

**REMARKETING-NOT A NEW ISSUE
BOOK-ENTRY ONLY**

RATINGS: See “RATINGS” herein

In the opinion of Winston & Strawn LLP, Bond Counsel, based on existing statutes, regulations, rulings, and court decisions, interest on the Series A Bonds remarketed pursuant to this Remarketing Circular is not includable in gross income for federal income tax purposes, assuming continuing compliance with certain covenants and the accuracy of certain representations. In the further opinion of Bond Counsel, interest on the Series A Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations; however such interest is includable in adjusted current earnings used to calculate the federal alternative minimum tax imposed on corporations (but not individuals). In the opinion of Bond Counsel, interest on the Series 2001B Bonds remarketed pursuant to this Remarketing Circular is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series A Bonds and the Series 2001B Bonds is, under existing statutes, exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Series A Bonds and the Series 2001B Bonds. See “TAX MATTERS” herein.

CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY
\$43,500,000 Civic Facility Revenue Bonds, Series A
(Sarah Lawrence College Project)
\$1,950,000 Civic Facility Revenue Bonds, Taxable Series 2001B
(Sarah Lawrence College Project)

Date of Remarketing: Date of Delivery

Due: As shown below

Subject to the satisfaction of certain conditions, on December 1, 2009 (the “Fixed Rate Conversion Date”), the outstanding Bonds (as defined below) in the aggregate principal amount referenced above will be converted to bear interest at Fixed Rates, as set forth below. The Bonds are being remarketed as described in this Remarketing Circular as a result of their mandatory tender by the holders thereof for purchase in connection with such conversion, as provided in the Indenture hereinafter referred to. The Bonds are subject to mandatory tender on the Fixed Rate Conversion Date.

On June 5, 2001, the City of Yonkers Industrial Development Agency (the “Agency”) issued \$25,750,000 of its Civic Facility Bonds, Series 2001A (Sarah Lawrence College Project) (the “Series 2001A-1 Bonds”) and \$8,900,000 of its Civic Facility Revenue Bonds, Taxable Series 2001B (Sarah Lawrence College Project) (Convertible to Tax-Exempt) (the “Series 2001B Bonds”). On October 16, 2003, \$3,600,000 of the Series 2001B Bonds were converted to be Series 2001A-1 Bonds. On May 27, 2004, the Agency issued an additional \$13,750,000 principal amount of its Civic Facility Revenue Bonds, Series A (Sarah Lawrence College Project) (the “Series 2001A-2 Bonds, and together with the Series 2001A-1 Bonds, the “Series 2001A Bonds”). Upon the issuance of the Series 2001A-2 Bonds, the Series 2001A-1 Bonds and the Series 2001A-2 Bonds were redesignated “Civic Facility Revenue Bonds, Series A (Sarah Lawrence College Project)” and treated as a single issue of Bonds (the “Series A Bonds”) in the Indenture (as described herein). The Series A Bonds issued on each date are in all respects identical (except for date of issue). The Series A Bonds and the Series 2001B Bonds are collectively referred to herein as the “Bonds.” The Bonds are limited obligations of the Agency secured by and payable solely from (i) certain funds and accounts held under the Indenture, and (ii) revenues of the Agency pledged therefor, including amounts derived under a Lease Agreement between the Agency and Sarah Lawrence College (the “College”).

The Bonds were issued as fully registered bonds and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (DTC). DTC will act as securities depository for the Bonds. Purchases of Bonds will be made in book-entry form only, in the Authorized Denominations referred to herein. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described herein. Following the Fixed Rate Conversion Date, interest on the Bonds is payable on each June 1 and December 1, beginning June 1, 2010. Following the Fixed Rate Conversion Date, the Series A Bonds mature and bear interest at the rates set forth below:

<u>Due (June 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
2015	\$ 675,000	5.000%	4.290%	986083BV4
2016	730,000	5.000	4.560	986083BW2
2017	790,000	5.000	4.790	986083BX0
2018	795,000	5.000	5.000	986083BY8
2019	905,000	5.000	5.040	986083BZ5
\$5,155,000 5.750% Term Bonds Due June 1, 2024, Yield 5.350%, Price 102.948%*, CUSIP Number 986083CB7				
\$7,155,000 6.000% Term Bonds Due June 1, 2029, Yield 5.650%, Price 102.545%*, CUSIP Number 986083CC5				
\$27,295,000 6.000% Term Bonds Due June 1, 2041, Yield 5.830%, Price 101.226%*, CUSIP Number 986083CA9				

* Priced to the first optional redemption date of June 1, 2019.

Following the Fixed Rate Conversion Date, the Series 2001B Bonds mature and bear interest at the rates set forth below:

<u>Due (June 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number</u>
2032	\$1,950,000	7.750%	100%	986083CD3

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY. NEITHER THE STATE OF NEW YORK, NOR ANY TAXING AUTHORITY THEREOF (INCLUDING THE CITY OF YONKERS) IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF OR INTEREST ON THE BONDS. THE AGENCY HAS NO TAXING POWER.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Remarketing Circular to obtain information essential to the making of an informed decision.

In connection with the conversion of the Bonds to Fixed Rates, certain legal matters will be passed upon by Winston & Strawn LLP, New York, New York, Bond Counsel. Certain legal matters will be passed on for the College by Oxman Tulis Kirkpatrick Whyatt & Geiger LLP, White Plains, New York, Counsel to the College. Certain legal matters will be passed upon for the Remarketing Agents by their counsel, Drinker Biddle & Reath LLP, Florham Park, New Jersey. Certain legal matters will be passed upon for the Agency by its counsel, Feerick Lynch MacCartney PLLC, South Nyack, New York. The Bonds are expected to be available at Fixed Rates and available for delivery in book-entry form through DTC in New York, New York on or about December 1, 2009.

Morgan Stanley

Janney Montgomery Scott

November 10, 2009

IN CONNECTION WITH THE REOFFERING OF THE BONDS, THE REMARKETING AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

No dealer, broker, salesman or other person has been authorized by the Agency or the College to give any information or to make representations with respect to the Bonds, other than those contained in this Remarketing Circular, 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 Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information as contained herein has been obtained from the College and other sources, including DTC, which are believed to be reliable, but information obtained from sources other than the Agency is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Agency. The information herein under the heading "THE AGENCY" has been supplied by the Agency.

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Remarketing Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS REMARKETING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Remarketing Circular contains a general description of the Bonds, the Agency, the College and the plan of finance and sets forth summaries of certain provisions of the Act, the Indenture, the Mortgage, and the Lease Agreement. The descriptions and summaries herein do not purport to be complete and are not to be construed to be a representation of the Agency or the Remarketing Agents. Persons interested in purchasing the Bonds should carefully review this Remarketing Circular (including the Appendices attached hereto) as well as copies of the documents referred to herein in their entirety, which documents are on file with by the Trustee at its principal corporate trust office in New York, New York.

The order and placement of materials in this Remarketing Circular, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Remarketing Circular, including the Appendices, must be considered in its entirety.

The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the cover of this Remarketing Circular have been assigned by an organization not affiliated with the Agency, the College, the Remarketing Agents or the Trustee, and such parties are not responsible for the selection or use of the CUSIP number. The CUSIP numbers are included solely for convenience of Bondholders and no representation is made as to the correctness of the CUSIP numbers printed on the cover hereof. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Agency, the College, the Remarketing Agents or the Trustee has agreed to, nor is there any duty or obligation to, update this Remarketing Circular to reflect any change or correction in the CUSIP numbers printed on the cover hereof.

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REMARKETING CIRCULAR
Relating to

City of Yonkers Industrial Development Agency
\$43,500,000 Civic Facility Revenue Bonds, Series A
(Sarah Lawrence College Project)
\$1,950,000 Civic Facility Revenue Bonds, Taxable Series 2001B
(Sarah Lawrence College Project)

INTRODUCTORY STATEMENT

Purpose of this Remarketing Circular

The purpose of this Remarketing Circular, including the cover page and appendices hereto, is to provide information in connection with the conversion to Fixed Rates by the City of Yonkers Industrial Development Agency (the “Agency”) of its Civic Facility Revenue Bonds, Series A (Sarah Lawrence College Project) and its Civic Facility Revenue Bonds, Taxable Series 2001B (Sarah Lawrence College Project) (collectively, the “Bonds”) and the remarketing of such Bonds. Capitalized terms used in this Remarketing Circular and not defined herein shall have the meanings ascribed thereto in Appendix C – “CERTAIN DEFINITIONS APPLICABLE TO THE BONDS”.

Authorization of Issuance

The Bonds were authorized to be issued and are secured pursuant to Title I of Article 18-A of the General Municipal Law of the State of New York, as amended (enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York), Chapter 83 of the Laws of 1982 of the State of New York, as amended (collectively, the “Act”), resolutions of the Agency adopted on May 2, 2001 and on May 20, 2004 (collectively, the “Resolution”), and the Indenture of Trust dated as of May 1, 2001, as amended and restated as of May 20, 2004, as amended and supplemented from time to time and as further supplemented by the Second Supplemental Indenture of Trust, with respect to the Bonds, dated as of December 1, 2009 (collectively, the “Indenture”), between the Agency and The Bank of New York Mellon, as successor to United States Trust Company of New York, as trustee and paying agent (the “Trustee” and “Paying Agent”).

The Indenture provides for the issuance of additional Bonds either as part of an outstanding Series of Bonds (as hereinafter defined) or in one or more series. On June 5, 2001, the Agency issued \$25,750,000 of its Civic Facility Revenue Bonds, Series 2001A (Sarah Lawrence College Project) (the “Series 2001A-1 Bonds”) and \$8,900,000 of its Civic Facility Revenue Bonds, Taxable Series 2001B (Sarah Lawrence College Project) (Convertible to Tax-Exempt) (the “Series 2001B Bonds”). On October 16, 2003, \$3,600,000 of the Series 2001B Bonds were converted to be Series 2001A-1 Bonds. On May 27, 2004, the Agency issued an additional \$13,750,000 principal amount of its Civic Facility Revenue Bonds, Series A (Sarah Lawrence College Project) (the “Series 2001A-2 Bonds”). The Series 2001A-1 Bonds were redesignated “Civic Facility Revenue Bonds, Series A (Sarah Lawrence College Project)” upon the issuance of the Series 2001A-2 Bonds and became part of one Series A Bond issue (the “Series A Bonds”) with the Series 2001A-2 Bonds. Such Series A Bonds issued on each date are

in all respects identical (except for date of issue) and are treated as a single issue of Series A Bonds in the Indenture (as described herein) and in this Remarketing Circular. The Series 2001B Bonds may be converted, from time to time, to a tax-exempt interest rate and will become part of the Series A Bond issue at the time of conversion. The Series A Bonds and the Series 2001B Bonds are collectively referred to herein as the “Bonds.” See “DESCRIPTION OF THE BONDS - Exchange and Mandatory Tender of Series 2001B Bonds” herein.

Subject to the satisfaction of certain conditions, on December 1, 2009 (the “Fixed Rate Conversion Date”), the Bonds will be converted to bear interest at the Fixed Rates as set forth on the cover page to this Remarketing Circular. The Bonds will be subject to mandatory tender on the Fixed Rate Conversion Date.

On the Fixed Rate Conversion Date, certain bond insurance policies theretofore available to pay certain principal of and interest on the Bonds will be canceled, and the insurer will have no liability for payments of principal of or interest on the Bonds after such Fixed Rate Conversion Date. By its payment for and acceptance of any Bonds or any interest therein, each registered or beneficial owner of the Bonds or such interest therein will be deemed to have consented to and approved the cancellation of such canceled bond insurance policies.

This Remarketing Circular only describes the terms and provisions of the reoffered Bonds which will bear interest at Fixed Rates. On and after the Fixed Rate Conversion Date, neither the College nor the Remarketing Agents may elect to adjust the Bonds to another Interest Rate Period.

The information contained in this Remarketing Circular has been prepared under the direction of the Agency for use in connection with the conversion and remarketing of the Bonds.

The Project

Proceeds from the sale of the Bonds were used, together with certain other funds to be provided by Sarah Lawrence College (the “College”), to (i) finance or refinance all or a portion of the costs of various renovations, upgrades and infrastructure improvements to, and equipment for, existing College buildings (ii) refinance the cost of acquiring certain additional College facilities, (iii) finance various capital expenditures and (iv) pay certain costs of issuance of the Bonds (collectively, the “Original Project”).

The Agency

The Agency is a public benefit corporation of the State of New York, created for the purpose of promoting, attracting, encouraging and developing economically sound commerce and industry. See “THE AGENCY.”

The College

The College is an independent, co-educational, nonsectarian, not-for-profit institution of higher education chartered by the Board of Regents of The University of the State of New York. See Appendix A – “SARAH LAWRENCE COLLEGE” and Appendix B – “SARAH LAWRENCE COLLEGE AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2009 AND 2008.”

Redemption of Bonds

The Bonds are subject to redemption (including mandatory sinking fund redemption) prior to maturity as more fully described herein. See “DESCRIPTION OF THE BONDS - Redemption Provisions” herein.

The Lease Agreement

Pursuant to an Amended and Restated Company Lease Agreement, dated as of May 20, 2004 (the “Company Lease Agreement”), between the College and the Agency, the College leased the Facility to the Agency and pursuant to an Amended and Restated Lease Agreement, dated as of May 20, 2004, as further amended and supplemented by a First Amendment to Amended and Restated Lease Agreement, dated as of December 1, 2009 (the “Lease Agreement”), between the College and the Agency, the Agency subleased the Facility back to the College. Payments made under the Lease Agreement are made directly by the College to the Trustee in such amounts as will pay, when due, the principal, redemption price, and interest on the Bonds. The right of the Agency to collect and receive rental payments under the Lease Agreement was assigned and pledged to the Trustee under the Indenture for the equal and ratable benefit of the Owners of the Bonds and any Additional Bonds which may be hereafter issued under the Indenture.

The Mortgage

Pursuant to a mortgage and security agreement, dated as of May 1, 2001 (the “2001 Mortgage”), the College, as Debtor and the Agency, as Mortgagor, granted to the Trustee a first mortgage lien on and security interest in certain property owned by the College (the “2001 Property”) to secure the Series 2001A Bonds and the Series 2001B Bonds. Pursuant to a mortgage and security agreement, dated as of May 20, 2004 (the “Mortgage” and together with the 2001 Mortgage, the “Mortgages”), from the College, as Debtor and the Agency, as Mortgagor, the College and the Agency granted to the Trustee a first mortgage lien on and security interest in certain additional property owned by the College (the “2004 Property” and together with the 2001 Property, the “Mortgaged Property”) and a second mortgage lien on and security interest in the 2001 Property to secure the Bonds. In addition, the 2001 Mortgage was spread to include a lien on the 2004 Property pursuant to a Spreader Agreement, dated as of May 20, 2004 (each as defined in Appendix C – “CERTAIN DEFINITIONS APPLICABLE TO THE BONDS”), subject to certain Permitted Encumbrances. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS-The Mortgage.”

Security and Sources of Payment for the Bonds

As security for the Bonds, the Trustee has a security interest in all funds and accounts held under the Indenture (except the Rebate Fund) and was assigned all rights of the Agency under the Lease Agreement (except for certain reserved rights) including the right to collect and receive payments under the Lease Agreement.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY. NEITHER THE STATE OF NEW YORK, NOR ANY TAXING AUTHORITY THEREOF (INCLUDING THE CITY OF YONKERS) IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF OR INTEREST ON THE BONDS. THE AGENCY HAS NO TAXING POWER.

Continuing Disclosure

See “CONTINUING DISCLOSURE” for a discussion of the extent of information in this Remarketing Circular relating to the College and the obligations of the College to provide continuing disclosure as required by Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Additional Information

References in this Remarketing Circular to the Indenture, the Lease Agreement, the Company Lease Agreement, the Mortgage and all other documents are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents are on file with the Trustee at its principal corporate trust office in New York, New York.

THE AGENCY

The City of Yonkers Industrial Development Agency (the “Agency”) is a governmental agency and instrumentality constituting a body corporate and politic and a public benefit corporation of the State of New York. The Agency is authorized and empowered by the New York State Industrial Development Act, as amended, Title 1 of Article 18-A of the General Municipal Law of the State of New York, and Chapter 83 of the Laws of 1982 of the State of New York, as amended, to issue revenue bonds for the purpose, among others of paying all or any part of the costs of civic facilities, including the Project, to acquire, construct, reconstruct and equip any such project, and to make and execute lease agreements, security documents and other contracts and instruments necessary or convenient in the exercise of such powers.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY, AND DO NOT CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF NEW YORK OR ANY TAXING AUTHORITY THEREOF (INCLUDING THE CITY OF YONKERS) FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE THEREOF OR INTEREST THEREON, BUT ARE PAYABLE SOLELY FROM AMOUNTS DERIVED FROM THE LEASE AGREEMENT AND OTHER AMOUNTS AVAILABLE UNDER THE INDENTURE. THE AGENCY HAS NO TAXING POWER.

PLAN OF FINANCE

The Indenture provides for the issuance of the Bonds in one or more tranches as part of an outstanding Series of Bonds or in one or more series from time to time. The Bonds were issued to finance a portion of the costs of the Original Project.

In addition, remarketing proceeds in the amount of \$5,700,071.17 will be used by the College to finance all or a portion of various renovations, upgrades and infrastructure improvements to, and equipment for, existing College buildings, implementation of an information technology system for management and retrieval of data for various administrative applications, and energy conservation improvement to various College facilities (collectively, the “Additional Project” and together with the Original Project, the “Project”).

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY. NEITHER THE STATE OF NEW YORK, NOR ANY TAXING AUTHORITY THEREOF (INCLUDING THE CITY OF YONKERS) IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, OR PURCHASE PRICE OF OR INTEREST ON THE BONDS. THE AGENCY HAS NO TAXING POWER.

The Lease Agreement

The Agency has pledged and assigned to the Trustee its rights under the Lease Agreement (except for the Agency’s Reserved Rights, including the right to collect and receive rent payments.

The College has the absolute and unconditional general obligation under the Lease Agreement to make such rental payments. Such rental payments shall be made by the College to the Trustee on the fifteenth (15th) day of each month (or the next succeeding Business Day if such day is not a Business Day) one-twelfth (1/12) of the amount necessary for the payment of principal or sinking fund installments on the Bonds and on the first (1st) day of each month (or the next succeeding day if such day is not a Business Day) one-sixth (1/6) of the interest becoming due on Bonds Outstanding on the next Interest Payment Date, in each case after crediting to such amount investment income earned on the Bond Fund during the preceding month, which investment income or amounts so transferred are available for the payment of such interest. Such rental payments also include payments of principal of, any sinking fund installment and/or interest on Additional Bonds. The College has no obligation under the Lease Agreement to pay the purchase price of the Bonds tendered or required to be tendered for purchase upon conversion of the Bonds from an Auction Period to another Interest Mode. Funds for the payment of the purchase price of the Bonds shall be derived from the proceeds of the sale of such Bonds.

The Lease Agreement permits the College to incur Additional Indebtedness without limit. Such Indebtedness may be secured by the Mortgage and by a security interest in Tuition Revenues on a parity with the lien granted to the Trustee.

See Appendix C – “CERTAIN DEFINITIONS APPLICABLE TO THE BONDS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT” attached hereto.

The Mortgage

Pursuant to the 2001 Mortgage, the College, as Debtor and the Agency, as Mortgagor, granted to the Trustee a first mortgage lien on and security interest in the 2001 Property to secure the Series 2001A Bonds and the Series 2001B Bonds. Pursuant to the Mortgage, from the College, as Debtor and the Agency, as Mortgagor, the College and the Agency granted to the Trustee a first mortgage lien on and security interest in the 2001 Property and a second mortgage lien on and security interest in the 2001 Property to secure the Bonds. In addition, the 2001 Mortgage was spread to include a lien on the 2004 Property pursuant to a Spreader Agreement dated as of May 20, 2004 (as defined in Appendix C – “CERTAIN DEFINITIONS APPLICABLE TO THE BONDS”), subject to certain Permitted Encumbrances. An Event of Default under the Indenture or the Lease Agreement constitutes an Event of Default under the Mortgages. Upon such Event of Default, the Trustee may, in addition to all other rights and remedies thereunder and available to it elsewhere, institute proceedings to foreclose the lien of the Mortgages for all or part of the Mortgaged Property.

The Indenture; Additional Bonds

The Bonds are additionally secured by and payable from all funds and accounts (except the Rebate Fund) held by the Trustee pursuant to the Indenture, and certain investment income thereon. The Indenture authorizes the issuance of Additional Bonds and Additional tranches within a Series of Bonds to finance other facilities for the College, which Additional Bonds and Additional tranches within a Series of Bonds may be payable from some of the same sources of funds as the Bonds. See Appendix C – “CERTAIN DEFINITIONS APPLICABLE TO THE BONDS” and Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Pledge of Revenues

Under the Lease Agreement, the College has made an assignment of its Tuition Revenues to the Trustee in amounts required to make rental payments under the Lease Agreement (including any principal of, sinking fund installment and interest on the Bonds coming due on the next succeeding due date) on their next respective due dates. However, so long as the College remains current in its payment obligations and no Event of Default exists under the Lease Agreement, no such Tuition Revenues are required to be delivered to the Trustee.

DESCRIPTION OF THE BONDS

This Remarketing Circular describes the terms and conditions of the Bonds only while the Bonds bear interest at Fixed Rates after the Fixed Rate Conversion Date. After the Fixed Rate Conversion Date, the Bonds will bear interest at Fixed Rates until the maturity or redemption dates thereof. Reference is made to the Indenture and to the summary of certain provisions of the Indenture included herein and in Appendix E for a more complete description of the Bonds. The discussion herein is qualified by such reference.

On the Fixed Rate Conversion Date, the interest rate borne on the Bonds will be adjusted pursuant to the terms of the Indenture to the Fixed Rates set forth on the cover of this Remarketing Circular.

On the Fixed Rate Conversion Date, certain bond insurance policies theretofore available to pay certain principal of and interest on the Bonds will be canceled, and the insurer will have no liability for payments of principal of or interest on the Bonds after such Fixed Rate Conversion Date. By its payment for and acceptance of any Bonds or any interest therein, each registered or beneficial owner of the Bonds or such interest therein will be deemed to have consented to and approved the cancellation of such canceled bond insurance policies.

General

The Bonds are fully-registered bonds without coupons, and after the Fixed Rate Conversion Date will bear interest at Fixed Rates and be in denominations of \$5,000 or any integral multiples thereof. The Bonds will bear interest (based on a 360-day year of twelve 30-day months) at the respective rates per annum and mature, subject to earlier redemption, in the amounts and on the dates set forth on the cover page of this Remarketing Circular. The Bonds will bear interest from the Fixed Rate Conversion Date, payable on June 1 and December 1 (the "Interest Payment Dates") of each year, commencing June 1, 2010. The Bonds, as reoffered, will be dated as of the Fixed Rate Conversion Date.

The Bonds will be issued in book-entry only form registered in the name of Cede & Co., a nominee of DTC, as securities depository. No physical delivery of the Bonds will be made to the purchasers. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, unless otherwise indicated herein, reference to Bondholders or registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Bonds, the Bonds will be exchangeable for other fully registered certificated Bonds of the same series in any authorized denominations. See "- Book-Entry Only System" herein. The Trustee may impose a charge sufficient to reimburse the Agency, the College or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the Agency, the College or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Bonds will be payable by check mailed to the registered owners thereof. However, interest on the Bonds of a particular series will be paid to any owner of \$1,000,000 or more in aggregate principal amount of Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee no later than five days prior to the Record Date for such interest payment. As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "- Book -Entry Only System" herein.

Certain definitions applicable to the Bonds are set forth in Appendix C hereto.

Redemption Provisions

Optional Redemption

The Series A Bonds maturing on or before June 1, 2019 and the Series 2001B Bonds are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after June 1, 2020 are subject to redemption at the option of the College, prior to maturity, in whole or in part at any time on or after June 1, 2019, at the redemption price of 100%, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series A Bonds maturing on June 1, 2024 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, for the principal amount specified below, plus accrued interest to the date fixed for redemption, without premium.

Sinking Fund Date (June 1)	Principal Amount
2020	\$ 915,000
2021	1,030,000
2022	1,050,000
2023	970,000
2024*	1,190,000

* Final Maturity

The Series A Bonds maturing on June 1, 2029 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, for the principal amount specified below, plus accrued interest to the date fixed for redemption, without premium.

Sinking Fund Date (June 1)	Principal Amount
2025	\$1,315,000
2026	1,345,000
2027	1,430,000
2028	1,465,000
2029*	1,600,000

* Final Maturity

The Series A Bonds maturing on June 1, 2041 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, for the principal amount specified below, plus accrued interest to the date fixed for redemption, without premium.

Sinking Fund Date (June 1)	Principal Amount	Sinking Fund Date (June 1)	Principal Amount
2030	\$1,745,000	2036	\$2,425,000
2031	1,790,000	2037	2,545,000
2032	375,000	2038	2,670,000
2033	2,000,000	2039	2,850,000
2034	2,105,000	2040	3,140,000
2035	2,265,000	2041*	3,385,000

* Final Maturity

Extraordinary Redemption

The Bonds are subject to redemption in whole prior to maturity, at the option of the Agency exercised only at the direction of the College, as a whole on any date, upon notice or waiver of notice as provided in the Indenture, at 100% of the unpaid principal amount thereof, plus accrued interest to the date of redemption upon the occurrence of the following events:

(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 eighteen (18) months from the date of such damage or destruction to the condition thereof immediately preceding such damage or destruction, (B) the College is thereby prevented or likely to be prevented from carrying on its normal operation of the Facility for a period of eighteen (18) months from the date of such damage or destruction, or (C) the restoration cost of the Facility would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction; or

(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 College 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 or of legislative or executive action of the State or any political subdivision thereof or of the United States of America or by final decree or judgment of any court after the contest thereof by the College, 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 College by reason of the operation of the Facility.

If the Bonds are to be redeemed in whole as a result of the occurrence of any of the events described in paragraphs (i) or (ii) above, the College is required by the Lease Agreement to deliver to the Agency and the Trustee a certificate of an Authorized Representative of the College stating that, as a result of the occurrence of the event giving rise to such redemption, the

College has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

Mandatory Redemption from Excess Proceeds

The Bonds shall be redeemed in whole or in part prior to maturity in the event and to the extent (i) excess Bond proceeds shall remain after the completion of the Project, (ii) proceeds of mortgagee title insurance or excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the Lease Agreement and this Indenture, or (iii) excess proceeds shall remain after the release or substitution of Facility Realty or Facility Equipment, in each case at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

Mandatory Redemption Upon Failure to Operate Facility In Accordance with Applicable Law

The Bonds are also subject to mandatory redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the College is not operating the Facility as a qualified “project” under the Act, or is operating the Facility in violation of material applicable law, and the failure of the College to cure such noncompliance within the time periods set forth in the Lease Agreement, upon notice or waiver of notice as provided in this Indenture, at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Bonds, together with interest accrued thereon to the date of redemption.

Selection of Bonds to be Redeemed

Except as described in the following sentence, in the event that less than all of the Bonds of a particular series are to be redeemed, the Bonds of such series to be redeemed will be selected by the Trustee by lot as provided in the Indenture and the portion of such Bonds of such series not so redeemed will be in an Authorized Denomination. For so long as the Bonds of a particular series are subject to the book-entry only system of registration and transfer described under Book-Entry Only System herein, in the event that less than all of the Bonds of such series are to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such Bonds shall be selected by DTC and the Direct Participants and/or Indirect Participants. See “Book-Entry Only System” below. The College may apply the principal amount of Bonds redeemed as a credit against required sinking fund installments in such order as the College may determine.

Notice of Redemption

The Trustee, in the name of the Agency, shall give notices of redemption by first class mail, postage prepaid, not less than 30 days and not more than 45 days prior to the redemption date to each Holder of Bonds of such series or portions of the Bonds of such series, which are to be redeemed, at its last address, if any, appearing upon the registry books. Notice having been given in the manner provided in the Indenture on the redemption date so designated, if there is sufficient moneys available therefor, then the Bonds of such series or portions thereof so called

for redemption will become due and payable on such redemption date at the redemption price, plus interest accrued and unpaid to the redemption date.

For so long as a book-entry only system of registration is in effect with respect to the Bonds of a particular series, notices of redemption will be mailed to DTC or its successors. Any failure of DTC to convey such notice to any Direct Participants, any failure of Direct Participants to convey such notice to any Indirect Participants or any failure of Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency or the validity of the redemption of such Bonds. See “ - Book-Entry Only System” below.

Book-Entry Only System

The information in the section has been provided by DTC and is not deemed to be a representation of the Agency, the Remarketing Agents, the Trustee or the College.

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

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

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to show accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Remarketing Agents, the Paying Agent, the Trustee, the College 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Agency and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the 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 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 reoffered 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. Interest, redemption premium, if any, and principal will be 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 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 depository with respect to the 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 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 Bonds may thereafter be exchanged for an equal aggregate principal amount of 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 College, the Trustee nor the Remarketing Agents 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.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AGENCY BELIEVES TO BE RELIABLE, BUT THE AGENCY, THE COLLEGE, THE TRUSTEE AND THE REMARKETING AGENTS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY THE AGENCY, THE COLLEGE, THE TRUSTEE OR THE REMARKETING AGENTS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE AGENCY, THE COLLEGE, THE TRUSTEE OR

THE REMARKETING AGENTS TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. 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 THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AGENCY'S OBLIGATION UNDER THE ACT AND THE INDENTURE TO THE EXTENT OF SUCH PAYMENTS.

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

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 (the "Rule"), the College will undertake a written agreement with the Trustee for the benefit of registered owners of the Bonds to provide certain financial information and operating data relating to the College as to which information is provided in Appendix A by not later than November 30 in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the Bonds, if material. The Annual Report will be filed by or on behalf of the College through the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board for purposes of the Rule. Notices of material events will be filed by the College through EMMA.

The Annual Report means, with respect to the College, annual information concerning the College consisting of (1) financial and operating data of the type included in this Remarketing Circular, which shall include information as described in "SARAH LAWRENCE COLLEGE" in Appendix A attached hereto relating to the following: (i) data of the type set forth under Table I "Undergraduate and Graduate Enrollment", Table III "Applications, Acceptances, Matriculation - New Freshman", Table IV "Contributions Revenue", Table V "Tuition and Fees", Table VI "Sources of Financial Aid", Table VII "Sources of Financial Aid as a Percent of Total Financial Aid", and Table VIII "SLC -Funded Financial Aid; Tuition Discounts"; and (ii) data of the type set forth under the headings "Financial Statements", "Long-Term Investments (Endowment)", and "Outstanding Indebtedness of the College", including Table IX "Balance Sheets", Table X "Statements of Unrestricted Revenues, Expenses, and Other Changes in Unrestricted Net Assets", and Table XI "Long-Term Investments", together with (2) such narrative explanation, as may be necessary to avoid misunderstanding, and to assist the reader in understanding the presentation of financial and operating data concerning the College and in judging the financial and operating condition of the College.

The sole and exclusive remedy for breach or default under the agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the College, and no person, including any Holder of the Bonds, may recover monetary damages thereunder under any circumstances. The College may be compelled to comply with its obligations under the continuing disclosure agreement (i) in the case of enforcement of its obligations to provide information required under the continuing disclosure

agreement, by an owner of Outstanding Bonds or, with respect to the undertaking relating to the Corporation, by the Trustee on behalf of the owners of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the information provided pursuant to the undertaking relating to the College, by the Trustee on behalf of the owners of Outstanding Bonds; provided, however, that the Trustee shall 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 the Bonds at the time Outstanding. A breach or default under the agreements shall not constitute an Event of Default under the Indenture or the Lease Agreement. 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 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 College and the Trustee have previously entered into a continuing disclosure agreement, with respect to the Bonds. The College complied with its obligations under such continuing disclosure agreement. However, in one instance, the College filed its annual report later than the required filing date. The College is reviewing its policies and procedures to assure future timely compliance with its obligations.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated 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 the consent of the Holders of the Bonds under certain circumstances set forth therein.

TAX MATTERS

Series A Bonds

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the Fixed Rate Conversion Date in order that interest on the Series A Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are the maintenance of the College’s status as an organization described in Section 501(c)(3) of the Code, certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, required ownership and use of the financed facilities by a Section 501(c)(3) organization or a governmental unit, limits on the amount of tax-exempt financing of capital expenditures incurred on or before August 5, 1997 from which certain users of the facilities resulting from such expenditures (and related parties) may benefit, and the rebate to the United States of certain earnings with respect to investments. Failure to comply with the continuing requirements may cause interest on the Series A Bonds to be includable in gross income for federal income tax purposes retroactive to the Fixed Rate Conversion Date, irrespective of the date on which such noncompliance occurs. In the Indenture, the Lease Agreement and accompanying documents, exhibits and certificates, the Agency and the College have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. Bond Counsel will not independently verify the accuracy of those representations and certifications, nor will it verify ongoing compliance with such covenants.

In the opinion of Winston & Strawn LLP, New York, New York (“Bond Counsel”), based upon an analysis of existing statutes, regulations, rulings and court decisions, interest on the Series A Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance by the Agency and the College (and their successors) with the covenants, and the accuracy of the representations and certifications (as to which Bond Counsel has made no independent investigation) referenced above. On the Fixed Rate Conversion Date, Bond Counsel will deliver an opinion in substantially the form set forth in Appendix F hereto.

The opinion of Bond Counsel is based on current legal Agency and covers certain matters not directly addressed by such Agency. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Series A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the IRS or any court. Further, Bond Counsel cannot give, and has not given, any opinion or assurance about the future activities of the Agency or the College, or about the effect of future changes in the Code, applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. The Agency and the College have covenanted, however, to comply with the requirements of the Code.

Bond Counsel is further of the opinion that interest on the Series A Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series A Bonds owned by corporations (other than S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of adjusted current earnings, a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). Corporate purchasers of the Series A Bonds should consult their tax advisors concerning the computation of any alternative minimum tax.

Certain requirements and procedures contained or referred to in the Indenture, the Lease Agreement, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series A Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Certain maturities of the Series A Bonds were offered to the public at prices in excess of their principal amounts (the “Premium Bonds”). Bond Counsel is of the opinion that the initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of such Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning

Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own advisors with respect to the federal, state and local tax consequences of owning and disposing of such Premium Bonds.

Information reporting requirements apply to interest (including original issue discount) paid on tax-exempt obligations, including the Series A 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 A 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 A 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.

Prospective purchasers of the Series A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors as to any possible collateral tax consequences in respect of the Series A Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

In the opinion of Bond Counsel, interest on the Series A Bonds is exempt under existing statutes from personal income taxes of New York State and any political subdivision thereof (including The City of New York and the City of Yonkers).

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the Fixed Rate Conversion Date may adversely affect the value of, or the tax status of interest on, the Series A Bonds. No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, clarification of the Code or court decisions will not cause interest on the Series A Bonds to be subject, directly or indirectly, to federal or State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series A Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations, rulings or litigation. Further, no assurance can be given that future court decisions or

clarification of the Code, the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service, including but not limited to regulation, ruling or selection of the Series A Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series A Bonds, or obligations which present similar tax issues, will not affect the market price of the Series A Bonds.

Bond Counsel's engagement with respect to the Series A Bonds ends with the Fixed Rate Conversion Date, and, unless separately engaged, Bond Counsel is not obligated to defend the Agency, the College or the beneficial owners of the Series A Bonds regarding the tax status of interest on the Series A Bonds in the event of an audit examination by the Internal Revenue Service. The Internal Revenue Service has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Internal Revenue Service does audit the Series A Bonds, under current procedures parties other than the Agency, the College and their appointed counsel, including the beneficial owners of the Series A Bonds would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with any audit examination of tax-exempt bonds is difficult, obtaining an independent judicial review of Internal Revenue Service positions with which the Agency or the College legitimately disagrees, may not be practical. Any action of the Internal Revenue Service, including but not limited to selection of the Series A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for, or the marketability of, the Series A Bonds, and may cause the Agency, the College and the beneficial owners of the Series A Bonds to incur significant expense.

Series 2001B Bonds (Federally Taxable)

In the opinion of Bond Counsel, interest on the Series 2001B Bonds will be included in the gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Series 2001B 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 City of Yonkers). Bond Counsel expresses no opinion regarding any other federal or state income tax consequences relating to the ownership of, accrual or receipt of interest on, or disposition of the Series 2001B Bonds. Owners of the Series 2001B Bonds should consult their tax advisors with respect to their particular circumstances.

The following is a summary of certain anticipated United States federal income tax consequences that may be relevant to purchasers of the Series 2001B Bonds. The summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2001B Bonds which are purchased in the initial offering at the initial offering price and then held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2001B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2001B Bonds.

The advice set forth in this section was not intended or written by Bond Counsel to be used and cannot be used by an owner of the Series 2001B Bonds for the purpose of avoiding

penalties that may be imposed on the owner of the Series 2001B Bonds. The advice set forth herein is written to support the promotion or marketing of the Series 2001B Bonds. Each owner of the Series 2001B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

The Series 2001B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series 2001B Bonds that allocate a basis in the Series 2001B Bonds that is greater than the principal amount of the Series 2001B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a holder purchases the Series 2001B Bonds for an amount that is less than the principal amount of the Series 2001B Bonds, and such difference is not considered de minimis, then such discount will represent original issue discount. The original issue discount on a Series 2001B Bond will accrue periodically over the term of such Bond. The amount of the original issue discount that so accrues will be treated as if it were a payment of interest that is taxable for federal income tax purposes. The accrual of original issue discount will increase the owner's tax basis in the Series 2001B Bond for purposes of determining gain or loss on the subsequent sale, exchange, or redemption of such Bond.

Defeasance of any Series 2001B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2001B Bond.

Distributions on the Series 2001B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2001B Bond generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements.

Payments on the Series 2001B Bonds may, under certain circumstances, be subject to backup withholding at the rate of provided by the Code. Backup withholding generally applies to payments if (a) the payee fails to furnish the payor with its taxpayer identification number ("TIN"); (b) the payee furnishes the payor with an incorrect TIN; (c) the Treasury Department notifies the payor that the payee failed to report properly payments as required by the Code; or (d) the payee, under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that the payee is not subject to backup withholding. Backup withholding will not apply, however, with respect to payments made to certain payees, including payments to certain exempt recipients (such as certain exempt organizations) and to certain foreign persons. Investors should consult their independent tax advisors as to their qualifications for exemption from backup withholding and the procedure for obtaining exemption.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw- Hill Companies, Inc., and Fitch Ratings Inc. are expected to assign ratings of "BBB+" and "BBB+", respectively, to the Bonds based on the financial condition of the College.

Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions by such rating agency. An explanation of the significance of such expected ratings may be obtained from the rating agency furnishing the same. A rating is not a recommendation to buy, sell or hold the Bonds. These ratings reflect only the views of each respective organization and an explanation of the significance of such rating may be obtained from the respective rating agency. There is no assurance that such ratings will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the respective rating agency, if, in its judgment, circumstances so warrant. The ratings may be reduced or withdrawn depending upon the performance and financial condition of the College. Any such lowering, suspension or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

In connection with the conversion of the Bonds to Fixed Rates, certain legal matters will be passed upon by Winston & Strawn LLP, New York, New York, Bond Counsel, who will render an opinion in substantially the form attached hereto as Appendix F. Winston & Strawn LLP undertakes no responsibility for the accuracy, completeness or fairness of this Remarketing Circular. Certain legal matters are subject to the approval of Oxman Tulis Kirkpatrick Whyatt & Geiger LLP, Counsel to the College. Certain legal matters will be passed upon for the Remarketing Agents by Drinker Biddle & Reath LLP, Florham Park, New Jersey. Certain legal matters will be passed upon for the Agency by its counsel, Feerick Lynch MacCartney PLLC, South Nyack, New York.

REMARKETING

On the Fixed Rate Conversion Date, the Bonds will be purchased by Morgan Stanley & Co. Incorporated, as representative of the remarketing agents shown on the cover page hereof (collectively, the "Remarketing Agents"), pursuant to and upon satisfaction of the terms and conditions set forth in a firm remarketing agreement (the "Remarketing Agreement"), by and between the College and Morgan Stanley & Co. Incorporated, as representative of the remarketing agents (the "Representative"). The Representative will agree to purchase all the Bonds at an aggregate purchase price of \$45,820,652.15 and make a public offering of the Bonds for a remarketing fee of \$346,828.75.

The Remarketing Agents will be obligated to purchase all the Bonds on the Fixed Rate Conversion Date. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices and the public offering prices may be changed from time to time.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, a remarketing agent of the Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to

retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

FINANCIAL ADVISOR

Prager, Sealy & Co., LLC, New York, New York, has served as financial advisor to the College (the “Financial Advisor”) in connection with the remarketing of the Bonds.

INDEPENDENT AUDITORS

The financial statements of the College as of and for the years ended May 31, 2009 and 2008, included in Appendix B to this Remarketing Circular, have been audited by KPMG LLP, independent auditors, as set forth in their report thereon, dated September 16, 2009, appearing in Appendix B to this Remarketing Circular.

KPMG LLP, the College’s independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Remarketing Circular.

MISCELLANEOUS

Any statements made in this Remarketing Circular involving matters of opinion or of estimates or projections, whether or not expressly so stated, are set forth as such and not as representations of fact and no representation is made that any of the estimates or projections will be realized.

The College has reviewed the parts of this Remarketing Circular describing the College, the Project and the Bonds. It is a condition to the delivery of the reoffered Bonds that the College certify to the Remarketing Agents and the Agency that, as of the date of this Remarketing Circular and the date of delivery of the reoffered Bonds, such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The College has agreed to indemnify the Agency and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

The delivery of this Remarketing Circular has been duly authorized by the Agency and approved by the College.

CITY OF YONKERS INDUSTRIAL
DEVELOPMENT AGENCY

By: /s/ Ellen Lynch
President

Approved:

SARAH LAWRENCE COLLEGE

By: /s/ John H. Bernson
Vice President for Finance
and Planning

APPENDIX A

SARAH LAWRENCE COLLEGE

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SARAH LAWRENCE COLLEGE

Brief Description of the College

Sarah Lawrence College (the “College” or “Sarah Lawrence”) is an independent, non-profit, liberal arts college located on a 42 acre campus in the middle of a prosperous suburban neighborhood of Yonkers, New York, approximately 20 miles directly north of mid-town Manhattan. (Although located in Yonkers, New York, the College is within the Bronxville, New York post office district and therefore has a Bronxville address.) The College was founded in 1926 as a women’s college and became coeducational in 1968. In the fall semester of 2008-09 there were 1,200 undergraduate students and 343 graduate students studying at the Bronxville campus. In addition, the College offers and administers five overseas educational programs (at London, England, Paris, France, Florence, Italy, Oxford University, and Havana, Cuba) for upperclassmen; these programs are open to Sarah Lawrence students as well as qualified students from other colleges. In the fall semester of 2008-09 there were 121 undergraduates enrolled in the College’s foreign programs

Following is an excerpt from the report issued in spring 2007 by the Middle States Commission on Higher Education review team:

“Sarah Lawrence College is an institution of rare quality which expresses extraordinary dedication to a clear, distinctive and compelling educational mission. Its ability to focus care and resources on the development of each student’s individual intellectual and artistic talent and passion is truly awe-inspiring and the Team is deeply impressed by the effort and success of the College in protecting that core mission in a world of constant change and challenged resources for small liberal arts colleges. That educational core binds faculty, staff, students and trustees in a single, cohesive community of mutual respect and shared commitment to educational excellence. The College benefits from an exceptional faculty who are at once dedicated to its pedagogical mission and productive in their scholarly and artistic work, who are energized by the freedom to follow their own passions in the courses they create, and who take their broader institutional responsibilities to heart. The College benefits as well from an exceptional staff who understand and take as seriously their commitment to the College’s core educational mission. And it benefits from terrific students who thrive on the educational experience the College offers. Moreover, the College is able to continue to recruit students and faculty who sustain its distinctive character.”

EDUCATIONAL PROGRAMS

Sarah Lawrence Educational Program and Philosophy

At Sarah Lawrence each student works to develop an educational plan and approach best suited to his or her needs. There are a number of innovative practices that make up the Sarah Lawrence educational process:

- A seminar-conference system (see “*Seminar/Conference System*” below) through which students learn in small, highly-interactive classes and in private tutorials.
- A system of donning in which each student works with a faculty adviser (or “don”) to design his or her own program of study and through which the don is available for ongoing academic and personal guidance.

- An academic format in which students take three courses each semester in order to explore each subject in depth.
- The recognition of the creative and performing arts as an integral part of the liberal arts curriculum, underscoring the College's belief that the development of the creative faculties plays a central role in the growth of the individual.
- An emphasis on program planning, encouraging students to choose the courses of study most meaningful to them. The College recognizes the importance of tailoring each student's program to his or her specific needs and interests. The faculty don and the student work together to plan a program that will be most beneficial.
- The use of written evaluations by faculty of each student's work, in addition to a traditional grading system (see "*Evaluation of Students' Work*" below). These end-of-semester evaluations are the culmination of an ongoing dialog between teacher and student in class and conference and, therefore, stress individual strengths and weaknesses and give students a more complete sense of their progress.
- A system of teaching in which there are no graduate assistants, instructors, or adjunct lecturers. There is no hierarchy of faculty ranking at Sarah Lawrence. Each teacher is fully a teacher, available to first-year students and sophomores as well as to juniors and seniors.

Seminar/Conference System. The heart of Sarah Lawrence's educational program is the seminar/conference system. The majority of the courses at Sarah Lawrence are small seminars, limited to 15 students. Most seminars are year long courses. Each student in these seminars has a private meeting with the teacher every other week. In these meetings, known as conferences, student and teacher work together to define and explore what it is the student needs to know and what ways are most appropriate for acquiring this knowledge. The combination of class and conference also encourages a greater understanding of the connections among different disciplines.

Curriculum/Course Requirements. At Sarah Lawrence a student's program consists of three courses per semester, allowing for intensive study in each field. To earn the Bachelor of Arts degree, each student must earn 120 college credits and have been a full-time student for at least two consecutive years. A qualified candidate for the Bachelor of Arts degree must also have been a full-time student on the Sarah Lawrence Bronxville campus during either the junior or senior year. Over the past four years the six-year graduation rate for students who enrolled as freshman at Sarah Lawrence has averaged 72%.

The Sarah Lawrence curriculum, leading to the Bachelor of Arts degree, offers a full range of courses in four general areas of study (divisions): the Humanities; History and Social Sciences; Natural Sciences and Mathematics; and Creative and Performing Arts. Students are encouraged to take courses in all four areas and are required to take courses in at least three areas. The guidelines make it possible for a student to concentrate in an area of particular interest.

Evaluation of Students' Work. The College believes that grades do not adequately measure student growth. Instead, growth and achievement are evaluated in extensive reports written by faculty and sent to the students and their dons twice a year.

The College keeps a grade record for each student for the purpose of applying to graduate and professional schools. All completed courses are listed with rating from A to D. A student wishing to transfer to another college or to make application for admission to graduate or professional school may present a transcript of this record. These grades are available to students upon their request.

Foreign Academic Programs

Sarah Lawrence offers or participates in programs that allow students to study abroad for up to one year. The College administers six academic programs outside of the United States. Students from both Sarah Lawrence College and other higher-educational institutions may apply. They are:

- *The London Theater Program*, begun in 1984, is run jointly by Sarah Lawrence College and the British American Drama Academy in London. Approximately 40 undergraduates participate in a rigorous conservatory theater-training program taught by a faculty of distinguished British actors and directors.
- *Sarah Lawrence College at Oxford*, begun in 1984, enrolls approximately 30 students at Wadham College, one of the 39 undergraduate colleges that comprise Oxford University. Students enroll in tutorials, individual meetings between student and professor.
- *Sarah Lawrence College in Florence*, begun in 1986, enrolls approximately 30 students in the heart of Florence, Italy. Students take seminars, tutorials, lectures at our center which is located in a 15th century palazzo and may enroll in classes at the University of Florence. Courses in the field of visual arts and music are also offered at art studios and music conservatories in Florence.
- *Sarah Lawrence College in Catania, Sicily* is a spring semester program offered at the University of Catania. Students with advance proficiency in Italian select courses from the wide offerings within the Humanities department. Enrollment is limited.
- *Sarah Lawrence College in Paris*, begun in 1954, enrolls approximately 18 students who are fluent in French. Classes are taken at the College's Reid Hall Center, at local French universities and a wide range of artist ateliers and conservatories around Paris.
- *Sarah Lawrence College in Havana* inaugurated in the fall of 2001 is the longest running study abroad program in Havana, Cuba. The program is only open to SLC students who enroll in courses at the University of Havana and at the Instituto Superior Del Artes for courses in the performing and visual arts.

Exchange Programs

The College also offers exchange programs with Eugene Lang College, which is the undergraduate division of the New School University in New York City, and Reed College in Portland, Oregon. Through the Reed College Exchange, Sarah Lawrence students also have the option of studying in one of the 12 countries in Asia, South America and Europe.

South India Term Abroad (SITA)

Sarah Lawrence College participates in a consortium program with select liberal arts colleges to offer a semester long opportunity to observe and participate in the fascinating cultural environment of south India. The program is based in the ancient temple city of Madurai. Classes are supplemented by field trips to other regions in south India, providing exposure to the rich cultural complexity of the region.

Graduate Programs

The College offers masters degrees in the Art of Teaching, Child Development, Dance, Health Advocacy, Human Genetics, Theater, Women's History, and Writing. The Human Genetics program, established in 1969, was the nation's first master's program in genetic counseling and inheritable disorders. The Health Advocacy program, established in 1980, is the nation's only graduate program that prepares students to become advocates for patients and consumers in the increasingly complex health care system. Data on overall graduate enrollment are set forth in Table I.

Other Educational Programs

Throughout its history, Sarah Lawrence College has promoted programs that reflect the strengths of the College and respond to the changing needs of the greater community.

The Early Childhood Center. In 1937 the College founded the Early Childhood Center ("ECC"), an innovative laboratory school for neighborhood children aged two through six. ECC serves as a popular community nursery school and as a training facility for student interns interested in early childhood education, child development, psychology and for those enrolled in the Graduate Art of Teaching program.

Center for Continuing Education. In 1962 the College established the Center for Continuing Education ("CCE"), one of the first full-scale undergraduate program in the country specifically designed for adults, offering them the opportunity to earn a Bachelors Degree or take post Bachelor, non-credit college and professional level courses. CCE students enjoy the same individualized education as do matriculated undergraduate and graduate students.

Child Development Institute The Child Development Institute was established in 1987 to develop programs for early childhood and elementary school teachers, administrators, child development professionals, parents and the community at large. Through the Empowering Teachers Program, The Learning Child Series, conferences, lectures, and occasional papers, we provide a progressive perspective on child development and education. In this perspective, the child is viewed as an individual in the social context, actively engaged in constructing knowledge through interactions with other people and the physical environment. The activities of the Child Development Institute, while developed primarily as outreach programs, enhance the educational experience of undergraduate and graduate students on campus. CDI staff and the Faculty Advisory Committee work cooperatively with the College's Early Childhood Center, psychology faculty and graduate programs in Child Development and the Art of Teaching. A Professional Advisory Board provides consultation and support for various projects.

Office of Special Programs. Established in 2006, the Office of Special Programs researches, develops and implements non-credit courses and programs for adults and high school students. Courses are offered for adults in cooking/baking and fitness during the fall and winter/spring semesters. In the summer, the office runs residential programs for high school students and adults as well as evening classes. Additionally, the office offers a youth aquatics program that has both group swim lessons and lifeguard training courses.

Accreditation

Sarah Lawrence is accredited by the Middle States Association of Colleges and Schools (the "Association"). Member institutions of the Association are reviewed for reaffirmation of accreditation every 10 years. The College's last review and reaffirmation was in 2007.

GOVERNANCE

Board of Trustees

Sarah Lawrence is an independent institution, controlled by an elected Board of Trustees, consisting of not less than 19 and not more than 38 members, including two ex-officio members, each having full voting privileges. The Board currently consists of 30 trustees. In accordance with the Bylaws of the Board of Trustees, the Board shall include a faculty trustee (nominated by the faculty of the College); two alumnae/i trustees (nominated by the Alumnae/i Association); and two ex-officio trustees (the President of the College and the president of the Alumnae/i Association).

Trustees are elected to serve four-year terms. On the basis of the Board's particular needs, a trustee may be re-elected to a second four-year term. No elected trustee, other than a trustee serving as a Chair or Vice Chair of the Board, normally serves more than two consecutive terms. In exceptional cases, an elected trustee may be re-elected for a third term. Any trustee is eligible for re-election to the Board one year after the expiration of his/her last term.

In accordance with the Bylaws, the Board meets at least three times a year, usually in November, March and May. Except as otherwise expressly provided by law, or by the Bylaws if the Board of Trustees, or by specific resolution of the Board, the Executive Committee, in the intervals between meetings of the Board, has all authority of the Board and may transact any business of the College permitted by law. The Executive Committee is required to meet at least annually to fix the compensation of the President and other officers of the College.

Other standing committees of the Board are the Finance Committee, the Audit Committee, the Development and External Relations Committee, the Educational Policies Committees, the Student Life Committee, the Trustee Committee, and the Physical Facilities Committee. The responsibilities of all standing committees are outlined in the Bylaws of the Board of Trustees.

The current officers and members of the Board and their principal professional or volunteer affiliations are as follows:

BOARD OF TRUSTEES

John A. Hill , <i>Chair of the Board</i>	Vice Chairman, First Reserve Corporation Bronxville, New York
Nancie H. Cooper MFA '04 , <i>Vice Chair of the Board</i>	Director, Lake Waramaug Players New York, New York
Myra R. Drucker '68 , <i>Vice Chair of the Board</i>	Chair of the Board, Commonfund Bethel, Connecticut
Diana Chambers Leslie '69 , <i>Vice Chair of the Board</i>	Consultant Stonington, Connecticut
François-Henri Briard	Partner, Delaporte, Briard & Trichet Paris, France
Rona Carr `74	New York, NY
Carol Christ	President, Smith College Northampton, Massachusetts
Mariela Cisneros-Mestre '86	Marketing Key Biscayne, Florida
Stephanie R. Cooper '65, MFA '76	President, The Law Offices of Stephanie R. Cooper, PC New York, New York
Joan Cannady Countryman '62	Providence, Rhode Island
David A. Dull	Senior Advisor, Broadcom Corporation Newport Coast, California
Ellen Schloss Flamm '59	Omega Communications, Inc. New York, New York
Vicki Ford '60, MS Ed '87	Town of Eastchester Councilwoman Bronxville, New York
Ira H. Fuchs	VP for Research in IT, The Andrew W. Mellon Foundation Princeton, New Jersey
Beth-Ann Gentile '65	Washington, D.C.
Mark Goodman '83	Partner, Debevoise & Plimpton LLP Katonah, New York
Sarah Gray Gund `65	New York, NY
Yvonne R. Isaac '71	VP/General Manager, Full Spectrum of NY, LLC Stone Mountain, Georgia

Clarion E. Johnson '72	Global Medical Director, Global ExxonMobil Corporation Fairfax, MD
Karen R. Lawrence	President, Sarah Lawrence College Bronxville, New York
Lawrence W. Lee	Retired Executive Vice President & Chief Financial Officer, Bennington College Bronxville, NY
Wendy A. Lipp	Pound Ridge, New York
Caryn S. Mandabach	Caryn Mandabach Productions Pacific Palisades, California
Erin H. McKinnon '94	Private Investments New York, New York
Nancy Miller Montgomery '64	Chair, Capital Campaign Cabinet, Chanticleer San Francisco, CA
Jay A. Pack	CEO, Pack Group Dallas, Texas
Zoe L. Pechter	West Tisbury, Massachusetts
Patricia D. Pierce	Senior Associate Director, Major Gifts, Yale University New Haven, Connecticut
Sonia Kelly Reese '73	Executive Director, Community Impact Program, Columbia University Scarsdale, New York
Elisabeth A. Röhm '97	Actress Venice, California
Paula Rudnick '72	Beverly Hills, California
Shelley D. Schorsch	New York, New York
Rose Anne Thom	Member of the Dance Faculty, Sarah Lawrence College Bronxville, New York
Robert S. Underhill	Managing Director, Shorenstein Company, LP Bronxville, New York
Clarice Dibble Walker '57	Prof. Emerita, Howard University School of Social Work Silver Spring, Maryland

HONORARY TRUSTEES

George B. Adams	Retired Partner, Debevoise & Plimpton New York, New York
Margot C. Bogert '75	Bedford Hills, New York
Mary Griggs Burke '38	President, Mary and Jackson Burke Foundation New York, New York
Donald K. Clifford, Jr.	President, Threshold Management Inc. Mount Kisco, New York
Barbara B. Cohn '70	New York, New York
Phyllis Rothschild Farley '46	Chairman, Childbirth Connection New York, New York
Joan Stern Girgus '63	Professor, Dept. of Psychology, Princeton University Princeton, New Jersey
Florence Straus Hart '44	Northbrook, Illinois
Monika A. Heimbold '85	Riverside, Connecticut
Anne Stevens Hobler '39	Washington, District of Columbia
June Noble Larkin '44	Chairman Emeritus, The Edward John Noble Foundation New York, New York
George H.C. Lawrence, BA	President, Lawrence Properties Inc. Vero Beach, Florida
Marjorie Leff Miller '53	Scarsdale, New York
Ruth Pollak '51	Co-CEO/Executive Producer, Educational Film Center Washington, District of Columbia
Robert M. Riggs	Retired Partner, Carter Ledyard & Milburn LLP New York, New York
Enid Silver Ship '56	Larchmont, New York
Ruth Leff Siegel '50	New York, New York
Florence Forgan Wheeler '46	Lake Forest, Illinois
Suzanne W. Wright '98	Co-Founder, Autism Speaks Fairfield, Connecticut
Thomas H. Wright	Vieques, Puerto Rico

ADMINISTRATION, FACULTY AND STAFF

Administration

The senior administrative officers of Sarah Lawrence College are:

Karen Lawrence, President. In August 2007, Karen R. Lawrence became the tenth president of Sarah Lawrence College. Dr. Lawrence came to Sarah Lawrence from the University of California, Irvine, where she served as Dean of the School of Humanities from 1998-2007. During her tenure at UCI, she pioneered the establishment of interdisciplinary programs among the humanities, arts, and sciences. She shepherded the conception, funding, and implementation of two major centers: the International Center for Writing and Translation, and the Dr. Samuel M. Jordan Center for Persian Studies and Culture. In 2000, she served as co-chair of the Presidential Humanities Commission on the Future of the Humanities for the University of California system. Prior to her Deanship at UCI, Dr. Lawrence was a member of the Department of English at the University of Utah from 1978-1997, chairing the English department from 1984 to 1989.

Dr. Lawrence attended Smith College from 1967 to 1969, and received her B.A. degree in English, magna cum laude, from Yale University in 1971. She was among the first women to graduate from Yale when it became coeducational. She earned an M.A. in English from Tufts University in 1973, and her Ph.D. in English, with distinction, from Columbia University in 1978.

President Lawrence is a member of the Council on Foreign Relations and serves on its Higher Education Working Group on Global Issues. She is also member of the Women's Leadership Network, the American Council of Education Commission on Advancement of Racial and Ethnic Equity, the Presidents' Leadership Coalition, and the board of the Commission of Independent Colleges and Universities. Her dedication to sustainable policies and practices has led her to become a signatory of the American College and University Presidents Climate Commitment.

President Lawrence has a special interest in James Joyce. She has held leadership positions in national and international professional organizations, including presidencies of the International James Joyce Foundation and the Society for the Study of Narrative Literature. She has written or edited five books on literature and has published widely in leading academic journals.

Throughout her career, Dr. Lawrence has received numerous awards and professional accolades, including a John Simon Guggenheim Foundation Fellowship, the Ramona Cannon Award for distinguished teaching in the humanities, and the University of Utah's prestigious Rosenblatt Prize for Excellence in research, teaching, and service.

Jerrilynn D. Dodds, Dean of the College. Dean Dodds earned her B.A. from Barnard College and her MA and PhD from Harvard University, and attended the University of Paris. Her work has centered on issues of artistic interchange and identity, in particular between Christians, Jews and Muslims. Dean Dodds came to Sarah Lawrence in 2009 with a strong academic and administrative background. She has most recently been distinguished professor and senior faculty advisor to the provost for undergraduate education at the City College of New York. She held teaching appointments in the School of Architecture and at the Graduate Center of the City University of New York in Art History, Medieval Studies and Middle Eastern and Islamic Studies. She has also taught at MIT, Columbia, Harvard, University of North Carolina, and the University of Minnesota. Her academic focus has been on Medieval, Islamic, and Hispanic art and architecture, and on societies,

from pre-modern to contemporary, in which the interaction of confessional groups can be read in art and architecture. A recipient of numerous research grants and fellowships, Dodds was named teacher of the year at City College and received several awards recognizing her professional work. She has written, edited, and contributed to numerous books and scholarly articles. In addition, she has written and directed films in her areas of expertise—including award-winning projects for the Metropolitan Museum of Art—and curated exhibitions at the Met, the Newark Museum, and the Jewish Museum, among others. She has consulted for numerous groups, working in projects ranging from international efforts to increase Arab-American understanding, to the post-war reconstruction in Bosnia. She is currently writing a book entitled : On the Destruction of Monuments.

Julie Auster, Vice President of Human Resource Services and Legal Affairs. Ms. Auster earned her B.A. in politics from Mount Holyoke College; she attended Georgetown University Law Center and earned her JD from Pace University Law School. She joined the Sarah Lawrence staff in 1985 as Director of Personnel. In 1992 she assumed additional responsibilities of Risk Manager and was named Director of Human Resources. In 2004 she was elected Secretary of the College, while retaining her positions as Director of Human Resources and Risk Manager. Prior to joining the College, she worked at TIAA-CREF where Sarah Lawrence College was one of her clients. She is currently Vice Chair of the Academic Federal Credit Union, and is a member of the Health Net of New York Board of Trustees. She is former president of the Briarcliff Manor Education Foundation and a former member of the Briarcliff Manor Board of Education Audit Committee.

John Bernson, Vice President for Finance and Planning and Chief Financial Officer. Mr. Bernson earned a B.A. degree in History from Columbia College in 1969 and an M.B.A. in Finance from the Columbia University School of Business in 1972. Mr. Bernson joined the College in September 2006 as its Chief Financial Officer, following a 27 year career in international banking and 7 years as Chief Financial Officer of the American University of Beirut. During his banking career, Mr. Bernson served as Citibank's Senior Officer in Lebanon, Turkey and South Korea as Chief Executive Officer of UGBI Bank, based in Amsterdam.

Thomas L. Blum, Vice President for Administration. Mr. Blum earned a B.A. in History at Lafayette College and an M.P.A. in Management at the Wagner School for Public Service, New York University. Mr. Blum joined the Sarah Lawrence College administration in April of 2005 as Executive Assistant to the President. In August of 2008, he was promoted to Vice President for Administration. In that capacity, Mr. Blum is responsible for coordinating strategic planning efforts, facilitating cross-functional programs and initiatives, directing institutional research, and coordinating the activities of the college's Academic Computing and Information Technology departments.

Robert Sweet, Vice President of Advancement, joined Sarah Lawrence in the fall of 2008. Robert came to Sarah Lawrence from Vassar College, where he was Director of Gift Planning. Prior to his 10 years in higher-education development, he was a Visiting Professor of Middle Eastern Political Economics at Oglethorpe University, a Research Affiliate in the Middle East Program at the Carter Center, a Research Consultant with a top-ten consulting firm, and a teacher of English and economics at the United Nations school of Syria. He holds a bachelor's degree in anthropology from Emory University and an MBA in International Business and an MA in Middle Eastern Studies from the University of Texas at Austin. Robert studied archaeology in Israel as a Dorot Scholar, Arabic in Syria as Fulbright Scholar, and literature and economics at Oxford University as an English Speaking Union Scholar.

Allen J. Green, Dean of Studies and Student Life. Dr. Green earned a B.A. in black studies and political science at Luther College, an M.A. in African history at the University of Dar es Salaam, in Tanzania, and a Ph.D. in history at the University of California at Los Angeles. Dr. Green joined the Sarah Lawrence College administration in May 1999. Twice a Fulbright Fellow, he spent two-and-one-half years in Tanzania and part of a year in the United Kingdom. From 1986 to 1994, he taught and held several research and administrative appointments at the University of Pennsylvania. From 1994 to 1998, he was the Dean of the College at Wesleyan University. He formerly served as the Yonkers representative on the Westchester United Way, and is a member of the Board of Trustees for the Rye Country Day School.

Micheal W. Rengers, Vice President for Operations. Mr. Rengers earned his BA from Sarah Lawrence College in 1978. Upon graduation he joined the Sarah Lawrence administration as Director of Student Housing and two years later was promoted to Assistant Dean for Student Affairs. In 1984 he assumed the position of Director of Campus Facilities and Administrative Services. In 2006 he became the Vice President for Operations. In this capacity he has responsibilities for all of the facilities, security, purchasing, all of the contracted services (including grounds maintenance, the bookstore, custodial services, duplicating, the post office, food services and new construction.

Faculty

The College currently employs 225 undergraduate faculty members and 31 graduate faculty members. Unlike other educational institutions, there is no hierarchy of faculty ranking at Sarah Lawrence. All faculty are active teachers and all courses are taught by professors. The current faculty consists of 132 “regular” faculty who are either tenured or on a course where they will be considered for tenure (i.e. on a “tenure track”). Of the 132 regular faculty, 99 are currently tenured and 40 are on tenure track. The College also employs 93 undergraduate guest faculty and 31 graduate guest faculty who are faculty occupying teaching positions which do not lead to tenure. Many guest faculty are practicing professionals, particularly in the arts, who teach courses in their area of expertise.

Approximately 90 percent of the faculty in the humanities and the natural and social sciences hold Ph.D.s.

At present, the effective student-to-faculty ratio (undergraduate) is 9:1, one of the lowest ratios among top-tier liberal arts colleges and universities in the United States, and representative of the College’s progressive, individualized approach to student’s intellectual development. In addition to learning in small seminar sections, each undergraduate student benefits from regularly scheduled one-on-one conferences with professors in every course. The conference system, combined with the tradition that every student has a “don” or personal faculty advisor to assist him/her through the development of a coherent academic program, gives students unparalleled access to faculty. The instructional productivity of Sarah Lawrence faculty is extraordinary. Generally, Sarah Lawrence College faculty devote nearly twice as much time per week to instruction and student contact hours than the national average reported for 4-year degree-granting institutions (Source: U.S. Department of Education NCES 2002-209).

Non Instructional Employees

The College currently employs 212 persons on a full-time basis in the following categories:

Administrative/Professional:	132
Secretarial, Clerical and Technical:	46
Maintenance and Security:	<u>34</u>
<i>Total Full-Time Non-Instructional Employees</i>	<i>212</i>

In addition, the College employs approximately 107 part time non-instructional personnel, excluding student employees.

The College does not have any collective bargaining unit agreement with any group of employees. Management believes that relations with its employees are good.

CAMPUS FACILITIES

Sarah Lawrence College opened in 1928 with the Lawrence family home (“Westlands”) as the main administrative building and four newly-built buildings containing dormitories, classrooms, labs, art studios, dining facilities, maintenance shops and faculty offices. Today, these original buildings form the center of the campus, which has grown to 49 buildings containing more than 669,000 gross square feet. As the College grew, it expanded its facilities both through new construction and by converting homes it had acquired adjacent to the original campus. Today the College occupies over 42 contiguous acres on its Yonkers, New York campus.

Consistent with the College’s founding principles that it is impossible to separate learning from living, most of the campus buildings serve multiple purposes. It is common to find administrative departments, faculty offices and classrooms mixed among student rooms. Student housing is located throughout the campus in a variety of small buildings and houses. Sarah Lawrence’s dormitory configuration is unique among undergraduate institutions because it provides upperclassmen (sophomores, juniors and seniors) with single, rather than double rooms. Much of the housing takes the form of suites, individual bedrooms connected with another room, an adjoining bathroom and a small kitchen/living area. The College currently houses a total of 1,017 students: 401 in single rooms, 248 in doubles and 288 in triples. The College also houses the College’s President and the student affairs on-call staff in a variety of houses and apartments.

The Esther Raushenbush Library, built in 1974, is central to the academic life of the College, holding more than 300,000 books, government documents, microfilm, slides, compact discs, audio cassettes, video cassettes, periodicals and newspapers. The Library subscribes to over 1,000 journals and newspapers. In addition it offers access to over 50 online full text and citation databases providing access to at least 20,000 journals. The Library’s collection is enhanced by access to over 40 libraries in Westchester County and the resources of over 13,000 academic and public libraries through use of the Library’s interlibrary loan department and public access computer terminals located throughout the campus.

The Campbell Sports Center, opened in 1998, is a state-of-the-art athletic facility. The Campbell Sports Center offers a variety of recreational opportunities for students of all athletic abilities. It houses a 6 lane, 25-yard swimming pool, dance studio, fitness center, squash courts, 11,400 square foot gymnasium, indoor track, rowing tank, lounges and locker rooms.

In October 2003, the College acquired 45 Wrexham Road, a two-story residence containing approximately 5,800 square feet on 2.44 acres. The Wrexham property is adjacent to the existing campus, across the street from the College's Early Childhood Center. This building houses the Center for Continuing Education graduate programs in Health Advocacy, Human Genetics and special programs. There are also 5 classrooms used for graduate and adult students.

Construction of the Monika A. and Charles A. Heimbold, Jr. Visual Arts Center was completed in July, 2004. The Visual Arts Center is a three-level 60,000 square foot building which houses all of the College's art and visual arts programs, including painting and drawing, sculpture, film-making, photography, art history, and film history, and contains a computer visual imaging lab, studios, a visual resource library, and a viewing/lecture hall seating 200. The Visual Arts Center was designed by Polshek Partners of New York, New York, architects of the Rose Planetarium at the American Museum of Natural History in New York City. Inspired by a \$1 million matching gift from one of the College's alumnae, the Visual Arts Center is designed to be a "green" building with geothermal heating and cooling and is certified as a LEEDS facility.

After the 2004 opening of the Visual Arts Center, in 2006 the College began a systematic renovation of the 29,000 sq ft of vacated space in Bates Hall. The renovation allowed the college to put the student services offices of Student Affairs, Career Counseling, Community Partnerships and college events all in the same building. Three student-run spaces were created, including a coffeehouse, club space, a space known as Common Ground. Finally, a new faculty dining room was created in the old sculpture studio. The renovation included installation of an elevator to make the building fully accessible. During the summer of 2007 the windows were replaced. In the summer of 2009, in conjunction with a new food service vendor, Bates Student Dining was fully re-imagined and renovated. The result is that 80 per cent of Bates has been renovated and transformed.

Visual Arts space vacated in the Performing Arts Center allowed the college to move and expand the bookstore and in MacCracken add an additional Dance Theatre.

STUDENT BODY

Undergraduate and Graduate Enrollment

Set forth in Table I below is data showing undergraduate and graduate enrollment in each of the last five academic years. Enrollment has been measured in two ways: by the total number of students enrolled in the fall semester (the fall headcount), and by the number of financial "full-time equivalent" students ("Financial FTEs"). The number of Financial FTEs enrolled in any year is determined by dividing gross tuition revenue for the year (before applying financial aid) by the full-time undergraduate tuition per student for such year.

Table I

UNDERGRADUATE AND GRADUATE ENROLLMENT

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
<i>Average Headcount</i>					
Undergraduate Students enrolled on Bronxville Campus	1,077.5	1,146.0	1,171.5	1,193.0	1,195.0
% change from prior academic year	0.0%	6.4%	2.2%	1.8%	0.2%
Undergraduate Students enrolled in Foreign Programs	107.0	122.3	118.3	135.0	115.1
% change from prior academic year	-18.3%	14.3%	-3.3%	14.1%	-14.7%
Graduate Students enrolled	286.5	301.0	296.5	302.0	313.5
% change from prior academic year	0.4%	5.1%	-1.5%	1.9%	3.8%
Total Students Enrolled - Fall	1,471	1,569	1,586	1,630	1,624
% change from prior academic year	-1.6%	6.7%	1.1%	2.8%	-0.4%
<i>Financial Full-Time Equivalent Students ("FTEs") - Full Year</i>					
Undergraduate FTEs - Bronxville Campus	1,066.53	1,135.51	1,160.30	1,179.00	1,188.32
% change from prior academic year	0.2%	6.5%	2.2%	1.6%	0.8%
Undergraduate FTEs - Foreign Programs	117.93	115.39	112.50	128.51	109.27
% change from prior academic year	-3.4%	-2.2%	-2.5%	14.2%	-15.0%
Graduate FTEs	131.94	136.51	130.61	135.53	144.59
% change from prior academic year	8.1%	3.5%	-4.3%	3.8%	6.7%
Center for Continuing Education ("CCE")	22.841	22.263	25.028	15.755	14.61
% change from prior academic year	-2.9%	-2.5%	12.4%	-37.1%	-7.3%
Total Financial FTEs - Full Year	1,339.24	1,409.67	1,428.43	1,458.79	1,456.79
% change from prior academic year	0.6%	5.3%	1.3%	2.1%	-0.1%

Source: College records

Geographic Distribution of Undergraduate Students

Sarah Lawrence College draws students from all 50 states, Puerto Rico, and approximately 20 foreign countries. The geographic distribution of undergraduate students for academic years 2004-05 through 2008-09 is set forth below:

Table II

GEOGRAPHIC DISTRIBUTION OF UNDERGRADUATE STUDENTS

		<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
New York	%	18.5 %	19.4 %	19.2 %	21.8 %	22.5 %
California		13.8	13.4	15.1	15.8	15.8
Pennsylvania		5.8	5.5	5.4	5.3	5.0
New Jersey		6.0	5.6	6.6	5.7	5.9
Massachusetts		6.3	7.3	7.9	7.8	7.7
Connecticut		3.5	3.6	4.0	3.8	4.0
Texas		2.5	3.3	2.9	2.9	2.6
Florida		4.3	3.4	2.8	1.8	1.9
Washington		3.4	3.2	3.2	3.5	3.3
Illinois		2.7	2.8	2.4	2.1	1.9
Maryland		3	2.8	3.0	3.1	2.7
Ohio		2.1	2.1	1.9	1.4	1.3
Virginia		2.2	1.9	1.3	1.6	1.4
All Other US		<u>22.6</u>	<u>22.2</u>	<u>21.1</u>	<u>18.4</u>	<u>18.4</u>
Total US	%	96.7 %	96.5 %	96.8 %	95 %	94.4 %
Foreign		<u>3.3</u>	<u>3.5</u>	<u>3.2</u>	<u>5.0</u>	<u>5.6</u>
Total	%	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Applications, Admissions, and Matriculation

Table III sets forth application and enrollment statistics for fall-entering freshmen.

Table III

APPLICATIONS, ACCEPTANCES, MATRICULATION NEW FRESHMAN

(Excludes Transfers, Graduate Students, Foreign Program Students, and Continuing Education Students)

<i>For Entrance in</i>	<u>Fall of 2005-06</u>	<u>Fall of 2006-07</u>	<u>Fall of 2007-08</u>	<u>Fall of 2008-09</u>	<u>Fall of 2009-10</u>
Number of Applications Received - New Freshmen ⁽¹⁾	2,634	2,718	2,801	2,793	2,159
Number of Applying Students Accepted - New Freshmen	1,174	1,260	1,272	1,320	1,297
Number of Applying Students Enrolled- New Freshmen	376	382	365	352	371 ⁽¹⁾
Acceptance Ratio ⁽²⁾	45%	46%	45%	47%	60%
Enrollment Ratio ("Yield") ⁽³⁾	32%	30%	29%	27%	29% ⁽¹⁾

⁽¹⁾ Final matriculation data for the fall of 2009-10 is not yet known

⁽²⁾ Represents the percentage of applicants to the College who were accepted

⁽³⁾ Represents the percentage of accepted students who chose to matriculate

Academic Quality of Incoming Freshmen

To measure the academic quality of the incoming class, Sarah Lawrence College evaluates students' high-school grade point averages, extensive writing samples and other academic work-products. (After 2004-05, the College ceased collecting and evaluating Scholastic Aptitude Test scores). Using high-school GPA as a general measure of academic achievement, the quality and preparation of incoming student cohorts has remained strong over the past four years, with the mean GPA score of incoming freshman a stead 3.60 throughout the period.

FUND RAISING ACTIVITIES

Responsibility for fund raising lies with the Department of Advancement. Currently Advancement employs 29 individuals, including 10 engaged in direct fund raising with 5 specializing in major gifts, 3 specializing in annual giving, 1 specializing in planned giving, and 1 specializing in corporations and foundations.

Table IV

Contributions Revenue	2005	2006	2007	2008	2009
Unrestricted	\$ 3,510,373	\$ 3,738,615	\$ 4,876,426	\$ 4,619,832	\$ 4,273,729
Temporarily Restricted	3,706,485	3,281,217	2,070,315	4,998,476	2,771,085
Permanently Restricted	783,719	2,148,160	7,619,812	4,102,564	1,605,762
	<u>\$ 8,000,577</u>	<u>\$ 9,167,992</u>	<u>\$ 14,566,553</u>	<u>\$ 13,720,872</u>	<u>\$ 8,650,576</u>

Source: Audited Financials

In June 2010, the College will enter the “silent” phase of a new fund-raising campaign to raise approximately \$150 million in support of four key objectives:

- 1) teaching, learning and scholarship, including funding for faculty compensation, faculty development, curriculum development, enhanced technology for teaching and new classroom infrastructure;
- 2) student access and affordability, including support for expanded undergraduate financial aid to close the need-gap for all Pell-eligible students, expanded “funded” aid to offset the costs of the College’s undergraduate tuition discount and increase the competitiveness of its aid packages, and a 25% increase in the graduate financial aid budget to enhance the yield on graduate student recruitment efforts;
- 3) building student community and connections, including support for student programs, activities and services. This includes capital funding for the construction of a new mixed-used facility that will serve as a residence hall for undergraduates, and endowment funds to maintain and improve existing campus infrastructure;
- 4) ongoing support of the operating budget through annual giving and other budget-relieving gifts for targeted initiatives.

The final goals for the campaign in each of these categories are undergoing feasibility testing. In any event, this will be the College’s most ambitious fund-raising effort to date.

To ensure that the campaign achieves its foremost priority – ensuring financial equilibrium for the College -- the vast majority of funds to be raised will be designated as endowment monies. It is expected that by the conclusion of the campaign, contributions to College's endowment corpus will equal nearly twice the current principal balance of about \$60 million. Returns on these endowment funds will support the aforementioned priorities in the near-term and in perpetuity. The precise allocation by objective of the funds raised and associated endowment returns realized through the campaign will be determined by a comprehensive strategic planning exercise that the College has just launched.

FINANCIAL INFORMATION

Tuition and Fees

Set forth in Table VI below are the tuition and fees charged full-time undergraduate students by the College in each of the last five academic years:

Table V

TUITION AND FEES

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Tuition	\$ 33,270	\$ 35,280	\$ 37,230	\$ 39,450	\$ 41,040
<i>% change from prior academic year</i>	5.0%	6.0%	5.5%	6.0%	4.0%
Room	7,600	8,056	8,500	8,756	9,020
<i>% change from prior academic year</i>	5.0%	6.0%	5.5%	3.0%	3.0%
Board	3,864	4,096	4,220	4,348	4,348
<i>% change from prior academic year</i>	5.0%	6.0%	3.0%	3.0%	0.0%
General College Fee	588	624	660	700	728
<i>% change from prior academic year</i>	5.0%	6.1%	5.8%	6.1%	4.0%
General College Fee (Student Senate Portion)	184	184	200	200	200
<i>% change from prior academic year</i>	4.5%	0.0%	8.7%	0.0%	0.0%
Total Tuition, Room, Board, and Fees	\$ 45,506	\$ 48,240	\$ 50,810	\$ 53,454	\$ 55,336
<i>% change from prior academic year</i>	5.0%	6.0%	5.3%	5.2%	3.5%

Student Financial Aid

The College is active in assisting applicants to obtain financial aid if it is needed. The College's Office of Financial Aid assesses the financial position of each applicant who has requested financial aid and determines what the applicant's need for aid might be. It then assists qualifying applicants in meeting their funding needs by assembling a financial aid "package" to cover their needs from all available sources, including Federal loan, grant and work-study programs, funds available from the various states, alternative loans to students and their families, and College-funded grants.

Set forth below in Table VII and VIII are the amounts of financial aid in various categories received by Sarah Lawrence students for each of the past five academic years:

Table VI

SOURCES OF FINANCIAL AID

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Federal Programs					
Pell Grants	\$ 379,873	\$ 452,881	\$ 509,512	\$ 598,594	\$ 657,252
SEOG	260,185	204,134	183,221	213,033	198,428
ACG	-	-	47,325	15,250	21,445
SMART Grant	-	-	28,000	8,000	6,000
Perkins Loans	490,055	478,974	411,132	241,171	259,800
Work Study	311,097	236,973	236,744	267,316	267,870
Total Federal Programs	\$ 1,441,210	\$ 1,372,962	\$ 1,415,934	\$ 1,343,364	\$ 1,410,795
State Funds	224,315	289,068	277,173	335,056	296,876
Stafford / PLUS Loans	9,017,626	9,491,050	10,161,075	10,254,063	10,229,875
College-Funded Financial Aid	11,185,832	12,630,894	13,857,573	15,624,124	16,872,548
Total Financial Aid Given	\$ 21,868,983	\$ 23,783,974	\$ 25,711,755	\$ 27,556,607	\$ 28,810,094

Table VII

SOURCES OF FINANCIAL AID AS % OF TOTAL FINANCIAL AID

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Federal Programs	7%	6%	6%	5%	5%
State Funds	1%	1%	1%	1%	1%
Stafford / PLUS Loans	41%	40%	40%	37%	36%
College-Funded Financial Aid	51%	53%	54%	57%	59%

During the past five academic years the amount of College-funded financial aid increased from \$11,185,832 in 2004-05 to \$16,872,548 in 2008-09. This 50.8 % increase reflects the needs of students due to regular increases in tuition and fee charges (see Table VI) and the loan reduction initiative discussed below.

Table VIII

SLC-FUNDED FINANCIAL AID; TUITION DISCOUNTS

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
<i>First Year Undergraduates</i>					
Total First-Year U/G Tuition and Fee Revenue	10,300,680	12,392,028	13,338,336	13,413,060	13,610,850
Total First-Year U/G College-Funded Financial Aid	2,697,783	3,639,398	3,590,236	4,223,062	3,946,840
First-Year U/G Tuition Discount	26.2%	29.4%	26.9%	31.5%	29.0%
Average First-Year U/G Grant	19,692	21,408	22,369	26,149	24,363
Average Grant as % of Tuition and Fees	61.1%	63.2%	62.3%	69.0%	64.3%
<i>Undergraduates</i>					
<i>(Excludes Continuing Education Students and Guest Students)</i>					
Total First-Year U/G Tuition and Fee Revenue	35,365,101	39,681,576	43,403,089	45,960,570	49,545,100
Total U/G College-Funded Financial Aid	10,147,260	11,703,220	12,617,974	14,371,881	15,436,500
U/G Tuition Discount	28.7%	29.5%	29.1%	31.3%	31.2%
Average U/G Grant	20,407	21,413	22,653	25,414	25,414
Average Grant as % of Tuition and Fees	63.3%	63.2%	63.1%	67.1%	67.1%
<i>Total Student Body</i>					
<i>(includes Continuing Education Students, Graduate Students and Prize Awards)</i>					
Total Tuition and Fee Revenue	42,524,107	47,670,418	51,225,652	55,191,799	58,433,396
Total College-Funded Financial Aid	11,185,832	12,630,894	13,857,573	15,624,124	16,872,548
Overall Tuition Discount	26.3%	26.5%	27.1%	28.3%	28.9%

In 1999-2000, the College took a step toward helping students with a more manageable level of student loan debt. In essence, students are packaged with loan levels below the maximum allowed by the federal government. The change in college funded financial aid is directly related to this policy as need and costs have risen but the College's expectation for student borrowing has not. While this policy has increased the overall tuition discount rate, it has led to more reasonable student debt levels.

In a special effort to increase resources for students whose families experience sudden financial loss that jeopardizes their ability to continue their studies at Sarah Lawrence, members of the Sarah Lawrence College Board of Trustees have created the "Angel" Fund. This special fund for financial aid helps the College live up to its mission of continuing to provide access and support for a range of students

Financial Statements

Table IX

FINANCIAL STATEMENTS Year Ended May 31

Balance Sheets

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assets							
Cash and Cash Equivalents	\$ 3,680,704	\$ 4,210,962	\$ 2,079,400	\$ 1,431,996	\$ 2,436,704	\$ 4,975,162	\$ 4,051,885
Student Accounts Receivable, net of allowance	131,412	132,364	116,866	94,941	160,974	160,195	133,327
Prepaid Expenses and Other Assets	306,655	442,578	268,335	711,215	725,519	475,720	736,034
Contributions Receivable, net	14,827,972	13,537,855	11,006,464	9,058,165	12,625,396	9,649,192	5,973,031
Investments	60,190,104	59,348,088	63,968,841	70,344,055	82,488,874	83,743,052	62,221,955
Deposits Held by Bond Trustees	1,188,652	7,359,549	5,827,391	1,631,709	-	-	-
Loans to Students, net of allowances	1,066,608	1,066,434	1,165,139	1,183,325	1,221,276	1,113,798	1,153,035
Deferred Debt Issuance Costs	1,774,909	2,804,674	2,729,651	2,653,828	2,503,621	2,429,985	2,356,349
Land, Building, and Equipment, net of Accumulated Depreciation	62,809,575	82,107,658	85,451,596	87,940,338	89,004,579	88,260,956	87,774,244
Total Assets	\$ 145,976,591	\$ 171,010,162	\$ 172,613,683	\$ 175,049,572	\$ 191,166,943	\$ 190,808,060	\$ 164,399,860
Liabilities & Net Assets							
Accounts Payable and Accrued Expenses	\$ 2,298,656	\$ 1,806,443	\$ 2,405,995	\$ 2,425,029	\$ 2,478,005	\$ 3,058,329	\$ 2,910,265
Accounts Payable - Construction Projects	761,000	2,027,893	340,000	566,690	286,812	-	-
Accrued Salaries	2,511,990	3,586,943	3,914,759	4,338,344	4,586,384	4,198,411	4,175,655
Short Term Indebtedness	-	-	1,500,000	-	2,200,000	-	-
Deferred Revenues and Deposits	1,684,049	1,845,303	1,792,554	1,938,866	1,878,065	1,669,920	1,646,534
Deferred Contribution Revenues	1,000,000	-	-	-	-	-	-
Annuities Payable	1,676,815	1,822,132	1,924,114	1,871,570	2,021,853	1,996,155	1,980,678
Indebtedness	35,625,862	49,134,269	48,891,418	48,547,273	47,951,793	47,354,938	46,756,667
Interest Rate Swap Liability	-	-	-	-	-	1,855,082	4,893,280
U.S. Government Grants Refundable	993,359	1,025,265	1,044,521	1,047,388	1,053,593	1,046,050	1,034,367
Accumulated Post-Retirement Health and Life Insurance Benefit Obligation	3,057,642	3,452,854	3,832,214	4,267,520	3,951,587	4,056,649	4,165,723
Conditional asset retirement obligation	-	-	-	252,684	269,166	285,648	302,130
Total Liabilities	\$ 49,609,373	\$ 64,701,102	\$ 65,645,575	\$ 65,255,364	\$ 66,677,258	\$ 65,521,182	\$ 67,865,299
Net Assets							
Unrestricted	\$ 60,402,597	\$ 73,302,364	\$ 73,480,724	\$ 75,462,640	\$ 84,381,470	\$ 78,831,436	\$ 53,176,300
Temporarily Restricted	16,800,871	12,358,765	12,055,734	10,751,758	8,489,301	10,725,804	7,695,547
Permanently Restricted	19,163,750	20,647,931	21,431,650	23,579,810	31,618,914	35,729,638	35,662,714
Total Net Assets	\$ 96,367,218	\$ 106,309,060	\$ 106,968,108	\$ 109,794,208	\$ 124,489,685	\$ 125,286,878	\$ 96,534,561
Total Liabilities and Net Assets	\$ 145,976,591	\$ 171,010,162	\$ 172,613,683	\$ 175,049,572	\$ 191,166,943	\$ 190,808,060	\$ 164,399,860

Source: Audited Financials

Table X

FINANCIAL STATEMENTS
Year Ended May 31

**Statements of Unrestricted Revenues, Expenses, and
Other Changes in Unrestricted Net Assets**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues and Gains:							
Tuition and Fees	\$ 37,908,776	\$ 41,022,563	\$ 42,841,681	\$ 47,986,600	\$ 51,542,818	\$ 55,506,834	\$ 58,729,830
Less: Scholarships and Fellowships	(10,198,123)	(11,383,808)	(11,428,974)	(12,809,977)	(14,010,986)	(15,819,068)	(17,046,956)
Net Tuition and Fees	\$ 27,710,653	\$ 29,638,755	\$ 31,412,707	\$ 35,176,623	\$ 37,531,832	\$ 39,687,766	\$ 41,682,874
Government Grants and Appropriations	\$ 907,852	\$ 908,982	\$ 1,095,360	\$ 1,095,009	\$ 977,630	\$ 841,137	\$ 744,187
Contributions	2,765,510	5,642,367	3,510,373	3,738,615	4,876,426	4,619,832	4,273,729
Investment Income and Gains (Losses)	451,335	4,375,226	3,063,946	3,987,699	6,915,373	1,424,713	(20,581,599)
Sales and Services of Auxiliary Enterprises	9,500,278	10,228,387	10,246,720	11,507,955	12,026,900	12,740,491	12,914,659
Change in Fair Value of Interest Rate Swap					57,667	(1,912,749)	(3,038,198)
Change in Donor Designation							1,608,326
Other Sources	1,195,952	1,030,026	1,024,900	1,332,788	1,497,492	1,592,904	2,016,788
Total Revenues and Gains	\$ 42,531,580	\$ 51,823,743	\$ 50,354,006	\$ 56,838,689	\$ 63,883,320	\$ 58,994,094	\$ 39,620,766
Net Released from Temporary Restrictions	9,578,780	14,936,247	6,140,221	7,674,821	9,538,876	3,339,546	4,239,705
Total Revenues, Gains and Other Support	\$ 52,110,360	\$ 66,759,990	\$ 56,494,227	\$ 64,513,510	\$ 73,422,196	\$ 62,333,640	\$ 43,860,471
Expenses							
Program							
Instruction	\$ 22,616,812	\$ 24,322,202	\$ 27,834,592	\$ 30,334,019	\$ 31,765,658	\$ 33,071,660	\$ 34,770,022
Academic Support	4,258,783	4,456,780	4,625,065	5,184,375	5,295,596	6,169,319	5,878,479
Student Services	5,643,113	5,936,809	6,309,636	7,468,786	7,557,492	7,638,821	7,636,620
Auxiliary Enterprises	7,962,191	8,224,150	7,165,039	8,157,369	8,189,787	8,951,960	8,953,673
Total Program Expenses	\$ 40,480,899	\$ 42,939,941	\$ 45,934,332	\$ 51,144,549	\$ 52,808,533	\$ 55,831,760	\$ 57,238,794
Supporting Services							
Management and General	6,862,910	6,947,701	7,019,168	7,492,000	8,218,116	8,393,707	8,691,921
Fund-Raising	3,192,823	3,285,066	3,362,367	3,642,361	4,006,443	3,918,406	3,777,922
Total Supporting Services Expense	\$ 10,055,733	\$ 10,232,767	\$ 10,381,535	\$ 11,134,361	\$ 12,224,559	\$ 12,312,113	\$ 12,469,843
Total Expenses	\$ 50,536,632	\$ 53,172,708	\$ 56,315,867	\$ 62,278,910	\$ 65,033,092	\$ 68,143,873	\$ 69,708,637
Increase (Decrease) in Unrestricted Net Assets	1,505,019	12,899,767	178,360	1,981,916	8,918,830	(5,550,034)	(25,655,136)
Assets							
Unrestricted Net Assets							
Increase (Decrease) in Unrestricted Net Assets	1,505,019	12,899,767	178,360	1,981,916	8,918,830	(5,550,034)	(25,655,136)
Beginning of the Year	58,897,578	60,402,597	73,302,364	73,480,724	75,462,640	84,381,470	78,831,436
End of the Year	\$ 60,402,597	\$ 73,302,364	\$ 73,480,724	\$ 75,462,640	\$ 84,381,470	\$ 78,831,436	\$ 53,176,300

Source: Audited Financials

Recent Financial Performance

Overall Performance. Net Assets are defined as the College's total assets (buildings, investments, cash, etc) less its liabilities (debts, accounts payable, obligations to pay post retirement health and life insurance benefits, etc.) and is equivalent to "net worth" or "equity". Between May 31, 2005 and May 31, 2008 the College's Net Assets' were growing steadily mainly due to investment revenues and increasing contributions. However, deteriorating economic and market conditions during the fiscal year ended May 31, 2009 contributed to Net Assets falling by approximately \$20.3 million. Market-driven losses in the College's investment portfolio and the change in fair market value of the interest rate swap during the fiscal year were the main factors. Contributing positively to Net Assets over the five year period, Tuition and Fee revenue, the college's main revenue driver grew by 37% while program expenses grew by approximately 25% and supporting services rose by 20%. Net revenues from auxiliary services grew 26% during the period. Partially offsetting the positive operating dynamics the college committed itself to somewhat higher levels of financial aid, which grew 49% between fiscal 2004-05 and 2008-09. Total contribution revenues (inclusive of restricted gifts) totaled approximately \$8.7 million during the period.

Operating Performance

To measure its operating performance the College generates an internal financial report called the "Statement of Operations" which presents operating revenues and operating expenses for the year. Included in operating revenues each year is a draw from the endowment to support operations. Under current Board policy the College may withdraw an amount equal to 6% of the value of the endowment (calculated on a lagged basis over twelve quarters) each year. A failure to balance the budget in a given year means that the College had operating expenses in excess of operating revenues, after including the 6% draw from the endowment. To fund a deficit an additional amount over and above the 6% draw is taken from the endowment.

In the period beginning 2005-06 through 2007-08 the College generated a series of operating deficits, mainly due to fluctuations in budget relieving gifts and swelling financial aid levels. The College responded to the deteriorating economic conditions during 2008-09 with unusual expense savings which resulted in an operating surplus of \$217,000 for the fiscal year.

The College's total operating revenues (net of financial aid) for the fiscal year ended May 31, 2009 were \$59.7 million, an increase of 5% over the previous fiscal year. At the same time, operating expenses grew by only 2% to \$59.5 million. A robust enrollment in both undergraduate and graduate programs contributed to the increase in revenues for the year, but the major contributing factor to the \$217,000 surplus was the concentrated effort to reduce and control expenses. The focus on expense control was carried forward into the budget for 2009-10.

The operating budget for the 2009-10 fiscal year shows budgeted revenues (net of financial aid) of \$59.7 million and budgeted expenses of \$59.7 million, which will produce a balanced budget. Continued aggressive expense control will help to achieve the goal of a balanced budget for the current year.

Long-Term Investments

The College maintains long-term investments in two categories: (1) the Endowment is the College's permanent capital and is used in support of College operations; and (2) the Non-Endowment Investment Fund, consisting of unrestricted investments which the College has designated for the support of various building projects (together the College's "Long-Term Investment Portfolio"). On May 31, 2009 the market value of the College's Long-Term Investment Portfolio was \$62.2 million.

The Commonfund manages virtually all of the College's Long-Term Investments. The College's Investment Committee, consisting of 6 Trustee members and 2 non-Trustee members, meets at least three times a year to review overall investment policy, to review and recommend changes in the allocation of the College's investment assets among asset categories ("asset allocation"), to review the performance of the College's investment managers, and to allocate funds to investment managers.

In investing its funds, the College's Financial Objective is to ensure the future growth of the Portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the fund. This will be accomplished through a carefully planned and executed long-term investment program. The objective of the investment program is to enhance the portfolio's long-term viability by maximizing the value of the Portfolio with a prudent level of risk.

On an annualized, net of fee basis, the return on the total Portfolio over the long term (at least a full market cycle) will be expected to:

- Equal or exceed the spending rate plus inflation over a market cycle; and,
- Equal or exceed the average return of appropriate indices weighted by the asset allocation target percentage over rolling five-year periods;

The Investment Committee has established that 6% of the trailing twelve quarters average market value of the portfolio be allocated to the College for annual operating expenses.

As of May 31, 2009, in line with the Investment Committee's allocation guidelines, approximately 35% of the College's investment portfolio was invested in domestic equities; 13% in international equities; 6.5% in private capital investments; 3.5% in commodities and natural resources, with the remainder invested in debt instruments (16%), absolute return (1.5%), and private real estate (1.3%).

Table XI
LONG-TERM INVESTMENTS

Investments

The College's investments can be categorized in the following groups, and were invested as follows:

	<u>5/31/2004</u>	<u>5/31/2005</u>	<u>5/31/2006</u>	<u>5/31/2007</u>	<u>5/31/2008</u>	<u>5/31/2009</u>
Long-term investments primarily managed by professional investment managers and invested for the College's endowment:						
Cash equivalents	\$ 765,758	\$ -	\$ 1,125,000	\$ 365,359	\$ 396,024	\$ 1,015,603
Equity funds and common stock	37,895,182	-	-	-	-	-
Fixed-income funds and securities	15,620,432	-	-	-	-	-
Multi-strategy equity fund	-	41,689,612	45,663,985	32,371,450	30,112,050	20,913,155
Multi-strategy bond fund	-	17,316,504	13,523,749	11,843,528	10,899,860	7,476,328
Multi-strategy commodities fund	-	-	3,399,860	4,031,314	3,942,020	1,526,920
Real estate securities fund	-	-	1,478,690	1,896,886	1,670,436	951,393
Real estate participation	-	-	-	1,614,302	1,645,257	785,034
International equities fund	-	-	-	8,500,000	8,764,210	6,776,308
Institutional all cap fund	-	-	-	3,900,000	3,853,583	3,034,351
Absolute return fund	-	-	-	3,600,000	3,922,234	917,862
Hedged and emerging market funds	-	-	-	7,590,000	9,880,021	8,616,271
Investment grade credit fund	-	-	-	-	-	1,599,821
Limited partnerships	1,686,537	1,588,818	1,727,411	2,999,471	5,515,020	6,321,177
Total	<u>\$ 55,967,909</u>	<u>\$ 60,594,934</u>	<u>\$ 66,918,695</u>	<u>\$ 78,712,310</u>	<u>\$ 80,600,715</u>	<u>\$ 59,934,223</u>
Investments held under split-interest agreements:						
Cash equivalents	57,788	98,738	66,844	115,067	121,062	60,789
Domestic equity funds	915,326	963,861	1,214,775	1,401,365	1,181,616	796,512
International equity funds	-	-	302,728	392,686	550,565	398,526
Fixed-income securities funds	423,704	423,489	1,074,071	1,136,894	629,451	402,616
Corporate and U.S. Government Bonds	1,578,035	1,507,660	259,836	241,270	229,673	223,589
Domestic & International Index Funds	-	-	-	-	176,204	168,341
REITs	-	-	-	-	116,029	89,402
Total	<u>\$ 2,974,853</u>	<u>\$ 2,993,748</u>	<u>\$ 2,918,254</u>	<u>\$ 3,287,282</u>	<u>\$ 3,004,600</u>	<u>\$ 2,139,775</u>
Other segregated investments:						
Gifts of stock held for sale	69,442	55,445	196,299	175,645	28,380	41,797
Tenant security deposits	39,632	36,219	28,168	26,663	25,737	21,798
Property held for sale	5,000	-	-	-	-	-
Cash-surrender value of life insurance	291,252	288,495	282,639	286,974	83,620	84,362
Total	<u>405,326</u>	<u>380,159</u>	<u>507,106</u>	<u>489,282</u>	<u>137,737</u>	<u>147,957</u>
Total investments	<u><u>\$ 59,348,088</u></u>	<u><u>\$ 63,968,841</u></u>	<u><u>\$ 70,344,055</u></u>	<u><u>\$ 82,488,874</u></u>	<u><u>\$ 83,743,052</u></u>	<u><u>\$ 62,221,955</u></u>

Source: Audited Financials

Outstanding Indebtedness of the College

At May 31, 2009 the College had the following indebtedness outstanding.

- 1) **\$706,667 Energy Conservation and Rehabilitation Loan – U.S. Department of Education Note.** The Note is repayable in equal semi-annual installments of \$35,280 to the year 2021, bears interest at 3% per annum, and is secured by a first lien on the Esther Raushenbush Library and a first lien on and pledge of the net revenues derived from certain dormitory housing. The note is currently owned by GMAC.
- 2) **\$46,050,000 City of Yonkers Industrial Development Agency, Facility Revenue Bonds, (Sarah Lawrence Project).** On June 5, 2001, the Agency issued \$25,750,000 of its Civic Facility Revenue Bonds, Series 2001A (Sarah Lawrence College Project) (the “Series 2001A Bonds”) and \$8,900,000 of its Civic Facility Revenue Bonds, Taxable Series 2001B (Sarah Lawrence College Project), (Convertible to Tax-Exempt) (The “Series 2001B Bonds”). On October 16, 2003, \$3,600,000 of the series 2001B Bonds were converted to be Series 2004A Bonds. On May 24, 2004 The Agency issued \$42,950,000 of its Civic Facility Revenue Bonds Series 2004, a (Sarah Lawrence College Project) (The “Series 2001A Bonds”), and \$5,250,000 of its Civic Facility Revenue Bonds, taxable Series 2004B (Sarah Lawrence College Project) (Convertible to Tax-exempt) (The “Series 2004B Bonds”). The Series 2004A Bonds were issued in the form of auction-rate bonds, the interest rate on which is reset by a “dutch” auction approximately every 28 days. The Series 2004A Bonds mature on June 1, 2041, and are subject to mandatory redemption prior to maturity from sinking fund installments; such principal payments are expected to produce annual debt service payments that are approximately equal. Payment of the regularly scheduled principal of and interest on the Series 2004A Bonds is insured by a financial guaranty insurance policy issued by MBIA Insurance Company. The Series 2004A Bonds are secured by a pledge to the bond trustee of tuition revenues and by a first mortgage lien on the mortgaged property, which consists of most of the real estate assets of the College.

The Series 2004A Bonds, including those resulting from the conversion of the Series 2004B Bonds, constitute the first tranche of the Series A Bonds. Upon the issuance of the Offered Bonds, the Series 2004A Bonds will be re-designated the “Series A Bonds” and will be part of one Series A Bond issue with the Offered Bonds. The College repaid \$500,000 of Series A Bonds and \$50,000 of the outstanding Series 2001B Bonds in June 2009.

A portion of the proceeds of the Series 2001A Bonds and the Series 2001B Bonds was used to purchase 1225 Midland Avenue, known as Hill House Apartments (“Hill House”). At the time of such purchase, the College occupied approximately 30 percent of Hill House (as measured by square feet), and non-College-related tenants occupied approximately 70 percent of the building. The proceeds of the taxable Series 2001B Bonds were used to finance that part of Hill House not occupied by the College at the time of the financing. As non-College-related tenants vacate Hill House, allowing its apartments to be occupied by the College, the College may convert the taxable Series 2004B Bonds to tax-exempt Bonds that become part of the Series A Bonds.

\$10,000,000 Line of Credit - JP Morgan Chase Bank. The College has outstanding an unsecured line of credit with JP Morgan Chase Bank in the amount of \$10 million which will expire on December 1, 2009. The College may draw on this line as the need arises for working capital purposes. There are currently no borrowings under this line.

Interest Rate Swap

The Series 2004 Bonds are currently in the form of auction rate debt bonds with a variable interest rate. In connection with the 2004 Series A Bonds the College entered into an interest rate swap with Morgan Stanley Capital Services, the Counterparty, with a notional principal amount equal to the portion of the 2004 Series A Bonds of \$40,500,000. By the terms of the swap the College pays a fixed rate of interest of 3.725% and receives a variable rate of interest that is equal to 64% of LIBOR plus 20 BPs. The swap has a final maturity of June 1, 2041, covering the period during which the 2004 Series A Bonds will be in existence. Under certain circumstances, either the College or the Counterparty may terminate the swap at which time, depending on the market value of the swap, the College may be required to make a payment to the Counterparty. As of October 30, 2009, the mark-to-market value of the College's swap was –(\$5,497,024). The swap's collateral posting threshold at the College's current rating level is \$5 million, with a \$1 million minimum transfer. The College has not yet been required to post collateral. The College is currently examining options related to the interest rate swap.

Pension Plan

Sarah Lawrence College has a non-contributory tax deferred annuity plan administered by Teachers Insurance and Annuity Association/College Retirement Equities Funds (TIAA-CREF) for faculty, administrative and staff employees. Under the plan, the College contributes an amount equal to 10 percent of the base salary of the employees towards the purchase of individually owned, immediately vested and fully funded annuities. Sarah Lawrence is in compliance with the requirements of the Employee Retirement Income Security Act of 1994 (ERISA).

Insurance

The College maintains a comprehensive risk management program for property and casualty through several insurance carriers. Coverage includes: (i) comprehensive multi-peril coverage for buildings and their contents, (ii) comprehensive general liability insurance against personal injury and property damage with \$51 million in liability coverage and \$175 million in property coverage, (iii) worker's compensation as required by New York State, (iv) a blanket crime policy, (v) automobile liability insurance, (vi) fiduciary liability and directors and officers insurance, and (vii) various specialized policies covering such items as boilers and machinery, hull protection and indemnity, protection against injury for student athletes, and malpractice for nurses and graduate student interns. The College conducts an annual review of its risk management program in order to maintain adequate coverage at reasonable cost.

Litigation

There is no litigation pending for which there is a likelihood of an unfavorable decision which would materially adversely affect the ability of the College to enter into the Lease Agreement and carry out its obligations thereunder or would have material adverse impact on the financial condition of the College.

APPENDIX B

**SARAH LAWRENCE COLLEGE AUDITED FINANCIAL STATEMENTS AS OF AND
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

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SARAH LAWRENCE COLLEGE

Financial Statements

May 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Sarah Lawrence College:

We have audited the accompanying balance sheets of Sarah Lawrence College (the College) as of May 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sarah Lawrence College as of May 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 16, 2009

SARAH LAWRENCE COLLEGE

Balance Sheets

May 31, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 4,051,885	4,975,162
Student accounts receivable, net of allowance of \$106,916 and \$133,949 in 2009 and 2008, respectively	133,327	160,195
Prepaid expenses and other assets	736,034	475,720
Contributions receivable, net (note 4)	5,973,031	9,649,192
Investments (note 3)	62,221,955	83,743,052
Loans to students, net of allowance of \$240,540 and \$210,540 in 2009 and 2008, respectively	1,153,035	1,113,798
Deferred debt issuance costs (note 7)	2,356,349	2,429,985
Land, buildings, and equipment, net of accumulated depreciation (notes 5 and 7)	87,774,244	88,260,956
Total assets	\$ 164,399,860	190,808,060
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,910,265	3,058,329
Accrued salaries	4,175,655	4,198,411
Deferred revenues and deposits	1,646,534	1,669,920
Annuities payable	1,980,678	1,996,155
Long-term indebtedness (note 7)	46,756,667	47,354,938
Interest rate swap liability (note 7)	4,893,280	1,855,082
U.S. government grants refundable	1,034,367	1,046,050
Postretirement health and life insurance benefit obligation (note 8)	4,165,723	4,056,649
Conditional asset retirement obligation (note 5)	302,130	285,648
Total liabilities	67,865,299	65,521,182
Net assets:		
Unrestricted (note 13)	53,176,300	78,831,436
Temporarily restricted (note 10)	7,695,547	10,725,804
Permanently restricted (notes 11 and 13)	35,662,714	35,729,638
Total net assets	96,534,561	125,286,878
Total liabilities and net assets	\$ 164,399,860	190,808,060

See accompanying notes to financial statements.

SARAH LAWRENCE COLLEGE

Statements of Activities

Years ended May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Revenues, gains, and other support:		
Tuition and fees	\$ 58,729,830	55,506,834
Less scholarships and fellowships	(17,046,956)	(15,819,068)
Net tuition and fees	41,682,874	39,687,766
U.S. government grants and appropriations	744,187	841,137
Contributions (note 4)	4,273,729	4,619,832
Investment return, net (note 3)	(20,581,599)	1,424,713
Sales and services of auxiliary enterprises	12,914,659	12,740,491
Other sources	2,016,788	1,592,904
Change in donor designations (note 11)	1,608,326	—
Net assets released from restrictions (note 12)	4,239,705	3,339,546
Total revenues, gains, and other support	46,898,669	64,246,389
Expenses and losses (note 14):		
Program:		
Instruction	34,770,022	33,071,660
Academic support	5,878,479	6,169,319
Student services	7,636,620	7,638,821
Auxiliary enterprises	8,953,673	8,951,960
Total program expenses	57,238,794	55,831,760
Supporting services:		
Management and general	8,691,921	8,393,707
Fund-raising	3,777,922	3,918,406
Total supporting services expenses	12,469,843	12,312,113
Total expenses	69,708,637	68,143,873
Change in fair value of interest rate swap (note 7)	3,038,198	1,912,749
Total expenses and losses	72,746,835	70,056,622
Decrease in unrestricted net assets, before gain not yet recognized as a component of net periodic pension cost	(25,848,166)	(5,810,233)
Gain not yet recognized as a component of net periodic pension cost	193,030	260,199
Decrease in unrestricted net assets	(25,655,136)	(5,550,034)

SARAH LAWRENCE COLLEGE

Statements of Activities

Years ended May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in temporarily restricted net assets:		
Contributions (note 4)	\$ 2,771,085	4,998,476
Investment return, net (note 3)	11,650	793,213
Change in value of split-interest agreements	(1,637,647)	(215,640)
Net assets released from restrictions (note 12)	(4,239,705)	(3,339,546)
Change in donor designations (note 11)	64,360	—
	<u>(3,030,257)</u>	<u>2,236,503</u>
(Decrease) increase in temporarily restricted net assets		
Changes in permanently restricted net assets:		
Contributions (note 4)	1,605,762	4,102,564
Investment return, net (note 3)	—	8,160
Change in donor designations (note 11)	(1,672,686)	—
	<u>(66,924)</u>	<u>4,110,724</u>
(Decrease) increase in permanently restricted net assets		
(Decrease) increase in net assets	(28,752,317)	797,193
Net assets:		
Beginning of year	<u>125,286,878</u>	<u>124,489,685</u>
End of year	<u><u>\$ 96,534,561</u></u>	<u><u>125,286,878</u></u>

See accompanying notes to financial statements.

SARAH LAWRENCE COLLEGE

Statements of Cash Flows

Years ended May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (28,752,317)	797,193
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	3,425,843	3,360,008
Accretion of conditional asset retirement obligation	16,482	16,482
Amortization of debt issuance costs	73,636	73,636
Student loan cancellations, net	30,640	26,473
Net depreciation (appreciation) in fair value of investments	20,562,444	(2,024,787)
Change in fair value of interest rate swap	3,038,198	1,912,749
Decrease in value of split-interest agreements invested by Sarah Lawrence College	852,013	155,200
Contributions restricted for:		
Investments subject to split-interest agreements	(2,665)	(9,208)
Permanent endowment	(1,605,762)	(4,360,305)
Changes in balance sheet accounts:		
Student accounts receivable, net	26,868	779
Prepaid expenses and other assets	(260,314)	192,132
Contributions receivable, net of permanently restricted component	2,306,161	(400,796)
Accounts payable and accrued expenses and accrued salaries	(170,820)	192,351
Deferred revenues and deposits	(23,386)	(208,145)
U.S. government grants refundable, net of federal student loan funds received	(11,683)	(7,543)
Postretirement health and life insurance benefit obligation	109,074	105,062
Net cash used in operating activities	<u>(385,588)</u>	<u>(178,719)</u>
Cash flows from investing activities:		
Proceeds on sales of investments	16,182,990	12,577,890
Purchases of investments	(15,947,154)	(11,897,481)
Expended for buildings and equipment	(2,939,131)	(2,616,385)
Decrease in accounts payable – construction projects	—	(286,812)
Student loans repaid	188,923	322,176
Student loans issued	(258,800)	(241,171)
Net cash used in investing activities	<u>(2,773,172)</u>	<u>(2,141,783)</u>

SARAH LAWRENCE COLLEGE

Statements of Cash Flows

Years ended May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from financing activities:		
Repayment of line-of-credit borrowings	\$ —	(2,200,000)
Principal payments	(598,271)	(596,855)
Interest income subject to split-interest agreements	50,489	74,687
Payments to annuitants	(202,497)	(186,177)
Proceeds from contributions restricted for:		
Investments subject to split-interest agreements	10,000	30,000
Permanent endowment	<u>2,975,762</u>	<u>7,737,305</u>
Net cash provided by financing activities	<u>2,235,483</u>	<u>4,858,960</u>
Net (decrease) increase in cash and cash equivalents	(923,277)	2,538,458
Cash and cash equivalents at beginning of year	<u>4,975,162</u>	<u>2,436,704</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,051,885</u></u>	<u><u>4,975,162</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 852,885	1,685,073
Net paid for interest rate swap agreement	1,014,595	297,158
Contributed investments	1,129,686	2,448,026

See accompanying notes to financial statements.

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Notes to Financial Statements

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(1) Organization

Sarah Lawrence College (the College) is a four-year, liberal arts college founded in 1926. The College offers undergraduate programs on its main campus in Bronxville, New York and five overseas undergraduate programs in Oxford, London, Florence/Catania, Paris, and Havana. Additionally, the College offers selected graduate programs leading to masters' degrees and programs in continuing education.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The College's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. These include amounts designated by the College for specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the College and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by the College but permit the College to use all or part of the income earned on these assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

(b) *Accrual Basis*

The financial statements of the College are prepared on the accrual basis.

(c) *Use of Estimates*

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions in the preparation of financial statements. Such estimates and assumptions affect the amount of assets and liabilities reported, the amount of any contingencies disclosed, and the amount of revenues and expenses reported. Actual results could differ from the results predicted by such estimates and assumptions.

(d) *Fair Value Measurements*

On June 1, 2008, the College adopted Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements*. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

SARAH LAWRENCE COLLEGE

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measurement date. SFAS No. 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (see note 16). The adoption of SFAS No. 157 did not have a material effect on the changes in net assets or financial position of the College.

(e) Fair Value Disclosures

The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. The fair value of financial instruments for which estimated fair value amounts have not been specifically presented is estimated to approximate the related book value.

(f) Contribution Revenue

Contributions (which include unconditional promises to give or pledges) are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional pledges to be paid in future years are discounted to a present value using a risk-adjusted discount rate. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is estimated based upon such factors as prior collection history, type of contribution, and nature of fund-raising activity.

(g) Cash Equivalents

All highly liquid debt instruments purchased with original maturities of three months or less and all money market mutual funds are considered to be cash equivalents. All of the College's cash and cash equivalents are recorded in the asset category "cash and cash equivalents," except for cash and cash equivalents that are held as part of the College's long-term investment portfolio.

(h) Investments

Investments in marketable securities (including publicly traded mutual funds) are reported in the financial statements at fair value based on published market quotations.

Investments in nonmarketable equity and fixed income funds and limited partnerships (alternative investments) are reported in the financial statements based upon the underlying net asset value (or partner's capital) of each investment, which is estimated at fair value by the fund managers or general partners, respectively. The College reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the underlying net assets (or partner's capital). Alternative investments have various features (lockups, inability to redeem, etc.), which could impact fair value calculated under SFAS No. 157. Secondary market transactions are generally infrequent, not observable, and often involve distressed sellers. Management is not aware of any secondary market transactions involving any of the alternative investments held in the College's investment portfolio. In management's view, the cost and effort involved in evaluating the specific features of each alternative investment and any secondary market transactions outweigh any benefits. Therefore, the College's accounting policy over alternative investments is consistent with the proposed Financial Accounting Standards Board (FASB) Staff Position (FSP) No. FAS 157-g, *Estimating the Fair*

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Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, Investment Companies, which states that “in circumstances in which net asset value per share of an investment is not determinative of fair value, a reporting entity is permitted, as a practical expedient, to estimate the fair value of an investment within the scope of this FSP using the net asset value per share of the investment (or its equivalent, for example, partners’ capital per share for an investment in a partnership) without further adjustment, if the net asset value is determined in accordance with the investment companies Guide as of the reporting entity’s measurement date.” Such accounting for alternative investments is subject to change in future periods if the guidance in the FSP, when issued in final form, is significantly different from the guidance in the FSP, as currently proposed.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or, if acquired by gift, at the appraised value at the date of the gift.

Depreciation expense is calculated using the straight-line method based on the following estimated useful lives:

Buildings and improvements	50 to 100 years
Furniture and noncomputer equipment	7 to 15 years
Computer and related equipment	5 years

(j) Debt Issuance Costs

Costs incurred for the issuance of debt securities are deferred and amortized over the life of the outstanding related debt.

(k) Split-Interest Agreements

The College is a beneficiary of a number of irrevocable charitable remainder trusts and irrevocable charitable lead trusts held by others. At the dates these charitable trusts are established, contribution revenues and receivables are recognized at fair value equal to the present value of the estimated future benefits to be received when the trust assets are distributed and, in the case of lead trusts, when income is distributed. The receivable is adjusted during the term of the trusts for changes in fair value due to the passage of time, revaluation of the present value of the future payments to beneficiaries or expected future cash flows based on revisions in life expectancies, and changes in discount rates based on current market conditions and other actuarial assumptions, as applicable.

In addition, the College holds assets under split-interest agreements consisting of charitable remainder trusts and pooled income funds for which the College is trustee, and charitable gift annuities. Such agreements provide for payments to the donors or their beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are

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principally included in investments (see note 3). Cash and cash equivalents include an additional amount of approximately \$500,000 held by the charitable gift annuity custodian to satisfy annuity reserve requirements imposed by the New York State Insurance Department. Contribution revenues are recognized as of the dates of the agreements after discounting the assets to present value or providing for the present value of estimated future annuity payments. The liabilities are adjusted during the term of the trust or annuity contract for changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments. Such adjustments are reported as change in value of split-interest agreements in the statements of activities.

(l) *U.S. Government Grants Refundable*

Funds provided by the U.S. government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collections. These funds, including cumulative interest, are ultimately refundable to the U.S. government and are presented in the accompanying balance sheets as a liability.

(m) *Expenses*

Expenses are reported as decreases in unrestricted net assets. Costs related to the operation and maintenance of the physical plant, including depreciation of plant assets, are allocated to program and supporting services based upon the usable square footage of such facilities. Interest expense is allocated to program and supporting services based on the purposes of loan or bond proceeds.

(n) *Taxes*

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the College's exempt purpose is subject to tax under Internal Revenue Code Section 511. The College did not have any material unrelated business income tax liability for the years ended May 31, 2009 and 2008.

(o) *Reclassifications*

Certain reclassifications were made to the 2008 financial statements to conform to the 2009 presentation.

(p) *Other Significant Accounting Policies*

Other significant accounting policies are set forth in the following notes.

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Notes to Financial Statements

May 31, 2009 and 2008

(3) Investments

The College's investments are categorized in the following groups and, at May 31, 2009 and 2008, were invested as follows:

	<u>2009</u>	<u>2008</u>
Long-term investments primarily managed by the Commonfund and invested for the College's endowment:		
Government securities fund/short-term fund	\$ 1,015,603	396,024
Multistrategy equity fund	20,913,155	30,112,050
Multistrategy bond fund	7,476,328	10,899,860
Multistrategy commodities fund	1,526,920	3,942,019
Real estate securities fund	951,393	1,670,437
Real estate participation	785,034	1,645,257
International equity fund	6,776,308	8,764,210
Institutional all cap fund	3,034,351	3,853,583
Absolute return fund	917,862	3,922,234
Hedged and emerging market funds	8,616,271	9,880,021
Investment grade credit fund	1,599,821	—
Limited partnerships	6,321,177	5,515,020
Total	<u>59,934,223</u>	<u>80,600,715</u>
Investments held under split-interest agreements:		
Cash equivalents	60,789	121,062
Corporate and U.S. government bonds	223,589	229,673
Domestic equity funds	796,512	1,181,616
International equity funds	398,526	550,565
Fixed income securities funds	402,616	629,451
Domestic and international index funds	168,341	176,204
Real estate investment trusts	89,402	116,029
Total	<u>2,139,775</u>	<u>3,004,600</u>
Other segregated investments:		
Gifts of stock held for sale	41,797	28,380
Tenant security deposits	21,798	25,737
Cash surrender value of life insurance	84,362	83,620
Total	<u>147,957</u>	<u>137,737</u>
Total investments	<u>\$ 62,221,955</u>	<u>83,743,052</u>

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Two trustees of the College serve as the chair of the board of the Commonfund and the vice chair of The First Reserve Corporation, respectively. The College invests directly with the Commonfund and indirectly with The First Reserve Corporation, via its investment with the Commonfund. These relationships have been disclosed and approved by the board of trustees of the College in accordance with the College's conflict of interest policy.

At May 31, 2009, the College had outstanding commitments, net of investments already made, to invest in various private equity and venture capital limited partnerships totaling \$9,721,259.

The following represents management's best estimate of the remaining life of the (nonredeemable) limited partnerships held in the College's investment portfolio at May 31, 2009:

1 – 5 years	\$	1,691,518
6 – 12 years		4,629,659
	\$	<u>6,321,177</u>

The redeemable alternative investment funds included in the College's investment portfolio at May 31, 2009 are redeemable based on the following terms and conditions:

Monthly redemption with 5 days' notice	\$	41,766,959
Monthly redemption with 30 days' notice		5,225,970
Quarterly redemption with 60 – 90 days' notice		3,611,960
Annual redemption with 90 days' notice		4,572,481
	\$	<u>55,177,370</u>

In addition, one fund totaling \$917,862 at May 31, 2009 was closed by the fund manager in February 2009 and is subject to a gate imposed by the fund manager. The remaining balance of the fund is expected to be distributed as shares are converted to cash at the prevailing net asset value as soon as the underlying managers and market conditions permit.

Investment return, net, for the years ended May 31, 2009 and 2008 consists of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
2009:				
Net depreciation in fair value	\$ (20,562,444)	—	—	(20,562,444)
Interest and dividend income, net of investment expenses of \$105,533	(19,155)	11,650	—	(7,505)
Total	<u>\$ (20,581,599)</u>	<u>11,650</u>	<u>—</u>	<u>(20,569,949)</u>

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Notes to Financial Statements

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	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
2008:				
Net appreciation in fair value	\$ 1,278,937	790,213	8,160	2,077,310
Interest and dividend income, net of investment expenses of \$144,281	145,776	3,000	—	148,776
Total	<u>\$ 1,424,713</u>	<u>793,213</u>	<u>8,160</u>	<u>2,226,086</u>

In addition to the net depreciation in fair value disclosed above, net depreciation in fair value of \$722,817 and \$90,200 in 2009 and 2008, respectively, on split-interest agreements is reported as changes in value of split-interest agreements in the accompanying financial statements.

(4) Contributions

(a) Contributions Receivable

Contributions receivable as of May 31, 2009 and 2008 are expected to be collected as follows:

	<u>2009</u>	<u>2008</u>
1 year	\$ 2,070,000	3,262,158
2 years	763,000	1,233,000
3 years	449,000	713,000
4 years	176,000	266,000
5 years	128,000	226,000
Thereafter	43,000	61,000
	<u>3,629,000</u>	<u>5,761,158</u>
Less:		
Discount to present value (at 4%)	(177,000)	(284,000)
Allowance for uncollectible amounts	(120,000)	(130,000)
	<u>3,332,000</u>	<u>5,347,158</u>
Present value of beneficial interests in trusts:		
Charitable remainder trusts	1,897,031	3,370,034
Charitable lead trusts	744,000	932,000
Contributions receivable, net	<u>\$ 5,973,031</u>	<u>9,649,192</u>

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Notes to Financial Statements

May 31, 2009 and 2008

(b) Contributions Revenue

Contributions, which are reported in the statements of activities by net asset class, are summarized for the years ended May 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Unrestricted	\$ 4,273,729	4,619,832
Temporarily restricted	2,771,085	4,998,476
Permanently restricted	<u>1,605,762</u>	<u>4,102,564</u>
	<u>\$ 8,650,576</u>	<u>13,720,872</u>

(c) Designated Contributions

Net cash flows from operating activities include \$2,766,068 and \$1,766,028 in unrestricted contributions received for the years ended May 31, 2009 and 2008, respectively, which were designated by the College for the acquisition of buildings and equipment and for long-term investment.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment, at cost, consist of the following as of May 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 5,830,155	5,830,155
Building and improvements	101,066,801	99,488,184
Furniture and equipment	<u>9,737,024</u>	<u>9,744,341</u>
	116,633,980	115,062,680
Less accumulated depreciation	<u>28,859,736</u>	<u>26,801,724</u>
Land, buildings, and equipment, net	<u>\$ 87,774,244</u>	<u>88,260,956</u>

The New York State Department of Labor Industrial Code Rule 56 requires the controlled removal or encapsulation of asbestos by a licensed contractor in commercial and public buildings, including renovation and partial or complete demolition activities. In the normal course of operations, the College performs maintenance and repairs on its buildings. The College is also involved in ongoing construction projects. As part of these activities, the College has identified costs that will be incurred for asbestos removal in the future. The estimated present value of asbestos removal cost at May 31, 2009 and 2008 was \$302,130 and \$285,648, respectively.

(6) Line of Credit

At May 31, 2009 and 2008, there were no borrowings under a \$10,000,000 line of credit currently scheduled to expire on December 1, 2009.

SARAH LAWRENCE COLLEGE

Notes to Financial Statements

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(7) Long-Term Indebtedness

Long-term indebtedness consists of the following as of May 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
City of Yonkers Industrial Development Agency Civic Facility Revenue Bonds (a):		
Tax-exempt Auction Rate Bonds, Series A	\$ 41,050,000	41,550,000
Taxable Auction Rate Bonds, Series B	5,000,000	5,050,000
Energy Conservation and Rehabilitation Loan – U.S. Department of Education note (b)	<u>706,667</u>	<u>754,938</u>
Total	<u>\$ 46,756,667</u>	<u>47,354,938</u>

- (a) The tax-exempt Series A Bonds were issued in 2001 and 2004 for the purpose of financing: (1) the acquisition and equipping of an apartment building (Hillhouse) adjacent to the campus, which is being converted into student housing; (2) the repayment of all of the College's outstanding Series 1995, Series 1997, and Series 2000 Bonds and certain other indebtedness; (3) the acquisition of a residential property adjacent to the campus for use for College purposes; (4) the construction of a parking garage; (5) the renovation of spaces in various College buildings; (6) certain other capital improvements; and (7) certain costs of the bond issuances.

When the 2001 Series A Bonds were issued, the College was using only a portion of Hillhouse for student housing and the remainder of the building continued to be occupied by non-College-related tenants. Because the College could not finance the portion of the building that was not then occupied by the College with tax-exempt bonds, the College issued taxable bonds in 2001 (the Series B Bonds). The taxable Series B Bonds by their terms are convertible to tax-exempt Series A Bonds as and to the extent nonstudent tenants move out of the building and are replaced by student residents.

The Series A and Series B Bonds (the Bonds) were issued in the form of auction rate bonds, the interest rate on which is reset by a Dutch auction approximately every 28 days. From February 2008 and through the current date, the auction market has failed to properly function, and accordingly, the rate assigned to the outstanding bonds has reverted to the maximum allowed by the bond covenants based on formulas.

The Bonds mature on June 1, 2041, and are subject to mandatory redemption prior to maturity from sinking fund installments; such principal payments are expected to produce approximately level annual debt service payments.

Payment of the regularly scheduled principal and interest on the Bonds is insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation (MBIA). The College entered into a Reimbursement and Indemnity Agreement with MBIA, which sets forth certain financial covenants to be maintained by the College. As of May 31, 2009, one of the debt covenants was not met. However, in a letter dated August 26, 2009, National Public Finance Guarantee Corporation, as reinsurer of MBIA's policies, waived any default on the aforesaid covenant for the years ended May 31, 2009 and 2010.

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The Bonds are secured by a pledge to the bond trustee of tuition revenues and by a first mortgage lien on the mortgaged property, which consists of most of the real estate assets of the College.

During the year ended May 31, 2009, the average interest rate borne by the Series A Bonds was 1.61% and by the Series B Bonds was 3.17% (3.35% and 4.94%, respectively, during the year ended May 31, 2008). At May 31, 2009, the interest rates on the Series A and Series B Bonds were 0.75% and 1.21%, respectively.

In February 2007, the College entered into a floating-to-fixed interest rate swap with a notional amount of \$41,550,000. The swap agreement is effective from June 1, 2007 through June 1, 2041. The College pays a 3.725% fixed rate and receives 64% of LIBOR plus 20 basis points. During the year ended May 31, 2009, the College made net payments under the swap agreement of \$1,014,595. The fair value of the interest rate swap was a liability of \$4,893,280 and \$1,855,082 at May 31, 2009 and 2008, respectively. The fair value of the interest rate swap was determined using pricing models developed based on the LIBOR swap rate and other market data and, upon the adoption of SFAS No. 157, includes a credit valuation adjustment to incorporate nonperformance risk by the College. Under the swap agreement, if the fair value of the liability exceeds \$5 million, the College may be required to post collateral equal to the amount in excess. As of May 31, 2009 and 2008, there was no requirement to post collateral imposed by the swap counterparty.

- (b) The U.S. Department of Education note is repayable in equal semiannual installments of \$35,280, which includes principal and interest, to the year 2021, bears interest at 3% per annum, and is secured by a first lien on the Esther Raushenbush Library and a first lien on, and pledge of, net revenues derived from certain dormitory housing.

For the years ended May 31, 2009 and 2008, total interest expense on outstanding indebtedness (including auction agent fees and swap payments of \$1,134,602 and \$418,596, respectively) equaled \$1,993,987 and \$2,103,669, respectively. In addition, bond insurance premiums were \$32,600 and \$32,800 for the years ended May 31, 2009 and 2008, respectively.

Total aggregate principal payments on all indebtedness outstanding at May 31, 2009 for each of the next five fiscal years and thereafter are as follows:

	Series 2001 and 2004 Bonds	U.S. Department of Education note	Total
2010	\$ 600,000	49,730	649,730
2011	600,000	51,233	651,233
2012	600,000	52,781	652,781
2013	650,000	54,377	704,377
2014	700,000	56,020	756,020
Thereafter	42,900,000	442,526	43,342,526
	<u>\$ 46,050,000</u>	<u>706,667</u>	<u>46,756,667</u>

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Notes to Financial Statements

May 31, 2009 and 2008

(8) Postretirement Health and Life Insurance Benefits

The College recognizes the estimated cost of postretirement health and life insurance benefits over the years that the employees render service. The following sets forth the financial information about the postretirement benefit plan as of and for the years ended May 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,056,649	3,951,587
Service cost	179,322	205,668
Interest cost	263,104	244,124
Actuarial gain	(246,048)	(260,199)
Benefits paid	<u>(87,304)</u>	<u>(84,531)</u>
Benefit obligation at end of year	<u>4,165,723</u>	<u>4,056,649</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	87,304	84,531
Benefits paid	<u>(87,304)</u>	<u>(84,531)</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Accrued postretirement health and life insurance benefit obligation recognized in the balance sheets	<u>\$ (4,165,723)</u>	<u>(4,056,649)</u>
	<u>2009</u>	<u>2008</u>
Components of net periodic benefit expense:		
Service cost	\$ 179,322	205,668
Interest cost	263,104	244,124
Recognized actuarial gain	<u>(53,018)</u>	<u>—</u>
Net periodic benefit expense	<u>\$ 389,408</u>	<u>449,792</u>
	<u>2009</u>	<u>2008</u>
Items not yet recognized as a component of net periodic pension expense:		
Actuarial gain	\$ 982,985	789,955

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	<u>2009</u>	<u>2008</u>
Benefit obligation weighted average assumptions as of May 31, 2009 and 2008:		
Discount rate	7.00%	6.75%
Benefit cost weighted average assumptions for the years ended May 31, 2009 and 2008:		
Discount rate	6.75%	6.00%

For measurement purposes, an annual rate of increase in the per capita cost of covered healthcare benefits of 6% in 2010 grading down to 4% in 2012 and thereafter was assumed.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A 1% point change in assumed healthcare cost trend rates would have the following effects on the amounts reported for fiscal year 2009:

	<u>1-percentage- point increase</u>	<u>1-percentage- point decrease</u>
Impact of 1% change in healthcare cost trend rates:		
Effect on total service and interest cost components	\$ 79,622	(64,823)
Effect on the postretirement benefit obligation	581,168	(483,410)

Projected premium payments for each of the next five fiscal years and thereafter through 2019 are as follows:

2010	\$ 140,887
2011	156,242
2012	177,152
2013	196,057
2014	221,106
Thereafter through 2019	<u>1,434,449</u>
	<u>\$ 2,325,893</u>

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2009 will include amortization of actuarial gain of \$65,606.

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(9) Pension Plan

The College offers a defined contribution plan, which is administered by Teachers Insurance and Annuity Association and covers substantially all of its full-time faculty and administrative personnel (eligible participants). The College makes monthly contributions to the plan equal to 10% of each eligible participant's base compensation and each eligible participant is likewise able to contribute an additional amount based on the Internal Revenue Service maximum exclusion allowance calculations. Participants are fully vested in the College's contribution immediately upon meeting the one-year service eligibility requirement.

Total pension expense for 2009 and 2008 amounted to \$2,378,348 and \$2,206,744, respectively.

(10) Temporarily Restricted Net Assets

The College's temporarily restricted net assets are available for the following purposes as of May 31:

	<u>2009</u>	<u>2008</u>
Time restricted:		
For program purposes and, by board designation, for acquisition of buildings and equipment and long-term investment	\$ 2,439,000	3,084,158
Split-interest agreements	2,812,072	4,596,168
	<u>5,251,072</u>	<u>7,680,326</u>
Purpose restricted:		
Library support	70,988	105,688
Program support	1,929,155	2,889,958
Student scholarships and fellowships	444,332	49,832
	<u>2,444,475</u>	<u>3,045,478</u>
Total	<u>\$ 7,695,547</u>	<u>10,725,804</u>

(11) Permanently Restricted Net Assets

The College's permanently restricted net assets of \$35,662,714 and \$35,729,638 (including \$1,097,473 and \$2,467,473 of contributions receivable) at May 31, 2009 and 2008, respectively, consisted primarily of endowment corpus with donor stipulations that they be invested in perpetuity to provide a permanent source of income. In most cases, the income is restricted for instruction expense and student scholarships. During the year ended May 31, 2009, donors redesignated \$1,672,686 of gifts from permanently restricted to unrestricted (\$1,608,326) and temporarily restricted (\$64,360) net asset classes.

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Notes to Financial Statements

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(12) Net Assets Released from Restrictions

Net assets were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purposes specified by the donors as follows for the years ended May 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Released due to passage of time:		
Pledged contributions	\$ 1,883,158	1,127,257
Split-interest agreements	149,114	195,260
	<u>2,032,272</u>	<u>1,322,517</u>
Released by incurring costs and satisfying restricted expense purposes:		
Faculty support	—	327,601
Library support	54,189	44,840
Program support	1,557,815	662,230
Student scholarships and fellowships	595,429	982,358
	<u>2,207,433</u>	<u>2,017,029</u>
Total	<u>\$ 4,239,705</u>	<u>3,339,546</u>

Net assets released by incurring costs and satisfying restricted expense purposes had original revenue sources as follows for the years ended May 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Contributions	\$ 2,207,433	1,226,816
Investment income and gains	—	790,213
	<u>\$ 2,207,433</u>	<u>2,017,029</u>

(13) Endowment Funds

Effective June 1, 2008, the College adopted the provision of FASB Staff Position (FSP) No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*. While New York State has not enacted a version of UPMIFA and the College is not subject to UPMIFA but rather to the Uniform Management of Institutional Funds Act (UMIFA), the FSP requires enhanced disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

SARAH LAWRENCE COLLEGE

Notes to Financial Statements

May 31, 2009 and 2008

The College's endowment (which excludes contributions receivable) consists of approximately 230 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the College to function as endowments. Net assets associated with endowment funds, including funds designated by the College to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the College has interpreted UMIFA as requiring the preservation in perpetuity of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, as well as the original value of subsequent gifts to the permanent endowment. Income earned on these assets is appropriated for expenditure in accordance with donor-imposed purpose restrictions, if any, on the use of such earned income.

The investment objective of the College's investment portfolio is to provide that future growth of the portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment fund. The objective of the investment program is to enhance the portfolio's long-term viability by maximizing the value of the portfolio with prudent level of risk. The assets are managed on a total return basis. The Investment Committee of the Board of Trustees has adopted long-term asset allocation policy mid-range targets for equities, fixed income, and alternative investments (which consist of private capital, real estate, hedge funds, commodities, distressed debt, and natural resources).

The College has a spending policy of appropriating for distribution each year 6% of the endowment funds' average of the preceding 12-quarters through the calendar year proceeding the fiscal year in which the distribution is planned.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets totaled \$2,311,723 as of May 31, 2009. This deficiency results from unfavorable market fluctuations subsequent to the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies at May 31, 2008.

Endowment net assets consist of the following at May 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (2,311,723)	—	34,565,241	32,253,518
Board-designated endowment funds	26,737,064	—	—	26,737,064
Total endowment net assets	<u>\$ 24,425,341</u>	<u>—</u>	<u>34,565,241</u>	<u>58,990,582</u>

SARAH LAWRENCE COLLEGE

Notes to Financial Statements

May 31, 2009 and 2008

Endowment net assets consist of the following at May 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 11,683,756	—	33,262,165	44,945,921
Board-designated endowment funds	32,992,592	—	—	32,992,592
Total endowment net assets	<u>\$ 44,676,348</u>	<u>—</u>	<u>33,262,165</u>	<u>77,938,513</u>

Changes in endowment net assets for the year ended May 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 1, 2008	\$ 44,676,348	—	33,262,165	77,938,513
Investment return:				
Interest and dividend income	2,227	—	—	2,227
Net depreciation in fair value	(20,563,186)	—	—	(20,563,186)
Management fees	(105,533)	—	—	(105,533)
Total investment return, net	(20,666,492)	—	—	(20,666,492)
Contributions	2,763,567	—	2,975,762	5,739,329
Appropriation of endowment assets for expenditures	(4,173,408)	—	—	(4,173,408)
Transfers to create board-designated funds	217,000	—	—	217,000
Change in donor designations	1,608,326	—	(1,672,686)	(64,360)
Endowment net assets, May 31, 2009	<u>\$ 24,425,341</u>	<u>—</u>	<u>34,565,241</u>	<u>58,990,582</u>

SARAH LAWRENCE COLLEGE

Notes to Financial Statements

May 31, 2009 and 2008

Changes in endowment net assets for the year ended May 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 1, 2007	\$ 46,691,985	—	25,516,700	72,208,685
Investment return:				
Interest and dividend income	9,763	—	—	9,763
Net appreciation in fair value	1,224,550	790,213	8,160	2,022,923
Management fees	(144,281)	—	—	(144,281)
Total investment return, net	1,090,032	790,213	8,160	1,888,405
Contributions	1,449,028	—	7,737,305	9,186,333
Appropriation of endowment assets for expenditures	(4,554,697)	(790,213)	—	(5,344,910)
Endowment net assets, May 31, 2008	<u>\$ 44,676,348</u>	<u>—</u>	<u>33,262,165</u>	<u>77,938,513</u>

(14) Expenses

Expenses for the years ended May 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Salaries and employee benefits	\$ 42,960,014	40,628,124
Contracted services	4,364,573	4,152,793
Overseas programs	5,046,089	5,009,071
Utilities	2,800,934	2,895,498
Depreciation	3,425,843	3,360,008
Interest and related debt service costs, including amortization of debt issuance costs	2,116,533	2,231,484
Printing, publications, and advertising	1,199,751	1,362,168
Travel, entertainment, and membership	1,286,726	1,756,343
Postage, telephone, and supplies	1,296,930	1,406,801
Repairs and replacements	926,744	1,170,493
Other	4,284,500	4,171,090
	<u>\$ 69,708,637</u>	<u>68,143,873</u>

SARAH LAWRENCE COLLEGE

Notes to Financial Statements

May 31, 2009 and 2008

(15) Forward Foreign Exchange Contract Commitments

During the year ended May 31, 2009, the College entered into contracts to purchase foreign exchange at various future dates ranging from July 13, 2009 through April 10, 2010 for operating its overseas programs. The commitments at May 31, 2009 totaled \$3,507,814, with a fair market value at that date of \$3,825,610.

(16) Fair Value Measurements

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under SFAS No. 157 are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 Inputs that are unobservable

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires judgment by the College's management. Management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that instrument.

SARAH LAWRENCE COLLEGE

Notes to Financial Statements

May 31, 2009 and 2008

The following table presents assets and liabilities that are measured at fair value on a recurring basis at May 31, 2009:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Cash and cash equivalents	\$ 4,051,885	4,051,885	—	—
Investments:				
Alternative investments	61,498,547	—	46,992,930	14,505,617
Publicly traded mutual funds	291,073	291,073	—	—
Corporate and U.S. government bonds	223,589	—	223,589	—
Cash and cash equivalents	60,789	60,789	—	—
Other	147,957	63,595	84,362	—
Trusts held by others	2,641,031	—	—	2,641,031
Total	<u>\$ 68,914,871</u>	<u>4,467,342</u>	<u>47,300,881</u>	<u>17,146,648</u>
Financial liabilities:				
Interest rate swap	\$ 4,893,280	—	—	4,893,280
	<u>\$ 4,893,280</u>	<u>—</u>	<u>—</u>	<u>4,893,280</u>

The following table presents the College's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in SFAS No. 157 for the year ended May 31, 2009:

	<u>Assets</u>		<u>Liabilities</u>
	<u>Investments in funds</u>	<u>Trusts held by others</u>	<u>Interest rate derivatives</u>
Balance at June 1, 2008	\$ 17,950,885	4,302,034	1,855,082
Net depreciation in fair value	(4,039,651)	(761,221)	3,038,198
Purchases	3,567,425	—	—
Redemptions	(2,973,042)	(899,782)	—
Balance at May 31, 2009	<u>\$ 14,505,617</u>	<u>2,641,031</u>	<u>4,893,280</u>

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APPENDIX C

CERTAIN DEFINITIONS APPLICABLE TO THE BONDS

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CERTAIN DEFINITIONS APPLICABLE TO THE BONDS

The following are definitions of certain terms, unless the context shall otherwise require, used in the Indenture, the Lease Agreement or this Remarketing Circular.

Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 83 of the 1982 Laws of New York, as amended.

Act of Bankruptcy, when used with respect to the Lessee, the Agency or any other obligor (or the general partner of any such entity or obligor) under any of the Security Documents (other than the Remarketing Agent) as the context indicates, shall mean the filing of a petition in bankruptcy by or against the Lessee, the Agency or any other obligor (or the general partner of any such entity or obligor) under any of the Security Documents (other than the Remarketing Agent) under any applicable bankruptcy, insolvency or similar law now or hereafter in effect.

Additional Bonds shall mean one or more Series of Bonds or tranche within a Series of Bonds issued, executed, authenticated and delivered pursuant to the Indenture.

Additional Indebtedness shall mean any Indebtedness issued by the Lessee.

Additional Payments Account shall mean the special trust account of the Lease Payments Fund so designated, established pursuant to the Indenture.

Affiliate shall mean any 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 City of Yonkers 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’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, binders 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 in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to exercise in its own behalf its rights with respect to the proceeds of leasehold title insurance;

(v) 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;

(vi) the right of the Agency to amend with the Lessee the provisions relating to payment in lieu of real estate taxes without the consent of the Trustee or any Bondholder;

(vii) 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 Sections 3.1, 3.6 (but only with respect to indemnification), 4.1, 4.3, 4.4, 4.5, 4.6, 4.7, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.12, 6.13, 6.14, 6.15, 7.7, 8.5, 9.3, 9.10, 9.13, 9.17, 9.18 and 9.19 of the Lease Agreement subject to the limitations contained therein; and

(viii) the right of the Agency in its own behalf to declare an Event of Default under the the Lease Agreement or with respect to any of the Agency’s Reserved Rights subject to the limitations contained therein.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, General Counsel, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director 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 President and any other officer of the Lessee as designated in writing by the President to the Agency and the Trustee.

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and who is reasonably acceptable to the Trustee and the Rating Agency.

Bond Fund shall mean the Bond Fund established by the Indenture.

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

Bonds shall mean the Series A Bonds, the Series 2001B Bonds and any Additional Bonds.

Book-Entry-Bond shall mean a Bond authorized to be issued under the Indenture and issued to and, except as provided in the Indenture, restricted to being registered in the name of, a securities depository for the participants in such securities depository or the beneficial owners of such Bond.

Business Day shall mean any day which shall not be a Saturday, Sunday, legal holiday or a day on which banking institutions in New York City are authorized by law or executive order to be closed or a day on which the New York Stock Exchange is closed for trading.

City shall mean The City of Yonkers.

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

Company Lease shall mean the Amended and Restated Company Lease Agreement, dated as of May 1, 2001, as amended and restated as of May 20, 2004, between the Lessee, as landlord, and the Agency, as tenant, including any and all amendments or supplements thereto.

Event of Default shall have the meaning specified in the Indenture.

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

Facility Equipment shall mean the machinery, equipment and other tangible personal property acquired and installed as part of the Project, if any, pursuant to the Lease Agreement, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto, if any. Facility Equipment shall, in accordance with the provisions of the Lease Agreement, include all property substituted for or replacing items of Facility Equipment as provided for in the Lease Agreements and the Mortgage and exclude all items of Facility Equipment so substituted for or replaced.

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

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof or (c) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a) or (b) above.

Improvements shall mean all buildings, structures, foundations, related facilities, fixtures and other improvements existing on the effective date hereof or at any time made, erected or situated on the Land (including any improvements made as part of the Project pursuant to the Lease Agreement) and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto, but excluding any improvements released pursuant to the Lease Agreement and expressly excluding improvements made at Lessee's sole cost and expense and not from the proceeds of bonds.

Indebtedness shall mean (1) any guaranty and (2) any indebtedness or obligation of the Lessee (other than accounts payable and accruals and lines of credit and similar arrangements to the extent funds have not been drawn thereunder) as determined in accordance with generally accepted accounting principles, including rental obligations under leases that are considered capital leases under generally accepted accounting principles.

Indenture shall mean the Amended and Restated Indenture of Trust dated as of May 1, 2001, as amended and restated as of May 20, 2004 and as further amended by a Second Supplemental Indenture, dated as of December 1, 2009, as from time to time amended or supplemented by Supplemental Indentures in accordance with the Indenture.

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

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

Interest Payment Date shall mean (a) the first day of the month occurring after the conversion to such Interest Period and thereafter semiannually on the first day of the month thereafter; provided, however, that if such first date occurs less than three months after such conversion, said first Interest

Payment Date shall be on the second such date following such conversion and (b) the maturity date thereof.

Interest Period shall mean the period commencing on the first day following a conversion to such period and end on the final maturity date of the Bonds of a Series.

Interest Rate Determination Method shall mean, with respect to any Bond, the method by which the interest rate thereon shall be determined pursuant to the Indenture.

Lease Agreement shall mean the Amended and Restated Lease Agreement dated as of May 1, 2001, as amended and restated as of May 20, 2004 and as further amended by a First Amendment to Lease Agreement, dated as of December 1, 2009, 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 Payments Fund shall mean the Lease Payments Fund established by the Indenture.

Lessee shall mean Sarah Lawrence College, a not-for-profit corporation organized and existing under the laws of the State of New York, and its permitted successors and assigns pursuant to the Lease Agreement (including any surviving, resulting or transferee corporation as provided in the Lease Agreement).

Loss Event shall have the meaning set forth for such term in the Lease Agreement.

Maximum Rate with respect to Bonds of a Series, shall mean the the highest interest rate which may be borne by such Bonds under State law.

Moody's shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

Mortgage shall mean collectively, the Mortgage and Security Agreement, dated as of May 1, 2001 and the Mortgage and Security Agreement dated as of May 20, 2004, each from the Agency and the Lessee to the Trustee, which shall include any and all amendments thereof and supplements thereto hereafter made, which shall encumber the Facility.

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

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

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 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 canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

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

(A) moneys, and/or

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

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government 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;

(iii) Bonds paid or replaced pursuant to the Indenture; and

(iv) Bonds (including Bonds that have been tendered pursuant to the Indenture or that are subject to mandatory tender for purchase pursuant to the Indenture, but which have not been delivered to the Tender Agent pursuant to the Indenture) 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 hereunder, 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 the Trustee actually knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith to a Person 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.

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 Indenture, the Mortgage, the Lease Agreement, the Company Lease and any other Security Documents; (ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not yet due and payable; (iii) utility, access and other easements and rights-of-way, restrictions and exceptions that will not materially interfere with or impair the Lessee's use and enjoyment of the Facility as provided in the Lease Agreement; (iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Facility as do not, either singly or in the aggregate, render title to the Facility unmarketable or materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the Lease Agreement; (v) those exceptions to title, enumerated in the fee or leasehold title insurance policy delivered by the Lessee, insuring the Trustee's fee interest in the Facility, copies of which are on file at the principal corporate trust office of the Trustee; (vi) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee; (vii) liens arising out of judgments or awards against Lessee with respect to which an appeal or proceeding for review is being prosecuted diligently and in

good faith; (viii) materialmen's, mechanics or other like liens for amounts the payment of which is not yet delinquent or is being contested diligently and in good faith (ix) liens on property due to rights of governmental entities or third party payors for recoupment of excess reimbursement paid; (x) a lien with respect to the operation of the Facility arising under applicable law or regulation by reason of a grant received by the Lessee from a governmental agency; (xi) the security interests granted by the Lessee securing the Lessee's obligations under commercial lines of credit not to exceed \$10,000,000 in the aggregate; (xii) any liens on the Tuition Revenues or the Mortgage with respect to Additional Indebtedness;

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

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

Project shall mean the costs necessary in order to provide funds for (i) the Lessee for acquiring, constructing or renovating any project qualified under the "Act," (ii) the Facility located on the Facility Realty, and (iii) additional renovations, expansion and equipping of the Facility for use by the Lessee.

Project Costs shall mean (i) all costs of refinancing the loans and costs incurred by the Lessee for the acquisition and construction of the Facility; (ii) all costs of engineering and architectural services with respect to a 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, and the making of alterations, renovations, additions and improvements in connection with, the completion of a Project; (iii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of a Project; (iv) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction; (v) the interest on the Bonds during the construction or renovation of a Project; (vi) all costs of mortgage title insurance as provided in the Lease Agreement; (vii) the payment of the fees and expenses of the Trustee, the Remarketing Agent, the Tender Agent, legal and financial fees and expenses, printing and engraving costs, and all other costs and expenses incurred by or for the account of the Agency in connection with the preparation, authorization, sale, printing, rating and issuance of the Bonds, Blue Sky fees and expenses, and the preparation and execution of the Lease Agreement and the Indenture and all other documents (including Security Documents) in connection therewith or herewith; (viii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of a 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 a Project; (ix) all other costs and expenses relating to the completion of a Project or the issuance of Additional Bonds provided, however, Project costs shall not include: (i) fees or commissions of real estate brokers; (ii) moving expenses; (iii) the costs of acquiring and installing any item of personalty when such personalty is not both a tangible asset with a useful life of one year or more and an item included within the definition of Facility Equipment; (iv) the cost of leasing Facility Equipment when the lease in question is not determined to be a capital lease, such determination to be made by the Agency within its sole discretion; (v) all costs of landscaping, including but not limited to the costs of acquiring and planting shrubs, trees, flowers, lawns and other plants, as well as the cost of landscape design services; (vi) Lessee's counsel's fees; (vii) fees incurred by Lessee in connection with the development, leasing or management of a Project and the Facility; (viii) the cost of acquiring and leasing rolling stock; (ix) the cost of acquiring and installing fine art, objects d'art, or any other similar decorative items; (x) to the extent not already covered in any of the foregoing, operating and other working capital costs; and (xi) any costs paid or incurred prior to the adoption by the Lessee's Board of Trustees of a Resolution declaring the Lessee's intent to request reimbursement of Project Costs paid prior to the issuance of a Series of Bonds.

Project Fund shall mean the Project Fund established by the Indenture.

Purchase Date shall mean each date on which the Bonds of a Series shall be tendered or deemed tendered for purchase pursuant to the Indenture.

Purchase Price shall mean an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered pursuant to the Indenture, plus 100% of accrued and unpaid interest thereon to but not including the Purchase Date.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

- A. 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, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - (1) U.S. Export-Import Bank (Eximbank)
Direct obligations of or fully guaranteed certificates of beneficial ownership;
 - (2) Farmers Home Administration (FmHA)
Certificates of beneficial ownership;
 - (3) Federal Financing Bank;
 - (4) Federal Housing Administration Debentures (FHA);
 - (5) General Services Administration
Participation certificates
 - (6) Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
(not acceptable for certain cash-flow sensitive issues);
 - (7) U.S. Maritime Administration
Guaranteed Title XI financing; and
 - (8) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds U.S. government guaranteed public housing notes and bonds.
- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (1) Federal Home Loan Bank System
Senior debt obligations;
 - (2) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
Participation Certificates
Senior debt obligations;
 - (3) Federal National Mortgage Association (FNMA or “Fannie Mae”)
Mortgage-backed securities and senior debt obligations;
 - (4) Student Loan Marketing Association (SLMA or “Sallie Mae”)
Senior debt obligations;
 - (5) Resolution Funding Corp. (REFCORP) obligations; and
 - (6) Farm Credit System
Consolidated system wide bonds and notes.
- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s AAAM-G; AAA-m or AA-m and if rated by Moody’s of Aaa, Aa1, or Aa2.
- E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC, including BIF and SAIF.
- G. Investment Agreements, including GIC’s, Forward Purchase Agreements and Reserve Fund Put Agreements.
- H. Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by Standard & Poor’s.
- I. Bonds or notes issued by any state or municipality which are rated by Moody’s and Standard & Poor’s in one of the two highest rating categories assigned by such agencies.
- J. Federal funds or bankers’ acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by Standard & Poor’s.
- K. Repurchase agreements for thirty (30) days or less must follow the following criteria.). Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.
- (1) repurchase agreements must be between the municipal entity and a dealer bank or securities firm, as specified below:

- a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services; or
 - b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.
- (2) The written repurchase agreement contract must include the following:
 - a. Securities which are acceptable for transfer are:
 - (i) Direct U.S. governments; or
 - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
 - b. The term of the repurchase agreement may be up to thirty (30) days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - d. Valuation of Collateral. The securities must be valued weekly, marketed-to-market at current market price plus accrued interest; the value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
- (3) Legal opinion must be delivered to the municipal entity to the effect that the repurchase agreement meets the applicable guidelines under state law for legal investment of public funds.

Rating Agency shall mean Moody's and Standard & Poors, if Moody's and/or Standard & Poors shall be then rating the Bonds, and such other nationally recognized securities rating agency as shall be then rating the Bonds.

Rebate Fund shall mean the Rebate Fund established by the Indenture.

Record Date shall mean with respect to Bonds bearing interest at a Fixed Rate, the fifteenth day preceding the Interest Payment Date (whether or not a Business Day).

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

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

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

Remarketing Agent shall mean the Remarketing Agent under the Remarketing Agreement.

Remarketing Agreement shall mean the Firm Remarketing Agreement, among, the Agency, the Lessee and Morgan Stanley & Co. Incorporated, acting on behalf of itself and Janney Montgomery Scott, as Remarketing Agent, and any amendments and supplements thereto in accordance with the terms therewith.

Renewal Fund shall mean the Renewal Fund established by the Indenture.

Securities Depository shall mean, with respect to a Book-Entry-Bond, the person, firm, association or corporation specified to serve as the securities depository for such Book Entry-Bond, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Indenture.

Security Documents shall mean the Lease Agreement, the Indenture, the Tax Certificate, the Mortgage, any Uniform Commercial Code financing statements, and any and all other documents or instruments delivered to the Trustee as security for the Bonds.

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

Series A Bonds shall mean the Agency's outstanding Civic Facility Revenue Bonds, Taxable Series A (Sarah Lawrence College Project) authorized, issued, executed, authenticated and delivered under the Indenture.

Series 2001B Bonds shall mean the Agency's outstanding Civic Facility Revenue Bonds, Taxable Series 2001B (Sarah Lawrence College Project) (Convertible to Tax-Exempt) authorized, issued, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

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

Standard & Poor's shall mean Standard & Poor's Ratings Group (a division of The McGraw-Hill Companies, Inc.), or its successors and assigns, or, if such rating agency shall no longer issue ratings for the issuers of the types of securities or other obligations for which a rating is required hereunder, such other nationally recognized credit rating agency designated in writing by an Authorized Representative of the Agency, by notice to the Notice Parties.

State shall mean the State of New York.

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 Certificate shall mean the Tax Certificate as to Arbitrage and Provisions of Section 103(a) of the Internal Revenue Code of 1986, dated the date of original issuance of a Series of Bonds or a tranche of a Series of Bonds, executed by Authorized Officers of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and herewith.

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

Tuition shall mean the fees and charges, whether or not billed as tuition imposed on students by the Lessee for academic instruction at any of the Lessee's schools.

Tuition Revenues shall mean all Tuition, whether in the form of receipts, accounts receivable, contract rights or otherwise and the proceeds thereof, whether now existing or hereafter coming into existence.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

The following is a brief summary of certain provisions of the Lease Agreement. This summary does not purport to be comprehensive or complete, and reference is made to the Lease Agreement for full and complete statements of all such provisions.

The Project

Pursuant to the provisions of the Company Lease, the Lessee has conveyed to the Agency good and marketable leasehold title to the Facility Realty, and good and marketable leasehold title to such items of the Facility Equipment (to the fullest extent that the Lessee is capable of doing with regard to any leased Facility Equipment) as shall have been acquired at the time of such delivery and payment, in each case free and clear of all liens, claims, charges, encumbrances, security interests and servitudes other than Permitted Encumbrances, all against payment therefor by the Agency from the proceeds of the Bonds, including the Bonds deposited in the Project Fund to the extent permitted in the Lease Agreement and the Indenture. (Section 2.1)

Lease of the Facility

The Agency will lease to the Lessee, and the Lessee will lease from the Agency, the Facility for and during the term provided in the Lease Agreement and upon and subject to the terms and conditions in the Lease Agreement. The Lessee shall at all times during the term of the Lease Agreement occupy, use and operate the Facility as a civic facility in accordance with the provisions of the Act and for the general purposes specified in the recitals to 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. In particular, the Lessee agrees that no part of the Facility shall be used for any sectarian instruction for the purposes of advancement of religion or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; and any proceeds of any sale, lease, taking by eminent domain of the Facility or other disposition thereof shall not be used for, or to provide a place for, such instruction, worship or program. (Section 3.1)

Duration of Term

The term of the Lease Agreement shall commence on the date of execution and delivery of the Lease Agreement and shall expire on the maturity date of the Bonds or such earlier or later date as the Lease Agreement may be terminated as hereinafter provided. (Section 3.2)

Rental Provisions; Pledge of Agreement and Rent

The Lessee covenants and agrees to make rental payments in immediately available funds, which the Agency agrees shall be paid by the Lessee directly to the Trustee for deposit into the Bond Fund on the fifteenth (15th) day of each month (or the next succeeding Business Day if such day is not a Business Day) one-twelfth (1/12) of the amount necessary for the payment of principal or sinking fund installments on the Bonds and on the first (1st) day of each month (or the next succeeding day if such day is not a Business Day) one-sixth (1/6) of the interest becoming due on Bonds Outstanding on the next Interest Payment Date, in each case after crediting to such amount investment income earned on the Bond Fund during the preceding month, which investment income or amounts so transferred are available for the payment of such interest.

Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Bond Fund is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Lessee shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Bond Fund and such payment shall constitute rental payments under the Lease Agreement.

The Lessee shall have the option to prepay its rental obligation with respect to the Bonds, in whole or in part at the times and in the manner provided in of the Lease Agreement as and to the extent provided in the Indenture for redemption of the Bonds.

The Lessee shall also provide for the payment of other amounts owed by the Lessee under the other Security Documents.

Pursuant to the Mortgage, the Agency shall grant a first mortgage lien and security interest in the Facility and Facility Realty prior to the lien of the Lease Agreement, and pledge and assign to the Trustee on behalf of the Bondholders as security for the Bonds all of the Agency's right, title and interest in the Lease Agreement (except for the Agency's Reserved Rights), including all rental payments under the Lease Agreement and thereunder, and in furtherance of said pledge the Agency will unconditionally assign such rental payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture. (*Section 3.3*)

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 setoff, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Trustee or the Holder of any Bond and the obligation of the Lessee shall arise whether or not the Project has been completed as provided in 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 under the Lease Agreement) 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. (*Section 3.4*)

Grant of Security Interest

In order to secure the payment of rentals and all the obligations of the Lessee under the Lease Agreement, the Lessee shall grant to the Authority, subject to Permitted Encumbrances, a lien on, pledge and security interest in the Tuition Revenues, a security interest to in all of the Lessee's right, title, if any, and interest in and to the fixtures constituting part of the Facility Realty, and in and to the machinery, equipment and other property constituting part of the Facility Equipment, and in and to the proceeds of each thereof. (*Section 3.5*)

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 in a careful, prudent and efficient manner, and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to

ensure that the security for the Bonds shall not be impaired. All replacements, renewals and repairs shall be equal in quality, class and value to the original work and be made and installed in compliance with the requirements of all governmental bodies. The Agency shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility and the Lessee hereby agrees to assume full responsibility therefor.

The Lessee shall have the privilege of making 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 efficient manner and in compliance with all applicable legal requirements, (iii) such additions or alterations are promptly and fully paid for by the Lessee in accordance with the terms of the applicable contract(s) therefor, and in order that the Facility shall at all times be free of any mortgage, lien, charge, encumbrance, security interest or claim other than Permitted Encumbrances, 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 Lease Agreement, the Indenture, the Mortgage, and the other Security Documents, and the Lessee shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to convey leasehold title to such property to the Agency and to subject such property to the Lease Agreement and the lien and security interest of the Mortgage, free and clear of all liens, charges, encumbrances, security interests or claims other than Permitted Encumbrances.

The Lessee shall have the right to install or permit to be installed at the Facility Realty machinery, equipment and other personal property (the “Lessee’s Property”) without conveying leasehold title to such property to the Agency or subjecting such property to the Lease Agreement and the lien and security interest of the Mortgage, provided, that no such property would otherwise be subject to the Mortgage or constitute part of the Facility Realty based on the description of collateral contained therein. The Agency shall not be responsible for any loss of or damage to the Lessee’s Property. The Lessee shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Lessee’s Property.

The Lessee shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the Facility or any part thereof, or the interest of the Lessee in the Facility or the Lease Agreement except for Permitted Encumbrances. The Lessee covenants that it shall take or cause to be taken all action, including all filing and recording, as may be necessary to ensure that the Mortgage shall constitute a first leasehold mortgage lien on the Facility, and that the Mortgage shall constitute a first mortgage lien on the Facility. (*Section 4.1*)

Removal of Property of the Facility

The Lessee shall have the privilege from time to time of removing from the Facility any fixture constituting part of the Facility Realty or any machinery, equipment or other property constituting part of the Facility Equipment (the “Existing Facility Property”), provided that:

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

(ii) if such Existing Facility Property is not to be substituted or replaced by other property but is instead to be sold, scrapped, traded in or otherwise disposed of in an arms' length, bona fide transaction, and the aggregate fair market value of such items so removed for any Fiscal Year of the Lessee exceeds \$50,000, the Lessee shall pay to the Trustee for deposit in the Redemption Account of the Bond Fund for application in connection with the redemption of Bonds pursuant the Indenture the amounts derived from such sale or scrapping, the trade-in value credit received or the proceeds received from such other disposition;

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

The Lessee shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Trustee a first mortgage lien, pursuant to the Mortgage which shall include any property installed or placed upon the Facility pursuant the Lease Agreement and subjecting such substitute or replacement property to the Lease Agreement and the lien and security interest of the Mortgage, and upon written request of the Lessee, the Agency shall deliver to the Lessee appropriate documents releasing any property removed from the Facility pursuant to the Lease Agreement from the lien thereon and security interest therein granted under the Mortgage. The Lessee agrees to pay all costs and expenses (including reasonable counsel fees incurred in subjecting to the Lease Agreement, and the lien and security interest of the Mortgage and of any property installed or placed on the Facility Realty as part of the Facility pursuant to the Lease Agreement.

The removal from the Facility of any Existing Facility Property pursuant to the provisions of the Lease Agreement shall not entitle the Lessee to any abatement or reduction in the rentals and other amounts payable by the Lessee under the Lease Agreement.

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

Payment in Lieu of Real Estate Taxes

It is recognized that under the provisions of the Act the Agency is required to pay no real estate taxes upon any of the property acquired by it or under its jurisdiction or control or supervision or upon its activities. In the event the Agency's interest in the Facility shall exempt any portion of the Facility from the imposition of real estate taxes, then, so long as the Lessee (and each other user of the Facility) remains an eligible not-for-profit corporation for purposes of determining exemption from real estate taxes, and until the earlier of (i) the payment in full of all the Bonds Outstanding in accordance with the Indenture, and (ii) the date on which the Agency no longer has an interest in the Facility, the Lessee shall make no payments in lieu of real estate taxes on the land, buildings and improvements constituting part of the Facility. However, to the extent the Lessee is not an eligible not-for-profit corporation for purposes of

determining exemption from real property taxes with respect to any Affected Tax Jurisdiction with respect to the Facility or the Lessee subleases the whole or any portion of the Facility to an entity that is not exempt from real property taxes and the Lessee would be obligated to pay any real property taxes with respect to any Affected Tax Jurisdiction with respect to the Facility, the Lessee shall not claim exemption from such real estate taxes by virtue of the Agency's presence in the lease chain for the Facility. (Section 4.3)

Payment of Impositions

Subject to its rights of contest, 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 Lease Agreement, any estate or interest of the Agency or the Lessee in the Facility, or the rentals under the Lease Agreement during the term of the Lease Agreement, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility, all of which are herein called "*Impositions.*" The Agency shall promptly forward to the Lessee 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.

The Lessee may at its sole expense contest (after prior written notice to the Agency and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition, if (1) such proceeding shall suspend the execution or enforcement of such Imposition against the Facility or any part thereof or any interest therein, or in the Lease Agreement or the Company Lease, of the Agency, the Lessee or the Trustee or against any of the rentals or other amounts payable under the Lease Agreement, (2) neither the Facility nor any part thereof or interest therein would be in any danger of being sold, forfeited or lost, (3) neither the Agency nor the Trustee would be in any reasonable 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; provided, however, if such proceeding could result in the Agency and the Trustee being in any reasonable danger of civil liability (including accrual of interest, fines and/or penalties), (y) the Lessee shall deliver a written confirmation to the Agency and the Trustee that the Lessee shall indemnify and hold the Agency and the Trustee harmless from any claims, liabilities, costs or expenses as may derive with respect thereto, and (z) the Lessee shall provide to the Agency and the Trustee such security as the Agency and the Trustee may reasonably require. (Section 4.4)

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 Facility, including, without limitation:

(i) To the extent not covered by the public liability insurance referred to below, Owners & Contractors Protective Liability Insurance for the benefit of the Lessee, the Agency and the Trustee in a minimum amount of \$10,000,000 aggregate coverage for personal injury and property damage;

(ii) During any period of the reconstruction of any portion of the Facility, Builders' All Risk Insurance written on "100% builders' risk completed value, non-reporting form" including coverage therein for "completion and/or premises occupancy" during any period of reconstruction of the Facility, and coverage for property damage insurance, all of which insurance

shall include coverage for removal of debris, insuring the buildings, structures, machinery, equipment, facilities, fixtures and other property constituting a part of the Facility against loss or damage to the Facility by fire, lightning, vandalism, malicious mischief and other casualties, with standard extended coverage endorsement covering perils of windstorm, hail, explosion, aircraft, vehicles and smoke (except as limited in the standard form of extended coverage endorsement at the time in use in the State) at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the Lessee, the Agency, or the Trustee from becoming a co-insurer of any loss under the insurance policies but in any event in amounts equal to not less than the greater of (A) 80% of the actual replacement value of the Facility as determined by a qualified insurance appraiser or insurer (selected by the Lessee and approved by the Agency) not less often than once every year, at the expense of the Lessee, (B) the principal amount of the Outstanding Bonds and (C) any such insurance may provide that the insurer is not liable to the extent of the first \$25,000 with the result that the Lessee is its own insurer to the extent of \$25,000 of such risks;

(iii) Commercial general liability insurance 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, which insurance (A) with respect to Lessee, will also provide coverage of obligations of indemnity under the Lease Agreement, excluding, however, (x) those indemnity obligations of the Lessee under the Lease Agreement with respect to the imposition of taxes and (y) those obligations of the Lessee set forth in the Lease Agreement and, to the extent not otherwise available, in the Lease Agreement, (z) those obligations of the Lessee set forth in Section the Lease Agreement, solely to the extent such obligations are not insurable in accordance with standard policy terms and conditions and without special endorsement, (B) may be effected under overall blanket or excess coverage policies of the Lessee, provided, however, that at least \$5,000,000 is effected by a comprehensive liability insurance policy, and (C) shall not contain any provisions for a deductible amount;

(iv) Boiler and machine property damage insurance in respect of any steam and pressure boilers and similar apparatus located on the Facility Realty from risks normally insured against under boiler and machinery policies and in amounts and with deductibles customarily obtained for similar business enterprises and in each case approved by the Agency;

(v) 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; the Lessee shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by laws; and

(vi) Such other insurance in such amounts and against such insurable hazards as the Agency, from time to time may reasonably require.

All insurance required above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State; provided, however, the Lessee may enter into a program of self-insurance in satisfaction of any of the aforementioned requirements, after receiving a certificate from an Independent Insurance Consultant to the effect that an actuarially sound claims reserve fund has been created by the Lessee for such self-insurance program and is funded annually with the actuarially required deposit (as determined by an Independent Insurance Consultant) deposited in a separate trust fund by an independent corporate trustee (which trust fund may have separate accounts).

Each of the policies or binders evidencing the insurance required above to be obtained shall be prepared in accordance with, and satisfy the requirements of the Lease Agreement.

The Net Proceeds of any insurance received with respect to any loss or damage to the property of the Facility shall be deposited in the Renewal Fund (unless otherwise provided in the Lease Agreement or in the Indenture) and applied in accordance with the Lease Agreement and the Indenture.

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

Compliance with Law

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 Federal, State and local statutes, codes, laws, acts, ordinances, orders, judgments, decrees, rules, regulations and authorizations, 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) (the "Legal Requirements"), 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. Except as permitted under the Lease Agreement, the Lessee will not, without the prior written consent (which consent shall not be unreasonably withheld) of the Agency, the Trustee 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 shall indemnify and hold harmless the Indemnified Parties from and against all loss, cost, liability and expense (a) in any manner arising out of or related to any violation of or failure to comply with any Legal Requirement or (b) imposed upon the Lessee or any of the Indemnified Parties by any Legal Requirement; in case any action or proceeding is brought against any of the Indemnified Parties in respect to any Legal Requirement, the Lessee, at its own expense, shall upon notice from any of the Indemnified Parties defend such action or proceeding by counsel satisfactory to the Indemnified Party. The Lessee may contest in good faith the validity, existence or applicability of any of the foregoing if (i) such contest shall not result in the Facility or any part of any thereof or interest therein being in any danger of being sold, forfeited or lost, (ii) such contest shall not result in the Lessee, the Agency or the Trustee being in any danger of any civil or any criminal liability other than normal accrual of interest, for failure to comply therewith, and (iii) the Lessee shall have furnished such security, if any, as may be reasonably requested by the Agency or the Trustee to protect the security intended to be offered by the Security Documents. (*Section 4.7*)

Damage, Destruction and Condemnation

In the event that at any time during the term of the Lease Agreement the whole or any part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement between the Agency and those authorized to exercise such right (to which agreement the Lessee shall have consented in writing), or if the temporary use of the Facility shall be so taken by condemnation or agreement (to which agreement the Lessee shall have consented in writing) (a "Loss Event"):

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

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

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

Upon the occurrence of a Loss Event, the Net Proceeds in excess of \$50,000 derived therefrom shall be paid to the Trustee for the benefit of the Bondholders and deposited in the Renewal Fund and, subject to the applicable provisions of the Mortgage, 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 or any Bondholder (other than from the proceeds of Additional Bonds as may be issued for such purpose or as otherwise provided in the Indenture), nor shall the rent or other amounts payable by the Lessee under the Lease Agreement be abated, postponed or reduced, or

(ii) if, to the extent and upon the conditions permitted to do so under the Lease Agreement and under the Indenture, exercise its option to purchase the Facility and make advance rental payments to redeem the Bonds in whole. Not later than ninety (90) days after the occurrence of a Loss Event, the Lessee shall advise the Agency, and the Trustee in writing of the action to be taken by the Lessee under the Lease Agreement, a failure to so timely notify being deemed an election in favor of subdivision (i) above to be exercised in accordance with the provisions of clause (i) above.

Subject to the Mortgage, if the Lessee shall elect to or shall otherwise be required to rebuild, replace, repair or restore the Facility as set forth in subdivision (i) above, the Trustee shall disburse the Net Proceeds from the Renewal Fund in the manner set forth in 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 Mortgage, the Lease Agreement and the Indenture, exercise its option in subdivision (ii) above, the Trustee shall transfer the Net Proceeds from the Renewal Fund to Redemption Account of the Bond Fund for application in connection with the redemption of Bonds pursuant to the provisions of the Indenture.

Subject to the Mortgage, all such rebuilding, replacements, repairs or restorations shall:

(i) automatically be deemed a part of the Facility and automatically included in the mortgage interest of the Mortgage, and be subject to the Lease Agreement and the lien and security interest of the Mortgage,

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

(iii) 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

(iv) (A) if the estimated cost of such rebuilding, replacement, repair or restoration be in excess of \$50,000, be effected under the supervision of an Independent Engineer, or (B) if the estimated cost of such rebuilding, replacement, repair or restoration is in excess of \$1,000,000, be effected under the supervision of an Independent Engineer and in accordance with plans and specifications and cost estimates approved in writing by the Agency and the Trustee (which approvals shall not be unreasonably withheld).

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 and the Lessee shall cooperate and consult with each other in all matters pertaining to the settlement, compromising, arbitration or adjustment of any claim or demand on account of any Loss Event, and the settlement, compromising, arbitration or adjustment of any such claim or demand shall be subject to the approval of the Lessee and the Trustee (such approvals not to be unreasonably withheld or delayed).

Notwithstanding anything in the Lease Agreement to the contrary, 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 hereby, or if the Lessee is required to direct the Agency to redeem Bonds, the Lessee shall exercise its option to purchase the Facility pursuant to the Lease Agreement, and the amount of the Net Proceeds so recovered shall be transferred from the Renewal Fund and deposited in the Redemption Account of the Bond Fund for application in connection with the redemption of Bonds pursuant to the Indenture and the Lessee shall thereupon pay to the Trustee for deposit in the Redemption Account of the Bond Fund for application in connection with the redemption of Bonds pursuant to the Indenture, an amount which, when added to any amounts then in the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date and redemption premium, if any), and to pay the expenses of redemption, the fees and expenses of the Agency, the Bond Registrar, the Trustee and the Paying Agents together with all other amounts due under the Indenture, the Lease Agreement and the other Security Documents, if any, and such amount shall be applied, together with such other available moneys in such Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

The Lessee shall be entitled to any insurance proceeds or condemnation award, compensation or damages attributable to improvements, machinery, equipment or other property installed on or about the Facility Realty but which, at the time of such damage or taking, is not part of the Facility and is owned by the Lessee. 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. (*Section 5.1*)

Dissolution or Merger of Lessee; Restrictions on Lessee

The Lessee shall at all times during the term of the Lease Agreement (i) maintain its corporate existence, (ii) continue to be a not-for-profit corporation as shall constitute a Tax-Exempt Organization subject to service of process in the State and either organized under the laws of the State, or organized under the laws of any other state of the United States and duly qualified to do business as a foreign corporation in the State, (iii) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets remaining after the execution and delivery of the Lease Agreement, and (iv) not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it. The Lessee may, however, without violating the foregoing, consolidate

with or merge into another not-for-profit corporation as shall constitute a Tax Exempt Organization, or permit one or more not-for-profit corporations as shall constitute a Tax-Exempt Organization to consolidate with or merge into it, or sell or otherwise transfer all or substantially all of its property, business or assets to another such not-for-profit corporation as shall constitute a Tax-Exempt Organization (and thereafter liquidate, wind-up or dissolve or not, as the Lessee may elect) if (i) the Lessee is the surviving, resulting or transferee not-for-profit corporation as shall constitute a Tax-Exempt Organization, as the case may be, or (ii) in the event that the Lessee is not the surviving, resulting or transferee not-for-profit corporation as shall constitute a Tax-Exempt Organization, as the case may be, (1) such not-for-profit corporation (A) is a solvent not-for-profit corporation subject to service of process in the State and either organized under the laws of the State, or organized under the laws of any other state of the United States and duly qualified to do business as a foreign corporation in the State, (B) is a Tax-Exempt Organization, (C) assumes in writing all of the obligations of the Lessee contained in the Lease Agreement and all other Security Documents to which the Lessee shall be a party, and in the Opinion of Counsel, (x) such not-for-profit corporation is a Tax-Exempt Organization and shall be bound by all of the terms applicable to the Lessee of the Lease Agreement and all other Security Documents to which the predecessor Lessee corporation shall have been a party, and (y) such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents, and (D) has a net worth (as determined in accordance with Generally Accepted Accounting Principles and set forth in an Accountant's Certificate) after the merger, consolidation, sale or transfer at least equal to that of the Lessee immediately prior to such merger, consolidation, sale or transfer, and (2) the Lessee delivers to the Agency and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such action will not adversely affect the validity of the Bonds or the exclusion of interest on the Bonds from gross income for Federal income taxes. The Lessee further covenants and agrees that it is and throughout the term of the Lease Agreement will continue to be duly qualified to do business in the State and that any not-for-profit corporation as shall be a Tax-Exempt Organization succeeding to the rights of the Lessee under the Lease Agreement shall be and continue to be duly qualified to do business in the State. (*Section 6.1*)

Retention of Title to Facility; Grant of Easements; Release of Certain Land

The Agency shall not sell, assign, encumber (other than for Permitted Encumbrances), convey or otherwise dispose of the Facility or any part thereof or interest therein during the term of the Lease Agreement, except as set forth in the Lease Agreement, without the prior written consent of the Lessee and the Trustee and any purported disposition without such consent shall be void.

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

Notwithstanding any other provision of the Lease Agreement, so long as there exists no Event of Default under the Lease Agreement, the Lessee may from time to time request in writing to the Agency the release of and removal from the Lease Agreement and the leasehold estate created by the Lease Agreement and the release from the lien of the Mortgage of any unimproved part of the Facility Realty (on which none of the improvements, including the buildings, structures, improvements, related facilities,

major appurtenances, fixtures or other property comprising the Facility are situated) provided that such release and removal will not adversely affect the use or operation of the Facility. Upon any such request by the Lessee, the Agency shall, at the reasonable sole cost and expense of the Lessee, execute and deliver and cause and direct the Trustee to execute and deliver any and all instruments necessary or appropriate to so release and remove such portion of the Facility Realty and convey title thereto in fee simple to the Lessee or such Person as the Lessee may designate subject to the following: (a) any liens, easements, encumbrances and reservations to which title to said property was subject at the time of recording of the Lease Agreement; (b) any liens, easements and encumbrances created at the request of the Lessee or the Sublessee or to the creation or suffering of which the Lessee or the Sublessee consented; (c) any liens and encumbrances or reservations resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in the Lease Agreement; (d) Permitted Encumbrances (other than the lien of the Lease Agreement and the Mortgage); and (e) any liens for taxes or assessments not then delinquent; provided, that, no such release shall be effected unless there shall be deposited with the Trustee the following:

(1) A certificate of an Authorized Representative of the Lessee, dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the person signing such certificate, the portion of the Facility Realty and the release so proposed to be made is not needed for the operation of the Facility, will not adversely affect the use or operation of the Facility and will not destroy the means of ingress thereto and egress therefrom; and

(2) An amount of cash for deposit in the Redemption Account of the Bond Fund equal to the greatest of (A) the original cost of such portion of the Facility Realty so released, such cost to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City of Yonkers, (B) the fair market value of such portion, such value to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City of Yonkers, or (C) if such portion is released in connection with the sale of such portion, the amount received by the Lessee upon such sale.

No conveyance or release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under the Lease Agreement or the other payments required to be made by the Lessee under the Lease Agreement. (*Section 6.4*)

Tax Covenants of Lessee

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

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

The Lessee shall promptly pay to the Trustee, as additional sums under the Lease Agreement, the amount of any Rebate Requirement, as defined in the Tax Certificate, the Agency is obligated to pay to the United States Department of the Treasury.

The obligation of the Lessee to make the payments provided for in this Section shall be absolute and unconditional, and the failure of the Agency, the Trustee or any other Person to execute or deliver or cause to be delivered any documents or to take any action required under the Lease Agreement or otherwise shall not relieve the Lessee of its obligation under this Section.

Notwithstanding any other provision of the Indenture or the Lease Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes, the covenants contained in this Section shall survive the discharge and satisfaction of the Bonds (in accordance with the Indenture) and the term of the Lease Agreement. (*Section 6.5*)

Issuance of Additional Bonds and Additional Indebtedness

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 or tranche of Bonds within a Series on a parity with or subordinate to the Bonds for the purpose of (i) completing a Project, (ii) providing funds in excess of the Net Proceeds for insurance or eminent domain to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facility, or (iv) refunding Outstanding Bonds. If there is no Event of Default under the Lease Agreement, 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 or tranche of Bonds within a Series 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.

The Agency and Lessee also recognize that the Lessee shall be permitted to issue Additional Indebtedness secured on a parity with or subordinate to the Bonds for the purpose of (i) completing a Project, (ii) providing funds in excess of the Net Proceeds for insurance or eminent domain to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facility, or (iv) refunding any outstanding Indebtedness. (*Section 6.11*)

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

Either (i) upon the determination by resolution of the members of the Agency that the Lessee is operating the Facility or any portion thereof in violation of applicable material law or not as a qualified “project” in accordance with the Act and the failure of the Lessee, within sixty (60) days (or such longer period as may be established pursuant to the proviso to this sentence) of the receipt by the Lessee of written notice of such noncompliance from the Agency, to cure such noncompliance together with a copy of such resolution (a copy of which notice shall be sent to the Trustee), or (ii) in the event the Lessee shall fail to obtain or maintain the commercial general liability insurance with respect to the Facility required the Lease Agreement and the failure of the Lessee, within ten (10) days (or such longer period as may be established pursuant to the proviso to this sentence) of the receipt by the Lessee of written notice of such noncompliance from the Agency, to cure such noncompliance, the Lessee covenants and agrees that it shall, on the immediately succeeding Interest Payment Date following the expiration of such cure period, pay to the Trustee advance rentals in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of 100% of the aggregate principal amount of the Outstanding Bonds together with interest accrued thereon to such Interest Payment Date, provided, however, that if such noncompliance cannot be cured within such 60-day or 10-day cure period, as the case may be, with diligence (and is capable of being cured) and the Lessee promptly commences the curing of such noncompliance and thereafter prosecutes the curing thereof with diligence and to the Agency’s reasonable satisfaction, such period of time within which the Lessee may cure such failure shall be extended for such additional period of time as may be necessary to cure the same with diligence and the Agency shall notify the Trustee of any such extension. With respect to any proposed resolution regarding the matters described in clause (i) of the immediately preceding sentence, the Agency shall give

prior written notice of the meeting at which the members of the Agency are to consider such resolution to the Lessee and the Trustee, which notice shall be no less than sixty (60) days prior to such meeting.

Upon the circumstances set forth in the Indenture, the Lessee shall pay or cause the prepayment of its lease rental obligation upon the circumstances and in the manner set forth in the Indenture.

If, prior to completion of the construction of a component of the Project, the Lessee receives any gift or grant required by the terms thereof to be used to pay any item which is a cost of such component of the Project, the Lessee shall apply such gift or grant to completion of the construction of such component of the Project. In the event that the amount of such gift or grant is in excess of the amount necessary to complete such component of the Project, and to the extent proceeds of the Bonds have been expended on such component of the Project, the Lessee shall deliver to the Trustee for deposit in the Redemption Account of the Bond Fund for application in connection with the redemption of Bonds an amount equal to such excess but only to the extent to which proceeds of the Bonds were expended for such component.

If, after completion of the construction of a component of the Project, the Lessee receives any gift or grant which prior to such completion it reasonably expected to receive and which is required by the terms thereof to be used to pay any item which is a cost of such component of the Project, the Lessee shall, to the extent not inconsistent with the terms of such gift or grant, deliver to the Trustee for deposit in the Redemption Account of the Bond Fund for application in connection with the redemption of Bonds an amount of money equal to such gift or grant but only to the extent to which proceeds of the Bonds were expended for such component. (*Section 6.13*)

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 (i) to make any rental payment that has become due and payable by the terms of Section 3.3(a) or (b) of the Lease Agreement; or (ii) to provide sufficient moneys for the purchase of any Bonds pursuant to Section 3.7 of the Lease Agreement;

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

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

(d) The Lessee shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the

Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, (vii) take any action for the purpose of effecting any of the foregoing, or (viii) be adjudicated a bankrupt or insolvent by any court;

(e) A proceeding or case shall be commenced, without the application or consent of the Lessee, in any court of competent jurisdiction, seeking (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Lessee or of all or any substantial part of its assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days; or any order for relief against the Lessee shall be entered in an involuntary case under such Bankruptcy Code; the terms “dissolution” or “liquidation” of the Lessee as used above shall not be construed to prohibit any action otherwise permitted by Section 6.1;

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

(g) An “Event of Default” under the Indenture or under any other Security Document shall occur and be continuing. (*Section 7.1*)

Remedies on Default

Whenever any Event of Default referred to under the Lease Agreement shall have occurred and be continuing, the Agency, or the Trustee where so provided, may, subject to the Lease Agreement and the Indenture, take any one or more of the following remedial steps:

(a) The Trustee may cause all principal installments of rent payable under the Lease Agreement for the remainder of the term of the Lease Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default under Section (d) or (e) under the Caption “Events of Default” hereof, all principal installments of rent payable under the Lease Agreement 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 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) or the Trustee may reenter 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), 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 granted or vested in the Lessee under the Lease Agreement, shall cease and terminate. No such termination of the Lease Agreement shall relieve the Lessee of its

liability and obligations under the Lease Agreement and such liability and obligations shall survive any such termination;

(d) The Agency 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; and

(f) The Agency, without the consent of the Trustee or any Bondholder but with notice to the Trustee and the Bondholder, may proceed to enforce the Agency's Reserved Rights by (i) bringing an action for damages, injunction or specific performance, and/or (ii) taking whatever action at law or in equity as may appear necessary or desirable to collect payments of amounts due by the Lessee under the Agency's Reserved Rights or to enforce the performance or observance of any obligations, covenants or agreements of the Lessee under the Agency's Reserved Rights, and/or (iii) terminating the Company Lease and the Lease Agreement and all of the Agency's right, title and interest in the Facility.

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

Notwithstanding the foregoing, if the Event of Default shall be capable of being remedied by the Lessee:

(1) the Lessee may, at any time, pay all accrued unpaid rentals (exclusive of any such rentals accrued solely by virtue of acceleration of the due date of the Bonds as provided in the Indenture), pay such other amounts in default under the Lease Agreement, render such performance under the Lease Agreement and otherwise fully cure all other defaults under the Lease Agreement; and

(2) in such event, the Lease Agreement shall be fully reinstated, as if it had never been terminated, and the Lessee shall be accordingly restored to the occupancy, use and possession of the Facility.

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

Notwithstanding any provision of the Lease Agreement to the contrary, the Trustee shall not take any action to accelerate the Bonds or dispose of any collateral pledged under the Security Documents except as provided in the Indenture. (*Section 7.2*)

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 under the Lease Agreement shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by

the Lessee with all of the covenants and conditions of the Lease Agreement, or of the rights to exercise any such rights or remedies, if such default by the Lessee be continued or repeated, or of the right to recover possession of the Facility by reason thereof. (*Section 7.4*)

Options

The Lessee has the option to make advance rental payments for deposit in the Redemption Account of the Bond Fund for application in connection with the redemption of Bonds to effect the retirement of the Bonds in whole or the redemption in whole or in part of the Bonds, all in accordance with the terms of the Indenture; provided, however, that no partial redemption of the Bonds may be effected through advance rental payments under the Lease Agreement if there shall exist and be continuing an Event of Default under the Lease Agreement other than Events of Default under the Lease Agreement. 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 and the Agency as described in the Lease Agreement. Such advance rental payment shall be delivered in legal tender to the Trustee as set forth in the Lease Agreement and shall be an amount which, when added to the amount on deposit in Redemption Account of the Bond Fund for application in connection with the redemption of Bonds and available therefor, will be sufficient to pay the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Agency, the Bond Registrar, the Trustee and the Paying Agents in connection with such redemption. In the event the Bonds are to be redeemed in whole or otherwise retired, the Lessee shall further pay on or before such redemption date, in legal tender, to the Agency, the Trustee, the Bond Registrar, 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 or the Indenture 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 paid to the Federal government pursuant to the Indenture or the Tax Certificate.

The Lessee shall have the option to terminate the Lease Agreement and the Company Lease 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.

The Lessee shall also have the option to make advance rental payments with respect to the Facility on any date during the term of the Lease Agreement within ninety (90) days of the occurrence of any of the following events:

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

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

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

The Lessee, in making such advance rental payments pursuant to the Lease Agreement, shall file with the Agency and the Trustee the certificate prescribed by the Lease Agreement together with a resolution of the board of directors or executive committee of the Lessee (certified as true and correct by an Authorized Representative of the Lessee) to the effect that, as a result of the occurrence of the event giving rise to the exercise of such option to purchase, the Lessee has discontinued, or at the earliest practicable date will discontinue, the operation of the Facility for its intended purposes, and in the case of Section 8.1(b) or 8.1(c) of the Lease Agreement, the Lessee shall pay to the Trustee as the purchase price, in legal tender, advance rental payments, for deposit in the Redemption Account of the Bond Fund for application in connection with the redemption of Bonds (if payment in full of the principal of or the Redemption Price, if any, as the case may be, of, and interest on, all the Outstanding Bonds at maturity or upon earlier redemption has not yet been it made) equal to the sum of the amounts set forth in the Lease Agreement.

Notwithstanding any provision of the Lease Agreement to the contrary, any sale by the Agency, and purchase by the Lessee, of the leasehold interest in the Facility pursuant to Sections 8.1(b) or (c) of the Lease Agreement shall be subject (in the order of descending priority under New York law) to the lien of the Mortgage until all amounts owed under the Lease Agreement or the other Security Documents have been paid in full.

Upon the payment in full of the principal of and interest on the Outstanding Bonds (whether at maturity or earlier redemption), the Lessee shall have the option to terminate the Lease Agreement and the Company Lease.

The Lessee shall not, at any time, assign or transfer its option to terminate the Lease Agreement separate and apart from a permitted assignment of the Lease Agreement without the prior written consent of the the Agency and the Trustee. (*Section 8.1*)

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 shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase. The Agency shall at all times make available or cause to be made available to the Lessee its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known. (*Section 8.3*)

Assignment or Sublease

The Lessee may not at any time assign or transfer the Lease Agreement, or sublet the whole or any part of the Facility without the prior written consent of the Agency and the Trustee provided, that (1) the Lessee shall nevertheless remain liable to the Agency for the payment of all rent and for the full performance of all of the terms, covenants and conditions of the Lease Agreement and of any other Security Document to which it shall be a party, (2) any assignee or transferee of the Lessee or sublessee in whole of the Facility shall have assumed in writing and have agreed to keep and perform all of the terms

of the Lease Agreement on the part of the Lessee to be kept and performed, shall be jointly and severally liable with the Lessee for the performance thereof, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State, (3) in the Opinion of Counsel, such assignment, transfer or sublease shall not legally impair in any respect the obligations of the Lessee for the payment of all rents nor for the full performance of all of the terms, covenants and conditions of the Lease Agreement or of any other Security Document to which the Lessee shall be a party, nor impair or limit in any respect the obligations of any obligor under any other Security Document, nor cause the interest on the Bonds to become includable in gross income for purposes of Federal income taxes, (4) any assignee, transferee or sublessee shall be a Tax-Exempt Organization and shall utilize the Facility as a qualified “project” within the meaning of the Act, (5) such assignment, transfer or sublease shall not violate any provision of the Lease Agreement, the Indenture, any other Security Document or the Collateral Documents, (6) with respect to any subletting in part except with respect to that portion of Hillhouse which contains non-student tenants, the term of each such sublease does not exceed five (5) years and at any given date, no more than an aggregate of twenty percent (20%) of such space would be sub-leased by the Lessee; provided, however, that any subletting in part does not affect the tax-exempt status of the Bonds for purposes of Federal income taxes, (7) such assignment, transfer or sublease shall in no way diminish or impair the Lessee’s obligation to carry the insurance required under the Lease Agreement and the Lessee shall furnish written evidence satisfactory to the Agency and the Trustee that such insurance coverage shall in no manner be limited by reason of such assignment, transfer or sublease, and (8) each such assignment, transfer or sublease contains such other provisions as the Agency and the Trustee may reasonably require.

If the Facility or any part thereof shall be sublet or occupied by any Person other than the Lessee, the Agency, in the event of the Lessee’s default in the payment of rent may, and is 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 in the Lease Agreement 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 in the Lease Agreement contained, on the part of the Lessee.

Except as permitted under the Lease Agreement, the Lessee covenants and agrees not to amend, modify, terminate or assign, or to suffer any amendment, modification, termination or assignment of, any sublease without the prior written consent of the Agency. (*Section 9.3*)

Benefit of and Enforcement by Bondowners

All covenants and agreements on the part of the Agency and the Lessee under the Lease Agreement are to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in the Indenture by the Trustee on behalf of the Bondholders to the extent provided in the Lease Agreement or in the Indenture. (*Section 9.5*)

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or complete, and reference is made to the Indenture for full and complete statements of all such provisions.

Additional Bonds

So long as the Lease Agreement is in effect, one or more tranches of Bonds may be issued as part of the same Series or one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) a constructing, acquiring or completing a Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions, improvements or facilities to the Facility, the purpose of which shall be to constitute a “project” within the meaning of the Act, or (iv) refunding Outstanding Bonds. Such Additional Bonds or tranche of Bonds within a Series shall be payable from the lease rentals, receipts and revenues of the Facility including such extensions, additions and improvements thereto. (*Section 2.11.*)

Creation of Funds and Accounts

Pursuant to the Indenture, the following special trust Funds and Accounts are established:

- Project Fund
- Bond Fund
 - Principal Account
 - Interest Account
 - Redemption Account
 - Sinking Fund Installment Account
- Renewal Fund
- Rebate Fund
- Lease Payments Fund
 - Additional Payments Account

All of the Funds and Accounts created under the Indenture shall be held by the Trustee, or in one or more depositories in trust for the Trustee. All moneys and investments deposited with or in trust for the Trustee shall be held in trust and applied only in accordance with the Indenture and shall be trust funds for the purposes of the Indenture. (*Section 5.01.*)

Project Fund

There shall be deposited in 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 Holders of the Bonds until disbursed as provided in the Indenture. The Trustee shall apply the amounts 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.

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 of all amounts held in the Project Fund (in excess of any amount that the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Certificate and

the Indenture) shall be deposited proportionately and equally in the respective sub-accounts of the Redemption Account of the Bond Fund. In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default under the Indenture, the balance in the Project Fund shall be deposited in the Bond Fund. (*Section 5.02*)

Payments into Renewal Fund; Application of Renewal Fund

The Net Proceeds in excess of \$250,000 resulting from any Loss Event 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. 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 Holders of the Bonds until disbursed as provided herein.

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 Certificate and the Indenture and, notwithstanding the provisions of Sections 254(4) of the Real Property Law of the State, transfer the amounts deposited in the Renewal Fund to the Redemption Account of the Bond Fund.

If, on the other hand, (A) the Bonds shall not be subject to optional redemption in whole (whether by reason of such Loss Event or otherwise), or (B) the Bonds shall be subject to optional 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 to the Redemption Account of the Bond Fund, or (C) 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 in accordance with the Tax Certificate and the Indenture. The Trustee shall hold in the Renewal Fund an amount equal to ten percent (10%) of the Net Proceeds received until the Trustee shall have received the certificate of completion.

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 Holders of one hundred percent (100%) of the Bonds as to whether the Net Proceeds shall be (i) applied, after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture, to the rebuilding, replacement, repair and restoration of the Facility, or (ii) transferred from the Renewal Fund for deposit in the Redemption Account of the Bond Fund. If no such direction shall be received within ninety (90) days after request therefor by the Trustee shall have been made, the Trustee shall deposit such amounts in the Redemption Account of the Bond Fund.

The Trustee is authorized to apply the amounts in the Renewal Fund to the payment (or reimbursement to the extent the same have been paid by or on behalf of the Lessee or the Agency) of the costs required for the rebuilding, replacement, repair and restoration of the Facility upon such written instructions from the Lessee. 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. 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 and/or the Lessee upon reasonable written request therefor.

The date of completion of the restoration of the Facility shall be evidenced to the Agency and the Trustee by a certificate of an Authorized Representative of the Lessee.

Any surplus remaining in the Renewal Fund after receipt of the above referenced certificate shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture, be transferred by the Trustee to the Redemption Account of the Bond Fund. (*Section 5.03*)

Lease Payments Fund

The Trustee shall deposit in the Lease Payments Fund (i) the amounts required to be deposited therein by the Lessee under the Lease Agreement, and (ii) the amounts to be deposited therein pursuant to the Indenture. (*Section 5.04*)

Payments into Bond Fund

The Trustee shall promptly deposit the following receipts into the Bond Fund:

Excess amounts in the Project Fund required to be deposited (subject to any transfer required to be made to the Rebate Fund) (i) in the Redemption Account of the Bond Fund pursuant to the Indenture, which shall be kept segregated from any other moneys within such Account, or (ii) in the Bond Fund pursuant to the Indenture.

Amounts in the Renewal Fund shall be deposited (subject to any transfer required to be made to the Rebate Fund) in accordance with directions received pursuant to the Tax Certificate in the Redemption Account of the Bond Fund.

Moneys payable to the Trustee for the payment of principal of the Bonds, which shall be credited to the Principal Account of the Bond Fund and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture, together with amounts available in the Principal Account, to the payment of principal of the Bonds.

Moneys payable to the Trustee for the payment of Sinking Fund Installments for the Bonds, which shall be credited to the Sinking Fund Installment Account of the Bond Fund and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture, together with amounts available in the Sinking Fund Installment Account, to the payment of the Sinking Fund Installments for the Bonds.

Moneys payable to the Trustee for the payment of interest on the Bonds, which shall be credited to the Interest Account of the Bond Fund and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture, hereof, together with amounts available in the Interest Account, to the payment of interest on the Bonds.

Moneys payable to the Trustee for the payment of the Redemption Price of Bonds to be redeemed in whole or in part, together with interest accrued thereon to the date of redemption, which shall be credited to the Redemption Account in the manner set forth in the Indenture and Lease Agreement and not commingled with any other moneys held by the Trustee and applied, subject to the Indenture, together with amounts available in the Redemption Account, to pay the Redemption Price of the Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

Amounts which shall be deposited in the Principal Account, Sinking Fund Installment Account, Interest Account or Redemption Account of the Bond Fund and applied, subject to the Indenture, together with any amounts available in any such Accounts, solely to the payment of the principal of and interest on the Bonds, as the case may be. The excess amounts shall be credited to the Interest Account of the Bond Fund.

Any amounts transferred from the Redemption Account shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Bond Fund, as the case may be and in such order of priority, and applied, subject to the Indenture, solely to the payment of the principal of and interest on the Bonds, as the case may be.

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, which shall be credited to the Redemption Account of the Bond Fund. (*Section 5.05*)

Application of Bond Fund

Amounts deposited in the Bond Fund shall be applied to the payment of interest, principal, Redemption Price and Sinking Fund Installments for the Bonds as follows: (a) Subject to the provisions of the Indenture, the Trustee shall (i) on each Interest Payment Date on the Bonds pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Bonds, and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any redemption (including any mandatory Sinking Fund Installment redemption) of Bonds.

Subject to the provisions of the Indenture, the Trustee shall on each principal payment date on the Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if any, due on the Bonds (other than such as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Bonds.

Subject to the provisions of the Indenture hereof, there shall be paid from the Sinking Fund Installment Account of the Bond Fund to the Paying Agents on each Sinking Fund Installment payment date in immediately available funds the amounts required for the Sinking Fund Installment due and payable with respect to Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due.

Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the Lessee, as promptly as practicable, to the redemption of Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which the Bonds are next subject to redemption, as may be applicable, plus in each case accrued interest to the date of redemption. Any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with the Indenture) shall be transferred to the Interest Account. Upon the redemption of any Bonds, an amount equal to the principal of such Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for such Bonds in chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture.

In lieu of redeeming Bonds through Sinking Fund Installment redemption, the Lessee may negotiate or arrange for purchase of Bonds in such manner (through brokers or otherwise, and with or without receiving tenders) as it shall in its discretion determine and surrender such Bonds to the Trustee for cancellation. The Trustee, upon presentation by the Lessee to the Trustee of Bonds to be purchased accompanied by a written request of an Authorized Representative of Agency (given at the written direction of the Lessee) to the Trustee requesting payment therefor, shall provide monies for payment of the purchase price for any such Bonds from the moneys deposited in the Redemption Account of the

Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the interest Account of the Bond Fund.

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

Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Interest Account, to the Principal Account or to the Sinking Fund Installment Account of the Bond Fund. *(Section 5.07)*

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 Lessee or any Bondholder or any other Person.

Deposits into the Rebate Fund shall be made pursuant to of the Lease Agreement in an amount sufficient to meet the Rebate Requirement described in the Tax Certificate, and amounts on deposit in the Rebate Fund that are required to be paid to the United States Department of the Treasury pursuant to the Code shall be paid at the times and in the amounts set forth in or determined in accordance with the Tax Certificate. *(Section 5.08)*

Investment of Funds and Accounts

Amounts in the Rebate Fund, the Lease Payments Fund, the Project Fund and the Renewal Fund may, if and to the extent then permitted by law, shall be invested only in Qualified Investments; and amounts in the Bond Fund may, if and to the extent permitted by law, be so invested only in Government Obligations. *(Section 5.10)*

Agency's Obligations Not to Create a Pecuniary Liability

Each and every covenant made in the Indenture, is predicated upon the condition that any obligation for the payment of money incurred by the Agency shall not create a debt of the State nor 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 but shall be payable by the Agency solely from the lease rentals, revenues and receipts derived from or in connection with the Facility pledged to the payment thereof in the manner and to the extent in the Indenture and nothing in the Bonds, in the Lease Agreement, in the Mortgage, in the Indenture or in any other Security Document shall be considered as pledging any other funds or assets of the Agency. *(Section 7.01)*

Payment of Principal and Interest

The Agency shall from the sources contemplated by the Indenture promptly pay or cause to be paid the principal and Purchase Price of, Sinking Fund Installments for, and interest on the Bonds, and the Redemption Price, if any, together with interest accrued to but not including 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, redemption premium, if any, or interest on the Bonds 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 interest thereon, nor the Redemption Price thereof shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Agency other than those pledged therefor. The Agency shall not be required under the Indenture or the Lease Agreement or any other Security 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. (*Section 7.02*)

Events of Default; Acceleration of Due Date

(a) Each of the following events shall constitute an "Event of Default":

(1) Failure in the payment of the interest on any Bond when the same shall become due and payable;

(2) Failure in the payment of the principal of, or Sinking Fund Installment for, any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to but not including the date of redemption after notice of redemption therefor or otherwise;

(3) Failure to duly and punctually pay the Purchase Price of any 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 paragraphs (1), (2) and (3) above hereof) 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 fifty per centum (50%) 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;

(5) The occurrence of an "Event of Default" under the Lease Agreement or any other Security Document;

(b) Upon the happening and continuance of any Event of Default specified in subparagraphs (4) or (5) above, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the Agency and the Lessee) or the Holders of over 50% in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Agency, the Lessee and the

Trustee) may declare the principal, or Redemption Price, if applicable, of all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

(c) Upon the happening and continuance of any Event of Default specified in subparagraphs (1), (2) and (3) above the Trustee shall declare the principal or Redemption Price, if any, of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately (upon which declaration interest shall cease to accrue). Upon such declaration the same shall become and be immediately due and payable or the Trustee shall give a notice of mandatory tender pursuant to the Indenture. The obligation of the Trustee to make such declaration or give notice of a mandatory tender pursuant to the Indenture shall be absolute and shall be exercised, notwithstanding any objection of the Lessee, the Agency, the Trustee, any Bondholder or any other Person.

(d) If there shall occur an Event of Default under Section 7.1(d) or 7.1(e) of the Lease Agreement, the unpaid principal of all the Bonds (and all principal installments of rent under the Lease Agreement) and the interest accrued thereon shall be due and payable immediately (and interest shall cease to accrue) without the necessity of any declaration or other action by the Trustee or any other Person.

(e) The right of the Trustee or of the Holders of over fifty per centum (50%) in aggregate principal amount of the Bonds Outstanding to make any such declaration as aforesaid in connection with the Indenture, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed has been paid by or for the account of the Agency, and, all other Events of Default have been otherwise remedied, and the reasonable and proper charge, expenses and liabilities 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, and the Facility shall not have been sold or relet or otherwise encumbered, and all defaults have been otherwise remedied as provided in the Indenture, then and in every such case any such default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

(f) Pursuant to the Lease Agreement the Agency has granted to the Lessee full authority of 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. (*Section 8.01*)

Enforcement of Remedies

Upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed or the Holders of over twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds, the Lease Agreement, the Mortgage, 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.

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, interest, Sinking Fund Installments, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice 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 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, any of the other obligors under the Security Documents, the Agency or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in by the Holders of over fifty per centum (50%) in aggregate principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Documents 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 however, 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. All related cost and expenses shall be for the account of the requesting party or group. (*Section 8.02*)

Application of Revenues and Other Moneys After Default

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of any amounts due and owing under the Lease Agreement and after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Redemption Account of the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the Indenture, as follows (provided that any amounts held for the defeasance of Bonds shall be deposited in the appropriate sub-account of the Bond Fund and not commingled with any other moneys held by the Trustee and shall be applied solely to the payment of the Bonds):

FIRST: 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 installments, 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 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.

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, 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 the principal of all the Bonds and interest thereon shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Section, then, subject to the provisions of the Indenture which shall be applicable in the event that the principal of all the Bonds and interest thereon shall later become due and payable, the moneys shall be applied in accordance with the provisions of the Indenture.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available 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. The Trustee shall give such written notice to the Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. (*Section 8.04*)

Majority Bondholders Control Proceedings

Anything in the Indenture to the contrary notwithstanding, so long as (i) no Event or Default shall exist under Section 8.01(a)(1), (2) or (3) of the Indenture, and (ii) if any Event of Default or circumstance referred to in clause (i) above shall exist, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings, under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. (*Section 8.06*)

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 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 fifty per centum (50%) 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 against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of the Indenture, be for the equal benefit of all Holders of the Outstanding Bonds.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner provided in the Indenture and in said Bonds expressed. *(Section 8.07)*

Waivers of Default

The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration (unless an Event of Default shall have occurred and be continuing under Sections 8.01(a)(1), (2) or (3) of the Indenture), or if any such Event of Default described in the preceding parenthetical shall exist, upon the written request of the Holders of over 66 2/3% in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for 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. *(Section 8.12)*

Defeasance

Bonds of a Series will be deemed paid for all purposes of the Indenture when (x) the interest rate or interest rates in effect with respect to such Bonds cannot by their terms and under the Indenture be adjusted prior to the date on which such Bonds are to be redeemed or their maturity date, if earlier, and such Bonds are not subject to optional tender for purchase pursuant to the Indenture prior to the date on which such Bonds are to be redeemed or their maturity date, if earlier, (y) payment of the greater of the principal of and the maximum amount of interest that may become due on such Bonds to the due date of such principal and interest, including but not limited to all regularly scheduled interest payments (whether at maturity, upon redemption, acceleration or otherwise) either (i) has been made in accordance with the terms of such Bonds or (ii) has been provided for by depositing with the Trustee (1) moneys sufficient to make such payment, which moneys must constitute Priority Amounts and/or (2) noncallable and nonprepayable Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment without regard to the reinvestment thereof; and (z) all reasonable compensation and expenses of the Trustee (as well as the reasonable fees and expenses of its counsel) pertaining to each Bond in respect of which such payment or

deposit is made have been paid or provided for the satisfaction of the Trustee. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of the Indenture, except for payment from moneys or Government Obligations under clause (y)(ii) above and except that it may be tendered if and as provided in the Bonds and it may be transferred, exchanged, registered, discharged from registration or replaced as provided in the Indenture.

Notwithstanding the foregoing, no deposit under clause (y)(ii) above shall be deemed a payment of a Bond until (A) notice of redemption of the Bond is given in accordance with the Indenture or, if the Bond is not to be redeemed or paid within the next sixty (60) days, until the Lessee has given the Trustee, in form satisfactory to the Trustee, (i) irrevocable instructions to notify, as soon as practicable, the Holder of the Bond, that the deposit required by clause (y)(ii) above has been made with the Trustee and that the Bond is deemed to be paid under this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of the Bond, and (ii) a report or opinion of an independent certified public accountant or firm of independent certified public accountants to the effect that such deposit is an amount sufficient to effect such payment; or (B) the maturity of the Bond.

When all Outstanding Bonds of a Series are deemed paid as provided in the Indenture, and all fees and expenses and other amounts due and payable in respect thereof under the Indenture, the Mortgage and the Lease Agreement, and any other amounts required to be paid to the United States government in accordance with the Tax Certificate or pursuant to the Indenture, shall be paid in full, and upon receipt of an opinion of Nationally Recognized Bond Counsel to the effect that the Agency has duly provided or cause to be provided for the payment to the Holders of such Bonds, then, subject to the Indenture, 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 hereby granted and all covenants, agreements and other obligations of the Agency to the Holders of such Bonds under the Indenture in respect of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds of such Series 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 in this Section. At the time of such cessation, termination, discharge and satisfaction (1) the Trustee shall cancel and discharge the lien of the Indenture and the Mortgage 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 for, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payments of any amounts the Trustee has been directed to pay to the United States government in accordance with the Tax Certificate or the Indenture.

Prior to any defeasance becoming effective as provided in the Indenture, there shall have been delivered to the Agency and the Trustee opinions of Nationally Recognized Bond Counsel and Bankruptcy Counsel, addressed to the Agency and the Trustee to the effect that interest on any Bonds being discharged by such defeasance will not become included in gross income for Federal income tax purposes by reason of such defeasance.

No provision of this Section, including any defeasance of Bonds, shall limit the rights of the Holder of any Bonds to tender such Bonds for purchase, exchange, register, discharge from registration or replace Bonds, nor limit the rights of the Trustee or the Paying Agents to compensation in accordance with its agreements theretofore existing, until such Bonds shall have been paid in full. Bonds delivered to the Trustee for payment shall be canceled by the Trustee pursuant to the Indenture.

The Trustee shall hold in trust money and/or Government Obligations deposited with it pursuant to the preceding this Section and shall apply the deposited money and the money from the Government

Obligations in accordance with the Indenture only to the payment of principal of, interest on, or Purchase Price of, the Bonds of such Series defeased in accordance with the Indenture. *(Section 10.01)*

Supplemental Indentures Without Bondholders' Consent

The Trustee may, from time to time and at any time, enter into Supplemental Indentures without consent of the Bondholders, for any of the following purposes:

(1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action is not materially adverse to the interests of the Bondholders.

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(3) To add to the covenants and agreements of the 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.

(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.

(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 to the Agency, be necessary to assure the exclusion of the interest on the Bonds from gross income for Federal income tax purposes.

(7) To authorize the issuance of Additional Bonds and to 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 evidence the succession of a new Trustee or the appointment by the Trustee or the Agency of a co-trustee.

(12) To make any change not materially and adversely affecting any Bondholder's rights requested by the Rating Agency in order (i) to obtain a rating from the Rating Agency, or (ii) to make any change necessary to maintain any rating on a Series of the Bonds.

(13) To modify, amend or supplement the Indenture or any supplement thereto in such manner as to permit the qualification 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 indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute.

(15) To modify, amend or supplement any of the times, dates or other mechanical procedures for the tender and remarketing of Bonds, provided that such change is not to the material prejudice of the Bondholders. *(Section 11.02)*

Supplemental Indentures With Bondholders' Consent

Subject to the terms and provisions contained in the Indenture, the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding 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 way, any of the terms or provisions contained in the Indenture. Nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Sinking Fund Installments for, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, without the consent of the Holder of such Bond, a change in the mechanics for any Interest Rate Determination Method applicable to any 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 lien or pledge created by the Indenture and the Mortgage except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in the Indenture, without, in the case of items (ii) through and including (v) above, the written consent of one hundred per centum (100%) of the Holders of the Outstanding Bonds. *(Section 11.03)*

Amendments of Related Security Documents Not Requiring Consent of Bondholders

The Agency and the Trustee may consent, without the consent of or notice to the Bondholders, to any amendment, change or modification of any of the Related Security Documents for the purpose of curing any ambiguity or formal defect or omission therein or which, in the judgment of the Trustee, based upon an opinion of counsel, is not materially to the prejudice of the Trustee or the Holders of the Bonds. The Trustee shall have no liability to any Bondholder or any other person for any action taken by it in good faith pursuant to the Indenture. *(Section 12.02)*

Amendments of Related Security Documents Requiring Consent of Bondholders

Except as described in the preceding paragraph, 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 Holders of not less than 66 2/3% in aggregate principal amount of the Bonds at the time Outstanding, provided, however, there shall be no amendment, change or modification to the obligation of the Lessee to make lease rental payments under the Lease Agreement with respect to the Bonds without the prior written approval of 100 % in aggregate principal amount of the Bonds at the time Outstanding. *(Section 12.03)*

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APPENDIX F

FORM OF BOND COUNSEL OPINION

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APPENDIX F

FORM OF BOND COUNSEL OPINION

December __, 2009

City of Yonkers Industrial Development Agency
470 Nepperhan Avenue
Yonkers, New York, New York 10701

Ladies and Gentlemen:

The City of Yonkers Industrial Development Agency (the “Agency”) issued its \$40,500,000 in aggregate principal amount of outstanding Civic Facility Revenue Bonds, Series A (Sarah Lawrence Project) (the “Initial Tax-Exempt Bonds”) and its \$4,950,000 in aggregate principal amount of outstanding Civic Facility Revenue Bonds, Taxable Series 2001B (Sarah Lawrence Project) (Convertible to Tax-Exempt) (the “Initial Taxable Bonds”, together with the Initial Tax-Exempt Bonds, the “Bonds”), for the benefit of Sarah Lawrence College (the “College”), 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 an Amended and Restated Indenture of Trust, dated as of May 1, 2001 as amended and restated on May 20, 2004 (the “2004 Indenture”), between the Agency and The Bank of New York Mellon, as successor Trustee to United States Trust Company of New York (the “Trustee”) and resolutions of the Agency adopted on May 2, 2001 and on May 20, 2004. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Indenture (hereinafter defined).

The Agency and the College have entered into an Amended and Restated Company Lease Agreement, dated as of May 20, 2004 (the “Company Lease”), providing, among other things, for the leasing by the College of the Project together with certain additional property of the College (collectively, the “Facility”) to the Agency, and an Amended and Restated Lease Agreement, dated as of May 20, 2004 as amended and supplemented by a First Amendment to Amended and Restated Lease Agreement dated as of December 1, 2009 (the “Lease Agreement”), providing, among other things, for the subleasing by the Agency of its leasehold interest in the Facility to the College.

Pursuant to the Indenture, the College has elected to adjust the interest rate borne on the Bonds from an Auction Rate to a Fixed Rate (the “Fixed Rate Conversion”) and has elected to convert and re-designate \$3,000,000 of the Initial Taxable Bonds to tax-exempt bonds (the “Tax-Exempt Conversion”). Such portion of the Initial Taxable Bonds as so converted, together with the Initial Tax-Exempt Bonds, are referred to herein as the “Tax-Exempt Bonds”).

In connection with the Fixed Rate Conversion and Tax-Exempt Conversion (collectively, the “Conversions”), the Agency and the Trustee will enter into a Second Supplemental Indenture of Trust, dated as of December 1, 2009 (the “Second Supplemental Indenture”), pursuant to a resolution of the Agency adopted on July 30, 2008, to amend certain definitions and provisions in the 2004 Indenture to accommodate such Conversions (the 2004 Indenture, as so amended and supplemented, the “Indenture”).

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the Conversions in order that interest on the Tax-Exempt Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are the maintenance of the College’s status as an organization described in Section 501(c)(3) of the Code, certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, required ownership and use of the financed facilities by a Section 501(c)(3) organization or a governmental unit, limits on the amount of tax-exempt financing of capital expenditures incurred on or before August 5, 1997 from which certain users of the facilities resulting from such expenditures (and related parties) may benefit, and the rebate to the United States of certain earnings with respect to investments. Failure to comply with the continuing requirements may cause interest on the Tax-Exempt Bonds to be includable in gross income for federal income tax purposes retroactive to the date of the Conversions, irrespective of the date on which such noncompliance occurs. In the Indenture, the Lease Agreement and accompanying documents, exhibits and certificates, the Agency and the College have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

We are of the opinion that:

1. The Agency has the right and power to enter into the Second Supplemental Indenture and the Second Supplemental Indenture has been duly authorized, executed and delivered by the Agency, and assuming due authorization, execution and delivery by the Trustee, is in full force and effect in accordance with its terms and is valid and binding upon the Agency and enforceable in accordance with its terms, and no other authorization for the Second Indenture is required.
2. The Conversions are lawful under the Act and are authorized pursuant and subject to the provisions, terms and conditions of the Indenture.
3. The Conversions will not adversely affect the validity of the Bonds.
4. Assuming continuing compliance by the Agency and the College (and their successors) with the covenants, and the accuracy of the representations and certifications, referenced above, under existing statutes, regulations, rulings, and court decisions, interest on the Tax-Exempt Bonds is not includable in gross income for federal income tax purposes under Section 103 of the Code. Interest on the Tax-Exempt Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Tax-Exempt Bonds owned by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits, and Financial Asset Securitization Investment Trusts) will be included in the calculation of adjusted current earnings, a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals).
5. Interest on the Initial Taxable Bonds (other than those to which the Tax-Exempt Conversion applies) is included in gross income for federal income tax purposes.
6. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

Except as stated in paragraphs 3, 4, 5 and 6 above, we express no opinion regarding any other federal or state tax consequences of the ownership or disposition of the Bonds.

The opinion expressed herein with respect to the Second Supplemental Indenture is qualified to the extent that enforceability of the Second Supplemental Indenture may be limited by any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization, or other similar laws or equitable principles affecting creditors' rights generally or as to the availability of any particular remedy.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Nationally Recognized Bond Counsel. We express no opinion regarding any Tax-Exempt Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Very truly yours,

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