:

Garfunkel, Wild & Travis, P.C.
111 Great Neck Road, Suite 503
Great Neck, New York 11021
Attention: Richard A. Dennett, Esq.

Section 14. Successors and Assigns. Whenever in this Agreement any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included and all covenants, stipulations, obligations, promises and agreements in this Agreement contained by or on behalf of the respective parties hereto shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

Section 15. No Impairments of Other Rights.

(a) Nothing in this Agreement is intended or shall be construed to impair, diminish or otherwise adversely affect any other rights the Bank or the Bond Insurer may have or may obtain against the Institution relative to the Bank's rights as a holder of Series B Bonds and its rights under any applicable Project Security Document, and the Bond Insurer's rights as a holder of the Series A Bonds and its rights of subrogation under any applicable Project Security Document.

(b) Except as otherwise provided in Section 3, 4, 5 and 6 of this Agreement, this Agreement shall not be construed to expand or otherwise modify the rights and remedies of the Agency, the Trustee or the Credit Enhancers under the Project Security Documents, or to modify the obligations of the Institution under any of the foregoing.

Section 16. Remedies Under this Agreement. No failure of the Trustee, the Series C Representative or the Agency to perform any undertaking or honor any agreement under this Agreement shall affect the obligations of the Bank under the Series B Letter of Credit and/or the Bond Insurer under the Series A Bond Insurance Policy, but the Bank, the Bond Insurer, the Series C Representative, the Agency and the Trustee shall each have full right and power to enforce the undertakings, covenants and agreements of the other parties hereto directly against such other parties by suit for specific performance or claims for damages or a combination of the foregoing.

In the event of any dispute between or among any of the parties hereto arising out of this Agreement, the prevailing party or parties shall be entitled to recover from the losing party or parties, all reasonable fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by such prevailing party or parties in connection with such dispute.

Section 17. Termination and Suspension of Rights. (a) This Agreement shall terminate upon the first to occur of full payment and satisfaction of all of (1) the principal of, premium, if any, and interest on the 2002 Bonds, plus (2) the Institution's obligations (x) to the Bank and the Bond Insurer under the applicable Project Security Documents, including satisfaction and discharge of the liens of the Agency Mortgages and the Subordinate Mortgages, and (y) to the Agency, the Trustee and the Series C Representative for their respective fees, expenses and other amounts owed them by the Institution under the Project Security Documents, it being understood and agreed that this Agreement shall survive the satisfaction and discharge in full of the 2002 Bonds and the Project Security Documents other than by reason of an Event of Default under the Project Security Documents and the initiation to conclusion of a Restricted Remedy thereunder.

(b) For so long as a Series A Bond Insurer Disqualification Event or a Series B Credit Facility Disqualification Event shall exist, the related Credit Enhancer (the "Disqualified Credit Enhancer") shall have no rights or benefits hereunder and the other parties hereto shall have no obligations with respect to such party except to the extent that the Disqualified Credit Enhancer has previously made payments under the Series A Bond Insurance Policy or the Series B Letter of Credit, as the case may be, or is owed amounts under any other Project Security Document. Any determination of the occurrence and continuation of a Series A Bond Insurer Disqualification Event or a Series B Credit Facility Disqualification Event, or the remedy thereof and reinstatement of such party's rights hereunder, will be made by prompt written notice to the other parties to this Agreement by the Trustee. During any such suspension, the Agency and the Trustee may deem and treat the non-disqualified Credit Enhancer as the sole Credit Enhancer and none of the Agency, the Trustee or the non-disqualified Credit Enhancer shall risk or incur any liability to the Disqualified Credit Enhancer for actions taken during such period of suspension or the consequences of such actions not actually realized until subsequent to such period of suspension, except in the case of a party's gross negligence or willful misconduct resulting in direct, as opposed to consequential, damages to such Disqualified Credit Enhancer.

(c) No provision of this Agreement limiting the rights of the Bond Insurer after a Series A Bond Insurer Disqualification Event is intended to limit such Bond Insurer's rights under any applicable Project Security Document to payment as subrogee of any holder of a Series A Bond by virtue of payments made by such Bond Insurer prior to such Event.

(d) No provision of this Agreement limiting the rights of the Bank after a Series B Credit Facility Provider Disqualification Event is intended to limit such Bank's rights under any applicable Project Security Document to the repayment of Bank Bonds, the payment of fees due and owing to the Bank or the payment of the principal and interest with respect to any "term out" provision to the extent of any draws made under the Series B Letter of Credit prior to such Event.

Section 18. Trustee Not to Expend Funds. No provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless repayment of such funds or adequate indemnity against such risk or liability is assured to it or unless such expenditure of funds (or the risk thereof) or the incurrence of any financial liability

hereunder shall be in the ordinary course of such party's performance of its required duties and obligations under the Project Security Documents.

Section 19. Evidence of Action by the Parties Hereto. Any request, direction, command, order, notice, certificate or other instrument of, by or from any party hereto shall be effective and binding upon such party for the purposes of this Agreement if the same shall be signed by an authorized representative.

Section 20. Agreement Controlling. To the extent there is a conflict or inconsistency between the terms of this Agreement and other Project Security Documents or any amendment or modification thereto, this Agreement shall control as among the parties hereto.


Section 21. Headings. Headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect or be relied upon in interpreting or enforcing this Agreement.

Section 22. Counterparts. This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all counterparts together constituting only one instrument.


Section 23. Governing Law. This Agreement and the rights and obligations of the parties shall be governed by and construed and enforced in accordance with the laws of the State of New York.

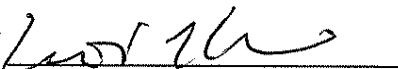
IN WITNESS WHEREOF, the Agency, the Institution, the Trustee, the Bank, the Bond Insurer and the Series C Representative have caused this Agreement to be executed, all as of the date first above written.

**NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY**

By: 
Name: Barbara Basser-Bigio
Title: Executive Director

LYCÉE FRANÇAIS DE NEW YORK


By: 
Name: Elsa L. Berry
Title: Chair of the Board

By: 
Name: Robert G. Pine
Title: Treasurer

**ACA FINANCIAL GUARANTY
CORPORATION, as the Bond Insurer**

By: 
Name: Kathleen G. Cully
Title: Managing Director and General Counsel

**JPMORGAN CHASE BANK
as the Bank**

By: 
Name: Michael Mak
Title: Vice President

THE BANK OF NEW YORK,
as Series C Representative

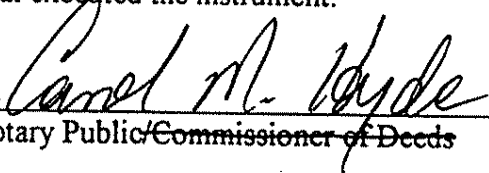
By: Barbara Dean
Name: Barbara Dean
Title: Assistant Treasurer

THE BANK OF NEW YORK,
as Trustee

By: Barbara Dean
Name: Barbara Dean
Title: Assistant Treasurer

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

On the 19th day of November, in the year two thousand 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 executed the instrument.

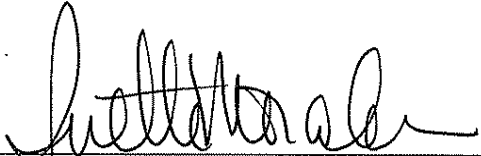


Notary Public/Commissioner of Deeds

CAROL M. HYDE
Notary Public, State of New York
No. 4977270
Qualified in Queens County
Commission Expires Jan. 28, 2003

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

On the 20th day of November, in the year two thousand two, before me the undersigned, personally appeared Elsa L. Berry, 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.

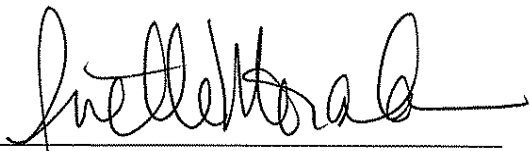


Notary Public

IVETTE O. MORALES
Notary Public, State of New York
No. 01MO6045611
Qualified in Bronx County
Commission Expires July 31, 2008

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

On the 20th day of November, in the year two thousand two, before me the undersigned, personally appeared Robert G. Pine, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



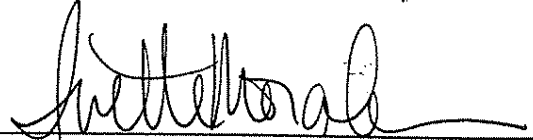
Notary Public

IVETTE O. MORALES
Notary Public, State of New York
No. 01MO6045611
Qualified in Bronx County
Commission Expires July 31, 200**6**

ACKNOWLEDGMENTS
(Within the State of New York)

State of New York , County of New York) ss.:

On the 20th of November 2002 before me, the undersigned, personally appeared ,
KATHLEEN G. CULLY
personally known to me on the basis of satisfactory evidence to be the individual(s) whose name(s)
is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the
same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument the
individual(s), or the person on behalf of which the individual(s) acted, executed the instrument.



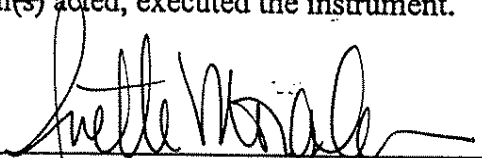
Signature and Office of individual taking proof

IVETTE O. MORALES
Notary Public, State of New York
No. 01MO6045611
Qualified in Bronx County
Commission Expires July 31, 2006

ACKNOWLEDGMENTS
(Within the State of New York)

State of New York , County of New York) ss.:

On the 20th day of November 2002 before me, the undersigned, personally appeared ,
Michael Nak
personally known to me on the basis of satisfactory evidence to be the individual(s) whose name(s)
is (~~are~~) subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the
same in his/~~her~~/their capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the
individual(s), or the person on behalf of which the individual(s) acted, executed the instrument.

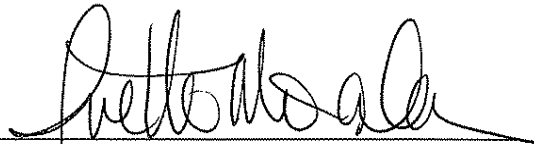


Signature and Office of individual taking proof

WETTE O. MORALES
Notary Public, State of New York
No. 01MO6045611
Qualified In Bronx County
Commission Expires July 31, 2006

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

On the 20th day of November, in the year two thousand two, before me, the undersigned, personally appeared Barbara Dean, 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

IVETTE O. MORALES
Notary Public, State of New York
No. 01MO6045611
Qualified in Bronx County
Commission Expires July 31, 2002

Exhibit A

DESCRIPTION OF FACILITY REALTY

As to Lots 5 and 8

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

BEGINNING at a point on the northerly side of 75th Street, distant 98 feet easterly from the corner formed by the intersection of the easterly side of Avenue A, with the northerly side of 75th Street;

RUNNING THENCE northerly, parallel with Avenue A, 102 feet 2 inches to the centerline of the block;

THENCE easterly along said centerline of the block, 100 feet to a point;

THENCE southerly at right angles to the preceding course, 2 feet 2 inches to a point;

THENCE easterly, parallel with the northerly side of 75th Street, 25 feet to a point;

THENCE southerly, parallel with Avenue A, 100 feet to the northerly side of 75th Street;

THENCE westerly, and along the northerly side of 75th Street, 125 feet to the point or place of BEGINNING.

As to Lot 43

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

BEGINNING at a point on the southerly side of East 76th Street, distant 98 feet easterly from the corner formed by the intersection of said southerly side of East 76th Street and the easterly side of York Avenue (Avenue A);

RUNNING THENCE easterly, along the southerly, at right angles to the southerly side of East 76th Street, 150 feet;

THENCE southerly, at right angles to the southerly side of East 76th Street, 102 feet 2 inches to the center line of the block;

THENCE westerly, along the centerline of the block, and parallel with East 76th Street, 25 feet;

THENCE southerly, at right angles to the preceding course, 2 feet 2 inches;

THENCE westerly, parallel with the East 76th Street, 25 feet;

THENCE northerly, at right angles to the preceding course, 2 feet 2 inches to the centerline of the block;

THENCE westerly, along the centerline of the block; and parallel with East 76th Street, 100 feet;

THENCE northerly, at right angles to East 76th Street, 102 feet 2 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 point on the northerly side of East 75th Street distant 98 feet easterly from the corner formed by the intersection of the easterly side of York Avenue, with the northerly side of East 75th Street;

RUNNING THENCE northerly, parallel with York Avenue, 204 feet 4 inches (deed) 204.542 feet (surveyed) to the southerly side of East 76th Street;

THENCE easterly along the southerly side of East 76th Street, 150 feet (deed) 150.031 feet (surveyed);

THENCE southerly, parallel with York Avenue, 102 feet 2 inches (deed) 102.271 (surveyed) to the centerline of the block;

THENCE westerly, parallel with East 76th Street, 25 feet (deed) and (surveyed);

THENCE southerly, parallel with York Avenue 102 feet 2 inches (deed) 102.271 feet (surveyed) to the northerly side of East 75th Street;

THENCE westerly, and along the northerly side of East 75th Street, 125 feet (deed) 125.021 (surveyed) to the point or place of BEGINNING.

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APPENDIX F

TD BANK, N.A.
IRREVOCABLE LETTER OF CREDIT
No.

November 13, 2008

The Bank of New York Mellon, as Trustee
101 Barclay Street, 7th Floor W
New York, New York 10286
Attention: Corporate Trust Group

Ladies and Gentlemen:

We, TD Bank, N.A. (the “Bank”), hereby establish, at the request and for the account of Lycée Français de New York, a not-for-profit education corporation organized and existing under and by virtue of the laws of the State of New York (“Lycée”) in your favor, as Trustee under the Indenture of Trust dated as of October 1, 2002 (as amended or supplemented from time to time, the “Indenture”) between the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under 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, and Chapter 1082 of the 1974 Laws of New York, as amended (the “Issuer”), and The Bank of New York, as predecessor to The Bank of New York Mellon, as trustee, pursuant to which \$30,000,000 in aggregate principal amount of the Issuer’s Civic Facility Revenue Bonds (2002 Lycée Français de New York Project), Series B (the “Bonds”) were issued, our Irrevocable Letter of Credit No. [] (the “Letter of Credit”) (as secured by the Reimbursement Agreement dated as of November 1, 2008 between Lycée and us (as amended from time to time, the “Reimbursement Agreement”)) in the amount of \$30,427,397.26 (as more fully described below), effective immediately and expiring at 3:00 p.m., New York City time (except as otherwise specified in the following sentence) on the Expiration Date. As used herein, “Expiration Date” shall mean the earliest of (a) the close of business on November 20, 2013, or such later date agreed to by the Bank and Lycée pursuant to a duly executed amendment of this Letter of Credit (the “Stated Expiration Date”), (b) the date on which the Bank receives notice from the Trustee in the form of Exhibit 4A hereto that the principal amount of and interest on all of the Bonds shall have been paid in full, (c) the date on which this Letter of Credit is surrendered to the Bank for cancellation pursuant to Section 2.21(a) of the Indenture with notice of such effect to the Bank, (d) the date on which the Bank receives notice from the Trustee in the form of Exhibit 4B hereto that all of the Bonds have been converted to a Non-Covered Interest Rate, (e) the first to occur of (i) the date which is eight (8) calendar days after the Trustee has received a Termination Event of Default Notice in the form of Exhibit 6 hereto or (ii) the date, following receipt of such Termination Event of Default

Notice, upon which the Trustee has drawn upon this Letter of Credit the amount required thereby and as permitted under this Letter of Credit and the proceeds of the drawing have been distributed to the Trustee, or (f)(i) the date upon which the Trustee receives notice from the Bank in the form of Exhibit 7 hereto that all Outstanding Bonds have been Bank Bonds for a period of not less than one hundred eighty (180) consecutive calendar days or (ii) the first to occur of (A) the date which is eight (8) calendar days after the Trustee has received a notice from the Bank in the form of Exhibit 7 hereto that any portion less than all of the Outstanding Bonds have been Bank Bonds for a period of not less than one hundred eighty (180) consecutive calendar days or (B) the date, following receipt of such notice, upon which the Trustee has drawn upon this Letter of Credit the amount required thereby and as permitted under this Letter of Credit and the proceeds of the drawing have been distributed to the Trustee.

We hereby irrevocably authorize you to draw on us in accordance with the terms and conditions hereinafter set forth, by your draft, an aggregate amount not exceeding \$30,427,397.26 (the "Letter of Credit Amount"), of which an aggregate amount not exceeding (a) \$30,000,000 may be drawn upon with respect to (i) payment of the unpaid principal amount of the Bonds or (ii) the portion of the purchase price equal to the principal amount of Bonds tendered or deemed tendered for purchase pursuant to Section 2.06 or Section 2.08(a) (provided such Bonds are then in a Covered Rate), (c), (d), (e), (f) or (g) of the Indenture and not remarketed pursuant to the Indenture prior to such drawing (hereinafter referred to as "Eligible Bonds") and (b) \$427,397.26 (but no more, in the case of any drawing, than an amount equal to interest accrued on the Bonds for the immediately preceding 52 days, calculated at a rate of 10% per annum and on the basis of the actual number of days elapsed in a year of 365 or 366 days, as applicable) may be drawn upon with respect to payment of interest accrued on the Bonds or the portion of the purchase price of Eligible Bonds representing interest thereon. The two foregoing maximum amounts comprising the Letter of Credit Amount shall be reduced from time to time upon notice from the Trustee in the form of Exhibit 4 hereto of the payment or redemption of Bonds by (A) in the case of the amount referred to in clause (a) above, the aggregate principal amount of the Bonds so paid or redeemed and (B) in the case of the amount referred to in clause (b) above, an amount that bears the same proportion to \$30,000,000 as the principal amount of Bonds so paid or redeemed bears to \$427,397.26. Notwithstanding any other provision of this Letter of Credit, (1) you are not authorized to draw on us hereunder unless at the time of such drawing the Bonds bear interest at a Covered Rate, (2) you are not authorized to draw on us with respect to the payment of any redemption premium, (3) you are not authorized to draw on us hereunder with respect to any payment which comprises any part of the Bank Bond Sale Consideration, (4) you are not authorized to draw on us hereunder with respect to any payment of principal, purchase price or interest on any Bonds registered in the name of Lycée, or, to the best of your knowledge, any Affiliate of Lycée or, to the best of your knowledge, held for the account of Lycée or any Affiliate of Lycée, and (5) from the date after the Bank receives notice from the Trustee in the form of Exhibit 4A hereto that payment or provision for payment of all the Bonds shall have been made pursuant to Article X of the Indenture, only a draft to pay the purchase price of Eligible Bonds may be drawn on us hereunder.

Only you, as Trustee, may make drawings under this Letter of Credit. Upon the payment to you of the amount specified in a draft drawn hereunder, we shall be fully discharged on our

obligation under this Letter of Credit with respect to such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft or the amount drawn thereunder to you or to any other person, firm, corporation or other entity who may have made to you or who makes to you a demand for payment of principal of or interest on any Bond or the purchase price thereof.

On the tenth (10th) day (provided that if such day is not a Business Day, then on the next succeeding Business Day) following each drawing hereunder in accordance with a certificate in the form of Exhibit 2 hereto to pay scheduled interest on the Bonds, and effective as of the date of such drawing, the amount so drawn shall be restored to the amount available to be drawn hereunder in respect of payment of interest on the Bonds (including the portion of the purchase price of Eligible Bonds representing interest thereon) accrued on or prior to the maturity thereof unless you shall have received (a) a notice in the form of Exhibit 8 hereto from us theretofore that such amount is not so reinstated because a previous drawing has been made under this Letter of Credit for which we have not been reimbursed in full when due by Lycée or (b) a Termination Event of Default Notice from us theretofore in the form of Exhibit 6 hereto. If after any drawing hereunder in accordance with a certificate in the form of Exhibit 3 hereto to pay the purchase price of Eligible Bonds, Lycée repays such drawing in full to us, the portion of the purchase price of such Eligible Bonds allocated to the principal of and accrued interest on such Eligible Bonds so drawn shall be restored to the amount of principal and interest, respectively, available to be drawn hereunder as confirmed by the Bank in a notice to the Trustee in the form of Exhibit 9 hereto. Subject to the two preceding sentences, drawings in respect of payments hereunder honored by us shall not, in the aggregate, exceed the Letter of Credit Amount and each drawing honored by the Bank hereunder shall pro tanto reduce the amount available under this Letter of Credit.

Funds under this Letter of Credit are available to you against presentation of (a) your draft(s) payable on the date such draft(s) is (are) drawn on us, stating on its (their) face: "Drawn under TD Bank, N.A. Irrevocable Letter of Credit No. [] and (b) if the drawing is being made with respect to a payment of principal of the Bonds, a certificate signed by a duly authorized officer of the Trustee making such drawing (the "Drawer") in the form of Exhibit 1 attached hereto, completed, (c) if the drawing is being made with respect to a payment of interest on the Bonds, a certificate signed by the Drawer in the form of Exhibit 2 hereto, completed and (d) if the drawing is being made with respect to a payment of the purchase price of Eligible Bonds, a certificate signed by the Trustee in the form of Exhibit 3 attached hereto, completed. Such draft(s) and certificate(s) (and any other certificate or notice required or permitted to be provided to the Bank hereunder) shall be in writing and dated the date of presentation, and shall either be sent by first class registered or certified mail or express courier service, properly addressed and prepaid, or physically delivered to 6000 Atrium Way, Mt. Laurel, NJ 08054, Attention: Darleen Strieffler, provided that presentment of a drawing certificate hereunder may be made by facsimile to (856) 533-6525, if followed by next Business Day delivery to the aforesaid office of an original drawing certificate. In each case, a copy shall be sent to TD Bank, N.A., 211 Montague Street, Brooklyn, New York 11201, Attention: Regional Vice President, George L. Andreozzi. If we receive your draft(s) and certificate(s) at such office, all in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 12:00

noon, New York City time, on a Business Day on or prior to the Expiration Date, we will honor the same by 2:00 p.m., New York City time, on the same business day in accordance with your payment instructions. If we receive your draft(s) and certificate(s) at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 12:00 noon, New York City time, but prior to 4:00 p.m., New York City time, on a Business Day prior to the Expiration Date, we will honor the same by 10:00 a.m., New York City time, on the next Business Day in accordance with your payment instructions provided that such next Business Day is on or prior to the Expiration Date. If requested by the Drawer, payment under this Letter of Credit may be made by wire transfer of federal funds to the account of the Drawer or any other account of yours with any bank located in New York, New York or by deposit of immediately available funds into any such account. All such payments shall be made solely from our own funds.

In addition to the definitions set forth in the foregoing text, as used herein, (a) “*Affiliate*” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, and (b) “*Authorized Representative*” shall mean, in the case of Lycée, its Chair, any Vice Chairman, its Head of School, its Director of Finance and Administration, its Treasurer or Assistant Treasurer, its Secretary or Assistant Secretary or any officer or employee authorized to do specific acts or to discharge certain specific duties and of whom another Authorized Representative of Lycée gives written notice to the Bank; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized Representative pursuant to the terms of this Letter of Credit or any Exhibit hereto, such certificate or statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement, and (c) “*Bank Bonds*” means any Eligible Bond or Bonds purchased with amounts drawn under this Letter of Credit, and (d) “*Bank Bond Sale Consideration*” means the Sale Price as defined in the Reimbursement Agreement together with the amounts prescribed under Section 5(b)(i)(B) of the Reimbursement Agreement, and (e) “*Bank Rate*” means for any day, a rate per annum equal to the Prime Rate for such day, and (f) “*Business Day*” shall mean any day which is not a Saturday, Sunday or a legal holiday or a day on which banking institutions in The City of New York, New York, or the city in which the principal corporate trust office of the Trustee is located are authorized by law or executive order to close, and (g) “*Covered Rate*” means either of the Daily Rate or the Weekly Rate as determined under the Indenture, and (h) “*Eligible Bonds*” shall have the meaning ascribed thereto hereinbefore in this Letter of Credit, and (i) “*Non-covered Interest Rate*” means any interest rate applicable to the Bonds other than a Covered Rate or the Bank Rate, and (j) “*Outstanding Bonds*” means, as of the time in question, all Bonds authenticated and delivered under the Indenture except Bonds canceled or required to be canceled, Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the requirements of the Indenture, and Bonds in substitution for which other Bonds have been authenticated and delivered under the Indenture, and (k) “*Termination Event of Default Notice*” means a notice given by the Bank to the Trustee under Section 13(b)(i)(A) or 13(b)(ii)(x) of the Reimbursement Agreement, which notice (i) shall notify the Trustee that an Event of Default has occurred and is continuing and that the Letter of Credit shall terminate, and shall direct the Trustee to draw upon the Letter of Credit in accordance with its terms and (ii) may direct the Trustee to declare the principal of all Outstanding Bonds to be due and payable. For purposes of

the definition of Affiliate, “control” (including “controlled by” and “under common control with”) means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise. For purposes of and without limiting the provisions of the second preceding sentence, the definition of “Affiliate” of any Person shall include any Subsidiary (as defined in the Reimbursement Agreement) of such Person.

Upon the earlier of (a) the making by you of the last drawing available to be made hereunder and the distribution of the proceeds of such drawing to you or (b) 3:00 p.m., New York City time (except as otherwise specified in the second sentence of this Letter of Credit), on the Expiration Date, this Letter of Credit shall automatically terminate.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication No. 600 (the “Uniform Customs”). This Letter of Credit shall be deemed to be made under the laws of the State of New York including Article 5 of the Uniform Commercial Code, and shall, as to matters not governed by the Uniform Customs, be governed by and construed in accordance with the laws of the State of New York. Communications with respect to the Trustee shall be sent either by first class registered or certified mail or express courier service, properly addressed and prepaid, or physically delivered to the address set forth on the first page of this Letter of Credit.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Trustee under the Indenture and may be successively so transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in the form of Exhibit 5 attached hereto.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds, the Indenture, and the Reimbursement Agreement), except only the certificates and the drafts referred to herein; and notwithstanding any such reference (including, without limitation, the use herein of terms defined in the Reimbursement Agreement), no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts.

Very truly yours,

TD BANK, N.A.

By: _____
Name: _____
Title: _____

EXHIBIT 1 TO THE LETTER OF CREDIT

CERTIFICATE FOR THE PAYMENT OF PRINCIPAL OF
\$30,000,000
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT),
SERIES B

The undersigned, a duly authorized officer of The Bank of New York Mellon (the “Trustee”), hereby certifies to TD Bank, N.A. (the “Bank”), with reference to Irrevocable Letter of Credit No. [] (the “Letter of Credit”; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

The Trustee is the Trustee under the Indenture for the holders of the Bonds.

The Trustee is making a drawing under the Letter of Credit with respect to the payment of the principal, whether at stated maturity or upon redemption or acceleration but not any redemption premium or purchase price, of the Bonds in accordance with Section 5.08 of the Indenture.

The amount of principal of the Bonds which is due and payable is \$ _____ and the amount of the draft accompanying this Certificate does not exceed such amount of principal.

Upon and with the drawing herein made, the amount available to be drawn under the Letter of Credit in respect of principal or purchase price shall be \$ _____ and in respect of interest shall be \$ _____.

The Bonds at the time of this drawing bear interest at a Covered Rate.

None of the Bonds with respect to which this drawing is being made are, to the best of our knowledge, (i) registered in the name of Lycée, or, to the best of our knowledge, any Affiliate of Lycée or (ii) to the best of our knowledge, held for the account of Lycée or any Affiliate of Lycée.

The Trustee has not delivered notice to the Bank that payment or provision for payment of all the Bonds has been made pursuant to Article X of the Indenture.

The amount of the draft accompanying this Certificate does not exceed the amount available to be drawn under the Letter of Credit in respect of payment of principal of the Bonds and was computed in accordance with the terms and conditions of the Bonds, the Indenture and the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20 __.

THE BANK OF NEW YORK MELLON, as
Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 2 TO THE LETTER OF CREDIT

CERTIFICATE FOR THE PAYMENT OF INTEREST OF
\$30,000,000
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT),
SERIES B

The undersigned, a duly authorized officer of The Bank of New York Mellon (the “Trustee”), hereby certifies to TD Bank, N.A. (the “Bank”), with reference to Irrevocable Letter of Credit No. [] (the “Letter of Credit”; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The Trustee is making a drawing under the Letter of Credit with respect to the payment of interest accrued on the Bonds in accordance with Section 5.08 of the Indenture.

(c) The amount of interest on the Bonds which is due and payable is \$_____ and the amount of the draft accompanying this Certificate does not exceed such amount of interest.

(d) Upon and with the drawing herein made, the amount available to be drawn under the Letter of Credit in respect of principal or purchase price shall be \$_____ and in respect of interest shall be \$_____.

(e) The Bonds at the time of this drawing bear interest at a Covered Rate.

(f) The Trustee has not delivered notice to the Bank that payment or provision for payment of all the Bonds has been made pursuant to Article X of the Indenture.

(g) None of the Bonds with respect to which this drawing is being made are, to the best of our knowledge, (i) registered in the name of Lycée, or, to the best of our knowledge, any Affiliate of Lycée or (ii) to the best of our knowledge, held for the account of Lycée or any Affiliate of Lycée.

(h) No portion of this drawing is to be used to pay all or any part of the Bank Bond Sale Consideration.

(i) The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of payment of interest accrued on the Bonds on or prior to their stated maturity date or to the redemption date, as the case may be, and the amount of the draft accompanying this Certificate was computed in accordance with the terms and conditions of the Bonds, the Indenture and the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20 __.

THE BANK OF NEW YORK MELLON, as
Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 3 TO THE LETTER OF CREDIT

CERTIFICATE FOR THE PAYMENT OF PURCHASE PRICE OF
\$30,000,000
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT),
SERIES B

The undersigned, a duly authorized officer of The Bank of New York Mellon (the “Trustee”) hereby certifies to TD Bank, N.A. (the “Bank”), with reference to Irrevocable Letter of Credit No. [] (the “Letter of Credit”; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

The Trustee is Trustee under the indenture for the holders of the Bonds.

The Trustee is making a drawing under the Letter of Credit in accordance with Sections 2.10 and 5.08(b) of the Indenture and pursuant to the request of the Tender Agent to enable the Tender Agent to pay the purchase price of Tendered Bonds that have not been remarketed pursuant to Section 2.06(d) or 2.09 of the Indenture (“Eligible Bonds”).

Upon and with the drawing herein made, the amount available to be drawn under the Letter of Credit in respect of principal or purchase price shall be \$_____ and in respect of interest shall be \$_____.

The Bonds at the time of this drawing bear interest at a Covered Rate.

The Trustee has not delivered notice to the Bank that payment or provision for payment of all the Bonds has been made pursuant to Article X of the Indenture.

None of the Bonds with respect to which this drawing is being made are (a) registered in the name of Lycée, or, to the best of our knowledge, any Affiliate of Lycée or (b) to the best of our knowledge, held for the account of Lycée or any Affiliate of Lycée.

No portion of this drawing is to be used to pay all or any part of the Bank Bond Sale Consideration.

The purchase price of the Eligible Bonds is \$_____ and the amount of the draft accompanying this Certificate does not exceed such purchase price.

The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of the purchase price of Eligible Bonds, and was computed in accordance with the terms and conditions of the Bonds, the Indenture and the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20 __.

THE BANK OF NEW YORK MELLON, as
Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 4 TO THE LETTER OF CREDIT

INSTRUCTIONS TO REDUCE LETTER OF CREDIT AMOUNT

_____, 20__

TD Bank, N.A.
6000 Atrium Way
Mt. Laurel, NJ 08054

Attention: Letter of Credit Department

Re: Irrevocable Letter of Credit No. []

Ladies and Gentlemen:

We refer to the above-captioned Letter of Credit (the "Letter of Credit") issued pursuant to the Reimbursement Agreement (as amended from time to time, the "Reimbursement Agreement"), dated as of November 1, 2008, between Lycée Français de New York and TD Bank, N.A. (the "Bank"). Terms used herein and not otherwise defined herein are used herein as defined in the Letter of Credit.

In accordance with instructions from an Authorized Representative of Lycée, we hereby instruct you, subsequent to a payment or redemption of a portion (but less than all) of the Bonds pursuant to the Indenture, to reduce the Letter of Credit Amount by the aggregate amount of \$ _____ (_____ Dollars), of which (a) an aggregate amount of \$ _____ (_____ Dollars) is being reduced with respect to principal of such Bonds and (b) an aggregate amount of \$ _____ (_____ Dollars) is being reduced with respect to interest on the Bonds.

Very truly yours,

The Bank of New York Mellon, as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 4A TO THE LETTER OF CREDIT

INSTRUCTIONS TO
TERMINATE LETTER OF CREDIT

_____, 20__

TD Bank, N.A.
6000 Atrium Way
Mt. Laurel, NJ 08054

Attention: Letter of Credit Department

Re: Irrevocable Letter of Credit No. []

Ladies and Gentlemen:

We refer to the above-captioned Letter of Credit (the “Letter of Credit”) issued pursuant to the Reimbursement Agreement (as amended from time to time, the “Reimbursement Agreement”), dated as of November 1, 2008, between Lycée Français de New York and TD Bank, N.A. (the “Bank”). Terms used herein and not otherwise defined herein are used herein as defined in the Letter of Credit.

In accordance with instructions from an Authorized Representative of Lycée, we hereby instruct you to terminate the Letter of Credit as the principal amount of and interest on all of the Bonds has been paid or provision for such payment in full shall be deemed to have been made by the deposit of cash or securities pursuant to Article X of the Indenture.

Very truly yours,

The Bank of New York Mellon, as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 4B TO THE LETTER OF CREDIT

INSTRUCTIONS TO
TERMINATE LETTER OF CREDIT

_____, 20__

TD Bank, N.A.
6000 Atrium Way
Mt. Laurel, NJ 08054

Attention: Letter of Credit Department

Re: Irrevocable Letter of Credit No. []

Ladies and Gentlemen:

We refer to the above-captioned Letter of Credit (the “Letter of Credit”) issued pursuant to the Reimbursement Agreement (as amended from time to time, the “Reimbursement Agreement”), dated as of November 1, 2008, between Lycée Français de New York and TD Bank, N.A. (the “Bank”). Terms used herein and not otherwise defined herein are used herein as defined in the Letter of Credit.

In accordance with instructions from an Authorized Representative of Lycée, we hereby instruct you to terminate the Letter of Credit on the date provided therein as all of the Bonds have been converted to a Non-Covered Interest Rate.

Very truly yours,

The Bank of New York Mellon, as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 5 TO THE LETTER OF CREDIT

INSTRUCTION TO TRANSFER

_____, 20__

TD Bank, N.A.
6000 Atrium Way
Mt. Laurel, NJ 08054

Attention: Letter of Credit Department

Re: Irrevocable Letter of Credit No. []

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably instructs you to transfer to:

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). The transferee has succeeded the undersigned as Trustee under the Indenture of Trust, dated as of October 1, 2002, between the New York City Industrial Development Agency and The Bank of New York, as predecessor to The Bank of New York Mellon, as Trustee.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; provided however, that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

The Letter of Credit is returned herewith and in accordance therewith we ask that this transfer be effected.

Very truly yours,

The Bank of New York Mellon, as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 6 TO THE LETTER OF CREDIT

TERMINATION EVENT OF DEFAULT NOTICE
\$30,000,000
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT),
SERIES B

The undersigned, a duly authorized officer of TD Bank, N.A. (the “Bank”), hereby gives notice to The Bank of New York Mellon (the “Trustee”) with reference to Irrevocable Letter of Credit No. [] (the “Letter of Credit”; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

The Bank hereby gives notice, pursuant to [Section 13(b)(i)(A)] [13(b)(ii)(x)] of the Reimbursement Agreement, to the Trustee that an Event of Default has occurred and is continuing under the Reimbursement Agreement, and that in accordance with the terms of the Letter of Credit, the Letter of Credit shall automatically terminate on the Expiration Date, which in the case of this Termination Event of Default Notice shall be the first to occur of (i) the date which is eight (8) calendar days after the Trustee has received this Termination Event of Default Notice, or (ii) the date, following receipt of this Termination Event of Default Notice, upon which the Trustee has drawn upon the Letter of Credit the amount required thereby and as permitted under the Letter of Credit and the proceeds of the drawing have been distributed to the Trustee.

IN WITNESS WHEREOF, the Bank has executed and delivered this Termination Event of Default Notice as of the ____ day of _____, 20 __.

TD BANK, N.A.

By: _____
Name: _____
Title: _____

EXHIBIT 7 TO THE LETTER OF CREDIT

CERTIFICATE REGARDING BANK BONDS

\$30,000,000

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

CIVIC FACILITY REVENUE BONDS

(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT),

SERIES B

The undersigned, a duly authorized officer of TD Bank, N.A. (the “Bank”), hereby certifies to The Bank of New York Mellon (the “Trustee”) with reference to Irrevocable Letter of Credit No. [] (the “Letter of Credit”; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

[All of the Outstanding Bonds have been Bank Bonds for a period of not less than one hundred eighty (180) consecutive calendar days.][Any portion of the Outstanding Bonds have been Bank Bonds for a period of not less than one hundred eighty (180) consecutive calendar days.]

In accordance with the terms of the Letter of Credit, the Letter of Credit shall terminate [on the date of your receipt of this certificate without any further action or notice required on the part of the Bank.][on the date which is the first to occur of (A) the date which is eight (8) calendar days after you have received this certificate or (B) the date, following your receipt of this certificate, upon which you have drawn upon the Letter of Credit the amount required thereby and as permitted under the Letter of Credit and the proceeds of the drawing have been distributed to you, without any further action or notice required on the part of the Bank.]

IN WITNESS WHEREOF, the Bank has executed and delivered this Certificate as of the ____ day of _____, 20 ____.

TD BANK, N.A.

By: _____

Name: _____

Title: _____

EXHIBIT 8 TO THE LETTER OF CREDIT

NOTICE OF NON-REINSTATEMENT

\$30,000,000

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT),
SERIES B

The undersigned, a duly authorized officer of TD Bank, N.A. (the “Bank”), hereby gives notice to The Bank of New York Mellon (the “Trustee”) with reference to Irrevocable Letter of Credit No. [] (the “Letter of Credit”; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

The Bank hereby gives notice to the Trustee pursuant to the terms of the Letter of Credit that, following a drawing under the Letter of Credit to pay scheduled interest on the Bonds, the amount so drawn shall not be restored to the amount available to be drawn under the Letter of Credit in respect of payment of interest on the Bonds (including the portion of the purchase price thereof representing interest thereon) accrued on or prior to the maturity thereof, because [a previous drawing has been made under the Letter of Credit for which the Bank has not been reimbursed in full when due by Lycée] [a Termination Event of Default Notice has been received by the Trustee from the Bank].

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice as of the ___ day of _____, 20__.

TD BANK, N.A.

By: _____
Name: _____
Title: _____

EXHIBIT 9 TO THE LETTER OF CREDIT

NOTICE OF RESTORATION

\$30,000,000

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(2002 LYCÉE FRANÇAIS DE NEW YORK PROJECT),
SERIES B

The undersigned, a duly authorized officer of TD Bank, N.A. (the "Bank"), hereby gives notice to The Bank of New York Mellon (the "Trustee") with reference to Irrevocable Letter of Credit No. [] (the "Letter of Credit"; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

The Bank hereby gives notice to the Trustee pursuant to the terms of the Letter of Credit that, following a drawing to pay the purchase price of Eligible Bonds, Lycée has repaid such drawing in full to us, in the aggregate amount of \$_____ (_____ Dollars), of which (a) an aggregate amount of \$_____ (_____ Dollars) is being restored with respect to principal of such Eligible Bonds and (b) an aggregate amount of \$_____ (_____ Dollars) is being restored with respect to interest on the Eligible Bonds, and the portion of the purchase price of such Eligible Bonds allocated to the principal of and accrued interest on such Eligible Bonds so drawn is hereby restored to the amount of principal and interest, respectively, available to be drawn hereunder.

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice as of the ___ day of _____ 20_.

TD BANK, N.A.

By: _____
Name: _____
Title: _____