

LIMITED OFFERING MEMORANDUM DATED FEBRUARY 20, 2013

NEW ISSUE

RATING: Standard & Poor's: "BB+"
See "RATING" herein.

In the opinion of Wolff & Samson PC, West Orange, New Jersey, Bond Counsel, assuming continuing compliance by the Authority, the Borrower and the School with certain tax covenants described herein, under existing law, interest on the 2013A Bonds (i) is not includable in gross income for Federal income tax purposes under current law, and (ii) is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, for 2013A Bonds held by corporate taxpayers is included in "adjusted current earnings", which is used as an adjustment in determining the Federal alternative minimum tax for certain corporations. No opinion is expressed regarding other federal tax consequences arising with respect to the 2013A Bonds. Interest on the Bonds and any gain from the sale thereof are not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act. For a more complete discussion see "TAX MATTERS" herein.

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY \$10,010,000 CHARTER SCHOOL REVENUE BONDS (LADY LIBERTY ACADEMY CHARTER SCHOOL PROJECT) \$9,620,000 SERIES 2013 A (Tax-Exempt) \$390,000 SERIES 2013 B (Taxable)

Dated: Date of Issuance

Due: August 1, 2047, as shown on inside cover

The Bonds described above (the "Bonds") are special, limited obligations of the New Jersey Economic Development Authority (the "Authority") and will be issued under and will be payable solely from and secured by (i) a pledge of certain funds held under the Trust Indenture, dated as of February 1, 2013 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and certain payments to be made by BWP School Partners, LLC, a New Jersey limited liability company (the "Borrower"), under a Loan Agreement between the Borrower and the Authority dated as of February 1, 2013 (the "Loan Agreement"). The Borrower will lease the facilities financed hereunder (the "Project Facilities") and sublease such Facilities to Lady Liberty Academy Charter School, Inc., a public charter school authorized by the State of New Jersey (the "School"). The payments required under such sublease will be calculated to be sufficient to pay, among other things, the principal of, premium, if any, and interest on the Bonds. See "SECURITY FOR THE BONDS -- The Sublease Agreement" herein.

THE BORROWER IS A SINGLE PURPOSE ENTITY AND WILL HAVE NO OPERATIONS AND NO ASSETS EXCEPT FOR THE PROJECT FACILITIES.

The Bonds will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside front cover hereof. Interest on the Bonds is payable semiannually commencing on August 1, 2013, and on each August 1 and February 1 thereafter. The Bonds will be issued as fully registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC" or the "Securities Depository"), an automated depository for securities and a clearinghouse for securities transactions. Purchases of beneficial interests in the Bonds will be made in book-entry form (without certificates). The Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly by the Trustee to Cede & Co., which will remit such payments to the beneficial owners of the Bonds. See "THE BONDS -- Book-Entry System" herein.

THE BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY, AS DESCRIBED HEREIN.

Proceeds of the Bonds will be used by the Borrower to finance a project on behalf of the School consisting of (i) renovations to an existing school building at 746 Sandford Avenue, in Newark, New Jersey, (ii) the construction of 23,000 sq. ft. of additional space on such property, (iii) funding capitalized interest on the Bonds during the construction period, (iv) funding of a debt service reserve fund, and (v) funding the costs of issuing the Bonds.

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED THEREUNDER, AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Investment in the Bonds involves a significant degree of risk and is speculative in nature as described under "RISK FACTORS" herein and under other sections of this Limited Offering Memorandum.

THE BONDS MAY BE PURCHASED ONLY BY "ACCREDITED INVESTORS" OR "QUALIFIED INSTITUTIONAL INVESTORS" AS SUCH TERMS ARE DEFINED HEREIN. SEE "INVESTOR SUITABILITY STANDARDS" HEREIN.

The Bonds are offered when, as and if issued by the Authority, subject to the approval of the legality of the Bonds by Wolff & Samson PC, West Orange, New Jersey, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Fox Rothschild LLP, Philadelphia, Pennsylvania; for the Borrower by E. Glanz Associates, Basking Ridge, New Jersey; and for the School by Saiber LLC, Newark, New Jersey. It is expected that the Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York on or about February 28, 2013.

This cover page contains certain information for quick reference only. It is not a summary of the Limited Offering Memorandum. Investors must read the entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.



RBC Capital Markets®

Dated: February 20, 2013

\$10,010,000
NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(LADY LIBERTY ACADEMY CHARTER SCHOOL PROJECT)
\$9,620,000 SERIES 2013 A (Tax-Exempt)
\$390,000 SERIES 2013 B (Taxable)

MATURITY SCHEDULE

SERIES A

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS*

\$715,000 5.150% Term Bond due August 1, 2023, Price 100% to Yield 5.150% CUSIP^{*} 645918X99
\$2,390,000 5.500% Term Bond due August 1, 2033, Price 100% to Yield 5.500% CUSIP^{*} 645918Y49
\$4,120,000 5.650% Term Bond due August 1, 2043, Price 100% to Yield 5.650% CUSIP^{*} 645918Y23
\$2,395,000 5.750% Term Bond due August 1, 2047, Price 100% to Yield 5.750% CUSIP^{*} 645918Y31

SERIES B

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS*

\$390,000 6.500% Term Bond due August 1, 2019, Price 100% to Yield 6.500% CUSIP^{*} 645918Y56

* Copyright 2013, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS LIMITED OFFERING MEMORANDUM, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Limited Offering Memorandum does not constitute an offer to sell the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the Borrower, the School or the Underwriter to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Limited Offering Memorandum nor the sale of any of the Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Limited Offering Memorandum is not to be construed as a contract with the purchasers of the Bonds. All summaries of statutes and documents are qualified in their entirety by reference to such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been provided by the Authority (to the limited extent set forth below), the Borrower, the School or the Underwriter and by other sources which such parties believe are reliable, but it is not guaranteed as to its accuracy or completeness, and it is not to be construed as a representation by the Underwriter.

THE AUTHORITY HAS NOT REVIEWED OR APPROVED, AND DOES NOT REPRESENT OR WARRANT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO (OTHER THAN THE STATEMENTS SET FORTH HEREIN UNDER THE CAPTIONS "THE AUTHORITY" AND "LITIGATION" (IN SO FAR AS SUCH INFORMATION RELATES TO THE AUTHORITY)).

This Limited Offering Memorandum is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state nor has the Indenture been qualified under the Trust Indenture Act of 1939.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE LIMITED OFFERING MEMORANDUM.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BORROWER, THE SCHOOL AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS

AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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LIMITED OFFERING MEMORANDUM

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
\$10,010,000

CHARTER SCHOOL REVENUE BONDS
(LADY LIBERTY ACADEMY CHARTER SCHOOL PROJECT)
\$9,620,000 SERIES 2013 A (Tax-Exempt)
\$390,000 SERIES 2013 B (Taxable)

INTRODUCTORY STATEMENT

This Limited Offering Memorandum is furnished in connection with the offering of \$10,010,000 aggregate principal amount of Charter School Revenue Bonds consisting of \$9,620,000 Series 2013 A (Tax-Exempt) (the “2013A Bonds”) and \$390,000 Series 2013 B (Taxable) (the “2013B Bonds” and, together with the 2013A Bonds, the “Bonds”) (Lady Liberty Academy Charter School Project) of the New Jersey Economic Development Authority (the “Authority”). The Bonds will be special, limited obligations of the Authority and will be issued under a Trust Indenture, dated as of February 1, 2013 (the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Indenture in substantially final form (subject to change) is attached to this Limited Offering Memorandum as APPENDIX D (subject to change).

The Authority is a public body corporate and politic constituting an instrumentality of the State of New Jersey. The Authority is authorized by Chapter 80 of the Laws of 1974 of New Jersey, as amended, codified at N.J.S.A. 34:1B-1, et seq. (the “Act”) to borrow money by issuing its revenue bonds for the purposes provided in the Act to, including but not limited to, extend credit or make loans for the planning, designing, acquiring, constructing, reconstructing, and equipping of projects, which includes a project such as the Project as hereinafter described, which loans may be secured upon such terms and conditions as the Authority shall deem reasonable.

The proceeds of the Bonds will be loaned to BWP School Partners, LLC, a New Jersey limited liability company (the “Borrower”) by the Authority for the purpose of financing a project (the “Project”) on behalf of the School (defined below) consisting of (i) renovations to an existing school building at 746 Sandford Avenue, in Newark, New Jersey (the “Property”), (ii) the construction of 23,000 sq. ft. of additional space on the Property (collectively with the existing school building, the “Project Facilities”), (iii) funding capitalized interest on the Bonds during construction, (iv) funding of a debt service reserve fund, and (v) funding the costs of issuing the Bonds. For more information on the Borrower, see APPENDIX A-2.

The Property was leased to the Borrower by St. John’s Ukrainian Catholic Church of Newark (the “Property Owner”) pursuant to a Lease Agreement dated June 8, 2012 (the “Prime Lease Agreement”), a copy of which is attached hereto as APPENDIX E. The Prime Lease Agreement allows the Borrower to sublease the Property to a charter school or other educational organization. It further allows the Borrower to grant a first mortgage lien on the Borrower’s leasehold interest in the Property.

The Project Facilities will be subleased by the Borrower to Lady Liberty Academy Charter School, Inc., a New Jersey charter school (the “School”). The School received its charter from the State of New Jersey in 2001 and teaches students K through 8. Upon completion, the Project Facilities will replace the School’s existing campus located in Harrison, New Jersey. For more information on the School, see APPENDIX A-1.

The Borrower is required to make payments sufficient to pay the principal of and premium, if any, and interest on the Bonds when due pursuant to the terms of a Loan Agreement between the

Authority and the Borrower dated as of February 1, 2013 (the “Loan Agreement”) and a Note from the Borrower to the Authority (the “Note”). The Loan Agreement in substantially final form (subject to change) is attached to this Limited Offering Memorandum as APPENDIX C. The Borrower’s obligations under the Loan Agreement and the Note will be secured by a Mortgage and Security Agreement dated as of February 28, 2013 in favor of the Trustee (the “Mortgage”). The Mortgage grants a first mortgage lien on the Borrower’s leasehold interest in the Property and the Project Facilities to the Trustee for the benefit of the holders of the Bonds. The Bonds will also be secured by an Absolute Assignment of Leases dated February 28, 2013 (as defined herein).

THE BORROWER IS A SINGLE PURPOSE ENTITY AND SUBSIDIARY OF BUILD WITH PURPOSE, INC. A NONPROFIT CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF NEW JERSEY (THE “STATE”), AND WILL HAVE NO OPERATIONS AND NO ASSETS EXCEPT FOR ITS LEASEHOLD INTEREST IN THE PROJECT FACILITIES AND THE SUBLICENSE AGREEMENT (DEFINED BELOW). NEITHER BUILD WITH PURPOSE, INC. NOR ANY OF ITS SUBSIDIARIES (OTHER THAN THE BORROWER) IS OBLIGATED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

The Project Facilities will be subleased to the School by the Borrower pursuant to a Sublease Agreement dated as of February 28, 2013 (the “Sublease Agreement”). The form of the Sublease Agreement in substantially final form (subject to change) is attached to this Limited Offering Memorandum as APPENDIX F. Under the Sublease Agreement, the School will agree to make payments to the Borrower in amounts sufficient to pay (i) the principal of, premium, if any, and interest on the Bonds when due, (ii) the rental amounts due to be paid to the Property Owner under the Prime Lease Agreement, and (iii) certain other amounts due thereunder. The obligations of the School under the Sublease Agreement will be an unsecured general obligation of the School. See “SECURITY FOR THE BONDS – The Sublease Agreement” herein.

The Bonds will be secured by an assignment by the Authority to the Trustee of the Authority’s right, title and interest in the Loan Agreement (except for certain reserved rights, including but not limited to the right to enforce certain covenants, to collect certain fees and expenses and indemnification of the Authority), the Note and the Mortgage. The Bonds are also secured by an Absolute Assignment of Leases (the “Absolute Assignment of Leases”) by the Borrower to the Authority assigning payments made by the School under the Sublease Agreement to the Authority as security for the Bonds. Such payments will be made by the School directly to the Trustee, as assignee of the Authority. Payments received from the School by the Trustee will be applied first to pay the principal of, premium, if any, and interest on the Bonds when due, second to pay to the Property Owner the rental amounts due under the Prime Lease Agreement, and third to make any required deposits into the funds and accounts in the Indenture.

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE, AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

If and when included in this Limited Offering Memorandum, the words “expects”, “forecasts”, “projects”, “intends”, “anticipates”, “estimates”, “assumes”, and analogous expressions are intended to identify forward-looking statements and such statements inherently are subject to a variety of risks and

uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the School or the Authority. Such forward-looking statements speak only as of the date of this Limited Offering Memorandum. The School and the Authority disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School's or the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This Limited Offering Memorandum contains descriptions, summaries or forms of, as may be appropriate, among other matters, the Authority, the Borrower, the School, the Bonds, the Project, the Indenture, the Loan Agreement, the Note, the Mortgage, the Sublease Agreement and the Absolute Assignment of Leases. Such descriptions and information do not purport to be comprehensive or definitive. Definitions of certain words and terms used in this Limited Offering Memorandum have the meaning ascribed to such terms in the Agreement or the Indenture. All references herein to the Indenture, the Loan Agreement, the Note, the Mortgage, the Sublease Agreement and the Absolute Assignment of Leases are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of such documents will be available for inspection at the corporate trust office of the Trustee in Morristown, New Jersey, after delivery of the Bonds.

THE AUTHORITY

The Authority was established in 1974 as a public body corporate and politic, constituting an instrumentality of the State of New Jersey, exercising public and essential governmental functions, empowered by the Constitution and laws of the State, including specifically, The New Jersey Economic Development Authority Act, P.L. 1974, Chapter 80, as amended and supplemented ("Act").

The Act authorizes the Authority to assist in various ways in financing the cost of acquiring, constructing, improving and equipping projects, including machinery and equipment, for the manufacturing, processing and assembling of raw materials or manufactured products, for research, office, industrial or commercial facilities, or for the control, abatement or prevention of land, sewer, water, air, noise or general environmental pollution deriving from the operation of public utilities, industry, manufacturing, warehousing, commercial, office and research facilities. In order to discharge its responsibilities and fulfill the purposes mentioned above, the Authority is authorized to issue and sell bonds and notes for these purposes, including the Bonds herein described.

The Authority consists of thirteen members and three alternate members. Of the thirteen members, an officer of the Executive Branch of the State of New Jersey appointed by the Governor, the Commissioner of Labor and Workforce Development, the Commissioner of Banking and Insurance, the Commissioner of Department of Environmental Protection, and the State Treasurer are ex-officio members and the remaining eight are public members, appointed by the Governor, all for terms of three years. In addition, a public member of the State Economic Recovery Board established pursuant to section 36 of P.L.2002,c.43(C.52:27BBB-36) appointed by the board, shall serve as a non-voting, ex-officio member of the Authority. Alfred C. Koeppel is a public member and Chairman of the Authority. The Act, as amended on July 18, 2000, provides that the appointment of new public members shall be as follows: there shall be eight public members, two public members (who shall not be legislators) are appointed by the Governor upon recommendation of the Senate President, and two public members (who shall not be legislators) are appointed by the Governor upon recommendation of the Speaker of the General Assembly, and four public members shall be appointed by the Governor. The appointments of the eight public members shall be as follows: the two members appointed upon the recommendation of the Senate President and the two members appointed upon the recommendation of the Speaker of the General Assembly shall serve terms of three years; two members shall serve terms of two years and two members shall serve terms of one year. There shall be

three alternate members. Of the three alternate members, one alternate member (who shall not be a legislator) is appointed by the Governor upon recommendation of the Senate President, one alternate member (who shall not be a legislator) is appointed by the Governor upon recommendation of the Speaker of the General Assembly, and one alternate member shall be appointed by the Governor. The appointments of the alternate members shall be as follows: the alternate member appointed upon the recommendation of the Senate President shall serve a term of three years; the alternate member appointed upon the recommendation of the Speaker of the General Assembly shall serve a term of two years and one alternate member shall serve a term of one year.

The executive staff of the Authority includes professionals in the fields of industrial and commercial development and management, finance and mortgage lending. Michele A. Brown is the Chief Executive Officer. The Authority maintains offices at 36 West State Street, Trenton, New Jersey 08625-0990 (P.O. Box 990).

THE AUTHORITY HAS NOT REVIEWED OR APPROVED, AND DOES NOT REPRESENT OR WARRANT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS LIMITED OFFERING MEMORANDUM (OTHER THAN THE STATEMENTS AND INFORMATION SET FORTH UNDER THE CAPTION "THE AUTHORITY" AND UNDER THE CAPTION "LITIGATION" INSOFAR AS SUCH STATEMENTS AND INFORMATION RELATE TO THE AUTHORITY).

THE PROJECT

The Bonds will finance (i) renovations to an existing school building at 746 Sandford Avenue, in Newark, New Jersey, (ii) the construction of 23,000 sq. ft. of additional space on such property, (iii) fund capitalized interest on the Bonds during the construction period, (iv) the funding of a debt service reserve fund, and (v) the funding the costs of issuing the Bonds.

ESTIMATED SOURCES AND USES

SOURCES

Par Amount of Bonds	<u>\$10,010,000.00</u>
Total Sources of Bonds	<u>\$10,010,000.00</u>

USES

Deposit to Project Fund	\$7,952,000.00
Deposit to 2013A Bonds Account Debt Service Reserve Fund	690,492.50
Deposit to 2013B Bonds Account Debt Service Reserve Fund	39,000.00
Deposit to 2013A Bonds Account Capitalized Interest Fund	786,053.23
Deposit to 2013B Bonds Account Capitalized Interest Fund	36,734.75
Costs of Issuance*	<u>505,719.52</u>
Total Uses of Bonds	<u>\$10,010,000.00</u>

*Includes New Jersey Economic Development Authority fees, Bond Counsel fees, Underwriter's Discount, Underwriter's Counsel fees, Trustee and Trustee's Counsel fees, Borrower's Counsel fees, School's Counsel fees, bond issuance fees and printing costs.

DEBT SERVICE SCHEDULE

The following table sets forth the amounts required to make debt service payments with respect to the Bonds, including principal due at maturity, and interest.

Period Ending	2013A Bonds		2013B Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
8/1/2013		228,975.13		10,773.75	239,748.88
8/1/2014		538,765.00		25,350.00	564,115.00
8/1/2015		538,765.00	80,000	25,350.00	644,115.00
8/1/2016		538,765.00	85,000	20,150.00	643,915.00
8/1/2017		538,765.00	90,000	14,625.00	643,390.00
8/1/2018		538,765.00	95,000	8,775.00	642,540.00
8/1/2019	60,000	538,765.00	40,000	2,600.00	641,365.00
8/1/2020	150,000	535,675.00			685,675.00
8/1/2021	160,000	527,950.00			687,950.00
8/1/2022	170,000	519,710.00			689,710.00
8/1/2023	175,000	510,955.00			685,955.00
8/1/2024	185,000	501,942.50			686,942.50
8/1/2025	195,000	491,767.50			686,767.50
8/1/2026	205,000	481,042.50			686,042.50
8/1/2027	220,000	469,767.50			689,767.50
8/1/2028	230,000	457,667.50			687,667.50
8/1/2029	245,000	445,017.50			690,017.50
8/1/2030	255,000	431,542.50			686,542.50
8/1/2031	270,000	417,517.50			687,517.50
8/1/2032	285,000	402,667.50			687,667.50
8/1/2033	300,000	386,992.50			686,992.50
8/1/2034	320,000	370,492.50			690,492.50
8/1/2035	335,000	352,412.50			687,412.50
8/1/2036	355,000	333,485.00			688,485.00
8/1/2037	375,000	313,427.50			688,427.50
8/1/2038	395,000	292,240.00			687,240.00
8/1/2039	420,000	269,922.50			689,922.50
8/1/2040	440,000	246,192.50			686,192.50
8/1/2041	465,000	221,332.50			686,332.50
8/1/2042	495,000	195,060.00			690,060.00
8/1/2043	520,000	167,092.50			687,092.50
8/1/2044	550,000	137,712.50			687,712.50
8/1/2045	580,000	106,087.50			686,087.50
8/1/2046	615,000	72,737.50			687,737.50
8/1/2047	650,000	37,375.00			687,375.00
	9,620,000.00	13,157,350.13	390,000.00	107,623.75	23,274,973.88

THE BONDS

General Description

The Bonds will be dated the date of issuance of the Bonds and will bear interest from that date at the rates and mature on the dates set forth on the inside front cover page of this Limited Offering Memorandum.

The Bonds are issued pursuant to a Resolution adopted by the Authority on October 9, 2012, as may be amended by the Authority prior to issuance of the Bonds, and the terms of the Indenture. The Bonds are payable (except to the extent payable from the proceeds of the Bonds and the investment earnings thereon and under certain circumstances, the net proceeds of insurance or condemnation awards) as to principal, premium, if any, and interest, solely from the payments to be made to the Authority under the Loan Agreement and the Note. Pursuant to the Loan Agreement, the proceeds from the sale of the Bonds will be loaned by the Authority to the Borrower for the purpose of providing funds for the financing of the Project. The Bonds are all issued under and are equally and ratably secured by, and entitled to the protection of, the Indenture provided that the Series A Bond Account of the Debt Service Reserve Fund will only secure the 2013A Bonds and the Series B Account of the Debt Service Reserve Fund will only secure the 2013B Bonds. See "SECURITY FOR THE BONDS – Debt Service Reserve Fund" herein. The obligations created under the Loan Agreement and the Note are limited obligations of the Borrower secured solely by the Mortgage and the Absolute Assignments of Leases. See "SECURITY FOR THE BONDS" herein.

The Bonds are issuable as book entry only bonds registered in the name of Cede & Co. in the minimum denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof. Interest will be payable semi-annually on the first day of each August and February (each an "Interest Payment Date"), beginning on August 1, 2013 until the final maturity of the Bonds. Interest on the Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months.

Interest payments (other than the final payment of interest due at the maturity or redemption of the Bonds) will be mailed by the Trustee, as Paying Agent (the "Paying Agent") on the payment date to each registered Holder of the Bonds as it appears on the registration books of the Trustee on the fifteenth (15th) day of the month next preceding any Interest Payment Date (the "Record Date"), at the address listed for such Holders on the books of the Trustee, as Registrar (the "Registrar"). Upon written request received not later than the applicable Record Date, any holder of Bonds aggregating \$1,000,000 or more shall be entitled to receive interest payments from the Trustee by wire transfer. The final payment of principal or Redemption Premium, if any, will be payable at the principal office of the Trustee or such other place as the Trustee and the registered Holder of the Bond may agree, upon surrender of the Bond for cancellation. The Trustee is the Registrar and Paying Agent for the Bonds.

Payments of principal will be made at the corporate trust office of the Paying Agent in Morristown, New Jersey, or at the office designated for such payment by the Paying Agent for any successor Paying Agent, upon proper presentation of the Bonds.

Interest payment checks will be payable to the order of and all notices and information concerning the Bonds will be sent to, the registered owner of the Bonds at the address shown for such Holder on the Registrar's books. A change in the registered owner of the Bonds can only be effected by presenting the Bonds, in accordance with the provisions of the Indenture, to the Trustee at its office in Morristown, New Jersey (or such other office of which the Registrar or any successor Registrar shall notify the Holders), together with the name, address and tax identification number of the new registered Holder. A registered Holder may notify the Registrar in writing of any change of address and such change shall be promptly recorded on the Registrar's books.

If any Bond is mutilated, lost, stolen or destroyed, the Registrar will deliver, subject to the provisions of the Indenture, a new bond of like series and aggregate principal amount. In the case of a lost, stolen or destroyed Bond, the Registrar will require satisfactory evidence of such loss, theft, or destruction and satisfactory indemnification. The Registrar may charge the Holders of the Bonds with their fees and expenses in connection with replacing mutilated, lost, stolen or destroyed Bonds.

Sinking Fund Redemption

The 2013A Bonds are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on August 1 in the following years and in the amounts set forth below:

Bonds Maturing on <u>August 1, 2023</u>		Bonds Maturing on <u>August 1, 2033</u>		Bonds Maturing on <u>August 1, 2043</u>		Bonds Maturing on <u>August 1, 2047</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$60,000	2024	\$185,000	2034	\$320,000	2044	\$550,000
2020	\$150,000	2025	\$195,000	2035	\$335,000	2045	\$580,000
2021	\$160,000	2026	\$205,000	2036	\$355,000	2046	\$615,000
2022	\$170,000	2027	\$220,000	2037	\$375,000	2047*	\$650,000
2023*	\$175,000	2028	\$230,000	2038	\$395,000		
		2029	\$245,000	2039	\$420,000		
		2030	\$255,000	2040	\$440,000		
		2031	\$270,000	2041	\$465,000		
		2032	\$285,000	2042	\$495,000		
		2033*	\$300,000	2043*	\$520,000		

*Final Maturity

The 2013B Bonds are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on August 1 in the following years and in the amounts set forth below:

Bonds Maturing on August 1, 2019

<u>Year</u>	<u>Amount</u>
2015	\$80,000
2016	\$85,000
2017	\$90,000
2018	\$95,000
2019*	\$40,000

*Final Maturity

Optional Redemption

The 2013A Bonds maturing on or after August 1, 2033 are subject to redemption prior to maturity at the option of the Authority, at the direction of the Borrower, in whole or in part at any time on or after August 1, 2023 at a redemption price of 100%.

The 2013B Bonds are not subject to optional redemption.

Extraordinary Redemption

The Bonds may be subject to redemption in whole or in part at any time from surplus money in the Project Fund which is transferred to the Redemption Fund, and from insurance proceeds, condemnation awards, proceeds of conveyances in lieu of condemnation or proceeds from the sale of the Project Facilities deposited in the Redemption Fund and available for such purpose, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date.

Extraordinary Mandatory Redemption

The Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date, after receipt by the Trustee of the Authority's written direction that either of the following events has occurred:

(1) the Borrower ceases to operate the Project Facilities, or to cause the Project Facilities to be operated, as an authorized "project" under the Act for twelve (12) consecutive months, without first obtaining the prior written consent of the Authority; or

(2) any representation or warranty made by the Borrower in the Loan Agreement or in any report, certificate, financial statements or other instrument furnished by the Borrower in connection with the Loan Agreement shall prove to be false or misleading in any material respect when made.

Extraordinary Mandatory Redemption Upon Determination of Taxability

The 2013A Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the Redemption Date, after receipt by the Trustee of a notice of the occurrence of a Determination of Taxability (as defined in the Indenture).

The 2013B Bonds are not subject to extraordinary mandatory redemption upon a Determination of Taxability.

Notice of Redemption

The Trustee shall cause notice of any redemption of Bonds to be mailed by first class mail to the Holders of all Bonds to be redeemed at the registered addresses appearing in the registration books. Each such notice shall (i) be mailed not more than 45 nor less than 30 days prior to the redemption date, (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds) (iii) specify the redemption date, the Redemption Price and, if less than all of any particular Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the Redemption Date the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the Bonds to be redeemed, including without

limitation the original issuance date, maturity date and interest rate applicable to such Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

If, at the time of mailing of notice of any optional redemption, or any redemption described under "Extraordinary Mandatory Redemption" above, the Borrower shall not have deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, the redemption notice shall state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

If there shall be so called for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and cause to be delivered, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like series, designation, interest rates and maturities in any of the authorized denominations.

On or before the redemption date specified in the notice above provided for, there shall be deposited with the Trustee an amount of cash sufficient to effect the redemption of the Bonds specified in such notice, except that such amount may be reduced to the extent that moneys then held by the Trustee under any of the provisions of the Indenture are available for such redemption. All moneys deposited with the Trustee, or set apart by the Trustee under the provisions of the Indenture, for the redemption of Bonds shall be held in trust for the account of the respective registered owners of the Bonds to be redeemed and applied in accordance with the provisions of the Indenture.

On the redemption date designated in such notice, the principal amount of each Bond so to be redeemed, together with the accrued interest thereon to such date, and such premium, if any, as is due and payable on such Bond upon such redemption, shall become due and payable; and from and after such date (such notice having been given in accordance with the provisions of the Indenture and such deposit having been made or moneys set apart as aforesaid), then, notwithstanding that any Bonds so called for redemption shall not have been surrendered, no further interest shall accrue on any such Bond (or on the portion thereof so to be redeemed). From and after such date of redemption (such notice having been given in accordance with the provisions of the Indenture and such deposit having been made or moneys set apart as aforesaid), or from and after the date upon which such notice is mailed, if such notice shall state that moneys to effect such redemption have been deposited with or set apart by the Trustee, all such Bonds or such portions thereof, as the case may be, insofar as such deposit shall have been made or moneys set apart as aforesaid, shall be deemed to have been paid in full as between the Authority and the respective Bondholders and shall no longer be deemed to be Outstanding hereunder, and the Authority shall be under no further liability in respect thereof.

If notice of redemption has been duly mailed or duly waived by the Holders of all Bonds called for redemption and the redemption moneys have been duly deposited with the Trustee, then in either such case the Bonds called for redemption shall be payable on the redemption date at the applicable Redemption Price. Payment of the Redemption Price together with accrued interest shall be made by the Trustee, out of Revenues or other funds deposited for the purpose, to or upon the order of the Holders of the Bonds called for redemption upon surrender of such Bonds if redeemed in full.

Upon the payment of the Redemption Price of Bonds being redeemed, each check or other transfer of funds issued by the Trustee for such purpose shall bear a description of the issue and maturity of the Bonds being redeemed with the proceeds of such check or other transfer.

The DTC Book-Entry-Only System

The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, the Borrower, the School and the Trustee make no representation as to the accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the Bondowners or registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined below) of the Bonds.

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

Purchase 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 Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, are however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the 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 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 do 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 whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 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, tenders, 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 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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, 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 Authority 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 Trustee, the Borrower or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, the Borrower 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 Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

**NONE OF THE AUTHORITY, THE BORROWER, THE SCHOOL OR THE TRUSTEE
SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY
BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION
BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE
ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE
PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY**

BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE AUTHORITY, THE BORROWER, THE SCHOOL AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF.

Transfer fees. For every transfer and exchange of Bonds, owners of such Bonds requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Trustee, DTC or the DTC Participant in connection with such transfers or exchanges.

SECURITY FOR THE BONDS

General

The Bonds are special, limited obligations of the Authority. There is no source of funds for payment of the Bonds except from revenues received under the Loan Agreement, the Sublease Agreement, the Mortgage, the Absolute Assignment of Leases and certain funds held under the Indenture. **The Borrower has no operations and no assets other than its leasehold interest in the Project Facilities and the Sublease Agreement. The Borrower's sole source of revenue to pay obligations under the Loan Agreement will be payments from the School under the Sublease Agreement.**

The Prime Lease Agreement

The Borrower will acquire a leasehold interest in the Property pursuant to the terms of the Prime Lease Agreement. The Prime Lease Agreement is for an initial term of forty years. The yearly basic rental payment is \$192,000, subject to an inflation adjustment beginning November 1, 2017. In addition, the Borrower is responsible for all costs and expenses relating to the Property.

The Sublease Agreement

Pursuant to the Sublease Agreement, the Borrower will sublease the Property and the Project Facilities to the School and the School will make lease payments sufficient to pay (i) principal, premium, if any and interest on the Bonds when due, (ii) the annual rental due under the Prime Lease Agreement, and (iii) all other amounts due under the Prime Lease Agreement and the Sublease Agreement. The School's sole source of revenue to make payments under the Sublease Agreement is from payments made to the School by the respective boards of education of the School's students' school districts of residence. See APPENDIX A-1. See also "RISK FACTORS – Funding of Charter Schools" herein.

Pursuant to the Absolute Assignment of Leases, the Borrower absolutely assigns to the Authority all rental payments paid by the School under the Sublease Agreement and all such rental payments will be paid directly to the Trustee, as security for the Bonds.

The Mortgage

Pursuant to the Mortgage, the Borrower will grant to the Authority a first mortgage lien on the Borrower's leasehold interest in the Property and the Project Facilities to secure the Borrower's

obligations to make payments under the Loan Agreement. The Mortgage will be assigned by the Authority to the Trustee to secure the Bonds.

Debt Service Reserve Fund

The Trustee has established under the Indenture a Debt Service Reserve Fund, and within the Debt Service Reserve Fund a “Series A Bond Account” into which the Trustee shall initially deposit an amount equal to \$690,492.50 (representing the initial “Reserve Fund Requirement” for the 2013A Bonds) and a “Series B Bond Account”, into which the Trustee shall initially deposit an amount equal to \$39,000 (representing the initial “Reserve Fund Requirement” for the 2013B Bonds). Amounts on deposit in the Debt Service Reserve Fund shall be invested pursuant to the Indenture. If any withdrawal is made under the Indenture, the amount of the withdrawal shall be restored by the Borrower on or prior to the next Interest Payment Date following the Interest Payment Date on which the withdrawal is made. If the value of the assets in an Account in the Debt Service Reserve Fund, determined in accordance with the Indenture, is less than 95% of the Reserve Fund Requirement (except to the extent that such deficiency relates to any withdrawal), the difference between such Reserve Fund Requirement and the value of such Account in the Debt Service Reserve Fund shall be restored by deductions from the Revenue Fund in approximate equal monthly amounts so as to restore such Account to its proper value on or prior to the next succeeding Interest Payment Date following the date of such valuation.

Repair and Replacement Fund

The Trustee shall establish under the Indenture a Repair and Replacement Fund in which the Trustee shall deposit funds received from time to time, from the Borrower in accordance with the Loan Agreement. On or before August 1, 2014, and on or before the first day of each month thereafter, \$2,500 shall be deposited by the Trustee in the Repair and Replacement Fund; until the balance in the Repair and Replacement Fund equals \$400,000. Any amounts withdrawn from the Repair and Replacement Fund shall be reinstated through monthly payments made by the Borrower to the Trustee on or before the first day of the first month following each withdrawal, in increments of at least 1/12th of the amount withdrawn, until the amount on deposit in the Repair and Replacement Fund equals \$400,000. Moneys in the Repair and Replacement Fund shall be held separate and apart from all other Funds and shall be available only to pay costs of repairing or replacing capital improvements on the Project Facilities. **MONEYS HELD IN THE REPAIR AND REPLACEMENT FUND SHALL NOT BE AVAILABLE TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.**

Additional Bonds

Under the Loan Agreement and the Indenture, Additional Bonds may be issued by the Authority upon compliance with specified requirements and limitations. Such Additional Bonds could be, if issued, equally and ratably secured with the Bonds (excluding, however, specific Accounts in the Debt Service Reserve Fund) with respect to the Mortgage, without preference, priority or distinction of any bonds or indebtedness over any other thereof.

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE THEREUNDER FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Pursuant to the Indenture and to secure the performance of its obligations thereunder, the Authority has pledged and assigned to the Trustee substantially all of its rights under the Loan Agreement, including the present and continuing right to make claim for, collect and receive the revenues and other amounts payable thereunder. The Authority has, however, retained certain of its rights under the Loan Agreement including, but not limited to, the right to enforce all public purpose covenants thereunder and to cause the Bonds to be redeemed for any breach of such public purpose covenants.

INVESTOR SUITABILITY STANDARDS

The Bonds are being initially offered only to “accredited investors” within the meaning of Rule 501 of Regulation D of the rules governing the limited offer and sale of securities without registration under the Securities Act and “qualified institutional buyers” within the meaning of Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”).

Each purchaser of the Bonds should be sufficiently knowledgeable and experienced in financial and business matters, including the purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds, and is capable of and has made its own investigation of the Borrower, the School and the Project Facilities in connection with its decision to purchase the Bonds.

RISK FACTORS

The following discussion of some of the risk factors associated with the Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Sufficiency of School Revenues

The Bonds and Additional Bonds, if any, are secured by and payable solely from a pledge of certain funds held under the Indenture and certain payments to be made by Borrower under the Loan Agreement. The Borrower is a single purpose entity and is entirely dependent on payments from the School under the Sublease Agreement to make payments under the Loan Agreement and the Prime Lease Agreement. Based on present circumstances (i.e., its charter and operating history), the School believes it will generate sufficient revenues to meet its obligations under the Sublease Agreement. However, the School's charter may be terminated or not renewed, or the basis of the assumptions utilized by the School to formulate this belief may otherwise change and no representation or assurance can be made that the School will continue to generate sufficient revenues to meet its obligations under the Sublease Agreement.

Economic and Other Factors

Future economic and other factors may adversely affect the School's revenues and expenses and, consequently, the School's ability to make payments under the Sublease Agreement. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the School at optimum levels for each grade level; the ability of the School to provide the education desired and accepted by the population served; economic developments in the affected service area, including inflation and interest rates; diminution of the School's reputation; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of the School to attract and retain qualified teachers and staff at forecasted salaries; increased costs associated with technological advances; changes in government regulation of the education industry or in the New Jersey charter school statutes; decrease in per-student funding amounts by the State; future claims and torts (for accidents of any other reason) at the School and the extent of insurance coverage for such claims; and the occurrence of natural disasters, such as floods.

Funding of Charter Schools

Funding for charter school students comes from the various school districts where the charter school students reside. School districts receive their funding from the State and local property tax revenues. If funds are not allocated by the State, are reduced for any reason or delayed, either at the State or school district level, it could have a material adverse affect on the operations of the School. See APPENDIX A-1 – “SCHOOL FINANCES – Summary of Historical and Projected Revenues and Expenses”, for information regarding historic levels of funding.

Revocation or Non-Renewal of Charter

The School's charter was renewed for the second time for a five-year period ending June 30, 2014. Thereafter it will be renewable for additional five-year terms, subject to nonrenewal, revocation or suspension by the Commissioner of Education in accordance with the New Jersey Charter School Program Act.

Competition for Students

The School competes for students with other public schools, charter schools and private schools. There can be no assurance that the School will attract and retain the number of students that are needed to produce the revenues that are necessary to make sufficient Lease payments to pay the debt service on the Bonds. Several public schools are located in close proximity to the School. See APPENDIX A-1 - “ENROLLMENT - Service Area and Competing Schools”, for information regarding other schools in the School's service area.

Reliance on Projections

The School has only conducted operations since 2001. The projections of revenues and expenses set forth in APPENDIX A-1 were prepared by the School and have not been independently reviewed or verified by any other party. Such projections are derived from the actual operation of the School, to the extent possible, and from the School's assumptions about the student enrollment, funding and expenses. There can be no assurance that the actual enrollment revenues, funding and expenses for the School will be consistent with the projections contained herein.

Factors Associated with Education

There are a number of factors affecting schools in general, including the School, that could have an adverse effect on the School's financial position and ability to make the payments required under the Sublease Agreement. These factors include, but are not limited to, increasing costs of compliance with Federal or state regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; any unionization of the School's workforce with consequent impact on wage scales and operating costs of the School; changes in existing statutes pertaining to the powers of the School; decline of the School's reputation, the faculty or student body, either generally or with respect to certain academic or extracurricular areas; and the disruption of the School's operations by real or perceived threats against the School, the employees or the students. The School cannot assess or predict the ultimate effect of these factors on its operations or financial results of its operations.

Key Management

The creation of, and the philosophy of teaching in, charter schools generally initially may reflect the vision and commitment of a few key persons on the board of trustees and/or the upper management of the School (the "Key Trustees/Managers"). Loss of such Key Trustees/Managers, and the inability of the School to find comparable qualified replacements, could adversely affect any of the School's operations or financial results.

Limited Rights under the Mortgage

In the event that the Borrower defaults under the Prime Lease Agreement, the Trustee, as mortgagee, has certain rights to cure defaults and take other measures to deal with the Project Facilities. However, unlike a fee mortgage, the Trustee does not have the right to foreclose on and sell the Project Facilities. Rather, its rights are limited to finding a replacement lessee and/or sublessee for the Project Facilities subject to the requirements of the Prime Lease Agreement. There is no guaranty that the Trustee would be able to find a tenant or tenants to lease the Project Facilities or that any lease payments would be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

Risks of Real Estate Investment

General. Development and operation of real estate, such as the Project Facilities, involves certain risks, including the risk of adverse changes in general economic and local conditions, including population decreases; uninsured losses; lack of attractiveness of the property to students/parents; cyclical nature of the real estate market; adverse changes in neighborhood values; and adverse changes in zoning laws, other laws and regulations and real property tax rates (to the extent such taxes are applicable to the Project Facilities). Such losses also include the possibility of fire or other casualty or condemnation. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage or other funding may render the leasing of the Project Facilities difficult or unattractive in the event of a default by the Borrower or the School under either the Prime Lease Agreement or the Sublease Agreement.

Damage, Destruction or Condemnation. Although the School will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement and the Mortgage, there can be no assurance that any portion of the Project Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the School, as a result of damage or destruction to the Project Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Project Facilities, or any portion thereof, is damaged or destroyed, or is taken in a condemnation proceeding, the proceeds of insurance or any such condemnation award for such Project Facilities, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Project Facilities or to redeem the Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Project Facilities, or any portion thereof, or to redeem the Bonds will be sufficient for that purpose, or that any remaining portion of the Project Facilities will generate revenues sufficient to pay the expenses of the School and the debt service on the Bonds remaining outstanding.

Construction Risk. The construction, renovation and improvement, as applicable, of the renovations to the Project Facilities is subject to the risk of delays due to a variety of factors including, among others, delays in obtaining the necessary permits, licenses and other governmental approvals, site difficulties, labor disputes, delays in delivery and shortage of materials, weather conditions, fire and other casualties and default by the School, a contractor or subcontractors. If completion of the construction, renovation and improvement of the Project Facilities is delayed beyond the estimated construction period, the School will not be able to begin operating at the this property at the beginning of the 2014-15 school year. Consequently, projected revenues from increased enrollment will likely be delayed and adversely affect the School's financial condition.

The Borrower believes that the proceeds of the Bonds will be sufficient to finance the costs of the Project. The costs of construction, renovation and improvement, as applicable, may be increased, however, if there are change orders. Furthermore, the costs of construction, renovation and improvement, as applicable, of the additional improvements to the Project Facilities may be affected by other factors beyond the control of the Borrower or any contractor constructing, renovating or improving any portion of the Project Facilities, including those described in the preceding paragraph.

The construction contracts will require that the applicable contractor provide payment and performance bonds. It is also anticipated that the general contract for construction will contain penalty clauses for late completion. However, there can be no assurance that the obligation of the surety under such bonds, or the obligation of the contractor under the construction contract, can be enforced without costly and time-consuming litigation.

Environmental Risk. The Property has been found to contain the various environmental contaminants as set forth in Section 11 of the Prime Lease Agreement attached as Appendix E. As described in the Prime Lease Agreement, the New Jersey Department of Environmental Protection ("NJDEP") caused the installation of vapor extraction system to remediate such contamination and is continually operating such system. The Borrower also tested the Property and found certain other environmental conditions. According to the Response Action Outcome letter dated May 9, 2012, there were issues with the ground water quality standards and the NJDEP is monitoring this situation. While significant efforts have or will be made by the Borrower to eliminate environmental contamination, and all proper approvals and authorizations have or will be obtained as required, there is no guaranty that the Property will be completely free of environmental contamination which could adversely effect the ability of the Borrower to continue to lease the Project Facilities for use as a school.

Potential Effects of Bankruptcy

If the School were to file a petition for relief (or if a petition were filed against either such entity as debtor) under the United States Bankruptcy Code, 11 U.S.C. §§ 101 et. seq., as amended, or other similar laws that protect creditors, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the property of the debtor. If the bankruptcy court so ordered, the School's property and revenues could be used for the benefit of the School despite the claims of its creditors (including the owners of the Bonds).

In a bankruptcy proceeding, the School could file a reorganization plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the Bonds). The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the School provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. The School is prohibited from creating secured creditors except as provided in the Loan Agreement. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half the number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Tax-Exempt Status

Under present Federal and State law, regulations and rulings, the income of 501(c)(3) organizations, such as the School, is exempt from Federal and New Jersey income tax, except for any unrelated business income. Failure of the School to maintain its status as a 501(c)(3) organization or changes in such current laws, or the regulations, rulings or interpretations thereof could adversely affect the School. Such failure would adversely affect the exclusion of interest on the 2013A Bonds from income for federal income taxation purposes.

Moreover, the ongoing tax-exempt status of interest on the 2013A Bonds is conditioned, under relevant provisions of the Code, on compliance by the School with various requirements set forth, *inter alia*, in Sections 145 and 148 of the Code, requiring, among other things, that the Project Facilities be owned throughout the term of the 2013A Bonds by a governmental unit or an organization described in Section 501(c)(3) of the Code, that not more than five percent of the proceeds of the 2013A Bonds (inclusive of proceeds applied to defray issuance costs) be applied to any "private business use," any use giving rise to "unrelated business income," or other uses inconsistent with the charitable purposes of the School, as a 501(c)(3) organization, and that certain investment earnings in respect of the 2013A Bonds be subject to non-arbitrage requirements imposed under Section 148 of the Code, including requirements to perform certain "rebate" computations and to make certain "rebate" payments of "arbitrage" earnings all as further provided in applicable statutes, regulations, rulings and decisions. Failure to comply with such requirements could result in the loss of the tax-exempt status of interest on the 2013A Bonds to the owners thereof, and such interest could become taxable to such owners retroactive to the date of issuance of the 2013A Bonds.

Other Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the 2013A Bonds or otherwise prevent holders of the 2013A Bonds from realizing the full benefit of the tax exemption of interest on the 2013A Bonds. Further, such proposals may impact the marketability or market value of the 2013A Bonds simply by being proposed. One such proposal is the American Jobs

Act of 2011 (S.1549) (the “Jobs Bill”) which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the 2013A Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the 2013A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2013A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2013A Bonds would be impacted thereby.

TAX MATTERS

In the opinion of Wolff & Samson PC, West Orange, New Jersey, Bond Counsel, assuming continuing compliance by the Authority, the Borrower and the School with certain tax covenants described herein, under existing law, interest on the 2013A Bonds (i) is not includable in gross income for Federal income tax purposes under current law, and (ii) is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, for Bonds held by corporate taxpayers is included in "adjusted current earnings", which is used as an adjustment in determining the Federal alternative minimum tax for certain corporations. No opinion is expressed regarding other federal tax consequences arising with respect to the 2013A Bonds.

In addition, interest on the 2013A Bonds received or accrued in any taxable year by certain foreign corporations may be included in computing the “dividend equivalent amount” of such corporations subject to the branch profits tax imposed on such corporations under Section 884 of the Code. Further, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Code for S corporations which have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross revenues of such S corporations is passive investment income.

Ownership of the 2013A Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2013A Bonds. Bond Counsel expresses no opinion as to any such consequences and prospective purchasers of the 2013A Bonds who may be subject to such collateral consequences should consult their tax advisors.

In rendering its opinion, Bond Counsel has relied on the Authority's, the School's and the Borrower's covenants, contained in the Indenture, the Loan Agreement and in the arbitrage certificates, that they will comply with the applicable requirements of the Code, relating to, *inter alia*, the use and investment of proceeds of the 2013A Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Failure of the Authority, the School or the Borrower to comply with such covenants could result in the interest on the 2013A Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest.

Ownership of the 2013A Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, life insurance companies, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals who otherwise qualify for

the earned income credit. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the 2013A Bonds will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010 the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the 2013A Bonds will be included in determining the modified adjusted gross income of the taxpayer.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than “qualified tax-exempt obligations” as defined in Section 265(b)(3) of the Code. The 2013A Bonds do not constitute “qualified tax-exempt obligations”.

Owners of the 2013A Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

Bond Counsel is also of the opinion that interest on the Bonds and any gain from the sale thereof are not includable in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

NO ASSURANCE CAN BE GIVEN THAT PENDING OR FUTURE LEGISLATION OR AMENDMENTS TO THE CODE IF ENACTED INTO LAW, OR ANY PROPOSED LEGISLATION OR AMENDMENTS TO THE CODE, WILL NOT ADVERSELY AFFECT THE VALUE OF, OR THE TAX STATUS OF INTEREST ON, THE 2013A BONDS. ALL POTENTIAL PURCHASERS OF THE 2013A BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the School will enter into a Continuing Disclosure Agreement. The form of the Continuing Disclosure Agreement in substantially final form (subject to change) is attached to this Limited Offering Memorandum as APPENDIX G. Pursuant to the Continuing Disclosure Agreement, the School agrees to file with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) (i) certain annual financial information and operating data, (ii) notice of various events described in the Rule.

Because the Bonds will be special, limited obligations of the Authority, the Authority is not an “obligated person” for purposes of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and has no continuing obligations thereunder. Accordingly, the Authority will not provide any continuing disclosure information with respect to the Bonds or the Authority.

Neither the Borrower nor the School is currently under any continuing disclosure obligation.

LITIGATION

To the Authority’s knowledge, there is no action, suit or proceeding at law or in equity pending or threatened against the Authority to restrain or enjoin the issuance or sale of the Bonds or in any way contesting the validity or affecting the power of the Authority with respect to the issuance and sale of the

Bonds or the documents or instruments executed by the Authority in connection therewith or the existence of the Authority or the right of the Authority to finance the Project.

There is no litigation of any nature pending or threatened against the Borrower or the School at the date of this Limited Offering Memorandum to restrain or enjoin completion of the Project or which would materially adversely affect the Borrower's or the School's financial condition or ability to perform their respective obligations under the documents described herein to which they are a party.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the Authority of the Bonds will be passed upon by Wolff & Samson PC, West Orange, New Jersey, Bond Counsel. Copies of Bond Counsel's approving opinion, a form of which is attached hereto as APPENDIX G, will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by Fox Rothschild LLP, Philadelphia, Pennsylvania; for the Borrower by E. Glanz Associates, Basking Ridge, New Jersey and for the School by Saiber, Newark, New Jersey. It is expected that the Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York on or about February 28, 2013.

CERTIFIED PUBLIC ACCOUNTANTS

The financial statements of the School included in APPENDIX B of this Limited Offering Memorandum have been audited by Nisivoccia & Company, LLP, independent certified public accountants, in each case to the extent and for the periods indicated in the reports which appear in APPENDIX B.

RATING

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned the Bonds ratings of "BB+" (stable outlook). Such rating reflects only the views of Standard & Poor's and any explanation of the significance of the rating may only be obtained from Standard & Poor's.

A rating is not a recommendation to buy, sell or hold securities. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Standard & Poor's if in its judgment circumstances so warrant. None of the Underwriter, the Authority, the School or the Borrower has undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of a rating of the Bonds or to oppose any such proposed change or withdrawal. A downward revision or withdrawal of such rating may have a substantial adverse effect on the market price of the Bonds. Actual changes in ratings on the Bonds will be disclosed by the Borrower as described in the proposed form of the Continuing Disclosure Agreement of the Borrower attached to this Limited Offering Memorandum as APPENDIX H.

UNDERWRITING

Pursuant to the provisions of a bond purchase agreement (the "Bond Purchase Agreement") among the Authority, the Borrower and RBC Capital Markets, LLC (the "Underwriter"), the Underwriter has agreed to purchase the Bonds from the Authority at an aggregate purchase price of \$9,838,260, comprised of the par amount of the Bonds of \$10,010,000, less an underwriting discount of \$171,740. The Underwriter has agreed to purchase all of the Bonds if any are purchased.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the offering price stated on the cover of this

Limited Offering Memorandum. After the initial public offering, the public offering price of the Bonds may be changed from time to time by the Underwriter.

MISCELLANEOUS

The references herein to the Bonds, the Indenture, the Loan Agreement, the Note, the Mortgage, the Sublease Agreement and the Absolute Assignment of Leases are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. The forms of the Bonds, the Indenture, the Loan Agreement and the Sublease Agreement attached hereto are in substantially final form (subject to change). For full and complete statements of such provisions, reference is made to the Bonds, the Indenture, the Loan Agreement, the Note, the Mortgage, the Sublease Agreement and the Absolute Assignment of Leases, copies of which are available for inspection at the corporate trust office of the Trustee in Morristown, New Jersey.

The agreement of the Authority with the owners of the Bonds is fully set forth in the Indenture, and neither advertisements of the Bonds nor this Limited Offering Memorandum are to be construed as constituting an agreement with the owners of the Bonds. Statements made in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The attached appendices are integral parts of this Limited Offering Memorandum and must be read together with all of the preceding information.

The delivery of this Limited Offering Memorandum has been duly approved by the Authority and the Borrower.

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

By: /s/ John J. Rosenfeld
Name: John J. Rosenfeld
Title: Director of Bonds and Incentives

Approved by:

BWP SCHOOL PARTNERS, LLC

By: /s/ Brian Keenan
Name: Brian Keenan
Title: President

LADY LIBERTY ACADEMY CHARTER SCHOOL, INC.

By: /s/ K. Anthony Thomas
Name: K. Anthony Thomas
Title: President, Board of Trustees

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APPENDIX A-1
Information Regarding the School

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APPENDIX A-1

LADY LIBERTY ACADEMY CHARTER SCHOOL

GENERAL

Lady Liberty Academy Charter School (the “School”) is a public charter school established under the laws of the State of New Jersey.

The School received its charter (“Charter”) and opened in 2001. It currently conducts its operations at the leased location 15 Frank E. Rodgers Boulevard South, Harrison, New Jersey for grades K through 8. As a part of the Project financed with the Bonds, BWP School Partners LLC (the “Borrower”) has long-term leased the property located at 746 Sanford Avenue, Newark, New Jersey (the “Charter School Site”). The Charter School Site will be subleased to the School pursuant to an impending lease agreement.

The School’s current charter was renewed for the period of July 1, 2009 to June 30, 2014 (this is the School’s second charter renewal since its founding in 2001). Thereafter it will be renewable for additional five-year terms, subject to nonrenewal, revocation or suspension by the Commissioner of Education in accordance with the New Jersey Charter School Program Act.

MISSION STATEMENT & CURRICULUM

The mission of the School is to provide a learning community comprised of educators, parents and community stakeholders whose primary focus is student achievement. By applying the principles of hard work and effective effort, our scholars will become lifelong learners who are prepared to earn a college degree and become change agents within their community.

The mission is supported by our beliefs that:

- Every child can achieve at high levels, regardless of the level they enter the School.
- Every child deserves a safe, peaceful, respectful learning environment.
- Education must address the whole child, including character, arts and athletics in addition to academics.

Approach to Education

BALANCED LITERACY MODEL: This model cultivates the skills of reading, writing, thinking and speaking for all students. The focus is developing language skills that transcend all content areas. Common professional development by all faculty members insures a common language of instruction and a common understanding of school goals and objectives.

DATA DRIVEN INSTRUCTION: The School has adopted the framework and interim assessment platform designed by the Achievement Network. Teachers and students use the data from the interim assessments to create action plans and set goals to drive teaching and learning.

TARGETED INSTRUCTION: Administration and teachers use the data to create individualized interventions and instruction, utilizing intervention specialists, computer based programs and other individualized strategies to address specific learning gaps.

EFFICACY MODEL: The Efficacy Model, from Dr. Jeff Howard's Efficacy Institute, teaches us that we can have either a fixed mindset or a growth mindset. Students are taught to have a growth mindset, whereby putting forth effective effort will yield positive achievement. All of the School's students and staff have thus adopted the mantra "Work hard. Get smart." This mindset puts into action the belief that all children can and will learn and achieve at high levels.

POSITIVE BEHAVIOR SUPPORT IN SCHOOLS: This model emphasizes "positive over punitive" and focuses on character development.

PROFESSIONAL DEVELOPMENT: TRAINING IN RESEARCHED BASED METHODS: Teachers receive approximately 120 HOURS of professional development in researched-based practices each year.

PROFESSIONAL DEVELOPMENT: COMMON PLANNING TIME: Teachers are given times each week to collaborate with their colleagues.

PARENTAL INVOLVEMENT/PARTICIPATION: Programs available to parents include: an active PTO, community events, and parent workshops.

Beyond Academics

Athletics:

INSTRUCTIONAL: Students in grades K-8 are provided with a weekly gym class in addition to receiving daily physical and team building activities at recess through a partnership with Playworks.

EXTRACURRICULAR: Boys & Girls Basketball – We have a robust basketball program for both boys and girls. In 2011 the School won the Girls Charter School Basketball Championship and we reached the Charter School play-offs for both boys and girls in 2012. This year we have expanded the basketball program to two groups; 3rd-5th grade and 6th-8th grade.

Cheerleading: - The School offers a fantastic Cheerleading program for students in grades 3-8. Our Cheerleading squad won the Newark Cheerleading championship 3 years in a row and the School has made it to the finals every year since its inception.

Mixed Martial Arts (MMA): – The School started an MMA program for middle school boys & girls in 2012, led by Mr. Bowen, our Physical Education Instructor. The program trains middle school students in various martial arts, primarily Jiu-Jitsu and it concluded with an MMA tournament here in the School's gym in May of 2012.

Soccer: – This year the School is slated to start our intra-mural soccer program for 4th & 5th grade students and build the program by adding a grade every year. The School has access to a beautiful soccer field across the street from the School’s current location and the School has several soccer playing staff members who have volunteered to run the program.

Jazz House Kids: – The School has partnered with Jazz House Kids, a regional musical instrument instructional program, for this year. This company will send professionally trained musicians to instruct the School’s students in woodwind and brass instrument instruction for students in the 7th & 8th grades. The musicians visit twice a week for two periods of instruction during each visit and they also assist parents with the cost of renting and/or purchasing a musical instrument.

Dance: – This will be the School’s second year partnering with Ms. Weslyn Stephens, who instructs the 1st-3rd grade students in jazz, tap and ballet dancing. Ms. Stephens is a professional dancer, who has studied at The Dance Theater of Harlem and visits the School’s building twice a week for 10 weeks to instruct the young ladies in dance. This program also culminates with a ballet dance performance for families.

Performing Arts

PARTNERSHIP WITH NEW JERSEY PERFORMING ARTS CENTER (“NJPAC”): the School partners with the NJPAC to provide the following programs in the arts:

Theatre Arts Explore a Story: Grade five students write, produce and perform a short play.

Ballroom Dancing – For the past 3 years the School has been in a partnership with the NJPAC, whose instructors have provided our 8th grade students with dance lessons. For 8 weeks the students study the movement and history of salsa, merengue, flamenco and ballroom dancing. This program concludes with a ballroom dance performance for students and parents in May.

- PARTNERSHIP WITH THE NEW JERSEY SYMPHONY ORCHESTRA (“NJSO”): the School has partnered with NJSO for the past 2 years in a violin instructional program for the 2nd grade students. These students spend 12 weeks working with a professional violin instructor who trains the students to perform in a violin recital for their families and peers. The students are also invited yearly to see a professional holiday violin performance for students, held at the NJPAC

Supplemental Educational Services

- Title I funds are utilized to provide additional support in the 8th grade math and language arts classes.
- The collaborative teaching provided in these classes addresses the needs of the students as they prepare for the upcoming state assessments.

- The student to teacher ratio is effectively cut in half through this instructional intervention plan.
- Supplemental educational services are provided to students through outside vendors

BACKGROUND

In the spring of 2009, the Board of Trustees partnered with the Newark Charter School Fund to recruit and select a new leadership team for the school. The Board of Trustees hired Mr. Glen Pinder as the Executive Director, Mr. Christopher Finn as the Headmaster of School Culture and Climate and Ms. Beatrice Samson as the Headmistress of Academics.

Prior to Mr. Pinder's arrival, there was no clear instructional vision for the school and teachers were not being held accountable nor were they being provided adequate support to increase student achievement levels. This combination led to a sharp decline in student achievement levels. The school made Adequate Yearly Progress in the 2006-07 school year and the 2007-08 school year but test scores declined in the 2008-09 school year.

Part of what impressed the Board of Trustees about Mr. Pinder was his deep understanding of excellent instruction and the clear instructional vision he had for the school. Mr. Pinder would be implementing research-based instructional strategies and programs school-wide. Mr. Pinder has very high expectations for all students.

Mr. Pinder brings seven years of school leadership experience to his role as the Executive Director of the School, five as a principal. In his first principal role, the School was nominated as a Blue Ribbon School. He was then recruited away to turnaround Promise Academy, the Harlem Children's Zone (HCZ) charter middle school. Mr. Pinder implemented a data driven instruction program in his first year. To improve the reading and writing skills of the students, Mr. Pinder implemented Lucy Calkin's Readers Writers Workshop. The school received an "A" letter grade on its New York State Progress Report in both the 2006-07 and 2007-08 school years.

Prior Temporary Probation

On February 2, 2010, staff from the Office of School Funding and the Office of Charter Schools performed a renewal site visit. Their review revealed that the School's internal control policies were weak and did not ensure proper safeguarding of assets. The School lacked proper segregation of duties in financial operations. The business administrator was performing all functions including ordering, bookkeeping, purchase orders, accounts receivable/payable and reconciliations of accounts. A letter dated February 26, 2010, outlining issues that the School needed to address followed the site visit. The Board did not submit a response to the issues raised. On September 16, 2010, it was determined that the School was not operating in compliance with its charter, state statutes and regulations and was placed on probationary status for a period of 90 days to allow the school time to develop and implement a remedial plan.

Six (6) issues were raised and warranted addressing within the remedial plan. A comprehensive remedial action plan was developed and improved upon to address each and every concern.

Furthermore, the action plan was implemented soon thereafter to eliminate the non-compliant fiscal issues. Staff from the State Department of Education Office of School Funding, worked with and confirmed with the School that the remedial action plan was indeed comprehensive and that the State was satisfied that all issues had been addressed and that policies and procedures were in place to safeguard the School's assets.

Below are the actions that were taken to address the issues raised by the State which led to the lifting of probation:

1. School lacked the appropriate evidence or documentation to verify that all School expenditures were fully itemized, verified and certified in writing and presented to the Board of Trustees for approval and that it was adhering to public school contract guidelines.
 - a. Board of Trustees approved written policies and procedures for the expenditures of funds and for the School purchase order system including:
 - i. Step-by-step purchasing procedures including the use of requisition forms with executive-level signatures required
 - ii. Use of purchase orders and an approval process to ensure safeguarding of assets, and availability of funds.
 - iii. Board of Trustee approval including Board signatures on monthly reconciliations of revenues and expenditures as well as all approved business transactions of the previous month.
 - b. Records kept of year-to-date quotes as well as copies of advertisements required by Public School Contract Law requesting bids for services.
 - c. Clear and up to date organizational chart indicating positions and staff members filling those positions as they pertained to the purchase order system.
 - d. Records kept of signed Board minutes and resolutions adopting revised policies and procedures.
2. School lacked the appropriate evidence or documentation to confirm that it had a fully functioning Treasurer of School Monies.
 - a. Records kept of signed board minutes and resolution appointing School Treasurer. While statutes have changed and a Treasurer is no longer required, the School continues to contract a Treasurer for additional oversight.
3. School lacked the evidence or documentation to confirm that it had written policies and procedures for conducting the two enrollment counts and that it was properly maintaining its enrollment system.

- a. Records kept of signed Board minutes and resolutions adopting revised enrollment policies and procedures.
4. School lacked the appropriate evidence or documentation to confirm that it had written policies and procedures for the FICA reimbursement.
 - a. Records kept of signed Board minutes and resolutions adopting revised policies and procedures.
 - b. Monthly FICA reimbursements are requested online by the Human Resources Coordinator and confirmed received by the Business Administrator during the monthly accounting “closing” of the books.
5. School lacked the appropriate evidence or documentation to support that public funds were expended only by the treasurer by warrant/checks that were signed by both the president and the secretary of the board of trustees.
 - a. Records kept of signed board minutes and resolutions authorizing board president in conjunction with board secretary to sign checks.
 - b. Records kept and reviewed of all canceled checks.
 - c. Records kept of bank signatory cards authorizing board president and board secretary to sign checks.
6. School lacked the appropriate evidence or documentation to confirm that it had a written travel and expense reimbursement policy.
 - a. Records kept of signed board minutes and resolutions adopting revised policies and procedures.

While the comprehensive remedial action plan was exhaustive, the School implemented policies and procedures that promote sound fiscal oversight of public funding. Mr. Pinder has since assembled an administrative team that works together tirelessly to ensure that policies and procedures are known and followed and a team that welcomes professional development to ensure that the fiscal side of the house is up to date on new statutes, updated State requirements, and technology.

The State officially lifted the probation in February 2012 after a State site visit in spite of the probationary issues having been addressed long before that date. The State’s Office of Charter Schools physical relocation, employee restructuring, and backlog of charter applications delayed the ultimate site visit needed to formally lift probation. The official correspondence included the following statement:

“The charter school has made significant strides in implementing policies and procedures to meet the remedial action plan’s goals and objectives.”

Current School Location - Out of District

The School's lease with the Roman Catholic Archdiocese of Newark Office of Property Management ("Archdiocese") expired on July 31, 2011. After exhaustive investigation of its available options for moving the School, the School determined that a co-location arrangement with Newark Public Schools ("NPS") would be the best solution. To that end, the School engaged in extensive planning with NPS to secure a new shared location at the Dayton Elementary School in Newark, New Jersey through a co-location arrangement. This planning process included meetings between the administration at the School and Dayton Elementary School, the development of a facilities plan for the co-location arrangement, the negotiation of a lease for the space at Dayton Elementary School, and culminated in a site visit for the parents of students at the School to tour the new shared facility. The School had every indication that the co-location arrangement would be approved by the NPS Advisory Board.

A last minute NPS denial of facility space to the School left it and its students in a terrible bind, less than one and a half months before the School had to vacate. The State intervened to avoid disruption to the nearly 500 students relying on returning to the School for the 2011-2012 school year.

Upon learning of NPS's rejection of the School's co-location arrangement, the School immediately sought additional alternatives from Newark leaders and stakeholders and reopened its investigation into private options, in an effort to identify temporary space for the upcoming 2011-2012 school year and avoid any disruption in educational services to its students.

The School identified a suitable space in a vacant school building at 15 F.E. Rodgers Boulevard, South, Harrison, New Jersey, less than 2.5 miles away from its former location (the "Harrison Site"). The current location is in Hudson County and outside of the School's District of Residence under N.J.A.C. 6A:11-1.2. The Harrison Site was relatively "turn-key," but did require certain improvements and upgrades, all funded by the School. Prior to moving in to the Harrison Site for 2011-12, the School expended \$288,500 for one-time leasehold improvements including voice and data wiring, electrical work, HVAC upgrade, painting, cleaning, etc.

The School has partnered with NPS and its Director of Transportation to develop a transportation plan for students to the Harrison Site that has been working smoothly since the commencement of the school year. Nine buses transport the School students to and from the Harrison site daily. There is no guaranty that NPS will continue to provide, and pay for, transportation services for the School's students beyond the current school year.

Returning to Newark

The School received a waiver to remain out of district. The School is partnering with real estate development firm Build With Purpose, and the Borrower, to expand and rehabilitate, and subsequently sublease a current school building located at 746 Sanford Avenue in the Vailsburg section of Newark.

The development phase began in January 2012 and includes due diligence, design, and zoning approval and culminated in June 2012 with the School's partner firm (Build With Purpose)

master-leasing the property (see Appendix E). The construction phase will commence in January 2013 and will conclude when the real estate developers obtain a Certificate of Occupancy on or before August 2014. Obtaining the Certificate of Occupancy will coincide with the commencement date of the School's lease agreement with the Borrower.

The timeline outlined above is a common project timeline (18 – 24 months) for a real estate development project of this magnitude.

GOVERNANCE

Board of Trustees

The Board of Trustees is responsible for making policy and business decisions related to the School's operations. The Board of Trustees currently consists of 7 members that are appointed to 3 year terms along with the Executive Director and the Board Secretary.

<u>Trustee</u>	<u>Office</u>	<u>Term</u>	<u>Occupation</u>
K. Anthony Thomas	President	7/1/2011 – 6/30/2014	Federal Public Defender
Soyini Ma'at	Vice President	8/25/2010 – 8/24/2013	Educator
Emir Davis	Trustee	1/31/2011 – 6/30/2013	Assistant Campus Director
Janellen Duffy	Trustee	8/25/2010 – 8/24/2013	Charter School and Policy Advocate
Nichelle Holder	Trustee	1/15/2010 – 1/14/2013	Development Consultant
Monique Mitchell	Trustee	2/15/2012 – 2/14/2015	Senior Underwriting Technician
John Stolz	Trustee	8/25/2010 – 8/24/2013	Real Estate Attorney
Christopher Lessard	Treasurer (non-voting)	7/1/2012 – 6/30/2013	School Business Administrator, Franklin Township (NJ) School District
Haqqisha Q. Taylor	Board Secretary (non-voting)	7/1/2012 – 6/30/2013	School Business Administrator, the School

School Management Team

<u>Member</u>	<u>Position</u>
Mr. Glen T. Pinder	Lead Person (Executive Director)
Ms. Haqqisha Q. Taylor	School Business Administrator
Mr. Christopher Finn	School Principal
Mrs. Kelly Ford	Director of Curriculum and Instruction

Glen T. Pinder, Head Person. Mr. Pinder was born and raised in suburban Philadelphia, Pa, and graduated from Abington Senior High School. He went on to attend Morehouse College and finished with a B. A. majoring in Political Science. After graduation, Mr. Pinder completed postgraduate studies to receive his Secondary Teaching License in Social Studies and taught World Geography for two years in the Atlanta Public Schools System.

Teaching World Geography piqued his interest in world travel, which led to his pursuit of an international teaching position. Glen taught three years in the country of Kuwait, where he taught World History for three years. While there, he began working on his Master's Degree in Educational Leadership at The College of New Jersey. In 2001, Mr. Pinder returned to Philadelphia and completed his Master's Degree.

The following two years he worked at the Granville Charter School, in Trenton, New Jersey and at the Middle Township Elementary School in Cape May, New Jersey as vice principal. In 2003, Mr. Pinder was named Principal of the Red Bank Primary School, in Red Bank, New Jersey. During his tenure, the Red Bank Primary School was nominated for a National Blue Ribbon School.

In 2006, Mr. Pinder was recruited to become a part of the Harlem Children's Zone's educational experiment. The program's mission is to educate parents and children from the womb to college while providing wrap around social services throughout the entire K-12 educational process. He served as the Promise Academy Middle School Principal for three years and during his term as school leader, the middle school made enormous gains in its academic outcomes. In three years the Promise Academy Middle School gained the standing as one of the top performing Charter Schools in New York City.

Mr. Pinder's ability to turnaround failing schools did not go unnoticed and in 2009 he was approached by Mayor Cory Booker and the Newark Charter School Fund to come to Newark and lead a school turnaround situation at the School. Mr. Pinder continues to serve as Executive Director in his third year at the School and the School has shown considerable growth during his time as the School's leader. Mr. Pinder's long term vision for the school is to transform the

School into a top performing Science and Technology school that offers students the opportunity to engage in the visual and performing arts.

Haqqisha Q. Taylor, Board Secretary and School Business Administrator. Ms. Taylor has held a Standard Certificate issued by the State of New Jersey, Department of Education, State Board of Examiners as a School Business Administrator since 2009.

Since her August 2011 start at the School, she has prepared the close of thirteen (13) months of financial records, identified inaccuracies in Consolidated Annual Financial Reports (CAFRs), overseen the audit of the June 30, 2011 fiscal year, obtained 2009-2010 Federal Funds due the school in excess of \$350k, obtained the September 2010 State Aid of \$293k due the school, increased the lunch balance collection rate, and successfully prepared the school for the auditing of its participation in the National School Lunch Program for which it receives over \$210k in subsidies for.

She has a Bachelors in Mathematics from Hampton University and an MBA in Finance and Economics from Columbia Business School. Her fifteen plus (15+) in Corporate America - including stints at Andersen Consulting, Deloitte & Touche, The Travelers, Smith Barney, and H&R Block – uniquely qualify her to provide sound fiscal oversight to the School.

Haqqisha's love of children and desire for all students to be afforded free and appropriate educational opportunities drive her to join with The School's administrative team in its inevitable turnaround of the school.

Christopher Finn, School Principal. Mr. Finn was born and raised in Teaneck, NJ, graduated Teaneck High School and went on to pursue his Bachelor's Degree in Social Work from Rutgers University. He began his professional career as a Caseworker at PIUS 12 Youth and Family Services in the Bronx, NY, working to re-unite formerly drug addicted mothers with their biological children.

He left the social work field to start teaching in the Bronx in 1996 and later went on to receive his first Master's degree in Urban and Multi-Cultural Education from the College of Mount Saint Vincent in 2000. Mr. Finn then joined Promise Academy Charter School in Harlem, NY, where he served as a Science teacher, and Dean of Students and was mentored by Mr. Geoffrey Canada, the CEO of the Harlem Children's Zone. Executive Director, Mr. Pinder then presented Mr. Finn with the opportunity to return to New Jersey as an administrator and join the School, in Newark, NJ as the Headmaster of School Culture and Climate.

At the School he developed and implemented discipline systems, incentive programs and academic intervention programs to support teachers in their efforts to improve student behavior and academic outcomes in the classroom. This systematic and innovative approach greatly contributed to a decrease in school suspensions and an increase in test scores. In August of 2011, Mr. Finn earned his second Master's Degree in Educational Leadership from the College of Saint Rose and was promoted to his current position, Principal of the School. Mr. Finn is a dedicated and progressive school leader who works to improve the social and academic lives of all of the students that he serves.

Kelly Ford, Director of Curriculum and Instruction. Mrs. Ford began as a remedial reading teacher in Dallas, Texas. Between 1996 and 2004, she taught language arts in grades 6-12 in both suburban and urban districts, moving to New Jersey in 1998. After eight years of classroom experience, Ms. Ford took time off to start a family. She returned to education in 2008, where she was hired by Fred Carrigg, former Special Assistant Commissioner for Literacy at the NJDOE, as a literacy coach for Middletown Township Schools. In this position, she observed and coached teachers on implementing 3-tiered instruction, High School Redesign, and intervention methods. Through data analysis, Mrs. Ford determined problem trends and targeted curriculum weaknesses that addressed these issues. Under Mr. Carrigg, she developed interdisciplinary curriculums and formative assessments to close the achievement gap in low performing students.

In 2009, Mrs. Ford was promoted to Director of Technology in Curriculum for Middletown Township Schools, inspiring teachers K-12 on how to effectively integrate technology into their instruction. She presented a workshop she created called Cool Free Online Tools to Motivate and Engage Any Student at Alan November's Building Learning Communities conference in Boston.

In 2010, she moved into an assistant principal role for Thompson Middle School in Middletown, where supervised and inspired teachers to use best practices in their classroom for the highest level of student engagement and achievement. In fact, Thompson made AYP in the special education subgroup after being in year 2 of "needs improvement", and it's a direct result of the instructional changes she and her principal implemented.

During the summer months, Mrs. Ford's expertise enabled her to become an educational consultant, traveling to districts throughout New Jersey to give professional development to teachers on the Developmental Reading Assessment (DRA), Literacy Blocks, Intervention Strategies, and Free Technology Tools. It was as a consultant that she first was introduced to the School in December 2011. Within a few months, Mrs. Ford became deeply committed to the positive direction in which the charter school was headed, and wanted to be a permanent member of the administrative team. She began full time as Director of Curriculum in Instruction in May of 2012.

A LEARNING ENVIRONMENT

The below data reflects the impact of the significant changes made to the School during the 2009-2010 school year. The new administration has reduced discipline issues which have led to decreased student attrition. Staff retention has improved due to better professional development opportunities, effective administrators, and rigorous hiring processes. The overall environment at the School is that of family: staff are encouraged to work together, help one another, share resources, and offer support. Student attitudes are cultivated through our mission-aligned philosophy called Efficacy, in which hard work and effort results in getting smart. Homerooms have adopted an alma-mater college to instill the dream of college as a goal to achieve through daily learning in every class. Students are expected to arrive to class on time, in uniform, and be responsible for their learning. Teachers are expected to work harder and longer hours than typical schools out of sheer desire to make a difference, expect greatness from all students, and be responsible for delivering engaging and meaningful instruction.

In today's world, schools are challenged with the task of preparing students to compete in a dynamic, global society. The School has risen to this challenge for the 2012-2013 school year by giving the students every opportunity to connect globally, research expertly, and think innovatively. Here's how:

- Training and retaining the highest quality teachers in intervention strategies to close the achievement gap. Through ongoing professional development, extensive observations, and collegial conversations, teachers are becoming experts in the reading process, the DRA formative assessments used to track progress and drive instruction, differentiated learning strategies, and the integration of advanced technology.
- Hiring and training Math and Literacy Interventionists for our Learning Labs, giving the School's struggling students an extra hour of intervention in addition to the two hours of math and literacy instruction in their day.
- Advancing two expert teachers in our building into supervisory/coaching positions as Math Supervisor and Reading Specialist. They serve important roles not only to the School's students, but to the teachers because they already have the respect and "buy-in" of their fellow colleagues.
- Building an extra 30 minutes into our school day for independent reading, homework help, and even more intervention time
- For all grades, the School offers after-school tutoring, Saturday Academy, and summer school camps to ensure that every possible avenue for learning is available to the students. The School's teachers lead these programs, so they have the knowledge and data on every student that participates to ultimately drive their intervention instruction.
- For students at or above grade level, the School offers advanced learning opportunities with our teachers to move students from proficient to advanced proficient.
- Creating thematic, interdisciplinary units that connect learning across all content areas and require a high level of rigor with a minimum of 10 novels read per year. The units also include connections to others locally and globally through authentic project-based learning (PBL). Eighth grade students learning about the many wars throughout history will be connecting with US soldiers in Afghanistan through Skype Education. Third grade students learning about communities will explore communities across the world through Epals.com and Skype, create new ways for students to serve their communities, and email their ideas to local officials. Free online tools like Animoto and Glogster will motivate students to create powerful products that convey the importance of what they learned. Students will learn how to build and design their own website that will house all of their projects, essays, blogs, and resources.
- The integration of over 90 iPads with every opportunity to become expert researchers. In addition to the current setup of 4 computers per class, 8th grade students each receive their own iPad and use it in every classroom. The learning environment is akin to a research lab, where students are encouraged to research immediately questions about what they're learning that pique their curiosity. The challenge given to students is to use their knowledge to construct deeper meaning of the world around them. Because of the rapidly changing pace of today, the jobs that will exist when students graduate do not even exist today. The School's goal is to inspire our students to be innovators, so that they will be able to predict, create, and ultimately lead the future.

The Future of the School

The implementation of the above elements will only expand. First and foremost, the School has a clear plan for closing the achievement gap. The School begins in K-2 with the expectation that every child is reading on grade level and prepared for third grade by the end of grade two. The School has stop-gap measures recently put in place to respond immediately with explicit interventions at the K-2 level. In grades 3-5, the goal is to catch struggling readers up with their grade level peers through explicit interventions in addition to the literacy block. In grades 6-8, the intervention plan continues in reading and writing to prepare struggling students to be successful in high school and beyond. For all grades, the School will continue to offer after-school tutoring, Saturday Academy, and summer school camps to ensure that every possible avenue for learning is available to the students.

The School's leadership envision additional opportunities for students to advance their education in leading-edge ways. One example is setting up a distance-learning classroom so students can take courses in any subject they desire by connecting with an online class: such as learning Mandarin, advanced physics, robotics, or computer programming. Teachers will continue to hone their expertise in the art of master teaching through Professional Learning Communities. All students will be reading at or above grade level and will engage in complex discussions of diverse texts through Skype and Epals. All classrooms will be equipped with advanced technology: mounted projectors and sound systems, tablets, computers, and lab stations. Expeditionary Learning (field trip-based learning) will expose all students to fascinating places connected to what they are reading and writing about in school. Saturday Academy and Summer School programs will also include programs for Expeditionary Learning so that the high expectation of lifelong learning remains with the students throughout their lives.

Learning Environment		
Student Engagement		
Learning Environment	Number or Ratio	Methodology used
Attendance rate:		
Elementary School	92.4	Averaged Attendance rates
Middle School	92.3	Averaged Attendance rates
Student - teacher ratio	Elementary 17:1 Middle School 15:1	
Student attrition rate (from year to year):	2007-08: 25% 2008-09: 15% 2009-10: 6% 2010-11: 9% 2011-12: 10%	
Professional Environment		
Teacher retention rate (year to year)	Number or Ratio	Methodology used
2009-10: 58%		Employment record
2010-11: 58%		
2011-12: 81%		
Total staff retention rate (year to year)	2009-10: 81% 2010-11: 75% 2011-12: 89%	Employment records
Frequency of teacher surveys and date of last survey conducted	Twice annually; date of last survey was May 2012	Online surveys, feedback from PD

FRIENDS OF LADY LIBERTY ACADEMY CHARTER SCHOOL

A separate and independent not-for-profit entity exists for the sole purpose of fundraising to augment public funding. Events were held for the first time in 2011-2012 in an effort to raise funds. A benefit concert and a “Kings who Cook” dining experience were held with nominal funds being raised in the amount of \$2,000. The “Friends of” board of trustees will continue to brainstorm trustee recruiting efforts as well as fundraising ideas to grow the fundraising arm of the school.

FACULTY AND STAFF

Currently, the School employs 50 full-time instructional staff members, 2 part-time instructional staff members, 29 full-time non-instructional staff members and 6 part-time non-instructional staff members, which includes the administrators listed above.

The School’s teachers are not represented by a union. One hundred percent of the teachers employed at the School are certified by the New Jersey State Board of Examiners.

The No Child Left Behind federal law requires that certain charter school teachers be highly qualified, which means that the teachers must have (1) a bachelor’s degree; (2) full state

certification; and (3) prove that they know the subject matter in which they teach. One hundred percent of the School's classes are taught by "highly qualified" teachers.

ENROLLMENT

The School began operations as a public charter school in September 2003. Historic student enrollment for the fiscal years noted is set forth below.

Historic Student Enrollment by Grade							
Grade	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
K	48	48	47	48	50	53	52
1	48	48	48	54	52	51	55
2	60	48	48	48	47	52	54
3	60	60	48	48	48	48	53
4	41	60	60	48	47	48	48
5	36	41	59	48	49	43	41
6	54	36	41	60	60	48	47
7	48	54	36	60	58	60	47
8	45	48	52	41	40	59	59
Total**	440	441	439	453	451	462	456
Capacity	440	443	443	461	474	468	468

* Enrollment at September 2012.

** Average daily enrollment

Application Process

As per State regulations, enrollment is open to any public school student. The School accepts applications for enrollment in advance of the annual enrollment lottery held in January. Enrollment priority is given to students re-enrolling and to siblings of students currently enrolled. The School receives far more applications for enrollment than open seats available. Those students not selected via the lottery are put on the enrollment waiting list and are invited to enroll once seats become available during the school year.

Recent Years Enrollment Waiting List by Grade				
Grade	2009-10	2010-11	2011-12	2012-13
K	94	91	32	91
1	52	55	16	59
2	89	83	26	26
3	69	75	33	62
4	44	51	31	28
5	50	52	28	34
6	32	28	29	35
7	50	54	23	47
8	25	24	18	27
TOTAL	505	513	236*	409

*The decrease in enrollment waiting list reflects the School's move to the Harrison Site (see section titled "Current School Location – Out of District").

Service Area and Competing Schools

The vast majority of the School's students come from the Newark Public School District; however, students are enrolled from neighboring public school districts, as well. The School competes for students with the Newark Public School District, other charter schools in Newark, the schools of the Roman Catholic Diocese of Newark, NJ, select private academies and neighboring public school districts. Below is a chart of the School's enrollment based on student school district of residence.

Public School District of Residence Students Attending the School		
District	2012-2013 Students	% of Total Enrollment
Newark	390	86.8%
Irvington	26	5.8%
East Orange	18	4.0%
Other	22	4.8%
Total	456	100.0%

The School's June 2012 enrollment report shows its student population as follows:

Student Profile	
Hispanic	43
African American	395
Caucasian	1
Multi-cultural	23

Of the School's family population, approximately 89% are classified as "low income families" (pursuant to federal standards) whose children are recipients of free or reduced lunch at School.

Public charter schools in Newark, NJ continue to thrive; currently, there are 23 charter schools in Newark. State wide, for school year 2012-13 there are 86 public charter schools (up from 80 the year before) enrolling approximately 31,000 students. Newark has over 27% of all New Jersey charter schools and its projected 10,000 student charter school enrollment is almost one-third of all New Jersey charter school students. Approximately 25% of all K-12 students in the City of Newark attend a charter school.

(Sources: New Jersey Charter Schools Association and the Newark Public Schools)

ACADEMIC PERFORMANCE

New Jersey Assessment of Skills and Knowledge (“NJ ASK”)

With the enactment of the No Child Left Behind Act, New Jersey’s statewide assessment of elementary students has undergone change. Under the provisions of this federal legislation, every state is required to administer annual standards-based assessment of all children in grades 3 through 8. The federal expectation is that each state will provide tests that are grounded in that state’s content standards and that assess students’ critical thinking skills in content areas: language arts literacy and mathematics / science. The School administers the NJASK as required by State regulations. Below are charts showing math and language arts results for School students in grades 3 – 5 and 6 - 8 and as compared to the average scores for Newark Public School District students as well as the Tier IV Schools State-wide average.

Lady Liberty Academy Charter School, Newark, New Jersey

Academic Proficiency Assessment Results - ALL STUDENTS GRADE 3, 5, 6 AND 7

Percentage of Students either Proficient or Advanced

NJASK3 MATH					NJASK3 LANGUAGE ARTS					
	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE
SY2007-2008	75.0	71.5	n.a.	n.a.	86.8	73.4	74.5	n.a.	n.a.	86.1
SY2008-2009	48.0	59.6	n.a.	n.a.	75.4	37.6	46.0	n.a.	n.a.	62.9
SY2009-2010	48.9	60.3	59.4	56.0	78.3	26.5	44.0	37.1	38.0	59.8
SY2010-2011	64.6	69.4	60.2	60.0	79.1	39.6	51.5	41.2	41.0	63.0
SY2011-2012	54.2	70.3	57.8	n.a.	78.4	31.3	57.5	42.9	43.0	66.7

NJASK5 MATH					NJASK5 LANGUAGE ARTS					
	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE
SY2007-2008	33.3	57.0	n.a.	n.a.	76.7	30.3	39.8	n.a.	n.a.	60.1
SY2008-2009	46.4	57.8	n.a.	n.a.	77.6	17.9	44.4	n.a.	n.a.	66.2
SY2009-2010	36.7	62.6	59.9	56.0	79.0	31.7	46.4	39.1	39.0	63.3
SY2010-2011	69.4	71.9	62.1	62.0	80.8	24.4	44.6	33.8	34.0	61.2
SY2011-2012	60.5	73.8	64.8	n.a.	85.3	26.2	46.8	35.3	35.0	62.1

NJASK6 MATH					NJASK6 LANGUAGE ARTS					
	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE
SY2007-2008	26.5	52.9	n.a.	n.a.	72.3	32.4	36.9	n.a.	n.a.	57.3
SY2008-2009	23.7	54.9	n.a.	n.a.	71.2	31.6	55.6	n.a.	n.a.	70.1
SY2009-2010	46.6	56.7	50.7	49.0	72.1	29.3	48.9	37.9	34.0	65.5
SY2010-2011	73.7	67.0	57.5	58.0	77.6	41.7	53.5	42.0	42.0	67.0
SY2011-2012	60.5	69.7	57.9	n.a.	78.8	35.4	43.0	36.4	36.0	64.5

NJASK7 MATH					NJASK7 LANGUAGE ARTS					
	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE
SY2007-2008	30.0	42.1	n.a.	n.a.	64.6	42.0	52.4	n.a.	n.a.	70.7
SY2008-2009	21.3	49.2	n.a.	n.a.	66.8	30.3	57.4	n.a.	n.a.	72.4
SY2009-2010	12.5	49.7	39.2	34.0	64.6	27.5	57.2	41.8	41.0	69.5
SY2010-2011	44.1	54.3	42.3	42.0	67.0	27.1	48.8	34.4	34.0	63.7
SY2011-2012	35.4	50.8	38.3	n.a.	63.2	45.0	46.9	32.0	32.0	61.0

NJASK = New Jersey Assessment of Skills and Knowledge

DFG R= District Factor Group - all New Jersey charter schools

DFG A= District Factor Group - all New Jersey public & charter schools with socio-economic demographics to that of LLACS

n.a. = data not available

Lady Liberty Academy Charter School, Newark, New Jersey

Academic Proficiency Assessment Results - ALL

STUDENTS GRADES 4 AND 8 Percentage of Students

either Proficient or Advanced

	NJASK4 MATH					NJASK4 LANGUAGE ARTS					NJASK4 SCIENCE				
	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE
SY2007-2008	71.7	67.1	n.a.	n.a.	84.9	63.3	66.7	n.a.	n.a.	82.7	78.4	70.9	n.a.	n.a.	85.0
SY2008-2009	53.3	49.1	n.a.	n.a.	73.1	38.3	40.4	n.a.	n.a.	63.2	78.3	82.9	n.a.	n.a.	91.1
SY2009-2010	62.5	59.5	55.0	55.0	77.2	39.8	41.9	35.9	36.0	59.7	85.4	87.1	82.5	80.3	93.5
SY2010-2011	59.8	65.2	61.0	61.0	79.6	31.9	47.5	38.1	38.0	63.0	68.1	80.1	74.7	79.5	90.0
SY2011-2012	44.7	64.5	n.a.	n.a.	77.4	36.2	46.2	35.7	36.0	59.5	74.4	85.7	77.7	n.a.	91.3

	NJASK8 MATH					NJASK8 LANGUAGE ARTS					NJASK8 SCIENCE				
	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE	LLACS	DFG R	DFG A	NEWARK	STATE
SY2007-2008	30.0	47.2	n.a.	n.a.	67.7	60.0	69.3	n.a.	n.a.	81.5	62.5	75.4	n.a.	n.a.	84.4
SY2008-2009	43.2	55.1	n.a.	n.a.	71.8	56.9	70.5	n.a.	n.a.	82.5	60.0	71.2	n.a.	n.a.	84.6
SY2009-2010	28.6	52.5	44.5	41.0	69.0	57.2	72.8	60.0	58.0	82.9	54.3	72.0	59.1	60.9	83.3
SY2010-2011	42.5	60.6	47.3	47.0	71.9	70.0	74.6	59.1	59.0	82.6	72.5	72.7	58.3	56.5	81.6
SY2011-2012	49.2	58.7	47.1	n.a.	71.6	62.7	73.7	60.1	60.0	82.2	65.1	58.7	58.7	n.a.	81.9

NJASK = New Jersey Assessment of Skills and Knowledge

DFG R= District Factor Group - all New Jersey charter schools

DFG A= District Factor Group - all New Jersey public & charter schools with socio-economic demographics to that of LLACS

n.a.= data not available

The School has been recognized for its continued improvement, receiving a generous grant of \$75,000 from The Victoria Grant Foundation in 2011.

CHARTER SCHOOL LEGISLATION IN NEW JERSEY

Public charter schools were established and permitted under a 1995 New Jersey State law; classes started in 13 charter schools in school year 1997-1998. The National Alliance for Public Charter Schools (NAPCS) ranks the New Jersey charter school law at 26th strongest in 2011 (out of 41 state laws). The Center for Education Reform (CER) ranks the law at 19th strongest in 2011.

The State Commissioner of Education is the body authorized to approve a charter school in New Jersey. While there is no limit on growth in the number of charter schools in the State, the Commissioner can reject an application.

There is no cap on student enrollment state-wide or per school. The initial operating period is four years and charter renewals are for five years.

State law requires charter schools to receive 90% of the per student funding of public district schools; however, the actual amount is usually less as charter schools do NOT receive “adjustment aid” pursuant to the State School Funding Reform Act. Districts pass through annual funds to charter schools in 12 equal monthly payments starting in July.

Despite the above described State law requiring a 90% funding level, charter schools receive considerably less per pupil State funding than traditional public school districts. According to the *New Jersey Department of Education 2010 Taxpayer Guide to Education*, the Newark Public Schools received 32% more average State per pupil funding than Lady Liberty Academy Charter School (\$22,616 vs. \$15,313).

SCHOOL FINANCES

Financial Oversight

- The Board directs the School Business Administrator to make all accurate and timely reports to county, State and federal offices as required by law and the rules of the State Board of Education.
- In accordance with directions issued by the State Commissioner of Education, the School Business Administrator is required to prepare each month:
 - Monthly financial statements,
 - Report of financial condition,
 - Report of operating results,
 - Other pertinent information.

- After review of the monthly financial reports, the Board is required to certify that:
 - No fund has been over expended, and that
 - Sufficient funds are available to meet the School's obligations for the remainder of the school year.
- If the Board cannot make such above certification, the Lead Person, as defined in N.J.A.C. 6A:11-1.2, shall take the appropriate operational and financial steps to correct problems that will then permit the Board to make its monthly certification.

Financial Objectives

- The Board has a responsibility to the taxpayers to be sure that public funds are expended in a manner to ensure full value to the taxpayers.
- The Board has the authority to fix the budget, approve bids and pass upon each expenditure of the School.
- To meet its goals, the Board requires the School Business Administrator to:
 - Establish sound accounting procedures,
 - Institute effective business practices,
 - Recommend suitable technology and equipment,
 - Review the financial operations and report to the Board on effectiveness and recommend improvements.

Budget Process and Preparation

The School follows the rules and regulations as prescribed for charter schools by the New Jersey Department of Education. The Board directs the Lead Person and the School Business Administrator to develop and present the annual budget to the Board in accordance with NJDOE guidelines.

Each School department administrator submits an estimate of their programmatic and capital needs to the School Business Administrator who will review and compile such estimates into a School-wide annual budget guided by cost priorities:

- Adequate staffing to sustain instructional programs,
- Supplies and equipment to sustain instructional programs,
- Maintenance of facilities and programs,
- New staff and supplies/equipment to improve/expand programs,
- New instructional programs.

The completed budget is presented to the Board with sufficient advance time for discussion and modification so that the budget can be submitted to the State Commissioner of

Education by March 30th, as required by law. During the year, the Board directs the School Business Administrator to make all accurate and timely reports required by law and the rules of the State Board of Education, including monthly financial statements, report of financial condition, report of operating results, and other pertinent information.

Summary of Historical Revenues and Expenses

The following table sets forth a summary of the School's historical revenues and expenses for the years shown below. The information presented for the School Years ended June 30, 2009, 2010 and 2011 is actual audited data as presented by the School's independent certified public accountant (Scott J. Loeffler, CPA). The information presented for the School Year ending June 30, 2012 is unaudited results presented by the School.

**NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION
WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE
FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL
CORRESPOND WITH THE ASSUMPTIONS MADE BY THE SCHOOL.**

REVENUES AND EXPENDITURES FOR FY 2008-2012

	2007-08 AUDITED ACTUAL	2008-09 AUDITED ACTUAL	2009-10 AUDITED ACTUAL	2010-11 AUDITED ACTUAL	2011-12 AUDITED ACTUAL
REVENUE					
Equalization Aid - Local					
Equalization Aid - Local	1,011,347	736,758	781,138	824,361	856,491
Equalization Aid - State	2,413,597	4,552,590	5,120,874	5,464,160	5,829,615
Categorical Aid - Spec Ed	1,213,071	240,569	(4,322)	153,908	157,405
Categorical Security Aid - State	-	-	-	206,341	214,696
Other Revenue - Food service	239,756	209,052	278,653	249,940	282,299
Other Revenue - Federal	504,940	700,969	1,047,435	494,510	715,130
Other Revenue - State	174,679	203,732	232,414	422,176	531,952
Other Revenue - Misc.	19,052	21,059	394,827	125,854	238,442
TOTAL REVENUE	5,576,442	6,664,729	7,851,019	7,941,250	8,826,030
EXPENDITURES					
Instruction					
Instruction	2,450,071	2,897,262	3,050,717	3,386,477	3,143,000
Administration	1,211,696	1,702,169	2,016,949	1,934,226	1,261,673
Support Services	1,162,227	1,554,704	1,743,200	1,841,440	3,518,174
Capital Outlay	46,891	(2,288)	38,746	-	2,008
Capital Outlay - lease purchase	71,430	79,239	38,818	40,449	-
Federal program expenditures	-	-	-	-	-
Other - Food service	192,867	211,340	239,907	249,940	282,299
TOTAL EXPENDITURES	5,135,182	6,442,426	7,128,337	7,452,532	8,207,154
Excess (Deficiency)	441,260	222,303	722,682	488,718	618,876
FUND BALANCE JULY 1	51,984	493,244	715,547	1,438,229	1,926,947
FUND BALANCE JUNE 30	493,244	715,547	1,438,229	1,926,947	2,545,823

The following table sets forth a summary comparison of the School's 2011-12 Budget to the unaudited actual financial results.

**SUMMARY COMPARISON OF FY 2011-2012 BUDGET TO
AUDITED ACTUAL FINANCIAL RESULTS**

	2011-12 BUDGET	2011-12 AUDITED ACTUAL	DIFFERENCE
<u>REVENUE</u>			
Equalization Aid - Local	855,997	856,491	494
Equalization Aid - State	5,728,598	5,829,615	101,017
Categorical Aid - Spec Ed	173,158	157,405	(15,753)
Categorical Security Aid - State	221,286	214,696	(6,590)
Other Revenue - Food service	-	282,299	282,299
Other Revenue - Federal	506,256	715,130	208,874
Other Revenue - State		531,952	
Other Revenue - Misc.	-	238,442	238,442
TOTAL REVENUE	7,485,295	8,826,030	808,783
<u>EXPENDITURES</u>			
Instruction	2,852,736	3,143,000	(290,264)
Administration	2,108,606	1,261,673	846,933
Support Services	1,898,710	3,518,174	(1,619,464)
Capital Outlay	13,837	2,008	11,829
Capital Outlay - lease purchase	300,000	-	300,000
Federal program expenditures	271,579	-	271,579
Other - Food service	-	282,299	(282,299)
TOTAL EXPENDITURES	7,445,468	8,207,154	(761,686)
Excess (Deficiency)	39,827	618,876	579,049
FUND BALANCE JULY 1	1,926,947	1,926,947	
FUND BALANCE JUNE 30	1,966,774	2,545,823	

- (1) Included funds for one-time leasehold improvements to the Harrison Site (see section titled "Current School Location – Out of District").
- (2) Funds expended as part of development agreement with the Borrower (BWP School Partners, LLC) for the Project Facilities (746 Sanford Avenue).

MANAGEMENT DISCUSSION & ANALYSIS

The School faced several new challenges in moving from 23 Pennsylvania Ave. in Newark to 15 Frank E. Rodgers Blvd. in Harrison. The biggest challenge was maintaining the newly-improved school culture, which relied on maintaining the full enrollment. This was not just about filling slots, the goal was to keep the students that we had invested in over the last few years, particularly the last two years, in which the School had seen the introduction of the new administrative team and the implementation of several powerful new initiatives.

Transportation – The School leadership met with the Department of Newark Public Transportation (“NPST”) several times during the summer of 2011 and discussed busing. The conversation started with NPST agreeing to provide 2 buses for the School’s students, which would not be sufficient to transport the School’s over 400 students. During this transition period the School lost many students back to the Newark Public School system because parents were wary of sending their elementary-aged students so far from home. The School leadership fought long and hard and by the beginning of August the NPST agreed to provide us with 9 buses that could facilitate all of the students needed to transport. The School was fortunate that the majority of our families stayed with the School because they were excited about the new positive direction that the School was headed in.

Waiting List – After losing some students because of moving to the new location, the School had to seek out new students and work as a school to enhance the waiting list. The School first created flyers and interest sheets and canvassed Newark as well as the local community to increase the awareness of the School. We also began to advertise in the local media and online, spreading the word about the new leadership, the new initiatives and the new location. We then held some actual meet and greet events in our building where local business leaders, county executives and other community stakeholders were invited first-hand to see the academic and social progress of the School. Slowly but surely the interest in our school grew. This led to some increased financial interest and we now have a very robust waiting list in all grades.

Efficacy – This is a thinking theory/mind-state that was developed by Jeff Howard of Harvard University. This mind-state helps students and adults alike recognize the power of effective effort and hard work and how to channel energy into academic and social improvement. This was one of the most powerful initiatives brought to the school by Mr. Pinder and it has become one of the pillars of the School. Administrators, students and staff members have all been trained to adjust their thinking and place their effective effort into their areas of personal weakness in order to increase their academic and social abilities. This initiative has really taken a hold at the School and has been one of the major factors in this school’s turn-around.

Moving Forward:

- Our goal is to continue our relationship with the Newark Public School Transportation Division in order to provide transportation to and from our building.
- We plan to provide bus transportation for our students who attend our SPARC Aftercare and Saturday Academy Programs. This will allow more students to

attend these programs and give them more time on task with Test Prep Instruction.

- The School will continue to enhance our Efficacy initiative throughout the building by delivering Efficacy instruction I the lower grades. Students from K-8th grade will be able to use hard work and effective effort to improve their academic and social skills.
- The School will continue to improve the overall culture and tone of our building by improving teacher pedagogy, delivering rigorous instruction and continuing to provide a safe and nurturing environment for all students.
- Current 2012 – 13 fiscal year update:
 - Enrollment as of January 24, 2013 is at 98% of charter limit (459 students compared to the charter limit of 468).
 - Revenue and expenditures to date are trending under budget due to 1) the favorable impact of a smaller targeted 2012 summer school program, 2) efficient use of instructional supplies, 3) changes in performing arts programming, 4) more advantageous copier and equipment lease terms, 5) participation in a pooled workers' compensation sub-fund, and 6) certain organizational restructuring and corresponding expense reductions.
 - The School received approval from the City of Newark Central Planning Board for the preliminary and final major new site plan application.
 - Hurricane Sandy had minimal impact on educating our students. Students and staff were out of school for five days but returned the following week. Because the official School calendar included several vacation days that week, our students missed very few days of instruction. Our facility in Harrison, NJ (current site of the School) suffered no physical damage from the hurricane

The following table sets forth the School's budget for the Fiscal Year 2012-2013, as was approved by the School's Board and submitted to the State Department of Education.

**FISCAL YEAR 2013 BUDGET
468 ENROLLMENT**

REVENUE

Fund Balance	32,417
Equalization Aid – Local	873,156
Equalization Aid – State	5,683,395
Categorical Aid – Spec Ed	150,714
Categorical Security Aid - State	218,125
Other Revenue – State Projects	31,789
Other Revenue – Federal	506,256
Other Revenue – Misc	-
TOTAL REVENUE	7,675,852

EXPENDITURES

Instruction	3,162,331
Administration	2,155,522
Support Services	1,710,954
Capital Outlay	9,000
Capital Outlay – lease purchase	100,000
Federal program expenditures	506,256
Other – State Projects	31,789
TOTAL EXPENDITURES	7,675,852

Excess (Deficiency)

FUND BALANCE JULY 1	2,198,855
FUND BALANCE JUNE 30	2,198,855

The following table sets forth the School's historic level of State of New Jersey Funding for the years shown below. As previously discussed above in "CHARTER SCHOOL LEGISLATION IN NEW JERSEY", the School received approximately 68% of the per pupil State funding received by NPS.

HISTORIC LEVEL OF STATE OF NEW JERSEY FUNDING

Academic Year	Per Pupil State Funds	Change	Per Pupil Special Ed Aid State Funds
2012-2013	\$10,555	2.92%	\$14,929
2011-2012	\$10,256	2.86%	\$11,583
2010-2011	\$9,971	0%	\$11,262
2009-2010	\$9,971	3.34%	\$11,262
2008-2009	\$9,649	-5.64%	\$10,897

The information presented below for the School Years ending June 30, 2013 through 2017 is projected data provided by the School, based upon certain assumptions made by the School. The projections constitute “forward-looking statements” and are derived from the past operations of the School and from the School’s assumptions about student enrollment, level of revenue and expenses as set forth in the following table. See “INTRODUCTORY STATEMENT” and “RISK FACTORS – Reliance on Projections” in the forepart of this Official Statement.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE SCHOOL.

PRO FORMA DEBT SERVICE COVERAGE

	2013 Budget*	2014 Projection	2015 Projection	2016 Projection	2017 Projection
Total enrollment	468	468	468	468	468
Gross revenue	7,797,435	7,628,277	7,820,643	8,180,760	8,485,217
Expenses, excluding facility costs	6,893,019	6,706,625	6,859,892	7,022,487	7,175,496
Net income	904,416	921,652	960,751	1,158,273	1,309,721
Facilities rent (Harrison)	425,000	475,000	-	-	-
Facilities bond debt service (Newark)	219,390	516,213	631,213	633,738	635,613
Facilities bond debt service (Newark), cap int	(219,390)	(516,213)	-	-	-
Facilities land rental (Newark)	192,000	192,000	192,000	192,000	192,000
Facilities land rental (Newark), project cost	(192,000)	(192,000)	-	-	-
Facilities costs	425,000	475,000	823,213	825,738	827,613
Gross revenues less total expenditures	479,416	446,652	137,539	332,536	482,109
Fund Balance, start of year	2,545,823	3,025,239	3,471,891	3,609,430	3,941,965
Gross revenues less total expenditures	479,416	446,652	137,539	332,536	482,109
Fund Balance, end of year	3,025,239	3,471,891	3,609,430	3,941,965	4,424,074

* Revised based on first half of fiscal year operations.

Coverage [Net income/Facilities rent at Harrison]	2.13	1.94		
Coverage [Net income/(bond debt service + land rental)]			1.17	1.40

INSURANCE

The School maintains a comprehensive insurance program including Comprehensive General Liability, Educator’s Legal Liability, Automobile, Excess Liability, Property and Workers Compensation and Employers’ Liability.

LITIGATION

Currently, the School is not involved in any pending, or to the knowledge of the School, threatened, litigation matters or disputes which, if determined adversely to the School, would have a material adverse affect on its financial condition.

APPENDIX A-2
Information Regarding the Borrower

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APPENDIX A-2

BWP SCHOOL PARTNERS LLC

GENERAL

BWP School Partners LLC (the “Borrower”) is a special purpose entity entirely owned and controlled by Build with Purpose, Inc. for the development and management of 746 Sanford Avenue, Newark, New Jersey (the “Charter School Site”). The Borrower has entered into a 40 year Lease Agreement with the owners of 746 Sanford Avenue; the Lease Agreement has 3 options that can extend the term of the Lease Agreement for a total of 99 years. Once the property has been renovated and expanded, the Borrower will sub-lease the Charter School Site to Lady Liberty Academy Charter School. The Borrower will be the Borrower of the 2013 Bond proceeds through a Loan Agreement with New Jersey Economic Development Authority.

BUILD WITH PURPOSE, INC.

Build with Purpose, Inc. (“BWP”) is a 501(c)(3) non-profit corporation formed in the State of New Jersey in 2004. BWP is a real estate development and consulting firm with a focus on community and economic development and was created to meet the specific and unique real estate needs of the non-profit sector and is committed to helping other non-profits build strong organizations and communities through innovative real estate development. BWP has worked extensively on the development of charter school facilities, supportive and special needs housing, helping organizations and individuals to build equity, and ensure long-term financial stability.

BWP has assisted more than two dozen organizations to plan for and implement their real estate strategies. Projects have ranged from the development of multi-million dollar charter school facilities, to providing business development and management guidance for startup special needs housing developers, to working with residents of manufactured housing parks to preserve their communities. BWP’s Gaining Ground initiative alone has spurred the development of nearly 20 charter school facilities statewide totaling more than \$110,000,000 in development costs and educating more than 6,000 students.

BWP’s work has led to state and national recognition. In 2007, BWP was awarded the New Jersey Department of Education Corporate Partnership Award recognizing BWP’s leadership, creativity and commitment to equality and excellence in public education and its efforts to support quality public school choice in the state. In 2008, BWP received national recognition from the National Resource Center on Charter School Finance and Governance for its Gaining Ground program which was profiled as one of ten promising practices for charter school finance on the National Resource Center’s website.

GOVERNANCE

The Board of Trustees of the Borrower is the same as for BWP and is responsible for making policy and business decisions related to the Borrower’s operations. The Board of Trustees currently consists of six (6) members. The Board’s officers consist of a President, a Secretary, and a Treasurer.

INSURANCE

The Borrower maintains a comprehensive insurance program including Comprehensive General Liability, Excess Liability, Property and Workers Compensation and Employers' Liability.

LITIGATION

Currently, neither the Borrower nor BWP is involved in any pending, or to the knowledge of the Borrower or BWP, threatened, litigation matters or disputes which, if determined adversely to the Borrower or BWP, would have a material adverse affect on its financial condition.

APPENDIX B

**Financial Statements of the School
for the Fiscal Year Ending June 30, 2011**

LADY LIBERTY ACADEMY CHARTER SCHOOL
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Independent Auditors' Report

The Honorable President and Members
of the Board of Trustees
Lady Liberty Academy Charter School
Harrison, New Jersey

We have audited the accompanying financial statements of the Governmental Activities, the Business-Type Activities, each major fund and the aggregate remaining fund information of the Lady Liberty Academy Charter School as of and for the fiscal year ended June 30, 2012 which collectively comprise the Charter School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The financial statements of the Charter School as of June 30, 2011, were audited by another auditor whose report dated January 6, 2012 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, the Business-Type Activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Lady Liberty Academy Charter School as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012 on our consideration of the Board of Trustees of the Lady Liberty Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Nisivoccia, LLP

NISIVOCCIA, LLP

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,683,540	\$ 84,853	\$ 2,768,393
Internal Balances	93,602	(93,602)	
Receivable from State Government	20,135	235	20,370
Receivable from Federal Government	607,444	16,903	624,347
Deposit for the Acquisition of New Facilities	200,000		200,000
Capital Assets, net			
Depreciable Leasehold Improvements	<u>150,237</u>		<u>150,237</u>
Total Assets	<u>3,754,958</u>	<u>8,389</u>	<u>3,763,347</u>
LIABILITIES			
Accounts Payable - Vendors	887,197		887,197
Payable to Local Governments	71,612		71,612
Deferred Revenue	<u>100,089</u>		<u>100,089</u>
Total Liabilities	<u>1,058,898</u>		<u>1,058,898</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	150,237		150,237
Unrestricted	<u>2,545,823</u>	<u>8,389</u>	<u>2,554,212</u>
Total Net Assets	<u>\$ 2,696,060</u>	<u>\$ 8,389</u>	<u>\$ 2,704,449</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenue			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:					
Instruction	\$ 3,474,342		\$ 1,196,260	\$ (2,278,082)	\$ (2,278,082)
General Administration Services	1,364,160		102,487	(1,261,673)	(1,261,673)
Support Services	2,844,823		320,437	(2,524,386)	(2,524,386)
Unallocated Depreciation	75,119			(75,119)	(75,119)
Total Governmental Activities	7,758,444		1,619,184	(6,139,260)	(6,139,260)
Business-Type Activities:					
Food Service	274,471	\$ 14,537	236,493	\$ (23,441)	(23,441)
After School Program	7,828	16,217		8,389	8,389
Total Business-Type Activities	282,299	30,754	236,493	(15,052)	(15,052)
Total Primary Government	\$ 8,040,743	\$ 30,754	\$ 1,855,677	(6,139,260)	(6,154,312)
General Revenue and Transfers:					
Local Property Taxes - Charter School Aid				6,686,106	6,686,106
Miscellaneous Income				238,442	238,442
Transfers				(16,175)	16,175
Total General Revenue and Special Items				6,908,373	16,175
Change in Net Assets				769,113	1,123
Net Assets - Beginning				1,926,947	7,266
Net Assets - Ending	\$ 2,696,060			\$ 8,389	\$ 2,704,449

LADY LIBERTY ACADEMY CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 2,683,540		\$ 2,683,540
Interfund Receivable	503,717	\$ 49,777	553,494
Intergovernmental Receivable:			
Federal		607,444	607,444
State	20,135		20,135
Deposit for the Acquisition of New Facilities	200,000		200,000
Total Assets	<u>\$ 3,407,392</u>	<u>\$ 657,221</u>	<u>\$ 4,064,613</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable - Vendors	\$ 789,957	\$ 97,240	\$ 887,197
Intergovernmental Payable:			
Local	71,612		71,612
Deferred Revenue		100,089	100,089
Interfund Payable	<u>459,892</u>		<u>459,892</u>
Total Liabilities	<u>861,569</u>	<u>657,221</u>	<u>1,518,790</u>
Fund Balances:			
Assigned:			
Year-end Encumbrances	42,414		42,414
Unassigned	<u>2,503,409</u>		<u>2,503,409</u>
Total Fund Balances	<u>2,545,823</u>		<u>2,545,823</u>
Total Liabilities and Fund Balances	<u>\$ 3,407,392</u>	<u>\$ 657,221</u>	<u>\$ 4,064,613</u>
Amounts Reported for <i>Governmental Activities</i> in the <i>Statement of Net Assets</i> (Exhibit A-1) are different because:			
Total Fund Balances - Governmental Funds (Above)			\$ 2,545,823
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$225,356 and the accumulated depreciation is \$75,119.			<u>150,237</u>
Net Assets - Governmental Activities (Exhibit A-1)			<u>\$ 2,696,060</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Charter School Aid - Local Share	\$ 856,491		\$ 856,491
Charter School Aid - State Share	5,829,615		5,829,615
Miscellaneous	232,809	\$ 5,633	238,442
Total - Local Sources	<u>6,918,915</u>	<u>5,633</u>	<u>6,924,548</u>
State Sources	904,053		904,053
Federal Sources		715,130	715,130
Total Revenue	<u>7,822,968</u>	<u>720,763</u>	<u>8,543,731</u>
EXPENDITURES:			
Current:			
Instruction	2,664,321	478,679	3,143,000
General Administration	1,019,589	242,084	1,261,673
Support Services	2,984,185		2,984,185
Unallocated Benefits	517,814		517,814
Capital Outlay	2,008		2,008
Total Expenditures	<u>7,187,917</u>	<u>720,763</u>	<u>7,908,680</u>
Transfer to Food Service Fund	(16,175)		(16,175)
Excess of Revenue over Expenditures and Transfers		618,876	618,876
Fund Balance—July 1	<u>1,926,947</u>		<u>1,926,947</u>
Fund Balance—June 30	<u>\$ 2,545,823</u>	<u>\$ - 0 -</u>	<u>\$ 2,545,823</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$ 618,876
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Amounts Reported for *Governmental Activities* in the *Statement of Activities* (Exhibit A-2) are Different Because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the *Statement of Activities*, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Additions	\$ 225,356
Depreciation expense	<u>(75,119)</u>
	150,237

Change in Net Assets (Exhibit A-2)	<u>\$ 769,113</u>
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LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

Business-Type Activities -	
Enterprise Funds	
Non-Major Funds	

ASSETS:

Current Assets:		
Cash and Cash Equivalents	\$	84,853
Accounts Receivable:		
State		235
Federal		16,903
		<hr/>
Total Current Assets		101,991
		<hr/>
Total Assets		101,991

LIABILITIES:

Current Liabilities:		
Interfund Payable		93,602
		<hr/>
Total Current Liabilities		93,602

NET ASSETS:

Unrestricted		8,389
Total Net Assets	\$	8,389
		<hr/>

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities -	
	Enterprise Funds	
	Non-Major Funds	
Operating Revenue:		
Local Sources:		
Daily Sales - Non-Reimbursable Programs	\$ 14,537	
Before and After School Revenue	<u>16,217</u>	
Total Operating Revenue	<u>30,754</u>	
Operating Expenses:		
Cost of Sales	250,519	
Salaries and wages	7,770	
Supplies and Materials	23,952	
Miscellaneous	<u>58</u>	
Total Operating Expenses	<u>282,299</u>	
Operating Income/(Loss)	<u>(251,545)</u>	
Non-Operating Revenue:		
State Sources:		
State School Lunch Program	3,264	
Federal Sources:		
National School Breakfast Program	53,353	
National School Lunch Program	156,223	
Fresh Fruits and Vegetable Program	<u>23,653</u>	
Total Non-Operating Revenue	<u>236,493</u>	
Net Loss Before Operating Transfers	<u>(15,052)</u>	
Operating Transfer - General Fund	<u>16,175</u>	
Change in Net Assets	1,123	
Net Assets - Beginning of Year	<u>7,266</u>	
Net Assets - End of Year	<u>\$ 8,389</u>	

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities -	
	Enterprise Funds	
	Non-Major Funds	
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 30,754	
Payments to Employees	(7,828)	
Payments to Suppliers	<u>(230,646)</u>	
Net Cash Provided by /(Used for) Operating Activities	<u>(207,720)</u>	
Cash Flows from Noncapital Financing Activities:		
Cash Received from State and Federal Reimbursements	247,126	
Cash Received from Operating Transfers	<u>16,175</u>	
Net Cash Provided by Noncapital Financing Activities	<u>263,301</u>	
Net Increase/(Decrease) in Cash and Cash Equivalents	55,581	
Cash and Cash Equivalents, July 1	<u>29,272</u>	
Cash and Cash Equivalents, June 30	<u>\$ 84,853</u>	
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:		
Operating Income/(Loss)	\$ (251,545)	
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:		
Changes in Assets and Liabilities:		
Increase/(Decrease) in Interfund Payable	<u>43,825</u>	
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (207,720)</u>	

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Agency	Unemployment Compensation	Trust
ASSETS:			
Cash and Cash Equivalents	\$ 28,988	\$ 52,369	
Total Assets	<u>\$ 28,988</u>	<u>\$ 52,369</u>	
LIABILITIES:			
Interfund Payable	\$ 9,922		
Payroll Deductions and Withholdings	<u>19,066</u>		
Total Liabilities	<u>28,988</u>		
NET ASSETS			
Held in Trust for Unemployment Claims			52,369
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 52,369</u>	

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Unemployment Compensation Trust
ADDITIONS:	
Investment Earnings:	
Interest	\$ 78
Total Additions	<u>78</u>
Change in Net Assets	78
Net Assets - Beginning of the Year	<u>52,291</u>
Net Assets - End of the Year	<u>\$ 52,369</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Trustees (the "Board") of the Lady Liberty Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Lady Liberty Academy Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Lady Liberty Academy Charter School Board of Trustees is responsible for the fiscal control of the Lady Liberty Academy Charter School. An Executive Director is appointed by the Lady Liberty Academy Charter School and is responsible for the administrative control of the Charter School. Under existing statutes, the Lady Liberty Academy Charter School's duties and powers include, but are not limited to the development and adoption of a program; the establishment, organization and operation of a school; and the acquisition, maintenance and disposition of school property.

The Lady Liberty Academy Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and schools by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the Charter School's Governmental Activities. These statements include the financial activities of the overall Charter School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation:

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Charter School's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements:

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The Fund financial statements provide information about the Charter School's funds, including its Fiduciary Funds. Separate statements for each fund category - *Governmental, Proprietary and Fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey schools to treat each Governmental Fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all Governmental Funds as major is important for public interest and to promote consistency among school financial reporting models.

The Charter School reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, School taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation:

Fund Financial Statements:

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from state and federal governments (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

The Charter School reports the following proprietary funds:

Enterprise (Food Service and Before and After School Program) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Charter School's cafeteria and child care operations. The Food Service Fund and School Age Child Care Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes the Payroll Agency and Unemployment Trust Funds.

C. Measurement Focus and Basis of Accounting

The Charter School-Wide financial statements, the Proprietary and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Charter School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes (in the form of Charter School Aid) is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the Governmental Funds to be available if the revenue is collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

It is the Charter School's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the Charter School the entire balance of aid in the amount reported to each district by the State Department of Education. The Charter School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the Charter School's Proprietary Funds are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. There were no encumbrances in the Special Revenue Fund at June 30, 2012 or 2011.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 7,822,968	\$ 720,763
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,822,968</u>	<u>\$ 720,763</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 7,187,917</u>	<u>\$ 720,763</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 7,187,917</u>	<u>\$ 720,763</u>

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

Transfers between Governmental and Business-Type Activities on the Charter School-Wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the Governmental Funds and after non-operating revenues/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On the Fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Assets, except for amounts due between Governmental and Business-Type Activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in the Governmental Funds other than the Special Revenue Fund are reported as restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenue at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses which benefit future periods, other than those recorded in the Enterprise Funds, are recorded as expenditures during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the Enterprise Funds represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the Charter School's initial year a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The Charter School does not possess any infrastructure. The Charter School has reviewed capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-Wide statements are as follows:

	<u>Estimated Useful Life</u>
Leasehold Improvements	40 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years

In the Fund financial statements, capital assets used in Governmental Fund operations are accounted for as capital outlay expenditures in the Governmental Funds upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the Fund financial statements.

L. Long Term Liabilities:

In the Charter School-Wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in Governmental Activities.

In the Charter School-Wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

M. Accrued Salaries and Wages:

The Charter School allows employees who provide services to the Charter School over the ten-month academic year the option to have their salaries evenly disbursed during the entire twelve-month year; therefore, as of June 30, 2012, there was \$487,527 of accrued salaries and wages for contractual salaries that were paid to employees during July and August 2012.

N. Deferred Revenue:

Deferred revenue represents cash and/or commodities which have been received but not yet earned.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. Fund Balance Appropriated:

General Fund: Of the \$2,545,823 General Fund balance at June 30, 2012, \$42,414 is assigned for year-end encumbrances, and \$2,503,409 is unassigned.

P. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Fund Balance Restrictions, Commitments and Assignments:

The Charter School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by clarifying the existing Governmental Fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in Governmental Funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has no restricted fund balance at June 30, 2012.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2012.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Fund Balance Restrictions, Commitments and Assignments:

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has \$42,414 of assigned resources for year-end encumbrances in the General Fund at June 30, 2012.

R. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes (Charter School Aid), grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest and tuition.

S. Revenue – Operating Revenue and Expenses

Operating revenue are those revenues that are generated directly from the primary activities of the Enterprise Funds. For the Charter School, these revenues are sales for Food Service and Before and After School Care. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

T. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the Governmental Funds statements and Charter School-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Charter School classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Charter School ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as follows.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

New Jersey statutes permit the Charter School to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2012, cash and cash equivalents and investments of the Charter School consisted of the following:

	Cash and Cash Equivalents
Checking & Savings Accounts	<u>\$ 2,849,750</u>

During the period ended June 30, 2012, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents and investments at June 30, 2012, was \$2,849,750 and the bank balance was \$2,861,225.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2012 were as follows:

	(Restated)			
	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental Activities:				
Leasehold Improvements	\$ 225,356			\$ 225,356
Total Capital Assets Being Depreciated	225,356			225,356
Governmental Activities Capital Assets	225,356			225,356
Less Accumulated Depreciation for:				
Building Improvements	(75,119)			(75,119)
Total Accumulated Depreciation	(75,119)			(75,119)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ -0-	\$ 150,237	\$ -0-	\$ 150,237

Depreciation expense in the amount of \$75,199 was charged to the unallocated governmental function.

NOTE 5. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers Pensions and Annuity Fund (T.P.A.F.) and the Public Employees' Retirement System (P.E.R.S.), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits thought the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributed to P.L. 1992, c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the Charter School amounted to \$180,503, \$172,334, and \$-0- for 2012, 2011, and 2010, respectively.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 6. OPERATING LEASE

The Lady Liberty Academy Charter School leases its temporary facilities in Harrison from Holy Cross Church on an annual basis. Lease payments during the current fiscal year were \$375,000. Lease payments for the 2012-2013 fiscal year are \$425,000 and have not yet been determined for the 2013-2014 fiscal year.

NOTE 7. PENSION PLANS

Substantially all of the Charter School's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee, are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.50% to 6.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the Charter School is a noncontributing employer of the TPAF.

Charter School contributions to PERS amounted to \$82,139, \$57,253 and \$43,238 for the fiscal years ended June 30, 2012, 2011 and 2010 respectively.

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$89,791 to the TPAF for pension benefits on behalf of the Charter School. During the fiscal years ended June 30, 2011 and 2010, the State of New Jersey made no contributions to the TPAF for pension benefits on-behalf of the Charter School.

NOTE 8. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

The Charter School provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 8. RISK MANAGEMENT

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Charter School’s expendable trust fund for the current and previous year.

Fiscal Year	Employee Contributions	Interest	Amount Reimbursed	Ending Balance
2011-2012		\$ 78		\$ 52,369
2010-2011	\$ 52,291			52,291

Property and Liability Insurance

The Charter School is a member of the New Jersey School Boards Association Insurance Group (the “Group”). This public entity risk management pool provides general liability, property and automobile coverage and workers’ compensation coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the Charter School could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group’s liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Selected, summarized financial information for the Group as of June 30, 2011 is as follows:

	NJ School Board's Association Insurance Group (NJSBAIG)
Total Assets	\$ 253,890,161
Net Assets	\$ 62,802,257
Total Revenue	\$ 83,993,678
Total Expenses	\$ 79,175,491
Change in Net Assets	\$ 4,818,187
Net Assets Distribution to Participating Members	\$ - 0 -

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

Financial statements for the Group are available at the Group's Executive Director's Office:

New Jersey School Boards Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060
www.njsbaig.org

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 503,717	
Special Revenue Fund	49,777	\$ 459,892
Proprietary Fund		93,602
	<u><u>\$ 553,494</u></u>	<u><u>\$ 553,494</u></u>

The interfund payable in the Special Revenue Fund is the amount of cash advanced from the General Fund to the Special Revenue Fund while awaiting federal grant reimbursements. The interfund payable from the Proprietary Fund to the General Fund is for funds advanced. The interfund between the Proprietary Fund and the Special Revenue Fund represents a prior year balance which has not been repaid.

NOTE 10. ECONOMIC DEPENDENCY

The Charter School receives a substantial amount of its support from federal, state and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Charter School's programs and activities.

NOTE 11. DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable Financial Companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 12. DEPOSIT FOR THE ACQUISITION OF NEW FACILITIES

The Charter School has partnered with Build With Purpose (a nonprofit real estate development company) to secure new facilities for the Charter School. Build With Purpose expects to secure financing in January 2013 for the purchase and renovation of a building in Newark which it will lease to the Charter School. As part of the agreement, the Charter School will contribute \$400,000 toward the renovation of the building, of which \$200,000 was paid during the current fiscal year. The remaining \$200,000 will be paid during the 2012-2013 fiscal year. These deposits are reported as assets in the Charter School's financial statements and will be transferred to capital assets as leasehold improvements when the renovations are complete and the Charter School occupies the building (which is expected to be in July 2014).

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES

Grant Programs

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The Charter School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the Charter School.

Encumbrances

The Charter School has encumbrances recorded as of June 30, 2012 in the amount of \$42,414.

NOTE 14. PRIOR PERIOD ADJUSTMENTS

The Charter School made prior year adjustment in the Charter School-Wide Financial Statements to correct the value of Capital Assets and Net Assets - Invested in Capital Assets, Net of Related Debt reported in its Governmental Activities as of June 30, 2011. The financial statements for June 30, 2011 have been restated as follows:

	Balance 6/30/11 as Previously Reported	Retroactive Adjustments	Balance 6/30/11 as Restated
Statement of Net Assets:			
Governmental Activities:			
Assets:			
Capital Assets	\$ 396,117	\$ (396,117)	
Total Assets	<u>3,559,124</u>	<u>(396,117)</u>	<u>\$ 3,163,007</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	396,117	(396,117)	
Total Net Assets	<u>\$ 2,323,064</u>	<u>\$ (396,117)</u>	<u>\$ 1,926,947</u>

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APPENDIX C
Loan Agreement

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LOAN AGREEMENT

By and Between

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

and

BWP SCHOOL PARTNERS LLC

Dated as of February 1, 2013

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LOAN AGREEMENT

(Lady Liberty Academy Charter School, Inc. Project), Series 2013

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Schedule A Property Description

Exhibit A	Form of Note
Exhibit B	Form of Requisition
Exhibit C	Borrower's Completion Certificate
Exhibit D	Post Issuance Compliance Guide

LOAN AGREEMENT

THIS LOAN AGREEMENT dated as of February 1, 2013 by and between the **NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY** (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey and **BWP SCHOOL PARTNERS LLC**, a limited liability company organized and existing under the laws of the State of New Jersey and authorized to do business in the State of New Jersey (as defined below, the "Borrower").

WHEREAS, the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Pamphlet Laws of 1974 of the State of New Jersey, approved on August 7, 1974, as amended and supplemented, (the "Act") declares it to be in the public interest and to be the policy of the State of New Jersey (the "State") to foster and promote the economy of the State, increase opportunities for gainful employment and improve living conditions, assist in the economic development or redevelopment of political subdivisions within the State, and otherwise contribute to the prosperity, health and general welfare of the State and its inhabitants by inducing manufacturing, industrial, commercial, recreational, retail, service and other employment promoting enterprises to locate, remain or expand within the State by making available financial assistance; and

WHEREAS, the Authority, to accomplish the purposes of the Act, is empowered to extend credit to such employment promoting enterprises in the name of the Authority on such terms and conditions and in such manner as it may deem proper for such consideration and upon such terms and conditions as the Authority may determine to be reasonable; and

WHEREAS, the Borrower has applied to the Authority for financial assistance in the total aggregate principal amount of up to \$11,000,000, the proceeds to be used to pay for (i) the acquisition of a long term interest in, and renovations to, an existing school building at 746 Sandford Avenue, in the City of Newark, County of Essex, New Jersey, and (ii) the construction of 23,000 sq. ft. of additional space, to be used by Lady Liberty Academy Charter School, Inc. (hereinafter collectively referred to as the "Project"); and

WHEREAS, the Authority has by resolution, duly adopted in accordance with the Act on September 13, 2012, accepted the Application for Financial Assistance of the Borrower and made certain findings and determinations with respect to the Project, and by resolution, duly adopted in accordance with the Act on October 9, 2012, authorized the issuance of up to \$11,000,000 total aggregate principal amount of its Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 for the purpose of making a loan to the Borrower to finance the costs of the Project; and

WHEREAS, the Bonds to finance the Project, will be issued on the Issue Date (as defined herein) in the aggregate principal amount of \$10,010,000, and shall consist of Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project) Series 2013 A (Tax-Exempt) in the aggregate principal amount of \$9,620,000 and Charter School Revenue

Bonds (Lady Liberty Academy Charter School, Inc. Project) Series 2013 B (Taxable) in the aggregate principal amount of \$390,000; and

WHEREAS, the Authority contemporaneously with the execution and delivery of this Loan Agreement shall enter into a Trust Indenture dated as of February 1, 2013 (the “Indenture”) wherein the Authority has assigned certain of its rights under this Loan Agreement to the Trustee under the Indenture for the benefit of the Holders from time to time of the Bonds; and

WHEREAS, the execution and delivery of this Loan Agreement have been duly authorized by the parties hereto and all conditions, acts and things necessary and required by the Constitution or statutes of the State of New Jersey or otherwise to exist, to have happened, or to have been performed precedent to or in the execution and delivery of this Loan Agreement do exist, have happened and have been performed.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and representations herein, and intending to be legally bound, the parties hereto hereby mutually agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. **Definitions.** As used herein, the following terms shall have the following meanings unless a different meaning clearly appears from the context, and terms not otherwise defined herein shall have the meaning provided in the Indenture:

“Act” shall mean the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Pamphlet Laws of 1974 of the State, approved on August 7, 1974, as amended and supplemented;

“Additional Bonds” means any Bonds or series of Bonds, authenticated and delivered under the Indenture;

“Additional Indebtedness” means any additional Indebtedness incurred by the Borrower, including Indebtedness represented by Additional Bonds, subsequent to the issuance of the Bonds;

“Additional Series Note” shall mean the additional series note or notes executed and delivered by the Borrower in a principal amount equal to the corresponding series of Additional Bonds;

“Affirmative Action Requirements” or “Affirmative Action Program” and “Prevailing Wage Requirements”, “Prevailing Wage Provision” means the requirements of the Authority set forth in the Authority Regulations and any other affirmative action and prevailing wage requirements of the Authority from time to time announced, as the same may from time to time be revised, amended or supplemented;

“Application” shall mean the Borrower's Application for Financial Assistance to the Authority, dated July 19, 2012, seeking financial assistance for the Project, and all attachments, exhibits, correspondence and modifications submitted in writing to the Authority in connection with said Application;

“Article” shall mean a specified article hereof, unless otherwise indicated;

“Assignment of Leases” means the Assignment of Leases from the Borrower to the Authority dated February 28, 2013;

“Authority” shall mean the New Jersey Economic Development Authority, a public body corporate and politic constituting an instrumentality of the State, exercising public and essential governmental functions, and its successors and assigns;

“Authorized Authority Representative” shall mean any officer or officers duly authorized by the Authority to act on its behalf as set forth in the definition of Authority Officer in the Indenture;

“Authorized Borrower Representative” shall mean any officer duly authorized by the Borrower in writing to act on its behalf, including the President, any Vice President, the Secretary, the Treasurer, and the Assistant Treasurer of the Borrower and any Person designated to manage the operations of the Borrower;

“Authorized Regulations” shall mean the regulations of the Authority promulgated pursuant to the Act from time to time in effect;

“Bond” or “Bonds” shall collectively mean the Authority's Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 in the total aggregate principal amount of \$10,010,000, authenticated and delivered pursuant to the Indenture, including any Additional Bonds authenticated pursuant to the Indenture and any Bonds issued in replacement for any Bonds issued pursuant to the Indenture;

“Bond Counsel” means Wolff & Samson PC, or any other attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds;

“Bondholder”, “Holder” or “Registered Owner” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Bond or Bonds, respectively;

“Bond Proceeds” shall mean the amount paid to the Authority by the Underwriter as the purchase price of the Bonds, and accrued interest;

“Bond Purchase Agreement” shall mean the bond purchase agreement dated February 20, 2013 among the Underwriter, the Authority and the Borrower;

“Bond Redemption Fund” or “Redemption Fund” shall mean the Redemption Fund established under Section 5.06 of the Indenture;

“Bond Year” when used in the context of the rebate requirement imposed under Section 148(f) of the Code means, with respect to the first Bond Year, the period beginning on the date of issuance of the Bonds, i.e., the date of initial delivery of the Bonds in exchange for the issue price from the Underwriter, and ending on the date one (1) year later or the close of business of such earlier date selected by the Authority at the direction of the Borrower which is the last day of a compounding interval used in computing the Yield on a series of Tax Exempt Bonds. Each subsequent Bond Year begins on the day after the expiration of the preceding Bond Year;

“Borrower” shall mean BWP School Partners LLC, a New Jersey limited liability company (and its successors or assigns), whose sole member is Build With Purpose, Inc., a New Jersey non-profit organization authorized to do business in the State of New Jersey;

“Borrower's Completion Certificate” shall mean the certificate described in Section 3.04, executed by the Borrower in form and substance acceptable to the Authority, wherein the Borrower certifies as to such matters as the Authority shall require, the form of which is attached as Exhibit C hereto;

“Business Day” means any day upon which the Trustee is not authorized or required by law or executive order to remain closed and on which the New Jersey Stock Exchange remains open;

“Certificate” means a certificate or report executed: (a) in the case of an Authority Certificate, by an Authorized Authority Representative; (b) in the case of a Borrower Certificate, by an Authorized Borrower Representative; and (c) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person;

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder from time to time in effect;

“Collateral” means the security for the obligations of the Borrower hereunder and under the Note, including the Mortgage, the Assignment of Leases and the remainder of the Trust Estate (as defined in the Indenture);

“Completion Date” shall mean the date of completion of the Project as stated in the Borrower's Completion Certificate described in Section 3.04;

“Construction Contract” shall mean, for purposes of the Prevailing Wage Provision of the Authority, any contract or subcontract in the amount of \$2,000 or more for construction, reconstruction, demolition, alteration, repair, or maintenance work, including painting and decorating, undertaken in connection with the Project Facilities and shall mean, for purposes of the Affirmative Action Program, any contract or subcontract for construction, reconstruction, renovation or rehabilitation undertaken in connection with the Project Facilities;

“Consultant” means an Independent, nationally recognized consulting firm which is appointed by the Borrower for the purpose of passing on questions relating to its financial affairs, management or operations, has a favorable reputation for skill and experience in performing similar services in respect of entities of a comparable size and nature and is not unsatisfactory to the Authority;

“Contractor” shall mean the principal or general contractor or contractors engaged by the Borrower in the performance of a Construction Contract;

“Counsel for the Borrower” shall mean the law firm of E Glanz Associates, Basking Ridge, New Jersey;

“County” shall mean the County of Essex, State of New Jersey;

“Debt Service” shall mean the scheduled amount of interest and amortization of principal payable for any Bond Year with respect to the Bonds as defined in Section 148(d)(3)(D) of the Code;

“Determination of Taxability” shall have the meaning set forth in the Indenture;

“Disclosure Agreement” shall have the meaning given such term in Section 6.17 hereof;

“Event of Default” shall mean any event of default as defined in Section 8.01;

“Fiscal Year” shall mean (12) months ending December 31st or such other twelve month period as the Borrower should determine;

“Funds” shall mean collectively, the Project Fund, Revenue Fund, Rebate Fund, Redemption Fund, Debt Service Fund, Debt Service Reserve Fund and Repair and Replacement Fund;

“General Certificate of the Authority” shall mean the General Certificate of the Authority which is made a part of the Record of Proceedings;

“Gross Proceeds” shall with respect to the Tax Exempt Bonds have the meaning given it in Section 148(f)(6)(B) of the Code, presently including, without limitation, the original proceeds of the Bonds, investment proceeds, amounts held in a sinking fund, amounts invested in a Reasonably Required Reserve or Replacement Fund (as defined in Section 148(d) of the Code), any amounts used to pay Debt Service on the Tax Exempt Bonds and any amounts received as a result of investing any of the foregoing. Gross Proceeds shall not include Gross Proceeds held in a bona fide debt service fund to the extent that the earnings on such fund do not exceed \$100,000 in any one Bond Year;

“Indebtedness” means all obligations for payment of principal and interest with respect to money borrowed, incurred or assumed by the Borrower, and all purchase money mortgages, financing or capital leases, installment purchase contracts, or other similar instruments in the nature of a borrowing by which the Borrower will be unconditionally obligated to pay;

The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, and any similar terms, refer to this Loan Agreement; the term “heretofore” means before the date of execution of this Loan Agreement; and the term “hereafter” means after the date of execution of this Loan Agreement;

“Indemnified Parties” shall mean the State, the Authority, the Underwriter, the Trustee, the Paying Agent, any Person who “controls” the State, the Authority, the Paying Agent, the Underwriter or the Trustee within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, and any member,

officer, official, director, employee, agent or attorney of the Authority, the Underwriter, the State, the Paying Agent or the Trustee;

“Indenture” shall mean the trust indenture dated as of February 1, 2013 by and between the Authority and the Trustee with respect to the Bonds;

“Independent” means (a) in the case of an individual, one who is not a member of the governing body of the Authority or the Borrower or an officer or employee of the Authority or the Borrower, and (b) in the case of a partnership, corporation or association, one which does not have a partner, director, officer, member or substantial stockholder who is a member of the governing body of the Authority or the Borrower or an officer or employee of the Authority or the Borrower; provided, however, that the fact that a Person is retained regularly by or transacts business with the Authority or the Borrower shall not make such Person an employee within the meaning of this definition;

“Interest Payment Date” shall be mean each February 1 and August 1, commencing August 1, 2013;

“Issue Date” shall mean February 28, 2013;

“Lien” means any mortgage, pledge, security interest, lien, judgment lien, easement, or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any Property of the Borrower which secures any Indebtedness or any other obligation of the Borrower, or which secures any obligation of any Person other than an obligation to the Borrower, excluding liens applicable to Property in which the Borrower has only a leasehold interest unless the lien secures Indebtedness of the Borrower or an obligation of any Person other than an obligation to the Borrower;

“Limited Offering Memorandum” shall collectively mean the Preliminary Limited Offering Memorandum of the Authority relating to the Bonds dated January 29, 2013 and the final Limited Offering Memorandum of the Authority relating to the Bonds dated February 28, 2013;

“Loan” shall mean the loan from the Authority to the Borrower in the aggregate principal amount of \$10,010,000, under the terms and conditions provided for herein;

“Loan Agreement” or “Agreement” shall mean this Loan Agreement;

“Loan Documents” shall mean any or all of this Loan Agreement, the Indenture, the Note, the Mortgage, the Assignment of Leases, the Sublease and the Prime Lease;

“Mortgage” shall mean the Leasehold Mortgage and Security on Borrower’s leasehold interest in the Project Facilities, and all the improvements on the land and any buildings located on the property, described in Schedule A hereto, dated February 28, 2013 executed by the Borrower, as Mortgagor and given to the Authority, as Mortgagee;

“Net Proceeds” shall mean the Bond Proceeds less any amounts placed in a Reasonably Required Reserve or Replacement Fund (as defined in Section 148(d) of the Code);

“Non-Purpose Obligations” shall mean any “investment property” (within the meaning of Section 148(b)(2) of the Code) which is (i) acquired with the Gross Proceeds of the Tax Exempt Bonds and (ii) not acquired in order to carry out the governmental purpose of the Tax Exempt Bonds;

“Note” shall mean the Note given by the Borrower to the Authority on the Issue Date, substantially in the form of Exhibit A attached hereto, together with any Additional Series Notes delivered to the Authority in conjunction with the issuance of Additional Bonds;

“Obligations” shall mean the obligations of the Borrower created pursuant to the Loan Documents and secured by the Loan Documents;

“Outstanding” shall have the meaning set forth in the Indenture;

“Paragraph” shall mean a specified paragraph of a Section, unless otherwise indicated;

“Permitted Investments” shall have the meaning given in the Indenture;

“Person” or “Persons” shall mean any individual, corporation, partnership, joint venture, trust, or unincorporated organization, or a governmental agency or any political subdivision thereof;

“Prime Lease” shall mean the lease from St. John Ukrainian Church to the Borrower dated June 8, 2012 and the Tri-Party Agreement by and among the Borrower, the School and the aforesaid Church regarding parking spaces;

“Project” shall have the meaning set forth in the recitals hereto;

“Project Facilities” means the improvements and the buildings located on the property described in Schedule A hereto;

“Project Fund” shall mean the fund so designated and established pursuant to Section 4.01 of the Indenture;

“Project Municipality” shall mean the City of Newark, County of Essex, State of New Jersey;

“Proper Charge” means: (i) costs of issuance of the Bonds, attorneys' fees, printing costs, Trustee's fees and similar expenses paid in connection with the Project Facilities, not exceeding 2% of the aggregate face amount of the Bonds; and (ii) with respect to the proceeds of the Tax Exempt Bonds an expenditure for the acquisition, rehabilitation and expansion of the Project Facilities paid and incurred within the period commencing not earlier than 60 days prior to

September 13, 2012 (unless an expenditure is a “preliminary expenditure” as defined in Treasury Regulations Section 1.150-2), including for the acquisition or improvement of land or the acquisition, construction, reconstruction or improvement of property of a character subject to the allowance for depreciation under the Code;

“Property” means any and all rights, titles and interests of the Borrower in and to any and all property whether real or personal, tangible or intangible and wherever situated at the Project Facilities;

“Property, Plant and Equipment” means all Property of the Borrower which is plant, property and equipment under generally accepted accounting principles;

“Qualified Administrative Costs” means, with respect to the proceeds of the Tax Exempt Bonds, all reasonable, direct administrative costs (other than carrying costs) such as separately stated brokerage or selling commissions, but not legal and accounting fees, record keeping, custody and similar costs. General overhead costs and similar indirect costs of the Borrower such as employee salaries and office expenses and costs associated with computing the Rebate Amount are not Qualified Administrative Costs. In general, administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same Investment or a reasonably comparable Investment if acquired with a source of funds other than gross proceeds of Tax-Exempt bonds;

“Rebate Expert” means any of the following chosen by the Borrower: (a) Bond Counsel, (b) any nationally recognized firm of certified public accountants, (c) any reputable firm which offers to the tax-exempt bond industry rebate calculation services and holds itself out as having expertise in that area, or (d) such other person as is approved by Bond Counsel;

“Rebate Fund” shall mean the special fund maintained by the Trustee at its offices and established for the deposit of the amounts to be paid to the United States on behalf of the Authority pursuant to Section 3.06 hereof and described in Section 5.10 of the Indenture;

“Record of Proceedings” shall mean the Loan Documents, the Bond Purchase Agreement, certificates, affidavits, opinions and other documentation executed in connection with the sale of the Bonds and the making of the Loan;

“Regulations” shall mean the regulations (whether permanent or temporary) promulgated by the Internal Revenue Service and Department of the Treasury pursuant to the Code;

“Related Person” shall mean a related person within the meaning Section 147(a) of the Code;

“Requisition Form” shall mean the form of requisition required by Section 3.02(a) as a condition precedent to the disbursement of moneys from the Project Fund, in substantially the form attached hereto as Exhibit B and made a part of the Record of Proceedings;

“Reserved Rights” means the rights of the Authority to receive payments and notices under the Loan Agreement or any other Loan Document, to consent to any amendments, modifications or supplements to the Loan Agreement or any other Loan Document, to enforce pursuant to Article VIII hereof the Defaults and Remedies herein and the covenants or other provisions in the Loan Agreement under the following Sections of the Loan Agreement: 2.01(d) (Payments Under Agreement), 2.04 (Assignment of Authority’s Rights), 3.01 (Application of Bond Proceeds), 3.02 (Disbursements from the Project Fund), 3.03 (No Liability of Authority or Trustee), 3.04 (Establishment of Completion Date), 5.06 (Important Inducement), 5.07 (No Untrue Statements), 5.08 (No Action), 6.01 (Access to the Project and Inspection), 6.02 (Further Assurance and Corrective Instruments), 6.03 (Recording and Filing; Other Instruments), 6.04 (Compliance with Code, Arbitrage and Rebate Regulations), 6.05 (Administrative Expenses), 6.06 (Indemnity Against Claims), 6.07 (Indemnification of Authority and Trustee), 6.08 (Additional Information), 6.09 (Maintain Existence), 6.10 (Use of Project), Section 6.11 (Change in Location), 6.12 (Additional Reporting Requirements), 6.13 (Observe Laws), 6.14 (Number of Employees), 6.15 (Maintain Existence, Merge, Sell, Transfer), 6.16 (Approval of Tenants by the Authority), 6.17 (Continuing Disclosure), 6.18 (Brokerage Fee), 6.19 (Perform Covenants Under Indenture), 7.01 (Preservation of Corporate Existence, Business and Property), 7.02 (Insurance Required), 7.03 (General Requirements Applicable to Insurance), 7.04 (Payment of Taxes), 7.05 (Compliance with Applicable Laws), 7.06 (Financial Statements), 7.07 (Mergers, etc.), 7.08 (Assignment of Loan Agreement), 7.09 (Transfer of Project Facilities), 7.11 (Covenant by the Company as to Compliance with the Indenture), 7.12 (Payment of Prevailing Wage), 7.13 (Compliance with the Affirmative Action and Prevailing Wage Requirements), 8.01 (Events of Default), 8.02 (Remedies), 8.05 (Agreement to Pay Attorney’s Fees and Expenses), 8.07 (Authority May File Claim in Bankruptcy), 9.01 (Notices), 9.03 (Expenses and Fees), 9.05 (Modification or Amendment in Writing), 9.07 (Assignment of Loan Documents), 9.08 (Further Assurances and Corrective Instruments); the environmental indemnities and environmental representations, warranties and covenants contained in the Mortgage; and the right to redeem the Bonds in accordance with the Loan Agreement and the Indenture. These Reserved Rights have been assigned to the Trustee but are also held and retained by the Authority concurrently with the Trustee and may be exercised and enforced whether or not the Trustee shall have exercised or shall have purported to exercise such rights and remedies, without limiting the obligation of the Trustee to do so;

“Resolution” shall mean collectively the resolution of the Authority dated September 13, 2012, accepting the Application for Financial Assistance and making certain findings and determinations with respect to the Project and the resolution of the Authority dated October 9, 2012, authorizing the issuance and sale of the Bonds and determining other matters in connection therewith;

“Revenue Fund” shall mean the fund so designated and established pursuant to Section 5.03 of the Indenture;

“School” shall mean Lady Liberty Academy Charter School, Inc.;

“Section” shall mean a specified section hereof, unless otherwise indicated;

“State” shall mean the State of New Jersey;

“Series A Bonds” shall mean the Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 A (Tax Exempt) in the aggregate principal amount of \$9,620,000;

“Series B Bonds” shall mean the Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 B (Taxable) in the aggregate principal amount of \$390,000;

“Subcontractor” shall mean any Person engaged by a Contractor or a Subcontractor in the performance of any Construction Contract;

“Sublease” shall mean the lease for the Project Facilities between the Borrower and the Lady Liberty Academy Charter School, Inc., dated as of February 28, 2013;

“Tax Certificate” shall mean the certificate executed by the Borrower in form and substance acceptable to the Authority, wherein the Borrower certifies as to such matters as the Authority shall require;

“Tax Event” shall have the meaning set forth in Section 6.04(p) hereof;

“Trustee” shall mean U.S. Bank National Association, or any successor thereto appointed under the terms of the Indenture;

“Underwriter” shall mean RBC Capital Markets, LLC;

“Yield” shall mean a yield as shall be determined under Section 1.148-4 of the Treasury Regulations;

“Yield Reduction Payments” means payments made to the United States with respect to any Nonpurpose Investment allocated to the Tax Exempt Bonds that (i) are paid at the same time and in the same manner as Rebate Amounts are required to be paid and (ii) are paid with respect to Investments that are allocable to Gross Proceeds that previously qualified for a temporary investment period that has since expired.

ARTICLE II

PAYMENTS UNDER LOAN AGREEMENT

Section 2.01. Payments Under this Agreement. The Borrower agrees to pay to the Trustee, as the assignee of the Authority, the following sums at the following times:

(a) (i) On the Series A Bonds, on or before the first day of August, 2019 and the first day of each August thereafter, the amount which is necessary for the payment of the principal of the Bonds becoming due on such principal maturity or mandatory redemption payment date, subject to credit for other available funds in the manner provided in the Indenture. In lieu of the portion of the payments due hereunder, the Borrower may or, at its discretion, cause the Authority or the Trustee to, purchase for cancellation Bonds of the maturity next becoming due, subject to the applicable requirements set forth in Section 5.04 of the Indenture.

(ii) On the Series B Bonds, on or before the first day of August, 2015 and the first day of each August thereafter, the amount which is necessary for the payment of the principal of the Bonds becoming due on such principal maturity or mandatory redemption payment date, subject to credit for other available funds in the manner provided in the Indenture. In lieu of the portion of the payments due hereunder, the Borrower may or, at its discretion, cause the Authority or the Trustee to, purchase for cancellation Bonds of the maturity next becoming due, subject to the applicable requirements set forth in Section 5.04 of the Indenture.

(b) On or before the first day of August 1, 2013 and the first day of each February and August thereafter, the amount which is necessary for the payment of the interest on the Bonds becoming due on such Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture.

(c) At the times required under the Indenture, such additional amounts as are required to make up any deficiency which may occur in any of the funds established under the Indenture, including the Debt Service Reserve Fund, the Debt Service Fund, the Repair and Replacement Fund, the Rebate Fund and the Redemption Fund.

(d) The Borrower also agrees to pay to the Authority, the Paying Agent and the Trustee (1) on the Issue Date (i) the initial acceptance fee of the Trustee and the costs and expenses, including reasonable attorneys fees, incurred by the Trustee in entering into and executing the Indenture, (ii) the Bond issuance fee due the Authority, and (2) during the term of this Agreement (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee, as trustee, rendered and its ordinary expenses incurred under the Indenture, including attorneys' fees, as and when the same become due, (ii) the fees, charges and expenses of the Trustee and the Paying Agent, as and when the same become due, and (iii) the fees, charges and expenses of the Authority or of the Trustee for the necessary extraordinary services rendered by the Trustee and extraordinary expenses incurred by the Trustee under the Indenture,

including attorneys' fees incurred by the Authority or the Trustee, as and when the same become due.

(e) (i) In anticipation of the payments required by Sections 2.01(a) and 2.01(b) hereof, on or before the first Business Day of August, 2014 and on or before the first Business Day of each month thereafter, the Borrower shall make monthly payments equal to one-twelfth (1/12th) of the amount which is necessary for the payment of the principal of the Series B Bonds coming due on August 1, 2015, and on or before the first Business Day of each month thereafter, one-twelfth (1/12th) of the principal amount of the Series A Bonds or Series B Bonds, as applicable, coming due on the immediately succeeding August 1st, as the case may be, subject to credit for other available funds in the manner provided in the Indenture.

(ii) On or before the first Business Day of April, 2013 and the first Business Day of each month thereafter, the Borrower shall make monthly payments equal to one-fourth (1/4th) of the amount which is necessary, after credit for the capitalized interest on deposit in the Debt Service Fund (if any), for the payment of the interest of the Bonds coming due on August 1, 2013, and on or before the first Business Day of each month thereafter one-sixth (1/6th) of the amount which is necessary, after credit for the capitalized interest on deposit in the Debt Service Fund (if any), for the payment of the interest of the Bonds on the immediately succeeding February 1 and August 1, as the case may be, subject to credit for any other available funds in the manner provided in the Indenture.

(iii) It is the intent of the payment schedule in (i) and (ii) above that the full amount necessary to pay the principal of and interest on the Bonds on an Interest Payment Date shall be on deposit with the Trustee one (1) month prior to such Interest Payment Date.

(iv) Upon the issuance of Additional Bonds, the provisions of Sections 2.01(a) and 2.01(b) shall be amended and supplemented to provide for the payment of the principal of and interest on such Additional Bonds.

(f) Any amounts withdrawn from the Debt Service Reserve Fund shall be reinstated through monthly payments made by the Borrower to the Trustee on or before the first day of the first month following each withdrawal, in increments of at least 1/6th of the amount withdrawn, provided that the amount on deposit in the Debt Service Reserve Fund shall equal the Reserve Fund Requirement on or prior to the next Interest Payment Date following the Interest Payment Date on which the withdrawal is made.

(g) (i) On or before the first day of August, 2014, and on or before the first day of each month thereafter, an amount equal to \$2,500, to the Trustee, for deposit in the Repair and Replacement Fund established under Section 5.12 of the Indenture; until the balance in the Repair and Replacement Fund equals \$400,000; and (ii) any amounts withdrawn from the Repair and Replacement Fund shall be reinstated through monthly payments made by the Borrower to the Trustee on or before the first day of the first month following each withdrawal, in increments of at least 1/12th of the amount withdrawn, until the amount on deposit in the Repair and Replacement Fund equals \$400,000.

(h) If, for any reason, amounts paid to the Trustee on the Note, together with other moneys held by the Trustee and then available, would not be sufficient to make payments of principal or redemption price of, and interest on, the Bonds and all other amounts due and owing under the Indenture when such payments are due, the Borrower will, immediately upon notice thereof, pay the amounts required to make up any such deficiency.

If the date when any of the payments required to be made by this Section 2.01 is not a Business Day, then such payments may be made on the next Business Day with the same force and effect as if made on the nominal due date, and no interest shall accrue for the period after such date.

Section 2.02. Acceleration of Payment to Redeem Bonds. Whenever the Bonds are subject to optional redemption pursuant to the Indenture, the Borrower on behalf of the Authority will direct the Trustee to call the same for redemption as provided in the Indenture. Whenever the Bonds are subject to mandatory redemption pursuant to the Indenture, the Borrower will cooperate with the Authority and the Trustee in effecting such redemption. In the event of any mandatory or optional redemption of the Bonds, the Borrower will pay or cause to be paid in accordance with the terms of the Indenture an amount equal to the applicable redemption price as a prepayment of that portion of the Loan corresponding to the Bonds to be redeemed, together with applicable premium (if any) and interest accrued to the date of redemption.

Section 2.03. Unconditional General Obligations of Borrower. The obligations of the Borrower to make or cause to be made payments of the Loan or to pay any other sums due hereunder or under any other Loan Document to the Authority, the Trustee or any other Indemnified Party are and shall be the unconditional general obligations of the Borrower and shall be absolute and unconditional without defense or set-off by reason of any default by the contractors under the Contracts or by the Authority under this Agreement or under any other agreement between the Borrower and the Authority or for any other reason, failure to complete the Project Facilities, any acts or circumstances that may constitute failure of the Borrower to complete the Project Facilities, commercial frustration of purpose, or failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that the payments required of the Borrower hereunder will be paid in full when due without any delay or diminution whatsoever. Repayments of the Loan and additional sums required to be paid by or on behalf of the Borrower hereunder shall be received by the Authority or the Trustee as net sums and the Borrower agrees to pay or cause to be paid all charges against or which diminish such net sums.

Section 2.04. Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority will assign to the Trustee all the Authority's rights under this Agreement, except the Reserved Rights of the Authority. The Authority retains the right, jointly and severally with the Trustee, to specifically enforce the provisions contained in the Loan Documents. The Borrower consents to such assignment and agrees to make or cause to be made payments of the Loan under Section 2.01 and the Note directly to the Trustee, except those

Authority fees, costs and expenses which are payable directly to the Authority, without defense or set-off by reason of any dispute between the Borrower and the Authority or the Trustee. Whenever the Borrower is required to obtain the consent of the Authority hereunder, the Borrower shall also obtain the consent of the Trustee.

Section 2.05. Opinion of Counsel for Borrower. At the time of closing the Loan, the Authority and the Trustee shall receive the opinion of Counsel for the Borrower reasonably satisfactory in form and substance to Bond Counsel and Underwriter's Counsel:

(a) confirming the substance of the representations and warranties set forth in Section 5.01, 5.02, 5.03 and 5.04; and

(b) to the effect that the Loan Documents and the Bond Purchase Agreement have been duly executed and delivered by the Borrower, and constitute the valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except to the extent that the enforceability of such documents may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally or by general principles of equity or other customary exceptions to enforceability.

Section 2.06. Opinion of Bond Counsel. At the time of closing the Loan, the Authority shall receive the opinion of Bond Counsel to the effect that:

(a) interest income on the Series A Bonds is not includable in gross income under the Code; provided that ownership of tax exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such Series A Bonds;

(b) interest income on the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act (P.L. 1976, Chapter 47);

(c) The offering of the Bonds is not required to be registered under the Securities Act of 1933, as amended, or under the rules and regulations promulgated thereunder; and

(d) the Bonds have been duly authorized and issued under the provisions of the Act.

Section 2.07. Loan and Other Documents. At the time of closing the Loan, the Authority shall receive:

(a) the Loan Documents duly executed by all parties thereto;

(b) certificates, in form and substance reasonably acceptable to the Authority and the Trustee, evidencing the insurance required to be maintained by this Agreement;

- (c) the Tax Certificate, in form and substance reasonably satisfactory to Bond Counsel;
- (d) all other documents reasonably required by the Authority and the Underwriter;
- (e) an opinion of Counsel to the Underwriter that since the Bonds are subject to the disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the contractual undertakings of the Borrower in the Disclosure Agreement between the Borrower and the Trustee comply with the disclosure requirements of such Rule; and
- (f) the Authority's issuance fee in an amount equal to \$49,075.

Section 2.08. Excess Funds. After all of the Bonds have been retired and all interest and applicable premiums, if any, due thereon have been paid or provision for such retirement and payment has been made in accordance with the Indenture, excess moneys in Funds and Accounts established under the Indenture from whatever source derived will be paid to the Borrower as an adjustment of the amounts payable hereunder. This paragraph shall survive the termination of this Agreement.

Section 2.09. Manner of Payment. The payments provided for herein shall be paid in immediately available funds, free of deductions and without any abatement, recoupment, diminution or set-off whatsoever, on the date on which such payment is due, directly to the Trustee for the account of the Authority and shall be deposited in the Revenue Fund, except that payments made pursuant to Sections 2.01(d), 6.04, 6.05, 6.06, 6.07, 6.18, 8.05 and 9.03 hereof and Section 8.06 of the Indenture shall be made directly to the party to whom such payment is due and owing.

Section 2.10. Security for Borrower's Obligations.

(a) In addition to the security interest granted pursuant to the Mortgage, the Borrower hereby grants the Authority a first lien security interest in and lien upon the Project, and all moneys and funds (including the investment obligations in which such moneys and funds are invested) in the Funds. This Loan Agreement shall constitute a security agreement within the meaning of the New Jersey Uniform Commercial Code. In addition to all other rights and remedies hereunder, the Authority and the Trustee as its assignee shall have all rights and remedies of a secured party under the New Jersey Uniform Commercial Code. The Borrower shall provide for the filing of all financing statements, continuation statements and other documents as may be necessary from time to time to perfect or continue the perfection of the security interests granted hereunder.

(b) As further security for the repayment of the Loan, the Borrower shall furnish the Authority with the Mortgage and the Assignment of Leases.

ARTICLE III

PROJECT FUND

Section 3.01. Application of Bond Proceeds. In order to provide funds to make the Loan, the Authority concurrently with the execution and delivery of this Loan Agreement, will sell, issue and deliver the Bonds to the Underwriter and cause the Underwriter to transfer the proceeds of the Bonds to the Trustee for deposit in accordance with Section 3.01(i) of the Indenture in the various Funds established under the Indenture. Moneys in the Project Fund shall be disbursed as hereinafter provided and as provided in Article IV of the Indenture. The Authority reserves the right to request a record of all disbursements from and/or investments of the Project Fund.

Section 3.02. Disbursements from the Project Fund. The Authority authorizes and directs the Trustee to make disbursements of Bond Proceeds from the Project Fund to Persons for work performed on the Project or to reimburse the Borrower for any Costs of the Project paid by it. Each disbursement shall constitute a Proper Charge and shall be disbursed only after performance of the following by the Borrower:

(a) Delivery to the Trustee of a Requisition Form in substantially the form attached hereto as Exhibit B signed by an Authorized Borrower Representative. The Requisition Form shall state: (i) the requisition number; (ii) the name and address of the Person to whom payment is to be made by the Trustee or, if the payment is to be made to the Borrower for a reimbursable advance, a summary of the Borrower's disbursements; (iii) the amount to be paid; (iv) that each obligation for which payment is sought is a Proper Charge against the Project Fund, is unpaid or unreimbursed, and has not been the basis of any previously paid requisition; (v) that such payment does not include a reimbursement to the Borrower for costs or expenses incurred by reason of work performed or supervised by officers or employees of the Borrower or any of its affiliates, (vi) that no Event of Default has occurred and is continuing under this Loan Agreement; and (vii) that the Borrower has received no written notice of any lien, right to lien or attachment upon, or other claim affecting the right to receive payment of, any of the moneys payable under such Requisition Form to any of the Persons named therein or, if any of the foregoing has been received, it has been released or discharged or will be released or discharged upon payment of the Requisition Form.

(b) As determined by the Authority, the Borrower shall comply with the Authority's Affirmative Action Program and Prevailing Wage Rate Provisions, and to that end copies of the Affirmation Action Regulations are available on the Authority's Internet web page at: www.njeda.com/affirmativeaction or contacting: New Jersey Economic Development Authority - Internal Process Management - Gateway One, Suite 900, Newark, New Jersey 07102 Phone (973) 648-4130 or e-mail: affirmativeaction@njeda.com.

(c) Delivery of such additional documents, affidavits, certificates and opinions as the Authority or the Trustee may reasonably require to carry out the terms of this

Agreement, the Indenture or any other Loan Document; but the Authority and the Trustee shall have no obligation to require any such additional items.

The Authority is hereby granted a security interest in the amounts on deposit in the Project Fund as security for the payment of the Bonds; however, notwithstanding such security interest, as long as there exists no Event of Default, the Borrower shall have the right to require disbursement from the Project Fund, to the extent of amounts then in the Project Fund, upon compliance with the procedures set forth in this Section 3.02. Upon an Event of Default and the acceleration of the obligations of the Borrower hereunder, the Trustee shall apply any amounts on deposit in the Project Fund to the prepayment of the principal of and interest on the Loan, and, hence, to the payment of the Bonds, in accordance with Section 9.10 of the Indenture.

Section 3.03. No Liability of Authority or Trustee. Nothing contained herein or in any documents and agreements contemplated hereby or in any other Loan Document shall impose upon the Trustee or the Authority any obligation to ensure the proper application of such disbursements by the Borrower or any other recipient thereof, and, in making such disbursements from the Project Fund, the Trustee may conclusively rely on such Requisition Forms and proof delivered to it. The Trustee and the Authority shall be relieved of any liability with respect to making such disbursements in accordance with the foregoing.

Section 3.04. Establishment of Completion Date. Completion of the Project shall be evidenced by delivery to the Authority and the Trustee of the Borrower's Completion Certificate (attached as Exhibit C) signed by an Authorized Borrower Representative stating the date of completion of the Project and that, as of such date, except for amounts retained by the Trustee at the Borrower's direction for any cost of the Project not then due and payable or, if due and payable, not then paid: (i) that portion of the Project Facilities to be financed with the proceeds of the Bonds have been completed; (ii) the cost of all labor, services, materials and supplies used in the Project have been paid, or will be paid from amounts retained by the Trustee at the Borrower's direction for any cost of the Project Facilities not then due and payable or, if due and payable, not then paid; (iii) the Project Facilities have been installed to the Borrower's satisfaction, such Project Facilities so installed are suitable and sufficient for the efficient operation of the Project for the intended purposes and all costs and expenses incurred in the acquisition and installation of such equipment have been paid, or will be paid from amounts retained by the Trustee at the Borrower's direction for any cost of the Project not then due and payable or, if due and payable, not then paid; (iv) the Project Facilities are being operated as an authorized "project" under the Act and substantially as proposed in the Application; and (v) the Borrower has required in all Construction Contracts that wages paid to workers employed in the performance of such Construction Contracts be paid, or determined that such workers were paid, at a rate not less than the Prevailing Wage Rate. Upon receipt of such certificate by the Trustee, the Borrower shall direct the Trustee in writing to transfer any amounts remaining in the Project Fund (except for amounts therein sufficient to cover costs of the Project not then due and payable or not then paid or the Holdback required to be retained in the Project Fund pursuant to the Affirmation Action Regulations unless the requirements set forth in Section 3.02 hereof for the disbursement of the Holdback from the Project Fund have been satisfied) to the Redemption Fund. Amounts transferred into the Redemption Fund hereunder shall be used to redeem the

Bonds on the next succeeding redemption date on which such Bonds can be redeemed without penalty or premium, pursuant to the Indenture. The Borrower shall not cause amounts held in the Redemption Fund to be invested at a Yield materially higher than the Yield on the Bonds.

Section 3.05. Borrower Required to Pay if Project Fund Insufficient. In the event the moneys in the Project Fund available for payment of the costs of the Project are not sufficient to pay all costs of the Project in full, the Borrower agrees to complete the Project and to pay that portion of the cost in excess of the moneys available therefor in the Project Fund. The Authority and the Trustee make no warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the costs of the Project will be sufficient to pay all of such costs. The Borrower agrees that if, after disbursement of all the money in the Project Fund available for payment of costs of the Project, the Borrower should pay any portion of the costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Authority or the Trustee.

Section 3.06. Rebate Fund. The Indenture requires the Trustee to deposit all moneys paid by the Borrower pursuant to Section 6.04 hereof in the Rebate Fund. Investment earnings on all amounts so deposited in the Rebate Fund shall also be deposited in the Rebate Fund immediately upon receipt.

The Indenture provides that the Trustee shall make payments from the Rebate Fund to the United States on behalf of the Authority upon the written direction of the Borrower in accordance with Section 6.04. The Borrower hereby confirms its covenant in Section 6.04 hereof to give the Trustee all such required written directions.

Section 3.07. Investment of the Funds. Any moneys held as a part of the Funds shall be invested and reinvested by the Trustee, only as directed in writing by the Borrower, in Permitted Investments. The Trustee may make any and all such investments through its own investment department.

The Borrower shall direct investments of amounts in the Funds as provided in Section 6.02 of the Indenture so that such Permitted Investments shall mature in such amounts and at such times or shall be redeemable by the Trustee at such times as may be necessary to provide funds when, at the time of the investment, it is anticipated the same will be needed to make payments from the Funds in accordance with the provisions of Section 4.02 of the Indenture or to make payments from the Rebate Fund in accordance with the provisions of Section 3.06 hereof and Section 5.10 of the Indenture. To the extent required for payments from the Funds, the Trustee may, at any time, sell any of such Permitted Investments. The proceeds of any such sale, all payments at maturity and all payments upon redemption of such Permitted Investments shall be held in the respective Funds in which such investment income was derived and, as to the Project Fund, accounted for separate and apart from the proceeds from the sale of the Bonds.

Interest and other income received on Permitted Investments in the Project Fund allocated to Tax Exempt Bonds shall, within the later of (i) three (3) years from the date of issuance of the respective series of Tax Exempt Bonds or (ii) one (1) year after receipt of such

investment income, be used to pay interest accruing on such series of Tax Exempt Bonds during the construction period or otherwise spent on other costs of the Project as directed by Requisition by the Borrower. In the event the moneys in the Project Fund allocated to a Series of Tax Exempt Bonds are not spent within three (3) years from the date of issuance of such series of Tax Exempt Bonds, the Borrower shall cause the Trustee to transfer such moneys to the Redemption Fund and to invest such moneys at a Yield not materially higher than the Yield on such series of Tax Exempt Bonds.

In making such investments as described in this Section, the Trustee may rely upon the written direction of the Borrower as to the investment purchased; and the Trustee shall be and hereby is relieved of all liability with respect to making, redeeming and selling such investments, so long as the Trustee has acted in accordance with the foregoing directions. In the absence of investment instructions, the Trustee shall invest such moneys in Permitted Investments described in clause (iii) thereof (as set forth in the Indenture).

The Borrower shall be entitled to receive from the Trustee monthly and at such other times as the Borrower may reasonably request, a statement of account of any moneys held in the Funds by the Trustee.

Section 3.08. The Trustee. The Trustee shall act on behalf of the Bondholders under the Indenture and this Loan Agreement as specifically provided for herein and in the Indenture only insofar as its duties are expressly set forth and shall not have any implied duties but may exercise such additional powers as are reasonably incidental thereto. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct. The Trustee shall not be under a duty to examine or pass upon the validity, effectiveness or genuineness of any Loan Document or any direction, report, affidavit, certificate, opinion or other instrument, document or agreement related thereto, and shall be entitled to assume that the same are valid, effective, genuine and what they purport to be. The Trustee may consult with legal counsel selected by it, and any action taken or suffered by it in accordance with the opinion of such counsel shall be full justification and protection to it. The Trustee shall have the same rights and powers as any other bank or lender and may exercise the same as though it were not the Trustee; and it may accept deposits from, lend money to and generally engage in any kind of business with the Borrower as though it were not the Trustee.

ARTICLE IV

REPRESENTATIONS OF THE AUTHORITY

Section 4.01. Representations. The Authority hereby represents and agrees that:

(a) The Authority is a duly constituted public body corporate and politic, duly created and existing as an instrumentality of the State with the power and authority set forth in the Act, including the power and authority to authorize the issuance of the Bonds under the Act.

(b) Under the provisions of the Act, the Authority is duly authorized to enter into, execute and deliver the Loan Documents to which it is a party and the Bond Purchase Agreement, to undertake the transactions contemplated by the Loan Documents to which it is a party and the Bond Purchase Agreement, and to carry out its obligations hereunder and thereunder.

(c) The Authority proposes to issue the Bonds in the total aggregate principal amount of \$10,010,000 to finance all or a portion of the Project.

(d) By duly adopted resolution, the Authority has duly authorized the execution and delivery of the Loan Documents to which it is a party, including the borrowing under, issuance and sale of the Bonds and (as security for the Bonds) the pledge of the Note, to the Trustee. The Authority also has duly authorized the execution, delivery and performance of the Bond Purchase Agreement and has approved the Section entitled the “AUTHORITY” and the Section entitled “LITIGATION- The Authority” in the Limited Offering Memorandum.

(e) The Bonds will be issued under and pursuant to the Indenture and will mature, bear interest and have the other terms and provisions set forth or provided for in the Indenture.

(f) To the best knowledge of the Authority, the execution and delivery of and performance by the Authority of the Loan Documents to which the Authority is a party, including the Bond Purchase Agreement, under the circumstances contemplated thereby and hereby, do not and will not conflict with, or constitute a breach of or default under any indenture, deed of trust, mortgage, agreement or other instrument to which the Authority is a party, or conflict with, violate or result in a breach of, any existing law or public administrative rule or regulation, judgment, court order or consent decree presently applicable to the Authority (except for such consents and approvals as have heretofore been obtained).

(g) When duly executed and delivered on behalf of the Authority, and assuming the due authorization, execution and delivery by the Borrower of this Loan Agreement, and assuming the due authorization, execution and delivery by the Trustee of the Indenture, and assuming the due authorization, execution and delivery by the Borrower and the Underwriter of the Bond Purchase Agreement, each of the Loan Documents to which the Authority is a party and the Bond Purchase Agreement shall constitute a valid and binding obligation of the

Authority enforceable against the Authority in accordance with its terms, provided that the enforceability of the Loan Documents and the Bond Purchase Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors' rights generally and the application of general principles of equity.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower hereby represents, covenants and warrants to the Authority that:

Section 5.01. Organization, Powers, etc. The Borrower is a limited liability company duly organized validly existing and in good standing under the laws of the State of New Jersey, has the power and authority to do business in the State of New Jersey, to own its properties and assets and to carry on its business as now being conducted (and as now contemplated by the Borrower) and has the power to perform all the undertakings of the Loan Documents and the Bond Purchase Agreement, to borrow hereunder and to execute and deliver the Loan Documents and the Bond Purchase Agreement. The Borrower's sole member, Build With Purpose, Inc., is a non-profit corporation duly organized validly existing and in good standing under the laws of the State of New Jersey and is authorized to do business in the State of New Jersey, and is recognized as a 501(c)(3) organization by the Internal Revenue Service and no action is pending or, to the best of its knowledge, threatened which questions Build With Purpose, Inc.'s status as a 501(c)(3) organization.

Section 5.02. Execution of Loan Documents. The execution, delivery and performance by the Borrower of the Loan Documents, the Bond Purchase Agreement and other instruments required by this Loan Agreement:

- (a) have been duly authorized by all requisite action of the Borrower;
- (b) do not and will not conflict with or violate any provision of law, rule or regulation, any order of any court or other agency of government applicable to the Borrower;
- (c) do not and will not conflict with or violate any provision of any charter document or operating agreement of the Borrower;
- (d) do not and will not violate or result in a default under any provision of the Indenture or, result in any material default under any other indenture, agreement or other instrument to which the Borrower is a party;
- (e) do not and will not result in the creation or imposition of any lien, charge or encumbrance of any nature on the assets of the Borrower, other than the liens created by the Loan Documents;
- (f) have been duly executed and delivered by the Borrower and are enforceable against the Borrower in accordance with their terms, subject to the limitation that the enforceability of such documents may be limited by bankruptcy or other laws relating to or limiting creditors' rights generally and the application of general principles of equity.

Section 5.03. Litigation. Except as disclosed by the Borrower in the Limited Offering Memorandum, there is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending or, to the knowledge of the Borrower, threatened against or affecting it, or any of its properties or rights which, if adversely determined, would (i) affect the transactions contemplated by the Loan Documents and the Bond Purchase Agreement, (ii) affect the validity or enforceability of the Loan Documents or the Bond Purchase Agreement, (iii) affect the ability of the Borrower to perform its obligations under the Loan Documents or the Bond Purchase Agreement, (iv) materially impair the value of the Collateral, (v) materially impair the Borrower's right to carry on its business substantially as now conducted (and as now contemplated by the Borrower) or (vi) have a material adverse effect on the Borrower's financial condition.

Section 5.04. No Defaults. The Borrower, to the best of its knowledge, is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party or by which it is bound.

Section 5.05. No Material Adverse Change. There has been no material adverse change in the financial condition of the Borrower since the date of the Borrower's financial statements for the year ended June 30, 2012 contained in the Limited Offering Memorandum.

Section 5.06. Important Inducement. The availability of the financial assistance by the Authority as provided herein has been an important inducement to the Borrower to engage in the Project and to locate the Project in the State.

Section 5.07. No Untrue Statements. The Loan Documents, the Application, the Bond Purchase Agreement or any other document, certificate or statement furnished to the Trustee or the Authority by or on behalf of the Borrower are true, correct and complete and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, when made, contained herein and therein not misleading or incomplete. It is specifically represented that the Borrower is not a party to any litigation nor, to the best of its knowledge, is the subject of any investigation or administrative proceeding except as disclosed in the Application and the Limited Offering Memorandum. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Authority as an inducement to make the Loan and that if any such statements, representations and warranties were false at the time they were made, the Authority may, in its sole discretion, consider any such misrepresentation or breach of warranty an Event of Default as defined in Section 8.01(a) and exercise the remedies provided for in this Loan Agreement.

Section 5.08. No Action. The Borrower has not taken and will not take any action and knows of no action that any other Person has taken or intends to take, which would cause interest income on the Tax Exempt Bonds to be includable in the gross income of the recipients thereof under the Code.

Section 5.09. Design of the Project Facilities. The operation of the Project Facilities in the manner presently contemplated and as described in the Application will not conflict in any material respect with any current zoning, water, air pollution or other ordinances, orders, laws or regulations applicable thereto. The Project Facilities are, or will upon completion be, substantially in compliance with all Federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality. The Borrower will complete the construction, renovation and expansion of the Project Facilities substantially in accordance with this Loan Agreement.

Section 5.10. Commencement of Project. Except as otherwise disclosed in the Application, the constituent parts of the Project as described in the Application were not commenced prior to the 60 day period prior to October 9, 2012. The Borrower has not incurred any expense prior to such date for which it shall seek reimbursement from the Project Fund, other than a Proper Charge.

Section 5.11. No Common Plan of Financing. Except for the Series A Bonds and as disclosed in the Tax Certificate subsequent to the date fifteen (15) days prior to the date hereof, the Borrower or any Related Person (or group of Related Persons which includes the Borrower) has not borrowed the proceeds of, or leased facilities financed by obligations issued under Section 103 of the Code by any state or local governmental unit or any constituted authority empowered to issue obligations by or on behalf of any state or local governmental unit, other than the Authority, pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of the same source of funds) as the Series A Bonds or will be paid directly or indirectly from the proceeds of the Series A Bonds. During the period commencing on the date of issuance of the Series A Bonds and ending fifteen (15) days thereafter, there will be no obligations issued under Section 103 of the Code which are payable or guarantied by the Borrower or any Related Person (or group of Related Persons which includes the Borrower) and which are issued pursuant to a common plan of financing and will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of the same source of funds) as the Series A Bonds or will be paid directly or indirectly from the proceeds of the Series A Bonds without the written opinion of Wolff & Samson PC, Esqs. or other Bond Counsel acceptable to Wolff & Samson PC, Esqs., to the effect that the issuance of such obligation will not adversely affect the exemption from present Federal income taxes of interest on the Series A Bonds.

Section 5.12. Use of Proceeds. No portion of the Bond Proceeds will be used to provide any airplane, skybox (or other private luxury box), gambling facility or liquor store. At least ninety-five per centum (95%) of the Net Proceeds of each series of Tax Exempt Bonds will be used by the Borrower to finance the acquisition, renovation and equipping of the Project and to pay certain costs of issuance of the Bonds. The Project shall be used only for 501(c)(3) purposes within the meaning of Section 145 of the Code, which do not give rise to unrelated business taxable income within the meaning of Section 512(a)(1) of the Code.

Section 5.13. Economic Life. The information contained in the Tax Certificate, setting forth the respective cost, economic life, ADR midpoint life, if any, under Rev. Proc. 87-56, Rev.

Proc. 72-10, 1972-1 C.B. 721, as supplemented and amended from time to time, and guideline life, if any, under Rev. Proc. 62-21, 1962-2 C.B. 118, as supplemented and amended from time to time, of each asset constituting the Project Facilities financed with the Bond Proceeds is true, accurate and complete.

ARTICLE VI

SPECIAL COVENANTS

The Borrower covenants and agrees, so long as this Loan Agreement shall remain in effect or the Bonds shall be Outstanding, as follows:

Section 6.01. Access to the Project and Inspection. The Trustee and the Authority and their duly authorized agents shall have the right, at all reasonable times upon the furnishing of reasonable notice to the Borrower under the circumstances, to enter upon the Project Facilities and to examine and inspect the Project Facilities. The Trustee and the Authority and their duly authorized agents shall also have such right of access to the Project Facilities as may be reasonably necessary for the proper maintenance of the Project Facilities, in the event of failure by the Borrower to perform its obligations relating to maintenance under this Loan Agreement, provided that the foregoing rights shall not be deemed to create an obligation on the Trustee or the Authority to maintain the Project Facilities. The Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary to grant to the Authority Representative and the Trustee such right of entry. Until payment of the Bonds shall have occurred, the Borrower shall promptly, from time to time, deliver to the Authority and the Trustee such information and materials relating to the Project and information and materials required under the Continuing Disclosure Agreement relating to the Borrower as the Authority or the Trustee may reasonably request. An Authorized Authority Representative and the Trustee shall also be permitted, at all reasonable times, to examine the books and records of the Borrower with respect to the Project Facilities and the obligations of the Borrower hereunder, but none of them shall be entitled to access to trade secrets or other proprietary information (other than financial information) of the Borrower.

Section 6.02. Further Assurances and Corrective Instruments. Subject to the provisions of the Indenture, the Authority and the Borrower each agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements and amendments hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of this Loan Agreement. All such supplements, amendments and further instruments shall require the approval of the Authority, and shall not modify the substantive terms of this Agreement, unless otherwise mutually agreed by the parties hereto in writing.

Section 6.03. Recording and Filing; Other Instruments.

(a) The Borrower covenants that it will, at its expense, take all steps as are reasonably necessary to provide that all financing statements, continuation statements, notices and other instruments required by applicable law shall be recorded or filed or re-recorded or re-filed in such manner and in such places required by law in order fully to preserve and protect the rights of the Trustee in the granting by the Authority of certain rights of the Authority, pursuant to the Indenture, under this Loan Agreement and the Note.

(b) The Borrower and the Authority shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary by the Borrower or advisable by its counsel and the Borrower shall file and re-file and record and re-record or cause to be filed and re-filed and recorded and re-recorded all instruments required to be filed and re-filed and recorded or re-recorded pursuant to the opinion of its Counsel or Counsel employed by the Authority or the Trustee to perfect all security interests created pursuant to the terms of this Loan Agreement and the Indenture and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be outstanding, except as otherwise required by this Agreement. The Authority shall have no responsibility for such filings or refilings whatsoever, other than executing and delivering the documents requested by the Borrower.

Section 6.04. Compliance with Code, Arbitrage and Rebate Regulations. (a) The Borrower shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on each series of Tax Exempt Bonds shall, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation. The Borrower shall direct all investments of the Gross Proceeds of each series of Tax Exempt Bonds. The Borrower shall direct the Trustee to make investments of amounts in the Project Fund only at market prices within the meaning of Treasury Regulations Section 1.148-1. In addition, any and all actions to be undertaken by the Borrower or by any other Person as to which the Authority or the Trustee must, pursuant to the terms hereof, consent or approve in advance, shall be deemed to be the actions of the Borrower or such other Person (and not the actions of the Authority or the Trustee).

(b) The Borrower shall not permit at any time or times any of the Gross Proceeds from the sale of a series of Tax Exempt Bonds or other of its funds to be used, directly or indirectly, to acquire any Investment Property (within the meaning of Section 148(b)(2) of the Code) the acquisition of which would cause such Bonds to be "arbitrage bonds" for the purposes of Section 148 of the Code. The Borrower shall utilize the Bond Proceeds from the sale of each series of Tax Exempt Bonds so as to satisfy the reasonable expectations of the Borrower set forth in the Tax Certificate of the Borrower furnished to Bond Counsel and the Authority.

(c) The Borrower shall use the Net Proceeds of each series of Tax Exempt Bonds to construct the Project in the manner and as specifically set forth in the Tax Certificate furnished to Bond Counsel and the Authority. The Borrower shall not expend the Bond Proceeds on assets other than those listed in the Tax Certificate without the express written consent of Bond Counsel.

(d) The Borrower will provide a written certification to the Authority and the Trustee indicating whether the Borrower complied with the six-month or eighteen month exceptions to the arbitrage rebate requirement set forth in Section 148(f)(4)(B) of the Code as are set forth in paragraph (o) below.

(e) Unless the Borrower has complied with the six-month rebate exception or the eighteen month exception to the rebate requirement in Section 148(f)(4)(B) of the Code with respect to each series of Tax Exempt Bonds, as are set forth in paragraph (o) below, the

Borrower will retain (i) Bond Counsel, (ii) any nationally recognized firm of certified public accountants, (iii) any reputable firm which offers to the tax-exempt bond industry rebate calculation services and holds itself out as having expertise in that area, or (iv) a Person or firm approved by Bond Counsel, in order to calculate the amount of rebate, if any, due to the United States pursuant to Section 148(f) of the Code, as set forth in paragraph (f) below (the “Rebate Expert”), on or no later than 30 days before the Initial Rebate Computation Date (as defined below) and on each rebate Computation Date thereafter, (A) to compute the Rebate Amount with respect to each series of Tax Exempt Bonds for the period ending on such rebate Computation Date, (B) to deliver an opinion to the Authority and Trustee concerning its conclusions with respect to the amount (if any) of such Rebate Amount together with a written report providing a summary of the calculations relating thereto and (C) to deliver an opinion to the Authority and Trustee that all of the Gross Proceeds of such Bonds (within the meaning of Section 148(f) of the Code), other than Gross Proceeds of such Bonds on deposit in a Bona Fide Debt Service Fund (within the meaning of Section 148(F)(4) of the Code), have been expended on or prior to the initial rebate Computation Date. The Computation Date shall include (i) the final maturity of the Tax Exempt Bonds, (ii) if such Tax Exempt Bonds are redeemed prior to maturity, the date on which such Tax Exempt Bonds are redeemed, (iii) the first day of the fifth anniversary of the date of issuance of such Tax Exempt Bonds (the “Initial Rebate Computation Date”) and each fifth anniversary thereafter, and (iv) any other date that may be required by the Code.

(f) The Borrower shall direct the Trustee in writing to rebate the Rebate Amount to the United States on behalf of the Authority. The Rebate Amount as of any Computation Date is the excess of the Future Value of all receipts on Nonpurpose Investments (“Nonpurpose Receipts”) over the Future Value of all payments on Nonpurpose Investments (“Nonpurpose Payments”). To the extent amounts received from Nonpurpose Investments are reinvested, these amounts may be netted against each other and not taken into account in the computation of the Rebate Amount. Nonpurpose Receipts and Nonpurpose Payments shall be determined as described below.

- (1) Nonpurpose Payments. Nonpurpose Payments include actual payments (amounts of Gross Proceeds actually or constructively paid to acquire a Nonpurpose Investment including Qualified Administrative Costs); “allocation” payments (for a Nonpurpose Investment that is allocated to each series of Tax Exempt Bonds after already having been acquired by the Borrower (e.g., sinking fund proceeds), an amount equal to the Value of the Investment on the allocation date); Computation Date payments (for a Nonpurpose Investment allocated to each series of Tax Exempt Bonds at the end of the preceding Computation Period, the Value of the Investment at the beginning of the Computation Period); Yield Reduction Payments, if any; and the Computation Date credit equal to \$1,000.
- (2) Nonpurpose Receipts. Nonpurpose Receipts include actual receipts (amounts actually or constructively received with respect

to a Nonpurpose Investment, such as earnings and return of principal, reduced by Qualified Administrative Costs); “deallocation” receipts (for a Nonpurpose Investment that ceases to be allocated to each series of Tax Exempt Bonds or subject to rebate, the Value of the Investment on the “deallocation” date); Computation Date receipts (the Value of any Nonpurpose Investment held at the end of any Computation Period); and rebate receipts (any recovery of an overpayment of rebate).

Investments of amounts held in a Bona Fide Debt Service Fund for each series of Tax Exempt Bonds will be excepted from the rebate requirement but only if the gross earnings on such fund for such Bond Year do not exceed \$100,000.

(g) For each investment of Gross Proceeds in a Non-Purpose Investment, the Borrower shall direct the Trustee to record, without limitation, the following information: purchase date, purchase price, face amount, stated interest rate, any accrued interest due on its purchase date, disposition date, disposition price and any accrued interest due on the disposition date. The Yield to maturity for an investment presently means that discount rate, based on a compounding frequency the same as such series of Tax Exempt Bonds (or such other compounding permitted by the Code), which when used to determine the present worth, on the purchase date of such investment or the date on which the investment becomes a Non-Purpose Investment, whichever is later, of all payments of principal and interest on such investment gives an amount equal to the fair market value of such investment including accrued interest due on such date.

(h) On each Computation Date, if such Rebate Amount payable exceeds the amount then on deposit in the Rebate Account, the Borrower shall within ten (10) days of the receipt of the report furnished by the Rebate Expert pursuant to paragraph (e) of this Section, pay to the Trustee, the amount necessary to make up such deficiency and direct the Trustee to pay the same to the United States within sixty (60) days of the Computation Date. The Borrower shall, in a timely fashion, give all written notices and directions to the Trustee as are called for under Section 5.10 of the Indenture for the payment of the Rebate Amount. Any sums remaining in the Rebate Account following such payments shall be returned to the Borrower. When due, the Authority shall have the right, but shall not be required, to make such payment to the Trustee on behalf of the Borrower. Any amount advanced by the Authority pursuant to this paragraph (h) shall be added to the moneys owing by the Borrower under this Loan Agreement and shall be payable on demand with interest at the rate of twelve percent (12%) per annum.

(i) The rebate shall be paid in installments, which shall be made at least once every fifth Bond Year. The first such installment shall be due to the United States on behalf of the Authority not later than sixty (60) days after the end of the fifth (5th) Rebate Year and shall be in an amount which ensures that the Rebate Amount due under the Code with respect to such series of Tax Exempt Bonds is paid. Each subsequent payment shall be made not later than five (5) years after the date the preceding payment was due. Within sixty (60) days after the retirement of such series of Tax Exempt Bonds at final maturity or upon earlier redemption, the

Borrower shall direct the Trustee to pay to the United States on behalf of the Authority the aggregate Rebate Amount due under the Code with respect to such series of Tax Exempt Bonds not theretofore paid.

(j) Each payment shall be accompanied by Form 8038-T (or such other form required by the Internal Revenue Service to be prepared by the Borrower, a Rebate Expert or Bond Counsel) and a statement identifying the Authority, the date of the issue, the CUSIP number for the Bond with the longest maturity and a copy of the applicable Form 8038.

(k) The Borrower acknowledges that the Authority shall have the right at any time and in the sole and absolute discretion of the Authority to obtain from the Borrower and the Trustee the information necessary to determine the Rebate Amount required to be paid to the United States pursuant to Section 148(f) of the Code. Additionally, the Authority may, with reasonable cause, (i) review or cause to be reviewed any determination of the amount to be paid to the United States made by or on behalf of the Borrower and (ii) make or retain a Rebate Expert to make the determination of the amount to be paid to the United States. The Borrower hereby agrees to be bound by any such review or determination, absent manifest error, to pay the costs of such review, including without limitation the reasonable fees and expenses of counsel or a Rebate Expert retained by the Authority, and to pay to the Trustee any additional amounts for deposit in the Rebate Account required as the result of any such review or determination.

(l) Except as may be permitted pursuant to Section 148(c) of the Code (relating to certain temporary periods for investment), at no time during the term of a series of Tax Exempt Bonds shall the amount invested by the Borrower in Non-Purpose Investments with a Yield higher than the Yield on such series of Tax Exempt Bonds exceed 10% of the then outstanding principal amount of such series of Tax Exempt Bonds. The aggregate amount invested in Non-Purpose Investments shall be promptly and appropriately reduced as the outstanding principal of such series of Tax Exempt Bonds is reduced.

(m) Notwithstanding any provision of this Section to the contrary, the Borrower shall be liable, and shall indemnify and hold the Authority and the Trustee harmless against any liability, for payments due to the United States pursuant to Section 148(f) of the Code. Further, the Borrower specifically agrees that neither the Authority nor the Trustee shall be held liable, or in any way responsible, and the Borrower shall indemnify and hold harmless the Trustee and the Authority against any liability, for any mistake or error in the filing of the payment or the determination of the Rebate Amount due to the United States or for any consequences resulting from any such mistake or error. The provisions of this paragraph shall survive termination of this Agreement. In the event of a conflict between the provisions of this Agreement and the Code, the provisions of the Code shall control.

(n) The Authority, the Trustee and the Borrower acknowledge that the provisions of this Section 6.04 are intended to comply with Section 148(f) of the Code and the regulations promulgated thereunder and if as a result of a change in such Section of the Code or the promulgated regulations thereunder or in the interpretation thereof, a change in this Section 6.04 shall be permitted or necessary to assure continued compliance with Section 148(f) of the

Code and the promulgated regulations thereunder, then with written notice to the Trustee, the Authority and the Borrower shall be empowered to amend this Section 6.04 and the Authority may require, by written notice to the Borrower and the Trustee, the Borrower to amend this Section 6.04 to the extent necessary or desirable to assure compliance with the provisions of Section 148 of the Code and the regulations promulgated thereunder; provided that either the Authority or the Trustee shall require, prior to any such amendment becoming effective, at the sole cost and expense of the Borrower, an opinion of Bond Counsel satisfactory to the Authority to the effect that either (i) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid and payable on each series of Tax Exempt Bonds or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of the interest paid or payable on each series of Tax Exempt of Bonds.

(o) (i) The obligation to pay any Rebate Amount with respect to each series of Tax Exempt of Bonds shall be treated as satisfied if the following requirements are met (the “six month exception”):

(A) Gross Proceeds of such series of Tax Exempt Bonds (as modified below) are expended by no later than the date which is six (6) months after the Issue Date; and

(B) the rebate requirement is met for amounts not required to be spent within the six (6) month period (excluding earnings on a bona fide debt service fund).

The requirement described above will be treated as satisfied if no more than the lesser of 5% of the Issue Price of such series of Tax Exempt Bonds or \$100,000 are unexpended at the end of the six (6) month period after the Issue Date and such amount is expended no later than the date which is one year after the Issue Date.

(ii) The obligation to pay any Rebate Amount with respect to such series of Tax Exempt Bonds shall be treated as satisfied if all of the following requirements are satisfied (the “eighteen month exception”):

(A) Gross Proceeds of such series of Tax Exempt Bonds (as modified below) are expended in accordance with the following schedule:

(1) At least 15% within six (6) months of the Issue Date,

(2) At least 60% within twelve (12) months of the Issue Date,
and

(3) 100% within eighteen (18) months of the Issue Date;
provided, however, such series of Tax Exempt Bonds will not fail to satisfy this requirement as a result of unspent proceeds for reasonable

retainage (as defined below), if the reasonable retainage is spent within thirty (30) months of the Issue Date;

(B) The rebate requirement is met with respect to all amounts not required to be spent in accordance with the foregoing schedule (other than earnings in a bona fide debt service fund); and

(C) The Gross Proceeds of such series of Tax Exempt Bonds qualify for an initial three (3) year (or five (5) year) temporary period.

(iii) For purposes of subsections (i) and (ii), Gross Proceeds do not include (A) amounts held in a bona fide debt service fund, (B) amounts held in a reasonably required reserve or replacement fund, (C) amounts that, as of the Issue Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the applicable (i.e., 6 month or 18 month) spending period, (D) sales or investment proceeds derived from payments under any purpose investment of the Issue and (E) amounts representing repayments of grants.

(p) The Borrower shall give immediate telephonic notice, promptly confirmed in writing, to the Authority and the Trustee of a Determination of Taxability, or any act or event which may give rise to a Determination of Taxability, which includes but is not limited to the acts or events set forth in Exhibit D, attached and made a part hereof (a “Tax Event”) whether the Borrower is on notice of such Determination of Taxability or Tax Event by its own filing of any statement, tax schedule, return or document with the Internal Revenue Service which discloses that a Determination of Taxability or Tax Event shall have occurred, by its receipt of any oral or written advice from the Internal Revenue Service that a Determination of Taxability or Tax Event shall have occurred, or otherwise. Upon receipt of notice or knowledge of a Determination of Taxability or a Tax Event, the Borrower shall immediately institute any and all actions required to remediate such Determination of Taxability or Tax Event, including without limitation all actions required under Section 1.141-12 of the Treasury Regulations.

Section 6.05. Administrative Expenses. The Borrower shall pay to or for the account of the Authority and the Trustee within 30 days after notice thereof all reasonable costs and expenses incurred by the Authority and the Trustee in connection with the financing and administration of the Project, including, without limitation, any fees associated with the calculation of rebate, except such as may be paid out of the proceeds of the Tax Exempt Bonds, including, without limitation, the costs of administering this Loan Agreement and the fees and expenses of attorneys, consultants and others.

Section 6.06. Indemnity Against Claims. The Borrower will pay and discharge and will indemnify and hold harmless the Authority and the Trustee from (a) any lien or charge upon amounts payable hereunder by the Borrower to the Authority or the Trustee, as the case may be, (other than the lien of the Indenture), and (b) any taxes, assessments, impositions and other charges in respect of the Project Facilities. If any claim of any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be

imposed, the Authority or the Trustee, as the case may be, will give prompt notice to the Borrower, and the Borrower shall have the sole right and duty to assume, and shall assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

Section 6.07. Indemnification of the Authority and the Trustee. The Borrower agrees, whether or not the transactions contemplated by this Agreement and the Indenture shall be consummated:

(a) to pay, and save the Authority and the Trustee harmless against liability for the payment of, all out-of-pocket expenses arising in connection with said contemplated transactions, including the reasonable fees and expenses of the Authority's Counsel and the Trustee's Counsel; and

(b) to protect, indemnify and save Indemnified Parties harmless from and against all liabilities, losses, damages, costs, expenses, (including reasonable attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of any nature or form, (including all costs, expenses and reasonable counsel fees incurred in investigating or defending such claim) by or on behalf of any person, arising in any manner from the transactions of which this Agreement is a part or arising in any manner in connection with the Project or the financing of the Project including, without limiting the generality of the foregoing, caused by, relating to, arising out of, resulting from, or in any way connected with (1) the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation, financing or sale of the Project or any part thereof, including the obligation to pay rebate to the Federal government; or (2) any untrue statement of a material fact contained in information submitted or to be submitted by the Borrower with respect to the transactions contemplated hereby; or (3) any omission of a material fact necessary to be stated therein in order to make such statement not misleading or incomplete; or (4) any breach or default by the Borrower of or in any of its obligations hereunder, under the Indenture or any other Loan Document; or (5) the acceptance, administration or performance of any of the duties of any said Indemnified Party under the Indenture, this Agreement or any related document; or (6) any accident, injury or damage whatsoever to any person occurring in or about the Project. In case any action shall be brought against one or more of the Indemnified Parties based upon any of the above and in respect to which indemnity may be sought against the Borrower, such Indemnified Parties shall promptly notify the Borrower in writing, and the Borrower shall assume the defense thereof, including the employment of counsel satisfactory to the Indemnified Parties, the payment of all costs and expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel at the Borrower's expense in any such action and to participate in the defense thereof if, in the opinion of the Indemnified Party, a conflict of interest could arise out of the representation of the separate parties by one counsel. The Borrower shall not be liable for any settlement of any such action effected without the Borrower's consent, but if settled with the consent of the Borrower, or if there is a final judgment for the claimant on any such action, the Borrower agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(c) The Borrower agrees to and does hereby indemnify and hold harmless the Indemnified Parties against any and all losses, claims, damages or liabilities (including all costs, expenses, and reasonable counsel fees incurred in investigating or defending such claim) suffered by any of the Indemnified Parties and caused by relating to, arising out of, resulting from, or in any way connected to an examination, investigation or audit of any series of Tax Exempt Bonds by the Internal Revenue Service (IRS). In the event of such examination, investigation or audit, the Indemnified Parties shall have the right to employ counsel at the Borrower's expense. In such event, the Borrower shall assume the primary role in responding to and negotiating with the IRS, but shall inform the Indemnified Parties of the status of the investigation. In the event Borrower fails to respond adequately and promptly to the IRS, the Authority shall have the right to assume the primary role in responding to and negotiating with the IRS and, upon prior written notice to the Borrower, shall have the right to enter into a closing agreement, for which the Borrower shall be liable.

(d) Notwithstanding anything in this Agreement to the contrary which may limit recourse to the Borrower or may otherwise purport to limit the Borrower's liability, the provisions of this Section shall control the Borrower's obligations and shall survive the termination of this Agreement and the repayment of all the Tax Exempt Bonds.

The provisions of this Section 6.07 shall not apply to any liabilities, losses, damages, costs, expenses, taxes, causes of action, suits, claims, demands or judgments resulting from the Trustee's own negligence, willful misconduct or fraudulent actions or from the Authority's own gross negligence, willful misconduct or fraudulent actions.

Notwithstanding the fact that it is the intention of the parties that the Authority shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the Authority hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture, by reason of the performance of any act requested of it by the Borrower, or by reason of the operation of the Project by the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the Authority should incur any such pecuniary liability (except liability resulting from the Authority's gross negligence, willful misconduct or fraudulent actions) then in such event the Borrower shall indemnify and hold harmless the Authority against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Authority, the Borrower shall defend the Authority in any such action or proceeding.

Section 6.08. Additional Information. Until payment of the Bonds in full shall have occurred, the Borrower shall promptly deliver to the Trustee and upon the request of the Authority, to the Authority, the following:

(a) the annual and quarterly financial and other information set forth in Section 7.06 hereof; and

(b) such information regarding the operations, business affairs and financial condition of the Borrower as the Trustee (or the Authority) may reasonably request.

At the expense of the Borrower, the Trustee is hereby authorized, upon receipt of a written request therefor, to deliver a copy of any such financial information delivered hereunder to any Bondholder or prospective Bondholder, to any regulatory authority having jurisdiction over the Trustee and to any other Person as may be required by law. The Trustee is authorized to provide information concerning the outstanding principal amount and payment history of, and other information pertaining to, the Bonds or the Note to any agency or regulatory authority of the State requesting such information.

Section 6.09. Maintain Existence. The Borrower covenants that it will maintain its existence and the location of the Project within the State of New Jersey, will preserve and maintain its existence as a limited liability company under the laws of the State of New Jersey and its authority to do business within the State of New Jersey, and preserve and maintain its authority to operate and will operate the Project Facilities as an authorized “project” within the meaning of the Act. The Borrower will at all times preserve and protect the Project in good repair, working order and safe condition, and from time to time will make, or will cause to be made, all needed and proper repairs, renewals, replacements, betterments and improvements thereto including those required after a casualty loss. The Borrower shall pay all operating costs, utility charges and other costs and expenses arising out of ownership, possession, use or operation of the Project. The Authority shall have no obligation and makes no warranties respecting the condition or operation of the Project. Build With Purpose, Inc. will preserve and maintain its existence as a non-profit corporation under the laws of the State of New Jersey and its authority to do business within the State of New Jersey and will preserve its status as a 501(c)(3) entity. Build With Purpose, Inc. will remain the sole member of the Borrower.

The Borrower will not use the financing under this Agreement or the issuance of the Bonds by the Authority as a basis for contesting any assessment or levy of any tax and, if any administrative body or court of competent jurisdiction shall hold for any reason that the Project Facilities are exempt from taxation by reason of the financing under this Agreement or the issuance of the Bonds by the Authority or other Authority action in respect thereto, the Borrower covenants to make payments in lieu of all such taxes in an amount equal to such taxes, and, if applicable, interest and penalties.

Section 6.10. Use of Project. The Borrower shall use or cause the Project to be used as an authorized “project” for a purpose and use as provided for under the Act and for the use set forth in the Application to the Authority until Payment of the Bonds. The Project is of a character included within the definition of “project” in the Act, and its estimated cost was at least \$10,010,000. The Borrower will operate the Project substantially in the form represented in the Application and will neither (a) materially alter the operation of the Project without the prior written consent of the Authority, nor (b) cause a change in the use of the Project such that the portion of the Project financed with the proceeds of the Tax Exempt Bonds would cease to be for 501(c)(3) purposes within the meaning of Section 145 of the Code.

Section 6.11. Change in Location. The Borrower shall not relocate the Project or any part thereof out of the State. The Borrower shall not relocate the Project within the State without the prior written consent of an Authorized Authority Representative and an opinion of Bond Counsel that the relocation will not affect the tax-exempt status of interest on the Tax Exempt Bonds.

Section 6.12. Additional Reporting Requirements. (i) On each anniversary hereof, the Borrower shall furnish to the Authority the following:

(a) a certification indicating whether or not the Borrower is aware of any condition, event or act which constitutes an Event of Default, or which would constitute an Event of Default with the giving of notice or passage of time, or both, under any of the Loan Documents;

(b) a written description of the present use of the Project and a description of any anticipated material change in the use of the Project or in the number of employees employed at the Project, and

(c) a report from every entity that leases, subleases or occupies space at the Project location indicating the number of persons the entity employs at the Project location.

(ii) Upon the request of the Authority, the Borrower shall furnish to the Authority such financial information as the Authority may reasonably request.

Section 6.13. Observe Laws. The Borrower shall observe all material applicable laws, regulations and other valid requirements of any regulatory authority with respect to its operations at the Project Facilities and any violation of laws, regulations or other valid requirement shall, in the discretion of the Authority, be deemed an Event of Default.

Section 6.14. Number of Employees. In the Sublease, the School has agreed to maintain or increase employment at the Project Facilities and the School's related facility at the levels set forth in the Application.

Section 6.15. Authority Consent to Sale of Assets. The Borrower shall maintain its existence as a legal entity and shall not sell, assign, transfer or otherwise dispose of the Project or substantially all of its assets without the consent of the Authority; provided however that the Borrower may merge with or into or consolidate with another entity, or this Agreement may be transferred pursuant to such merger or consolidation without violating this Section 6.15 provided: (1) the Borrower causes the proposed surviving, resulting or transferee Borrower to furnish the Authority with a Change of Ownership Information Form then in use by the Authority; (2) the net worth of the surviving, resulting or transferee Borrower following the merger, consolidation or transfer is equal to or greater than the net worth of the Borrower immediately preceding the merger, consolidation or transfer as verified by the independent auditors of the Borrower; (3) any litigation or investigations in which the surviving, resulting or

transferee Borrower or its principals, officers and directors are involved at the time of such merger, and any court, administrative or other orders to which the surviving resulting or transferee Borrower or its officers and directors are subject, relate to matters arising in the ordinary course of business; (4) the surviving, resulting or transferee Borrower assumes in writing the obligations of the Borrower under this Loan Agreement and the other Loan Documents; (5) after the merger, consolidation or transfer, the Project shall continue to be operated as an authorized “project” under the Act; and (6) the merger, consolidation or transfer shall not impair the excludability of interest paid on the Tax Exempt Bonds from gross income of the Owners thereof for federal income taxation as substantiated by an opinion of Bond Counsel. The Borrower shall, prior to the taking of any of the foregoing proposed actions, deliver to the Authority and the Trustee an opinion of Bond Counsel to the effect that the proposed action will not cause the interest on the Tax Exempt Bonds to become includable in the gross income of the registered owners of the Tax Exempt Bonds for Federal income tax purposes.

Section 6.16. Approval of Tenants by the Authority. Prior to leasing, subleasing or consenting to the subleasing or assigning of any lease of all or any part of the Project, the Borrower shall cause to be furnished to the Authority, a Project Occupant Information Form then in use by the Authority at such time, completed and executed by the proposed tenant and a copy of the proposed lease. In any event, the Borrower shall not permit any such leasing, subleasing or assigning of leases that would impair the excludability of interest paid on any Tax Exempt Bond from the gross income of the holders thereof for purposes of federal income taxation, or that would impair the ability of the Borrower to operate the Project or cause the Project not to be operated as an authorized “project” under the Act.

Section 6.17. Continuing Disclosure. The Bonds are subject to the continuing disclosure requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended and supplemented. To that end, the Borrower is entering into a continuing disclosure agreement with the Trustee and the School. The Borrower hereby covenants and agrees with the Bondholders that it will comply with and carry out all of the provisions of such continuing disclosure agreement, as amended from time to time, applicable to it. Notwithstanding any other provision of this Loan Agreement, failure of the Borrower to comply with such continuing disclosure agreement shall not be considered a default or an event of default under this Loan Agreement and the rights and remedies provided by this Loan Agreement upon the occurrence of an Event of Default shall not apply to any such failure, but the continuing disclosure agreement may be enforced only as provided therein.

Section 6.18. Brokerage Fee. The Authority shall not be liable to the Borrower for any brokerage fee, finders fee, or loan servicing fee and the Borrower shall hold the Authority harmless from any such fees or claims.

Section 6.19. Borrower to Perform Certain Covenants Under Indenture. The Borrower acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the Loan made hereunder,

it will take all such actions as are required or contemplated of it under the Indenture to preserve and protect the rights of the Trustee and of the Bondholders thereunder and that it will not take or effect any action which would cause a default thereunder or jeopardize such rights. The Borrower hereby assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approval or consents permitted or required to be given by the Authority thereunder, and those covenants contained in Article VIII of the Indenture which are not within the control of the Borrower. However, nothing contained herein shall prevent the Authority from choosing from time to time, in its sole discretion, to perform any of the covenants or other obligations hereby assumed by the Borrower.

Section 6.20. Limitation on Incurrence of Additional Indebtedness. The Borrower agrees that it will not incur any Additional Indebtedness, other than:

(i) If no Event of Default under this Agreement shall have occurred and be continuing, the Borrower may incur Additional Indebtedness in payment of any series of Additional Bonds for the completion of the Project; provided that the principal amount of such Additional Indebtedness proposed to be incurred, when added to the principal amount of all outstanding Indebtedness does not exceed \$10,010,000;

(ii) Indebtedness incurred pursuant to capital leases in connection with the financing of new or replacement equipment used to service the Property; provided however, any such indebtedness or capital leases referenced in this subsection shall be secured only by the equipment acquired by the Borrower with the proceeds of such indebtedness.

Section 6.21. Notice of Default Immediately upon receipt of any oral or written knowledge thereof, the Borrower shall give notice to the Trustee and to the Authority of any event or condition that has occurred and is continuing which constitutes an "event of default" as defined in this Loan Agreement or which, after notice or lapse of time, or both, would constitute such an event of default, or of any event or condition that has occurred and is continuing which constitutes a default under Section 3 of the Sublease or under Paragraphs (c), (i) or (j) of Section 16 of the Sublease and, if any such condition or event exists, specifying the nature and period of existence thereof, and what action the Borrower is taking and proposes to take with respect thereto.

Section 6.22. Enforcement of the Sublease The Borrower shall observe any all requirements imposed upon the Borrower under the Sublease. In addition, the Borrower shall take any and all actions reasonably required to enforce performance and observance of any material obligation, agreement or covenant of the School under the Sublease, including without limitation under Section 3 of the Sublease and under Paragraphs (c), (i) or (j) of Section 16 of the Sublease.

ARTICLE VII

COVENANTS OF THE BORROWER

The Borrower covenants and agrees, so long as this Loan Agreement shall remain in effect or the Bond or the Note shall be Outstanding, as follows:

Section 7.01 Preservation of Corporate Existence, Business and Property. The Borrower will at all times preserve and maintain its existence, rights, privileges and franchises, necessary to conduct its existing business and will preserve and protect the Project Facilities and will keep the Project Facilities in good repair, working order and condition, and from time to time will make, or will cause to be made, all needed and proper repairs, renewals, replacements, betterments and improvements to the Project Facilities.

Section 7.02. Insurance Required. Until payment of the Bonds shall be made in full, the Borrower will keep the Project Facilities continuously insured against such risks as are required by the Authority and including, without limiting the generality of the foregoing:

(a) commercial casualty insurance insuring loss by reason of casualty of any kind (except only as limited by the standard form of extended coverage endorsement used in the State) to the Project Facilities in a minimum amount equal to the greater of (x) the outstanding principal amount of the Bonds and (y) the replacement value thereof, naming the Authority and the Trustee as additional insureds;

(b) general comprehensive liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project Facilities (such coverage to include provisions waiving subrogation against the Authority and the Trustee) in amounts not less than \$1,000,000 with respect to bodily injury to any one person, \$3,000,000 aggregate with respect to bodily injury to two or more persons in any one accident and \$1,000,000, with respect to property damage resulting from any one occurrence naming the Authority and the Trustee as additional insureds;

(c) liability insurance with respect to the Project Facilities under the workers' compensation laws of the State; provided, however, that the insurance so required may be provided by blanket policies now or hereafter maintained by the Borrower; and

(d) if at any time any portion of the Project Site is in an area that has been identified by the Secretary of Housing and Urban Development as having special flood and mud slide hazards, a policy of flood insurance covering improvements located on such portion of the Project Site with the maximum available coverage.

(e) prior to commencement of the renovation and of and construction on the Project Facilities, a payment and performance bond relating to the general contractor and each trade contractor with a total contract value exceeding \$100,000, issued by a surety company

authorized to do business in the State of New Jersey that has an A.M. Best Stability Rating of A or better and a financial rating of VII or better, in the usual form and content for this type of construction project, in an amount not less than the full contract price; together with a multiple obligee and modification rider, naming the School and the Trustee as dual obligees.

Section 7.03. General Requirements Applicable to Insurance.

(a) Each insurance policy obtained in satisfaction of the requirements of Section 7.02 hereof:

(i) shall be by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State and of recognized standing;

(ii) shall be in such form and have such provisions (including, without limitation, the lenders long-form loss payable clause, the waiver of subrogation clause, the deductible amount, if any, and the standard mortgagee endorsement clause), as are generally considered standard provisions for the type of insurance involved and conform to all requirements of the Authority;

(iii) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days' prior written notice to the Authority and the Trustee; and

(iv) without limiting the generality of the foregoing, all insurance policies carried on the Project Facilities shall name the Borrower, the Authority and the Trustee as parties insured thereunder as the respective interests of each may appear and all liability insurance shall name the Authority and the Trustee as additional insureds.

(b) Prior to expiration of any such policy, the Borrower shall furnish the Authority and the Trustee with evidence satisfactory to the Authority and the Trustee that the policy or certificate has been renewed or replaced in compliance with this Loan Agreement or is no longer required by this Loan Agreement.

(c) Upon request therefor, the Borrower shall furnish the Authority and the Trustee with copies of any policy requested and proof of the coverages required under Section 7.02 above.

(d) In the event the Borrower shall fail to maintain the insurance coverage required by this Loan Agreement, the Authority or the Trustee may (but shall be under no obligation to), after ten (10) days written notice to the Borrower unless cured within such ten (10) days, contract for the required policies of insurance and pay the premiums on the same and the Borrower agrees to reimburse the Authority or the Trustee to the extent of the amounts so advanced with interest thereon at the maximum rate permitted by law.

Section 7.04. Payment of Taxes, etc. The Borrower will promptly pay and discharge or cause to be promptly paid and discharged all, if applicable, taxes, assessments and governmental charges or levies imposed upon it or in respect of any of its property and assets, except for any tax, assessment and governmental charge or levy that is being contested in good faith provided that during such contest the same will not result in a lien upon the Collateral or for which an appropriate bond or surety is posted to assure payment of such lien.

The Borrower agrees to cause any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Trustee under the Indenture to be discharged, vacated, bonded or stayed within ninety (90) days after such filing (or such longer period if the Borrower is contesting such process in good faith), but in any event not later than five (5) days prior to any proposed execution or enforcement with respect to such filing or any transfer of moneys or investments pursuant to such filing.

Section 7.05. Compliance with Applicable Laws. The Borrower agrees to construct, operate and maintain the Project and its business in accordance with all material applicable Federal, State, county and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter including, but not limited to such public safety, workers' compensation, sanitary, safety, non-discrimination and zoning laws, ordinances, rules and regulations as shall be binding upon the Borrower and, specifically, without limitation, with respect to environmental protection laws, ordinances, rules and regulations as shall be binding upon the Borrower, as provided in the Mortgage.

Section 7.06. Financial Statements. The Borrower agrees that, so long as any of the Bonds remain Outstanding, it will deliver, or cause to be delivered, as soon as practicable, and in any event within one hundred twenty (120) days after the end of each Fiscal Year, (a) to the Trustee and, upon the request of the Authority, to the Authority audited balance sheets, as at the end of such year; and audited income and expense statements and statements of cash flows for such year, in reasonable detail, certified by independent accountants of recognized national standing selected by the Borrower as having been prepared in accordance with generally accepted accounting principles, consistently applied except as otherwise stated; and (b) to the Trustee and to the Authority a certificate signed by an Authorized Borrower Representative or a principal accounting officer of the Borrower which shall state whether or not, to the best of the knowledge of the signers, any condition has occurred and is continuing which constitutes an "event of default" as defined in this Loan Agreement or which, after notice or lapse of time, or both, would constitute such an event of default, and, if any such condition or event exists, specifying the nature and period of existence thereof, and what action the Borrower is taking and proposes to take with respect thereto. The Trustee shall make copies of the financial statements and certificates required under this Section 7.06 available to the Bondholders upon receipt thereof.

Section 7.07. Mergers, etc. The Borrower shall maintain its existence as a legal entity and its qualification to do business in the State. The Borrower shall not sell, assign, transfer or otherwise dispose of substantially all of the Project Facilities or substantially all of its assets, except for (i) any disposition as may be required by a condemnation by a proper authority or (ii)

worn out or obsolete equipment or fixtures, provided the equipment or fixtures which are worn out or obsolete are replaced with items of equal or greater utility and value. The Borrower shall take all action necessary to include such replacement equipment or fixtures to be included as part of the Collateral.

Section 7.08. Assignment of Loan Agreement. Subject to the provisions of Section 6.15, the Borrower may not assign or transfer the whole or any part of this Loan Agreement without the prior express written consent of the Authority. Any assignment of this Loan Agreement by the Borrower without the prior express written consent of the Authority shall be null and void.

Section 7.09. Transfer of Project Facilities. The Borrower shall not sell or otherwise dispose of any possessory interest in whole or part of the Project Facilities without complying with the provisions of Section 6.15, except for worn out or obsolete equipment, provided the equipment or fixtures which are worn out or obsolete are replaced with items of equal or greater utility and value. The Borrower shall take all action necessary to include such replacement equipment or fixtures to be included as part of the Collateral.

Section 7.10. Cost Recovery. To the extent that any property is financed by the Bond Proceeds, the cost recovery deduction allowed for such property shall be determined by using the alternative depreciation system determined in accordance with Section 168(g) of the Code.

Section 7.11. Covenant by Borrower as to Compliance with Indenture. The Borrower covenants and agrees that it will not interfere with the exercise of the power and authority granted to the Trustee in the Indenture. The Borrower further agrees to aid in furnishing to the Authority or the Trustee any documents, certificates or opinions that may be required under the Indenture and to comply with the provisions thereof to the extent applicable to the Borrower.

Section 7.12. Payment of Prevailing Wage. The Borrower shall, in every Construction Contract to which it is a party or by other means satisfactory to the Authority, require the Contractor to pay workers engaged in the performance of such Construction Contract a wage rate not less than the Prevailing Wage Rate. The Borrower shall further require that the Contractor execute the Contractor's Certificate and Agreement, submit certified copies of payroll records to the Authority, as required by the Authority, and execute and file the Contractor's Completion Certificate. The Borrower shall cooperate with the Authority in securing the compliance of the Contractor and any Subcontractor with the foregoing.

Section 7.13. Compliance with the Affirmative Action and Prevailing Wage Requirements. As determined by the Authority, the Borrower shall comply with the Authority's Affirmative Action and Prevailing Wage Rate Regulations and to that end copies of the Affirmation Action Regulations are available on the Authority's Internet web page at: www.njeda.com/affirmativeaction or contacting: New Jersey Economic Development Authority - Internal Process Management - Gateway One, Suite 900, Newark, New Jersey 07102 Phone (973) 648-4130 or e-mail: affirmativeaction@njeda.com.

Section 7.14. Insurance Proceeds and Condemnation Awards. The Borrower shall notify the Authority and the Trustee promptly of the occurrence of any damage to or destruction, condemnation or conveyance in lieu of condemnation of all or any portion of the Project Facilities. All insurance proceeds, condemnation award or other similar sums received as a result of any such occurrence shall be applied as follows:

(a) At the election of the Borrower, such amounts may be used:

(i) to pay the cost of reconstructing, replacing or repairing the affected property, if the Borrower determines that such action is practicable, taking into account the nature of the affected property, the estimated cost of the proposed reconstruction, replacement or repair and the adequacy of available funds to pay such costs; or

(ii) to pay the Redemption Price of Bonds upon Extraordinary Redemption if all Outstanding Bonds are so to be redeemed.

The foregoing determinations shall be set forth in a Certificate of the Borrower delivered to the Authority and the Trustee as soon as practicable after the occurrence to which it relates. Such Certificate shall be supported by such additional Certificates (including an Architect's Certificate or Consultant's Certificate) as the Authority or the Trustee may reasonably request.

(b) If the Borrower determines in good faith that the conditions set forth in subsection (a) above cannot be satisfied with respect to any proposed action, it shall deliver a Certificate to such effect to the Trustee, and the insurance proceeds, condemnation award or other similar sum shall be required to be used to pay the Redemption Price of Bonds upon Extraordinary Redemption.

(c) Moneys to be used for any reconstruction, replacement or repair pursuant to subsection (a) above shall be deposited in the Project Fund for such purpose and shall be disbursed by the Trustee upon requisition of the Borrower in substantially the manner set forth in Section 4.02 of the Indenture. The balance of any moneys so deposited after completion of such reconstruction, replacement or repair (as evidenced to the Trustee by a Certificate of the Borrower) shall be used to pay the Redemption Price of Bonds upon Extraordinary Redemption. Moneys to be used to redeem Bonds pursuant to subsection (a), (b) or (c) of this Section 7.14 shall be deposited in the Redemption Fund for such purpose.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Any one or more of the following events shall constitute an Event of Default with respect to the Bonds hereunder:

- (a) if any representation or warranty made herein or in any other Loan Document, the Bond Purchase Agreement or in any report, certificate, financial statement or other instrument furnished in connection with this Loan Agreement shall prove to be false or misleading in any material respect when made;
- (b) default in the payment of any installment of the principal or interest on the Note within five (5) days of the date when due;
- (c) default in the payment of any installment of the principal of or interest due upon the Extraordinary Mandatory Redemption of the Note or the Bonds;
- (d) default in the due observance or performance of any material covenant, condition or agreement on the part of the Borrower to be observed or performed pursuant to the terms of the Loan Documents, other than the payment of principal and interest which shall be governed by (b) and (c) above, and such default shall continue unremedied for sixty (60) days after written notice thereof given by the Authority or the Trustee, provided that in the event such default cannot be reasonably cured within such sixty (60) day period, the Borrower shall be permitted such additional period as may be necessary to cure such default provided the Borrower is diligently pursuing a cure of such default;
- (e) default in the performance or breach of any covenant or warranty of the Borrower in this Loan Agreement relating to the discharge, vacation, bonding or stay of any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Trustee under the Indenture; or
- (f) the Borrower shall have applied for or consented to the appointment of a custodian, receiver, trustee or liquidator of all or a substantial part of its assets; or shall generally not be paying its debts as they become due; or shall have made a general assignment for the benefit of creditors; or shall have submitted a petition or an answer seeking reorganization or an arrangement with creditors; or shall have taken advantage of any insolvency law, or submitted an answer admitting the material allegations of a petition in bankruptcy, reorganization or insolvency proceeding; or an order, judgment or decree shall have been entered, without the application, approval or consent of the Borrower, by any court of competent jurisdiction approving a petition seeking reorganization of the Borrower, or appointing a custodian, receiver, trustee or liquidator of the Borrower or of a substantial part of any of its assets and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive

days; or the Borrower shall have filed a voluntary petition in bankruptcy; or if any order for relief has been entered against the Borrower under the Federal Bankruptcy Code; or

- (g) a Determination of Taxability shall have occurred.

Section 8.02. Remedies. (i) Whenever any Event of Default referred to in Section 8.01 hereof shall have occurred and be subsisting, provided that written notice of the default, when required, has been given to the Borrower by the Authority and the Event of Default has not theretofore been cured, and such declaration shall not have been rescinded by the Authority, any one or more of the following remedial steps may be taken:

(a) The principal of the Note may be accelerated, together with interest then due thereon, by delivery of written notice of the Authority's or the Trustee's exercise of such right to the Borrower, such payments to be immediately due and payable; and

(b) The Authority may take any action at law or in equity to collect the payments then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement.

(ii) Notwithstanding any other provision in this Loan Agreement, without the necessity of obtaining the consent of the holders of the bonds: (a) if the Borrower commits a breach, or threatens to commit a breach of the Authority's Reserved Rights, the Authority shall have the right and remedy, without posting bond or other security, to have the applicable provisions of this Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause immediate and irreparable injury to the Authority and that money damages will not provide an adequate remedy therefor; (b) if a payment default occurs under Section 8.01(c) hereof, the Authority may cause the Borrower's payment obligations under this Loan Agreement and under the Note to be accelerated, together with interest then due thereon, by delivery of written notice of the Authority's exercise of such option to the Trustee and the Borrower, such payments to be immediately due and payable or (c) if the Borrower ceases to operate the Project, or to cause the Project to be operated, as an authorized "project" under the Act for twelve (12) consecutive months, without first obtaining the prior written consent of the Authority or if any representation or warranty made by the Borrower in this Agreement or in any report, certificate, financial statements or other instrument furnished by the Borrower in connection with this Agreement shall prove to be false or misleading in any material respect when made, the Authority may cause the mandatory redemption of the Bonds in accordance with the Indenture.

Section 8.03. No Remedy Exclusive. No remedy herein conferred or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair

any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article, it shall not be necessary to give notice, other than such notice as may be required in this Article.

Section 8.04. Additional Remedies. In addition to the above remedies, if the Borrower commits a breach or threatens to commit a breach of this Loan Agreement, the Trustee shall have the right and remedy, without posting bond or other security, to have the provisions of this Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Trustee and that money damages will not provide an adequate remedy therefor.

Section 8.05. Agreement to Pay Attorneys' Fees and Expenses. In the event the Borrower should default under any of the provisions of this Loan Agreement or other Loan Documents and either the Authority or the Trustee shall require and employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Borrower or enforcement of the Bonds under any Loan Document, the Borrower agrees that it will, on demand therefor, pay to the Authority or the Trustee, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred by the Authority or the Trustee.

Section 8.06. No Additional Waiver Implied by One Waiver. In the event any agreement contained in any Loan Document should be breached by any party and thereafter such breach should be waived by any party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.07. Authority May File Claim in Bankruptcy. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Borrower or any other obligor upon the Loan Agreement or the Bonds or to property of the Borrower, or such other obligor or the creditors of any of them, the Authority (irrespective of whether the principal of the Note shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether demand shall have made on the Borrower for the payment on the Note of an amount equal to overdue principal or interest or additional interest) shall be entitled and empowered, by intervention in such proceeding or otherwise to:

(i) file and prove a claim for the reasonable compensation, expenses, disbursements and advances of the Authority, its agents and counsel allowed in such judicial proceeding; and

(ii) file and prove a claim arising out of a claim for indemnification by or on behalf of the Authority, any person who "controls" the Authority (within the meaning of Section 15 of the Securities Act of 1933, as amended and Section 20 of the Securities Exchange Act of 1934, as amended) and members, officers, directors, officials, employees, agents and attorneys of

the Authority and the State and their respective agents and counsel allowed in such judicial proceeding; and

(iii) file and prove a claim for funds held in, or which should have been held in, the Rebate Account or the payment of the Rebate Amount due under Section 6.04 hereof; and

(iv) collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Notices. Any notice to the parties to this Loan Agreement shall be conclusively deemed to have been received by, and to be effective on the date on which sent by electronic or facsimile transmission or delivered to it, at the address listed below or, if sent by certified mail, postage prepaid, on the third business day after the day on which mailed, addressed to the party at said address:

Authority: New Jersey Economic Development Authority
 36 West State Street
 PO Box 990
 Trenton, New Jersey 08625
 Attn: Director of Bonds and Incentives

Borrower: BWP School Partners LLC
 c/o Build With Purpose, Inc.,
 224 Main Street
 Metuchen, NJ 08840-2728
 Attn:

Trustee: U.S. Bank National Association
 Corporate Trust Administration
 21 South Street
 3rd Floor
 Morristown, NJ 07960

The addresses set forth hereinabove may be changed pursuant to notice given in accordance with this Section 9.01.

Section 9.02. Concerning Successors and Assigns. All covenants, agreements, representations and warranties made herein by the Borrower, in the other Loan Documents and in the certificates delivered pursuant hereto and thereto shall survive the making of the Loan herein contemplated and the execution and delivery of the Note and shall continue in full force and effect so long as the Obligations are outstanding and unpaid. Whenever in this Loan Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower which are contained in this Loan Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Authority.

Section 9.03. Expenses and Fees. All expenses in connection with the preparation, execution, delivery, recording and filing of this Loan Agreement, and the other Loan Documents and in connection with the preparation, issuance and delivery of the Bonds, the Authority's fees,

the fees and expenses of Wolff & Samson PC, the fees and expenses of the Trustee, the fees and expenses of Trustee's counsel and the fees and expenses of counsel to the Underwriter shall be payable by the Borrower. The Borrower shall also pay throughout the term of the Bonds the Authority's fees and expenses and the Trustee's annual and special fees and expenses under the Indenture, the Loan Agreement and the other Loan Documents, including, but not limited to, reasonable attorney's fees and all costs of issuing, collecting payment on and redeeming the Bonds thereunder, and any costs and expenses of any Bondholder (or beneficial owner) in connection with any approval, consent or waiver under, or modification of, any such document.

Section 9.04. New Jersey Law Governs. This Loan Agreement and the other Loan Documents shall be construed in accordance with and governed by the laws of the State.

Section 9.05. Modification in Writing. The waiver or amendment of any provision of this Loan Agreement or any other Loan Document, or consent to any departure by the Borrower therefrom shall, in no event, be effective unless the same shall be in writing and signed by the Authority and the Borrower. Any such waiver or amendment shall be effective only in the specific instance and for the purpose for which given. No notice to or demand upon the Borrower in any case shall entitle it to any other further notice or demand in the same circumstances. Any amendment of this Loan Agreement shall be effected only in the manner provided in Article XII of the Indenture.

Section 9.06. Failure to Exercise Rights. Neither any failure nor any delay on the part of the Authority in exercising any right, power or privilege hereunder or under any other Loan Document shall operate as a waiver hereof or thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege.

Section 9.07. Assignment of Loan Documents. The Borrower acknowledges that with the exception of the Authority's Reserved Rights, the Loan Documents, including the Note, shall be assigned by the Authority to the Trustee as security for the Bonds pursuant to the terms of the Indenture. The Authority retains the right, jointly and severally with the Trustee, to specifically enforce the provisions contained in the Loan Documents.

The Borrower assents to such assignment and hereby agrees that, as to the Trustee, its obligation to make payments under the Loan Documents and the Note shall be absolute, and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority of any duty or obligation to the Borrower, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Borrower by the Authority.

Section 9.08. Further Assurances and Corrective Instruments. The Authority and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or for carrying out the intention of or facilitating the performance of this Loan Agreement in the manner provided in Article XII of the Indenture.

Section 9.09. Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Loan Agreement.

Section 9.10. Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render any other provision hereof unenforceable.

Section 9.11. Counterparts. This Loan Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.12. Effective Date and Term. This Loan Agreement shall become effective upon its execution and delivery by the parties hereto, and all representations and warranties of the Borrower shall be deemed to have been made as of such date of execution and delivery and shall remain in full force and effect from the date hereof and, subject to the provisions hereof, shall expire on such date as the Bonds and the interest thereon, the Note and the interest thereon and all other expenses, penalties, fees, additions to tax or sums to which the Authority and the Trustee are entitled, have been fully paid and retired.

Section 9.13. Incorporation of Terms. The other Loan Documents shall be made subject to all the terms and conditions contained in this Loan Agreement to the same extent and effect as if this Loan Agreement were fully set forth in and made a part of the other Loan Documents. This Loan Agreement is made subject to all the conditions, stipulations, agreements and covenants contained in the other Loan Documents to the same extent and effect as if the other Loan Documents were fully set forth herein and made a part hereof. Notwithstanding any of the foregoing, if any provisions in the other Loan Documents (other than the Indenture and the Bonds) are inconsistent with covenants contained within this Loan Agreement, to that extent this Loan Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement and attested, as of the day first written above.

ATTEST:

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

Gregory Ritz
Assistant Secretary

By:_____

John J. Rosenfeld
Director of Bonds and Incentives

ATTEST:

BWP SCHOOL PARTNERS LLC
By: BUILD WITH PURPOSE, INC.

Eric Felczak
Project Manager

By: _____
Brian Keenan
President

SCHEDULE A TO LOAN AGREEMENT

Property Description

All that real property in the City of Newark, County of Essex, State of New Jersey, described as follows:

Block 4089 Lots 1, 40, 41, 42, 43, 45, 46 and 60 in the City of Newark, County of Essex, New Jersey

BEGINNING at a point, said point being the intersection of the easterly line of Sanford Avenue (66 feet wide) and the southerly line of Ivy Street (50 feet wide) and running; thence

- 1) Along said southerly line of Ivy Street, South $68^{\circ}11'09''$ East, a distance of 200.00 feet to a point on the westerly line of Chapman Street (60feet wide); thence
- 2) Along said westerly line of Chapman Street, South $21^{\circ}48'51''$ West, a distance of 155.21 feet to a point; thence
- 3) North $68^{\circ}11'09''$ West, a distance of 100 feet to a point; thence
- 4) South $21^{\circ}48'51''$ West, a distance of 205 feet to a point; thence
- 5) North $68^{\circ}11'09''$ West, a distance of 100 feet to a point on the aforementioned easterly line of Sanford Street; thence
- 6) Along said easterly line of Sanford Street, North $21^{\circ}48'51''$ East, a distance of 360.21 feet to the point of BEGINNING.

This description is prepared in accordance with a plan entitled "Topographic and Boundary Survey of Block 4089 Lots 1, 40, 41, 42, 43, 45, 46 and 60, Lady Liberty Charter School, City of Newark, Essex County, New Jersey" prepared by Langan Engineering and Environmental Services, Inc. Elmwood Park New Jersey, Job. No. 100295401, dated May 15 2012, Drawing No. VT101.

EXHIBIT A TO LOAN AGREEMENT

FORM OF NOTE

AFTER THE ENDORSEMENT OF THIS NOTE AS HEREIN PROVIDED, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO A SUCCESSOR OF THE TRUSTEE UNDER THE TRUST INDENTURE REFERRED TO IN THE LOAN AGREEMENT REFERRED TO HEREIN.

NOTE

\$10,010,000

West Orange, New Jersey
Dated: February 28, 2013

FOR VALUE RECEIVED, BWP SCHOOL PARTNERS LLC (the "Borrower") promises to pay to the order of the **NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY** (the "Authority") at its offices located at 36 West State Street, P.O. Box 990, Trenton, New Jersey, the sum of **TEN MILLION TEN THOUSAND and 00/100 DOLLARS** (\$10,010,000) in lawful money of the United States, together with interest thereon as set forth on the attached Schedule A.

This Note shall be payable in such manner and upon such terms so as to provide for the timely payment of the principal and interest of the Authority's \$10,010,000 Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 (the "Bonds"), as set forth on the attached Schedule A, and any other sums due and owing from the Authority under the Trust Indenture dated as of February 1, 2013, by and between the Authority and U.S. Bank National Association, as Trustee, including any Additional Bonds issued by the Authority pursuant to such Indenture. It is the intent of the parties that the Trustee shall have on deposit the sums to pay the amounts due on the Bonds thirty (30) days prior to their respective due dates. To that end, the Borrower shall make the following payments to the Trustee for the account of the Authority:

On or before the first day of August, 2014 and the first day of each month thereafter, one-twelfth (1/12th) of the amount which is necessary for the payment of the principal of the Bonds becoming due on August 1, 2015 and on or before the first day of each month thereafter one-twelfth (1/12th) of the principal amount of the Bonds coming due on the immediately succeeding August 1st, whether for the payment of principal on a principal maturity or a mandatory redemption date, subject to credit for other available funds in the manner provided in the Indenture.

On or before the first day of April, 2013 and the first day of each month thereafter, one-fourth (1/4th) of the amount which is necessary, after credit for the capitalized interest on deposit in the Debt Service Fund (if any), for the payment of the interest of the Bonds becoming due on August 1, 2013 and on or before the first day of each month thereafter one-sixth (1/6th) of the amount which is necessary, after credit for the capitalized interest on deposit in the Debt Service Fund (if any), for the payment of the interest of the Bonds on the immediately succeeding February 1st and August 1st, subject to credit for other available funds in the manner provided in the Indenture.

In any event, on August 1, 2047 all unpaid principal and accrued interest on the Bonds shall be due and payable.

This Note is the Note referred to in the Indenture and is subject to all the terms and provisions of said

Indenture and a Loan Agreement dated as of February 1, 2013 by and between the Authority and the Borrower (the “Agreement”). This Note is secured by a Mortgage dated February 28, 2013 and an Assignment of Leases dated February 28, 2013 (the “Assignment of Leases”). This Note, the Agreement, the Mortgage and the Assignment of Leases have been assigned by the Authority to the Trustee in accordance with the terms of the Indenture.

In the event of a Determination of Taxability with respect to interest on the Bonds issued by the Authority in connection with the Project, this Note shall become subject to acceleration and shall be due and payable in an amount equal to the Redemption Price of the Bonds, plus accrued interest to the date set for redemption of the Bonds as a result of a Mandatory Redemption.

This Note is subject to prepayment, by the Borrower on or after August 1, 2022 at the option of the Borrower, in whole at any time or in part on any Interest Payment Date (as defined in the Agreement) at the redemption price and in accordance with the redemption schedule set forth in the Bonds.

In the event that any of the Bonds may be subject to Extraordinary Redemption, Extraordinary Mandatory Redemption or Mandatory Sinking Fund Redemption, as such terms are defined in the Indenture, the amount necessary to pay the Redemption Price of the Bonds shall become due and payable hereunder, together with interest accrued to the date set for redemption of the Bonds.

If any Event of Default (as defined in the Agreement) occurs, the principal of and interest on this Note may become payable at the times, in the manner, with the effect and subject to the conditions provided in the Indenture and the Agreement.

Undersigned and all endorsers (if any) of this Note waive presentment, demand for payment, protest and notice of dishonor of this Note, and authorize the holder, without notice or further consent, to grant extensions of time in the payment of any moneys payable under this Note, to waive compliance with any of the provisions of this Note or the Agreement, and to release all or any part of the collateral subject to the Agreement from the lien thereof.

IN WITNESS WHEREOF, the undersigned has caused this Note to be duly executed by its proper member as of the day and year first above written.

ATTEST:

BWP SCHOOL PARTNERS LLC
By: BUILD WITH PURPOSE, INC.

By:_____

ENDORSEMENT

Pay to the order of U.S. Bank National Association, as Trustee for the benefit of the Bondholders under the Trust Indenture between the Authority and the Trustee, without recourse. This endorsement is given and made without any warranty as to the authority and genuineness of the signature of the maker of the foregoing Promissory Note.

Dated as of the date first above written.

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

By:_____
John J. Rosenfeld
Director of Bonds and Incentives

SCHEDULE A TO NOTE

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
08/01/2013		239,748.88	239,748.88	239,748.88
02/01/2014		282,057.50	282,057.50	
08/01/2014		282,057.50	282,057.50	564,115.00
02/01/2015		282,057.50	282,057.50	
08/01/2015	80,000	282,057.50	362,057.50	644,115.00
02/01/2016		279,457.50	279,457.50	
08/01/2016	85,000	279,457.50	364,457.50	643,915.00
02/01/2017		276,695.00	276,695.00	
08/01/2017	90,000	276,695.00	366,695.00	643,390.00
02/01/2018		273,770.00	273,770.00	
08/01/2018	95,000	273,770.00	368,770.00	642,540.00
02/01/2019		270,682.50	270,682.50	
08/01/2019	100,000	270,682.50	370,682.50	641,365.00
02/01/2020		267,837.50	267,837.50	
08/01/2020	150,000	267,837.50	417,837.50	685,675.00
02/01/2021		263,975.00	263,975.00	
08/01/2021	160,000	263,975.00	423,975.00	687,950.00
02/01/2022		259,855.00	259,855.00	
08/01/2022	170,000	259,855.00	429,855.00	689,710.00
02/01/2023		255,477.50	255,477.50	
08/01/2023	175,000	255,477.50	430,477.50	685,955.00
02/01/2024		250,971.25	250,971.25	
08/01/2024	185,000	250,971.25	435,971.25	686,942.50
02/01/2025		245,883.75	245,883.75	
08/01/2025	195,000	245,883.75	440,883.75	686,767.50
02/01/2026		240,521.25	240,521.25	
08/01/2026	205,000	240,521.25	445,521.25	686,042.50
02/01/2027		234,883.75	234,883.75	
08/01/2027	220,000	234,883.75	454,883.75	689,767.50
02/01/2028		228,833.75	228,833.75	
08/01/2028	230,000	228,833.75	458,833.75	687,667.50
02/01/2029		222,508.75	222,508.75	
08/01/2029	245,000	222,508.75	467,508.75	690,017.50
02/01/2030		215,771.25	215,771.25	
08/01/2030	255,000	215,771.25	470,771.25	686,542.50
02/01/2031		208,758.75	208,758.75	
08/01/2031	270,000	208,758.75	478,758.75	687,517.50
02/01/2032		201,333.75	201,333.75	
08/01/2032	285,000	201,333.75	486,333.75	687,667.50
02/01/2033		193,496.25	193,496.25	
08/01/2033	300,000	193,496.25	493,496.25	686,992.50
02/01/2034		185,246.25	185,246.25	
08/01/2034	320,000	185,246.25	505,246.25	690,492.50
02/01/2035		176,206.25	176,206.25	
08/01/2035	335,000	176,206.25	511,206.25	687,412.50
02/01/2036		166,742.50	166,742.50	
08/01/2036	355,000	166,742.50	521,742.50	688,485.00
02/01/2037		156,713.75	156,713.75	
08/01/2037	375,000	156,713.75	531,713.75	688,427.50
02/01/2038		146,120.00	146,120.00	

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
08/01/2038	395,000	146,120.00	541,120.00	687,240.00
02/01/2039		134,961.25	134,961.25	
08/01/2039	420,000	134,961.25	554,961.25	689,922.50
02/01/2040		123,096.25	123,096.25	
08/01/2040	440,000	123,096.25	563,096.25	686,192.50
02/01/2041		110,666.25	110,666.25	
08/01/2041	465,000	110,666.25	575,666.25	686,332.50
02/01/2042		97,530.00	97,530.00	
08/01/2042	495,000	97,530.00	592,530.00	690,060.00
02/01/2043		83,546.25	83,546.25	
08/01/2043	520,000	83,546.25	603,546.25	687,092.50
02/01/2044		68,856.25	68,856.25	
08/01/2044	550,000	68,856.25	618,856.25	687,712.50
02/01/2045		53,043.75	53,043.75	
08/01/2045	580,000	53,043.75	633,043.75	686,087.50
02/01/2046		36,368.75	36,368.75	
08/01/2046	615,000	36,368.75	651,368.75	687,737.50
02/01/2047		18,687.50	18,687.50	
08/01/2047	650,000	18,687.50	668,687.50	687,375.00
	10,010,000	13,264,973.88	23,274,973.88	23,274,973.88

EXHIBIT B TO LOAN AGREEMENT

Form of Requisition

TO: U.S. Bank National Association
Corporate Trust Administration
21 South Street
3rd Floor
Morristown, NJ 07960

New Jersey Economic Development Authority
PO Box 990
Trenton, New Jersey 08625
Attn: Director of Bonds and Incentives

REQUISITION NO. ____

The undersigned, an Authorized Borrower Representative of BWP School Partners LLC (the "Borrower"), pursuant to the Loan Agreement by and between the New Jersey Economic Development Authority (the "Authority") and the Borrower, dated as of February 1, 2013 (the "Loan Agreement") makes the following requisition for payment from the Project Fund established pursuant to the Loan Agreement entered into with regard to the Lady Liberty Academy Charter School, Inc. Project, Series 2013.

Payment to:

Amount: \$

Reason for Payment:

If this requisition is for payment to be made to the Borrower for a reimbursable advance, attached is proof of payment of the amount for which reimbursement is sought..

We hereby certify that (a) the obligation to make such payment was incurred by the Borrower in connection with the Construction (as such terms are defined in the Loan Agreement) of the Project (referred to in the Loan Agreement), is a proper charge against the Costs of Construction of the Project (as defined in the Loan Agreement and the Project Fund), is unpaid or unreimbursed, and has not been the basis for any prior requisition which has been paid; (b) the Borrower has received no written notice of any lien, right to lien or attachment upon, or claim affecting the right of such payee to receive payment of, any of the money payable under this requisition to any of the persons, firms or corporations named herein, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released, discharged or will be released or discharged upon payment of this requisition; (c) this requisition contains no items representing payment on account of any retained percentages which the Borrower are required to retain at this date; (d) this requisition contains no items which are not a

Proper Charge (as defined in the Agreement); (e) no Event of Default (as defined in the Loan Agreement) or event of default which after notice or lapse of time or both would constitute an Event of Default has occurred and not been waived; and (f) the amount requisitioned hereby is being expended in a manner consistent in all material respects with the representations and warranties of the Borrower set forth in the Loan Agreement.

If this requisition is for payment to the Borrower to reimburse it for costs or expenses incurred by reason of work performed or supervised by officers or employees of the Borrower or any of its affiliates, the amount to be paid does not exceed the actual cost thereof to the Borrower or any of its affiliates.

The following paragraphs are to be completed when any requisition and certificate includes any item for payment for labor, for indicated items of equipment or to contractors, builders or materialmen.

I hereby certify that insofar as the amount covered by the above requisition includes payments to be made for labor or to contractors, builders or materialmen, including payment for equipment, materials or supplies, in connection with the acquisition of the Project: (i) all obligations to make such payments have been properly incurred, (ii) any such labor was actually performed and any such equipment, materials or supplies were actually furnished or installed on or about the Project and are a proper charge against the Costs of Acquisition of the Project, (iii) such equipment, materials or supplies either are not subject to any lien or security interest or, if the same are so subject, such lien or security interest will be released or discharged upon payment of this requisition. I hereby certify that the Amount of this Requisition set forth above represents 100% of the amount due on account of a payment to a Contractor or Subcontractor on account of a Construction Contract (as such terms are defined in the Agreement), less the holdback required by the Authority's Affirmation Action Regulations (copies of the Affirmation Action Regulations were available on the Authority's Internet web page at: www.njeda.com/affirmativeaction or by contacting: New Jersey Economic Development Authority - Internal Process Management - Gateway One, Suite 900, Newark, New Jersey 07102 Phone (973) 648-4130 or by e-mail: affirmativeaction@njeda.com).

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 20____.

BWP SCHOOL PARTNERS LLC
By: BUILD WITH PURPOSE, INC.

By: _____
Authorized Borrower Representative

EXHIBIT C TO LOAN AGREEMENT

TO: U.S. Bank National Association
Corporate Trust Administration
21 South Street
3rd Floor
Morristown, NJ 07960

New Jersey Economic Development Authority
PO Box 990
Trenton, New Jersey 08625
Attn: Director of Bonds and Incentives

BORROWER'S COMPLETION CERTIFICATE

Pursuant to Section 3.04 of the Loan Agreement by and between the Authority and BWP School Partners LLC (the "Borrower") dated as of February 1, 2013 (the "Loan Agreement"), the undersigned, an Authorized Borrower Representative (all undefined terms used herein shall have the same meaning ascribed to them in the Loan Agreement), as of the date hereof, certifies that:

- (i) that portion of the Project Facilities to be financed with the proceeds of the Authority's Bonds were completed as of _____, 20____;
- (ii) the cost of all labor, services, materials and supplies used in the Project have been paid, or will be paid from amounts retained by U.S. Bank National Association, the Trustee, at the Borrower's direction for any cost of the Project not now due and payable or, if due and payable, not presently paid;
- (iii) the Project Facilities necessary for the Project, if any, have been installed to the Borrower's satisfaction; such Project Facilities so installed are suitable and sufficient for the efficient operation of the Project for the intended purposes and all costs and expenses, if any, incurred in the acquisition and installation of such Project Facilities have been paid, or will be paid from amounts retained by the Trustee at the Borrower's direction for any cost of the Project not now due and payable or, if due and payable, not presently paid;
- (iv) the Project is being operated as an authorized "project" under the Act and substantially as proposed in the Application of the Borrower.
- (v) If determined by the Authority to be applicable, the Borrower has complied with the Authority's Affirmative Action and Prevailing Wage Rate Regulations in using the proceeds of the Authority's Bonds, or insurance or condemnation

awards for the restoration of the Project, and the Borrower herewith submits approval of such compliance by the Authority (copies of the Affirmation Action Regulations were available on the Authority's Internet web page at: www.njeda.com/affirmativeaction or by contacting: New Jersey Economic Development Authority - Internal Process Management - Gateway One, Suite 900, Newark, New Jersey 07102 Phone (973) 648-4130 or by e-mail: affirmativeaction@njeda.com).

I acknowledge that any amount hereafter remaining in the Construction Fund (except amounts therein sufficient to cover costs of the Project not now due and payable or not presently paid and except for interest or other income earned from the investment of the moneys held in the Construction Fund, if any,) shall be transferred into the Bond Redemption Fund and shall be used to redeem Bonds on the next succeeding redemption date on which Bonds can be redeemed without penalty or premium; provided that the proceeds of the Bonds held in the Series A Bond Account in the Project Fund shall be only used to redeem the Series A Bonds.. Amounts held in the Bond Redemption Fund shall not be invested at a yield materially higher than the yield on the Bonds.

This certificate is given without prejudice to any rights against third parties which exist on the date hereof or which may subsequently come into being.

BWP SCHOOL PARTNERS LLC
By: BUILD WITH PURPOSE, INC.

By: _____
Authorized Borrower Representative

Dated: _____, 20____

EXHIBIT D TO LOAN AGREEMENT

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
Post Issuance Compliance Guide
use of tax-exempt bond financed property and proceeds
501(c)(3)

The Borrower agrees that, on or prior to the occurrence of any of the following events, which are not otherwise addressed in the Borrower's tax certificate for the Bonds, the Borrower will notify the Authority in accordance with Section 6.04(p).

1. **Change of ownership of the financed property** -- if the ownership of any portion of the Bond Financed Property is transferred to anyone, prior to the earlier of the end of the expected economic life of the property, or the latest maturity date of any bond of the issue financing (or refinancing) the property;
2. **Private business use of the Bond Financed Property** -- if any portion of the Bond Financed Property will be used by anyone other than the Borrower, a State or local governmental unit or a 501(c)(3) organization acting in furtherance of its exempt purpose (an "Exempt Person") or members of the general public who are not using the Bond Financed Property in the conduct of a trade or business (e.g., use by a person as an owner, lessee, purchaser of the output of facilities under a "take and pay" or "take or pay" contract, purchaser or licensee of research, a manager or independent contractor under certain management or professional service contracts or any other arrangement that conveys special legal entitlements including an arrangement that conveys priority rights to the use or capacity of the Bond Financed Property, for beneficial use of the property financed with proceeds of tax-exempt debt or an arrangement that conveys a special economic benefit);
3. **Unrelated trade or business** -- if any portion of the Bond Financed Property is to be used by any 501(c)(3) organization (including by the Borrower) in an unrelated trade or business (i.e., a trade or business not substantially related to the 501(c)(3) purpose or purposes of the 501(c)(3) organization);
4. **Leases of the Bond Financed Property** -- if any portion of the Bond Financed Property is to be leased, or otherwise subject to an agreement which give possession of any portion of the Bond Financed Property to anyone, other than an Exempt Person;
5. **Private Loans Bond Proceeds** -- if any portion of the proceeds of the bonds (including any investment earnings thereon) are to be re-loaned by the Borrower;
6. **Naming rights agreements for the Bond Financed Property** -- if any portion of the Bond Financed Property will become subject to a naming rights agreement, other than a "brass plaque" dedication;
7. **Research using the Bond Financed Property** -- if any portion of the Bond Financed Property will be used for the conduct of research under the sponsorship, or for the benefit of, any organization other than an Exempt Person;

8. **Management agreement or service agreement** -- if any portion of the Bond Financed Property is to be used under a management contract or professional service contract (e.g., medical group), other than a contract for services that are solely incidental to the primary function of Bond Financed Property, such as janitorial services or office equipment repair;

9. **Output Facilities** -- if any portion of the Bond Financed Property is an output type facility and any portion of the output is sold;

10. **Joint Ventures.** If any portion of the Bond Financed Property has been used in any joint venture arrangement with any person other than an Exempt Person or

11. **Sinking fund or pledge fund** -- if the Borrower, or any organization related to the Borrower, identifies funds which are expected to be used to pay debt service on the Bonds or secure the payment of debt service on the Bonds, other than those funds or accounts described in the bond documents for the Bonds.

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APPENDIX D

Indenture

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TRUST INDENTURE

By and Between

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Relating to the issuance of:

New Jersey Economic Development Authority
\$9,620,000 Charter School Revenue Bonds
(Lady Liberty Academy Charter School, Inc. Project), Series 2013 A (Tax Exempt)
and
\$390,000 Charter School Revenue Bonds
(Lady Liberty Academy Charter School, Inc. Project), Series 2013 B (Taxable)

Dated as of February 1, 2013

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TRUST INDENTURE

(Lady Liberty Academy Charter School, Inc. Project) Series 2013

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- Exhibit A Form of Bonds
 Exhibit B Terms of Bonds and Debt Service Schedule
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TRUST INDENTURE

THIS INDENTURE, dated as of February 1, 2013, by and between the **NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY** (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey, and **U.S. BANK NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), a national banking association organized and existing under the laws of the United States, having a corporate trust office and place of business in Morristown, New Jersey.

WITNESSETH:

WHEREAS, the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Pamphlet Laws of 1974 of the State of New Jersey, approved on August 7, 1974, as amended and supplemented (the "Act"), declares it to be in the public interest and to be the policy of the State of New Jersey (the "State") to foster and promote the economy of the State, increase opportunities for gainful employment and improve living conditions, assist in the economic development or redevelopment of political subdivisions within the State, and otherwise contribute to the prosperity, health and general welfare of the State and its inhabitants by inducing manufacturing, industrial, commercial, recreational, retail, service and other employment promoting enterprises by making available financial assistance, to locate, remain or expand within the State; and

WHEREAS, the Authority, to accomplish the purposes of the Act, is empowered to extend credit to such employment promoting enterprises in the name of the Authority, on such terms and conditions and such manner as it may deem proper for such consideration and upon such terms and conditions as the Authority may determine to be reasonable; and

WHEREAS, BWP School Partners LLC (the "Borrower") has applied to the Authority for financial assistance in the total aggregate principal amount of up to \$11,000,000, the proceeds to be used to pay for (i) the acquisition of a long term interest in, and renovations to, an existing school building at 746 Sandford Avenue, in the City of Newark, County of Essex, New Jersey, and (ii) the construction of 23,000 sq. ft. of additional space, to be used by Lady Liberty Academy Charter School, Inc. (hereinafter collectively referred to as the "Project"); and

WHEREAS, by resolution adopted by the Authority on October 9, 2012, the Authority determined to loan the Borrower up to \$11,000,000 from the sale of its Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013; and

WHEREAS, the Bonds to finance the Project, will be issued on the Issue Date (as defined herein) in the aggregate principal amount of \$10,010,000, and shall consist of Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project) Series 2013 A (Tax-Exempt) in the aggregate principal amount of \$9,620,000 and Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project) Series 2013 B (Taxable) in the aggregate principal amount of \$390,000; and

WHEREAS, the Authority at a meeting thereof duly convened and held on October 9, 2012, has duly authorized the execution and delivery of this Indenture and the issuance hereunder of the Bonds (as hereinafter defined) upon and subject to the terms and conditions hereinafter set forth; and

WHEREAS, the Authority will loan the Borrower up to \$10,010,000 from the sale of its Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 A and Series 2013 B, pursuant to a Loan Agreement by and between the Authority and the Borrower dated as of February 1, 2013 (the “Agreement”); and

WHEREAS, all acts and things have been done and performed, which are necessary to make the Bonds when executed and issued by the Authority, authenticated by the Trustee and delivered, the valid and binding legal obligations of the Authority in accordance with their terms and to make this Indenture a valid and binding agreement for the security of the Bonds authenticated and delivered under this Indenture;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That, to provide for the payment of principal or Redemption Price (as the case may be) and interest in respect of all Bonds issued and outstanding under this Indenture, the rights of the Bondholders (as hereinafter defined) and the performance of the covenants contained in said Bonds and herein, and the payment of all other amounts due under this Indenture, and all Additional Bonds, if any, issued hereunder, the Authority has caused the Borrower to deliver to the Trustee, in addition to the Agreement, a Note in the principal amount of \$10,010,000 (the “Note”) secured by a Mortgage and an Assignment of Leases (both as defined in the Agreement) with the respect to the property described in Schedule A to the Mortgage from the Borrower to the Authority for the term of the Bonds, and does hereby sell, assign, transfer, set over and pledge unto the Trustee, its successors in trust and its assigns forever, all the right, title and interest of the Authority in and to, and remedies under, the Note, the Mortgage, the Assignment of Leases, and the other Loan Documents (as such terms are defined in the Agreement) and the Agreement (except for the Reserved Rights of the Authority under the Agreement) as the same relate to the Bonds issued under the Indenture, as the same may be amended and supplemented and all the right, title and interest of the Authority in and to the Revenues, the Project Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Redemption Fund (as such terms are hereinafter defined) (collectively, the “Trust Estate”);

TO HAVE AND TO HOLD all and singular said right, title and interest of the Authority granted, bargained, sold, assigned, transferred, enfeoffed, conveyed, mortgaged, pledged, alienated, remised, released, confirmed and set over by the Authority as aforesaid or intended so to be, unto the said Trustee, its successors and assigns, forever.

IN TRUST, NEVERTHELESS, under and subject to the terms and conditions hereinafter set forth, for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which regardless of the time or times of their issuance or maturity, shall be of equal rank, without preference, priority or distinction of any of the Bonds over any other thereof, except as otherwise provided in or pursuant to this Indenture, and for securing the observance

and performance of all the conditions, covenants, promises, stipulations, agreements and terms and provisions of this Indenture and the uses and purposes herein expressed and declared.

ARTICLE I

DEFINITIONS

Section 1.01. **Definitions.** As used or referred to in this Indenture, the following terms shall have the following meanings unless a different meaning clearly appears from the context, and terms not otherwise defined herein shall have the meaning provided in the Loan Agreement:

“Act” means the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Pamphlet Laws of 1974 of the State of New Jersey, approved on August 7, 1974, as amended and supplemented;

“Additional Bonds” means any Bonds or series of Bonds, authorized pursuant to Section 3.02(ii) hereof, and authenticated and delivered under this Indenture, other than the Series A Bonds and the Series B Bonds;

“Additional Series Note” shall mean the additional series note or notes executed and delivered by the Borrower in a principal amount equal to the corresponding series of Additional Bonds;

“Agreement” or “Loan Agreement” means the Loan Agreement dated as of February 1, 2013 between the Authority and the Borrower, as so amended or supplemented;

“Articles” and “Sections” mentioned by number are the respective Articles and Sections of this Indenture so numbered, unless the context already indicates otherwise;

“Authority” means the New Jersey Economic Development Authority, a public body corporate and politic constituting an instrumentality of the State of New Jersey, exercising public and essential governmental functions and its successors or assigns;

“Authority Officer” means the Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, Director of Bonds and Incentives, Director of Closing Services, Secretary or Assistant Secretary and, when used with reference to an act or document, also means any other person authorized by resolution of the Authority to perform such act or sign such document;

“Bond” or “Bonds” shall mean the Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 A (Tax Exempt) in the aggregate principal amount of \$9,620,000, and the Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 B (Taxable) in the aggregate principal amount of \$390,000, and any Additional Bonds issued hereunder, all of which shall be substantially in the form annexed hereto as Exhibit A and authenticated in accordance with this Indenture, as well as such Bonds issued in replacement for mutilated, destroyed, lost or stolen Bonds pursuant to Section 2.09 of this Indenture, and any written amendments thereto, and any renewals and extensions thereof, permitted by this Indenture.

“Bondholder”, “Holder” or “Registered Owner” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond or Bonds, respectively;

“Bond Counsel” means Wolff & Samson PC, or any other attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds appointed by the Authority or the Borrower and not unacceptable to the Trustee;

“Bond Year” with respect to a series of Tax Exempt Bonds, when used in the context of the rebate requirement imposed under Section 148(f) of the Code means, with respect to the first Bond Year, the period beginning on the date of issuance of the Bonds, i.e., the date of initial delivery of the Tax Exempt Bonds in exchange for the issue price from the Underwriter, and ending one (1) year later or the close of business of such earlier date selected by the Authority at the direction of the Borrower which is the last day of a compounding interval used in computing the Yield on the Tax Exempt Bonds. Each subsequent Bond Year begins on the day after the expiration of the preceding Bond Year;

“Borrower” shall mean BWP School Partners LLC, a New Jersey limited liability company (and its successors or assigns), whose sole member is Build With Purpose, Inc., a New York non-profit organization authorized to do business in the State of New Jersey;

“Business Day” means any day upon which the Trustee is not authorized or required by law or executive order to remain closed and on which the New York Stock Exchange remains open;

“Certificate” means a certificate or report executed: (a) in the case of an Authority Certificate, by an Authorized Authority Representative; (b) in the case of a Borrower Certificate, by an Authorized Borrower Representative; and (c) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person.

“Certified Resolution” means a copy of one or more resolutions or amending resolutions certified by the Secretary or Assistant Secretary of the Authority to have been duly adopted by the Authority and to be in effect on the date of such certification;

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder from time to time in effect;

“Cost” or “Costs”, as used herein, shall include those items set forth in Section 3(c) of the Act and all expenses as may be necessary or incident to acquiring, constructing or installing the Project Facilities and costs of issuance of the Bonds;

“Counsel” means an attorney at law or law firm designated by the party for which it is offering an opinion as its counsel, and not unsatisfactory to the Trustee;

“Debt Service Fund” means the fund so designated and established pursuant to Section 5.04 hereof;

“Debt Service Reserve Fund” means the fund so designated and established pursuant to Section 5.05 hereof;

“Determination of Taxability” shall be defined as and shall be deemed to have occurred on the first to occur of the following:

(1) on that date when the Borrower files any statement, supplemental statement or other tax schedule, return or document (whether pursuant to Treasury Regulations § 1.103-10(b)(2)(vi), as the same may be amended or supplemented, or otherwise) which discloses that an Event of Taxability shall have in fact occurred;

(2) on that date when the Borrower shall be advised in writing by the Commissioner or any District Director of Internal Revenue (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the Borrower, or upon any review or audit of the Borrower, or upon any other grounds whatsoever, an Event of Taxability shall have occurred;

(3) on that date when the Borrower shall receive notice in writing from any Bondholder or former Bondholder, or from the Trustee, that the Internal Revenue Service (or any other government agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of any Bondholder or former Bondholder the interest on such Bondholder’s or former Bondholder’s Bond due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (2) or (3) hereof unless the Borrower has been afforded the opportunity, at its expense, to contest any such assessment or unfavorable ruling and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined, including any allowable administrative appeals.

“DTC” shall mean The Depository Trust Company, having a principal business office at 55 Water Street, New York, New York 10041;

“Event of Default” means any of the events specified in Section 9.01 hereof to be an Event of Default;

“Event of Taxability” shall mean a change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance, or the taking of any action by the Borrower, or the failure to take any action, by the Borrower, or the making by the Borrower of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of Tax Exempt Bonds) which has the effect of causing the interest paid

or payable on any Tax Exempt Bond to become includable in the gross income of any Tax Exempt Bondholder or former holder of Tax Exempt Bonds.

“Fiscal Year” means the twelve months ending June 30 or such other twelve month period as the Borrower should determine;

“Funds” shall mean the Project Fund, Revenue Fund, Redemption Fund, Rebate Fund, Debt Service Fund, Repair and Replacement Fund and Debt Service Reserve Fund;

“Government Obligations” means

- (i) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (ii) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including, but not limited to:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series
- (iii) Obligations of Government – Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government including, but not limited to:
 - Federal Home Loan Mortgage Corp. (FHLMC) Debt obligations
 - Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives)
 - Federal Home Loan Banks (FHL Banks)
 - Federal National Mortgage Association (FNMA) Debt obligations
 - Financing Corp. (FICO) Debt obligations
 - Resolution Funding Corp. (REFCORP) Debt obligations
 - U.S. Agency for International Development (U.S. A.I.D) Guaranteed Note

“Indenture” means this Trust Indenture, as amended or supplemented;

“Interest Payment Date” shall mean each successive February 1 and August 1, commencing August 1, 2013;

“Investment Obligations” means obligations evidencing Permitted Investments;

“Issue Date” shall mean February 28, 2013;

“Loan Agreement” or “Agreement” means the Loan Agreement dated as of February 1, 2013 between the Authority and the Borrower, as so amended or supplemented;

“Loan Documents” shall mean any or all of this Loan Agreement, the Indenture, the Note, the Mortgage, the Assignment of Leases, the Sublease and the Prime Lease;

“Note” shall mean the Note executed and delivered by the Borrower on the Issue Date in the principal amount of \$10,010,000.

“Outstanding”, when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (a) any Bond cancelled by the Trustee at or before said date, (b) any Bond for the payment or redemption of which either (i) cash, equal to the principal amount or Redemption Price (as defined below) thereof, as the case may be, with interest to the date of maturity or redemption date, or (ii) Government Obligations in the amounts, of the maturities and otherwise conforming with the provisions of Section 13.01, shall have theretofore been deposited with the Trustee in trust whether upon or prior to maturity or the redemption date of such Bonds and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article VII, and (c) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the provisions of this Indenture;

“Paying Agent” means U.S. Bank National Association, and its successor or successors of any other corporation or association which may at any time be substituted in its place pursuant to this Indenture;

“Payment Date” means (i) the scheduled dates for the payment of the principal of (whether at maturity or upon Mandatory Sinking Fund Redemption thereof) or interest on the Bonds, (ii) the dates established for the payment of principal on any Additional Bonds, and (iii) the date(s) set by the Trustee for the payment of the principal or redemption price, if any, of or interest on the Bonds upon redemption prior to the scheduled payment dates;

“Permitted Investments” means, to the extent permitted by law

- (i) Government Obligations,
- (ii) obligations rated at the time of purchase in one of the two highest whole rating categories (without regard to graduations within a category) by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation,
- (iii) money market funds investing exclusively in the obligations listed in (i) or (ii) of this definition,
- (iv) shares of an Investment Company organized under the Investment Company Act of 1940, as amended, including an Investment Company for which the Trustee, or

any of its affiliates, is investment advisor, which invests its assets substantially in obligations of the type described in clauses (i) and (ii) of this definition,

- (v) banker's acceptances drawn on and accepted by commercial banks (including the Trustee or its affiliates) having combined capital and surplus of not less than \$25,000,000,
- (vi) certificates of deposit, time deposits and demand deposits, including interest bearing money market accounts, of any bank organized under the laws of the United States or any state thereof which has combined capital, surplus and undivided profits of at least \$25,000,000, including the Trustee and, to the extent then permitted by law for the Trustee, any other investments of its trust funds provided that any such certificates and investments are fully collateralized by obligations mentioned in clauses (i) or (ii) of this definition,
- (vii) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P;
- (viii) direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" or better by Moody's and "A-" or better by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated, OR Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in this section (i) and rated "AA-" or better by S&P and "Aa3" or better by Moody's.(any such securities are without regard to exemption of interest from federal taxation);
- (ix) repurchase agreements that provide for the transfer of securities from a dealer, bank or financial institution (seller/borrower) to the "Borrower", or the Master Trustee on its behalf (buyer/lender), and the transfer of cash from the "Borrower", or the Master Trustee on its behalf, to the dealer, bank or financial institution with an agreement that the dealer or bank will repay the cash plus the yield to the "Borrower", or the Master Trustee on its behalf, in exchange for the securities at a specified date provided that such repurchase agreements satisfy the following criteria:
 - (a) the repurchase agreement must be between the "Borrower", or the Master Trustee on its behalf, and a primary dealer listed on the Federal Reserve reporting dealer list that falls under the jurisdiction of the SIPC, a bank, or financial institution and that is rated "A" or better(without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by at least two of S&P, Moody's, or Fitch,

- (b) the repurchase agreement must be in writing and include the following
 - (1) the securities that are acceptable for transfer are of the type listed in (i) (ii) or (iii) above;
 - (2) the collateral must be delivered to the “Borrower”, the Master Trustee (if the Master Trustee is not supplying the collateral) or a third party acting as agent for the Master Trustee (if the Master Trustee is supplying the collateral) before/simultaneous with payment, and
 - (3) the securities must be valued weekly, marked-to-market at current market price plus accrued interest, and the value of the collateral must be equal to 102% of the amount of cash transferred by the “Borrower”, or the Master Trustee on its behalf, to the dealer, bank or financial institution under the repurchase agreement plus accrued interest. If the value of the collateral drops below 102% of the value of the cash transferred by the “Borrower”, or the Master Trustee on its behalf, then additional cash and/or acceptable securities must be transferred. If securities used as collateral are in (i) or (ii) above, then the value of the collateral must be equal to 103%; and
- (x) forward Purchase Agreements by a financial institution rated at the time of execution by any Rating Agency in one of three highest rating categories assigned by such Rating Agency (without regard to any refinement or graduation of rating category by numerical modifier or otherwise). Securities eligible for delivery under the agreement will include those described in sections (i), (ii) or (iii) above. Any Forward Purchase Agreement must be accompanied by a bankruptcy opinion that the securities delivered will not be considered part of the bankruptcy estate in the event of a declaration of bankruptcy or insolvency by the provider
- (xi) investment agreements with banks that at the time such agreement is executed are rated by any Rating Agency in one of the three highest rating categories assigned by such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) or investment agreements with non-bank financial institutions or vehicles if all of the unsecured, direct long-term debt of either the non-banking financial institution, vehicle, or the related guarantor of such non-bank financial institution or vehicle is rated by any Rating Agency at the time such agreement is executed in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or
 - (a) if such non-bank financial institutions vehicles or related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-banking financial institution, vehicle, or the related guarantor of such non-bank financial institution is rated by any Rating Agency in the highest

rating category (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term indebtedness by such Rating Agency or

- (vii) such non-bank financial institution, vehicle, or the related guarantor has a claims paying ability rated by any Rating Agency in one of the three highest rating categories assigned by such Rating Agency (without regard to any refinement or gradation of rating category by numeral modifier or otherwise); provided that if at any time after purchase the provider of the investment agreement drops below the three highest rating categories assigned by such Rating Agency, the investment agreement must, within 30 days, either be assigned to a provider rated in one of the three highest rating categories, or be secured by the provider with collateral securities described in clause (i) (ii) and (iii) above, the fair market value of which, in relation to the amount of the investment agreement including principal and interest, is equal to at least 102%.

“Prime Lease” shall mean the lease from St. John Ukrainian Church to the Borrower dated June 8, 2012;

“Project” shall have the meaning set forth in the recitals hereto;

“Project Facilities” shall have the meaning set forth in the recitals hereto;

“Project Fund” means the fund so designated and established pursuant to Section 4.01 hereof;

“Rebate Fund” shall mean the fund so designated and established pursuant to Section 5.10 hereof;

“Record Date” shall mean the January 15 and July 15 next preceding an Interest Payment Date;

“Redemption Fund” means the fund so designated and established pursuant to Section 5.06 hereof;

“Redemption Price”, when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to this Indenture;

“Repair and Replacement Fund” means the fund so designated and established pursuant to Section 5.12 hereof;

“Requisition Form” shall mean the form of requisition required by Section 3.02(a) of the Loan Agreement as a condition precedent to the disbursement of moneys from the Project Fund,

in the form made part of the Record of Proceedings (as such term is defined in the Loan Agreement);

“Reserve Fund Requirement” means for the Series A Bonds an amount equal to the least of 10 percent of the stated principal amount of the Series A Bonds, maximum annual debt service or 125% of Average Annual Debt Service, in an initial amount of \$690,492.50, and for the Series B Bonds an amount equal to 10 percent of the stated principal amount of the Series B Bonds, in an initial amount of \$39,000.00; and for each series of Additional Bonds such amount as is set forth in a supplement to this Indenture;

“Reserved Rights” shall have the meaning set forth in the Loan Agreement;

“Resolution” shall mean the resolution of the Authority dated September 13, 2012, accepting the Application for Financial Assistance and making certain findings and determinations with respect to the Project and the resolution of the Authority dated October 9, 2012, authorizing the issuance and sale of the Bonds and determining other matters in connection therewith;

“Revenues” means (i) all amounts payable in respect of, or proceeds from, the Bonds, (ii) investment income in respect of any money held by the Trustee pursuant to this Indenture, (iii) any other amounts paid by the Borrower to the Trustee pursuant to the Agreement (except for amounts payable under Sections 2.01(d), 6.04, 6.05, 6.06, 6.07, 8.05 and 9.03 of the Agreement); (iv) the “Rent” due under the Sublease and the rent due under the Prime Lease received by the Trustee from the tenant under the Sublease and (v) all amounts received from the sale or liquidation of the Collateral (as defined in the Agreement);

“Revenue Fund” means the fund so designated and established pursuant to Section 5.03 hereof;

“Series A Bonds” shall mean the Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 A (Tax Exempt) in the aggregate principal amount of \$9,620,000;

“Series B Bonds” shall mean the Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013 B (Taxable) in the aggregate principal amount of \$390,000;

“Sublease” shall mean the lease for the Project Facilities between the Borrower and the Lady Liberty Academy Charter School, Inc., dated as of February 28, 2013;

“Tax Certificate” means the tax certificate relating to the Series A Bonds dated the Issue Date from the Borrower addressed to the Authority and Bond Counsel, as the same shall be amended and supplemented to relate to any Additional Bonds that are Tax Exempt Bonds.

“Tax Exempt Bonds” shall mean the Series A Bonds and any series of Additional Bonds the interest on which is, in the opinion of Bond Counsel, exempt from federal income tax, as the name of such Additional Bonds shall denote;

“Trustee” shall mean U.S. Bank National Association, a national banking association organized and existing under the laws of the United States, not in its individual capacity but solely as Trustee under this Indenture, or any successor trustee or co-trustee serving as such under this Indenture.

“Underwriter” shall mean RBC Capital Markets, LLC;

“Yield” shall mean a yield as shall be determined under Section 1.148-4 of the Treasury Regulations.

The words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” (except in the form of Bonds) refer to this entire Indenture.

ARTICLE II

AUTHORIZATION, TERMS AND EXECUTION OF BONDS

Section 2.01. Issuance of Bonds. The Bonds issued under and secured by this Indenture and shall be equally and ratably secured by this Indenture, the Loan Agreement, the Mortgage and the Assignment of Leases.

Section 2.02. Particular Terms of the Bonds. There shall be issued under and secured by this Indenture, Bonds for the purpose of financing the Project to be designated “Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013” in the total aggregate principal amount of \$10,010,000, which shall contain substantially the terms recited in the form of the Bonds in Exhibit A hereto, as the same may be amended or supplemented to include the form of any Additional Bonds. The particular terms of the Series A Bonds are set forth in Exhibit B-1 hereto. The particular terms of the Series B Bonds are set forth in Exhibit B-2 hereto. The particular terms of any Additional Bonds shall be set forth in a supplement to this Indenture. The Bonds shall provide that principal or Redemption Price, and interest in respect thereof, shall be payable only out of Revenues. The Bonds are a special, limited obligation of the Authority, payable solely out of the Revenues or other receipts, funds or moneys of the Authority pledged under this Indenture and from any amounts otherwise available under this Indenture for the payment of the Bonds. The Bonds do not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

Section 2.03. General Terms of Bonds. Every Bond shall be payable, with respect to principal or Redemption Price, and interest, in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for payment of public and private debts. Every Bond shall be issued in the form of a fully registered Bond and payable to a named person or registered assigns and shall be substantially in the form as provided in this Indenture. Interest on the Series A Bonds and the Series B Bonds shall be payable from and after the Issue Date first on August 1, 2013 and on each February 1 and August 1 thereafter to any Holder of the Bonds as of the close of business on the Record Date next preceding such Interest Payment Date until the Authority’s obligation with respect to the payment of the principal sum of such Bonds shall be paid. Interest on any series of Additional Bonds shall be payable from and after the Issue Date thereof on the first Interest Payment Date following the Issue Date of such Additional Bonds and on each Interest Payment Date thereafter to any Holder of the Bonds as of the close of business on the Record Date next preceding such interest payment date until the Authority’s obligation with respect to the payment of the principal sum of such Bonds shall be paid. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months. Upon written request received not later than the applicable Record Date, any holder of Bonds aggregating \$1,000,000 or more shall be entitled to receive interest payments from the Trustee by wire transfer. All Bonds shall each be of the minimum denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”). The Bonds shall each be in substantially the form provided for in Exhibit A hereto. The Series A Bonds shall finally mature on August 1, 2047 and the Series B Bonds shall

mature on August 1, 2019. Each series of Additional Bonds shall mature on such dates, and shall be subject to mandatory sinking fund redemption, as shall be established in a supplement to this Indenture. The Series A Bonds and the Series B Bonds shall be subject to mandatory sinking fund redemption, such redemptions to be made on August 1st in each of the years and in such amounts as set forth in Exhibit A hereto. The Series A Bonds and the Series B Bonds shall be initially dated the Issue Date and each series of Additional Bonds shall be dated their Issue Date. Thereafter, each Bond shall be dated as of the date six months preceding the Interest Payment Date next following the date of authentication thereof by the Trustee, except that (a) if such date of such authentication shall be an Interest Payment Date thereof, said Bond shall be dated as of such date of authentication, or (b) if interest on such Bond shall not have been paid in full in accordance with its terms, then, notwithstanding any of the foregoing provisions of this Section, such Bond shall be dated as of the date to which interest has been paid in full on such Bond. Temporary bonds in authorized denominations specified by the Underwriter are authorized to be issued, authenticated and delivered to the Underwriter thereof in lieu of and until such time as bonds in definitive form are available for authentication and delivery.

Section 2.04. Execution of Bonds. The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman, Chief Executive Officer, Director of Bonds and Incentives, Director of Closing Services, or any other Authority Officer of the Authority and its corporate seal shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. In case any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee, such Bonds may nevertheless be authenticated and delivered as herein provided as if the person who so signed, sealed or attested such Bonds had not ceased to be such officer. Any Bond may be signed, sealed or attested on behalf of the Authority by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of such Bond such person may not have held such office.

Section 2.05. Authentication of Bonds. The Bonds shall bear thereon a certificate of authentication, substantially in the form set forth hereinafter in this Indenture, duly executed by the Trustee. Only such Bonds shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Bond shall have been duly executed by the Trustee, and such certificate of authentication by the Trustee upon any Bond executed on behalf of the Authority shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under this Indenture and that the holder thereof is entitled to the benefit of this Indenture.

Section 2.06. Transfer and Registry of Bonds and Agency Therefor. The Authority shall cause the Trustee to maintain and keep registry books for the registration and transfer of Bonds, and, upon presentation and surrender thereof for such purpose at the designated office of the Trustee, the Trustee shall register or cause to be registered therein, and permit to be transferred thereon or to be exchanged, under such reasonable regulations as the Authority or the Trustee may prescribe, any Bond entitled to registration, transfer or exchange. The Trustee is hereby appointed the agent of the Authority for such registration, transfer or exchange of Bonds.

Section 2.07. Transfer of Bonds. The Bonds shall be transferable only upon the books of the Authority at the designated office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such duly authorized attorney. Upon the transfer of any such Bond, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond or Bonds in Authorized Denominations registered in the name of the transferee of the same aggregate principal amount as the surrendered Bond.

Section 2.08. Ownership of Bonds and Effect of Registration. The Authority, the Trustee and any Paying Agent may treat and consider the person in whose name any registered Bond for the time being shall be registered as the Holder and absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or Redemption Price thereof or interest thereon and for all other purposes whatsoever; and payment of, or on account of, the principal or Redemption Price of or interest on such Bond shall be made only to, or upon the order of, such registered owner thereof, but such registration may be changed or discharged as herein provided. All payments made as in this Section provided shall be valid and effectual to satisfy and discharge the liability upon the several Bonds to the extent of the sum or sums so paid.

Section 2.09. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any Outstanding Bond shall become mutilated or be destroyed, stolen, or lost, the Trustee shall authenticate and deliver a new bond of like tenor, number and amount as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond and upon surrender of such mutilated Bond or, in lieu of and substitution for the Bond, destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, stolen or lost, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may adopt and payment of such costs as the Authority and/or the Trustee incur in connection therewith. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond which is due and payable, the Trustee may pay the amount due on such Bond to the owner thereof, provided all the other requirements of this Section have been met.

Section 2.10. Regulations with Respect to Registrations, Exchanges and Transfers. In all cases in which the privilege of transferring Bonds is exercised, the Authority shall execute and the Trustee shall authenticate Bonds in accordance with the provisions of this Indenture. For every transfer of Bonds, the Authority and the Trustee may charge a sum sufficient to reimburse them for any tax, fee or other governmental charge required to be paid and any mailing, delivery or insurance expense incurred with respect to such transfer, which sum shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of effecting such transfer. During the period from the Record Date (January 15 or July 15, as the case may be) next preceding any interest payment date of the Bonds or, in the case of any proposed redemption of Bonds, during the fifteen (15) days next preceding the date of such

redemption, neither the Authority nor the Trustee shall be required to make any transfer of Bonds under the provisions of this Article.

Section 2.11. Cancellation and Destruction of Surrendered Bonds. Bonds surrendered for payment, redemption or transfer and Bonds purchased from any moneys held by the Trustee hereunder or surrendered to the Trustee by the Authority or by the Borrower shall be cancelled and destroyed by the Trustee. If surrendered to the Authority or any Paying Agent, such Bonds shall be cancelled by it and delivered to the Trustee for destruction. The Trustee shall deliver to the Authority and to the Borrower, upon request, certificates of destruction in respect of all such Bonds. No such Bonds shall be deemed Outstanding under this Indenture and no Bonds shall be issued in lieu thereof (except for a Bond transferred pursuant to Section 2.07 hereof).

Section 2.12. Book-Entry Bonds. The Borrower may make appropriate arrangements for the Bonds (or any portion thereof) to be issued or held by means of a book-entry system administered by DTC with no physical distribution of Bonds made to the public (other than those Bonds, if any, not held under such book-entry system). References in this Section 2.12 to a Bond or the Bonds shall be construed to mean the Bond or the Bonds that are held under the book-entry system. In such event, one Bond of each maturity shall be issued to DTC and immobilized in its custody. A book-entry system shall be employed, evidencing ownership of the Bonds in Authorized Denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Bonds. Transfers of Ownership interests in the Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, THE TRUSTEE SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THIS INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS INDENTURE.

Payments of principal, interest, and premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid by the Trustee directly to DTC or its nominee, Cede & Co. as provided in the Blanket Issuer Letter of Representations dated December 17, 1995 from the Authority to DTC (the "Letter of Representation") with respect to the Bonds. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. The Authority, the Borrower, the Tender Agent and the Trustee shall not be responsible or liable for payment by DTC or DTC Participants, for

sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) the Borrower or the Trustee determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the Authority shall, at the request of the Borrower or the Trustee, discontinue the book-entry system with DTC with respect to the Bonds. If the Borrower fails to identify another qualified securities depository to replace DTC, the Trustee shall authenticate and deliver replacement Bonds in the form of fully registered Bonds pursuant to the written instructions of DTC.

THE AUTHORITY, THE BORROWER AND THE TRUSTEE SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS INDENTURE TO BE GIVEN TO BENEFICIAL OWNERS; (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

In the event that a book-entry system of evidence and transfer of ownership of the Bonds is discontinued pursuant to the provisions of this Section, the Bonds shall be delivered solely as fully registered Bonds without coupons in the Authorized Denominations, shall be lettered "R" and numbered separately from 1 upward, and shall be payable, executed, authenticated, registered, exchanged and canceled pursuant to the provisions hereof.

The Borrower shall not be limited to utilizing a book-entry system maintained by DTC but may enter into a custody agreement with any bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a book-entry or similar method for the registration and registration of transfer of all or a portion of the Bonds.

SO LONG AS A BOOK-ENTRY SYSTEM OF EVIDENCE OF TRANSFER OF OWNERSHIP OF ALL THE BONDS IS MAINTAINED IN ACCORDANCE HEREWITHE, THE PROVISIONS OF THIS INDENTURE RELATING TO THE DELIVERY OF PHYSICAL BOND CERTIFICATES WITH RESPECT TO THE BONDS SHALL BE DEEMED INAPPLICABLE OR BE OTHERWISE SO CONSTRUED AS TO GIVE FULL EFFECT TO SUCH BOOK-ENTRY SYSTEM.

ARTICLE III

AUTHENTICATION AND DELIVERY OF BONDS

Section 3.01. Authorization of Bonds. (i) The aggregate principal amount of Bonds which may be executed by the Authority and authenticated by the Trustee and delivered and secured by this Indenture is limited to the \$10,010,000 total aggregate principal amount of Bonds. The Trustee shall authenticate and deliver the Series A Bonds and Series B Bonds to the Underwriter and apply the net proceeds of such Bonds (i.e. gross proceeds of \$10,010,000 less original issue discount of \$171,740.00 = \$9,838,260.00), together with other available funds, as follows:

(a) Proceeds of the Series A Bonds in the amount of \$8,078,419.39 shall be deposited in the Series A Bond Account in the Project Fund and proceeds of the Series B Bonds in the amount of \$207,560.13 shall be deposited in the Series B Bond Account in the Project Fund.

(b) Proceeds of the Series A Bonds in the amount of \$690,492.50 shall be deposited in the Series A Bond Account in the Debt Service Reserve Fund and proceeds of the Series B Bonds in the amount of \$39,000.00 shall be deposited in the Series B Bond Account in the Debt Service Reserve Fund.

(c) Proceeds of the Series A Bonds in the amount of \$786,053.23 shall be deposited in the Series A Bond Account in the Debt Service Fund and proceeds of the Series B Bonds in the amount of \$36,734.75 shall be deposited in the Series B Bond Account in the Debt Service Fund.

(ii) This Indenture creates and shall be and constitutes a continuing, irrevocable and exclusive lien upon, and pledge of, the Revenues, and the income earned by the investment of funds under this Indenture to the extent provided in this Indenture. All Bonds issued and to be issued hereunder are, and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds or any of them, so that subject as aforesaid, all Bonds at any time outstanding hereunder shall have, except as otherwise provided herein, the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same or any of them shall actually be disposed of at such date, or whether they, or any of them, shall be disposed of at some future date.

Section 3.02. Issuance of Bonds and Additional Bonds. (i) The Bonds as described in Section 2.03 hereof shall forthwith be executed by the Authority and delivered to the Trustee for authentication, together with a statement as to the amount and disposition of the proceeds of the sale of such principal amount of said Bonds, and thereupon the Bonds shall be authenticated by

the Trustee and shall be delivered to or upon the written order of an Authority Officer. Prior to authentication and delivery of the Bonds by the Trustee, the Trustee shall also have received the following:

- (a) A copy of the resolution or resolutions adopted by the Authority on October 9, 2012, authorizing the execution and delivery of the Agreement and this Indenture and the issuance and delivery of the Bonds, and a copy of the resolution adopted by the Authority on September 13, 2012, both duly certified by the Secretary or Assistant Secretary of the Authority, to have been duly adopted by the Authority and to be in full force and effect on the date of such certification;
 - (b) An original executed counterpart of the Agreement and this Indenture;
 - (c) The original executed Note;
 - (d) An Arbitrage Certificate of an Authority Officer executed and delivered in accordance with Section 1.148-2(b)(2) of the Regulations promulgated under the Code;
 - (e) The opinion of Counsel for the Borrower required by Section 2.05 of the Agreement and the opinion of Bond Counsel required by Section 2.06 of the Agreement;
 - (f) Certificates of insurance evidencing the insurance required to be maintained as provided for in Sections 7.02 and 7.03 of the Agreement; and
 - (g) \$9,838,260 from the Underwriter, representing \$10,010,000.00 as the par amount of the Bonds, plus premium in the amount of \$0, less the underwriter's discount of \$171,740.
- (ii) The Authority may issue one or more series of Additional Bonds from time to time and lend the proceeds thereof to the Borrower pursuant to the Loan Agreement to provide funds for Costs of undertaking or completing the Project or the Cost of refunding or refinancing all or a portion of the Outstanding Bonds of any one or more series. The Trustee shall authenticate and deliver such Additional Bonds at the request of the Authority, but only upon compliance with the requirements set forth in Section 6.20 of the Loan Agreement, and upon delivery to the Trustee of:
- (a) A copy of the resolution adopted by the Authority, authorizing the execution and delivery of a supplement to the Agreement and a supplement to this Indenture and the issuance and delivery of the Additional Bonds, duly certified by the Secretary or Assistant Secretary of the Authority, to have been duly adopted by the Authority and to be in full force and effect on the date of such certification;
 - (b) An original executed counterpart of a supplement to the Agreement and a supplement to this Indenture;

- (c) The original executed Additional Series Note;
- (d) Supplements to the Mortgage and to the Assignment of Leases reflecting the increase in the amount of the indebtedness of the Borrower under this Loan Agreement and under the supplement to this Loan Agreement;
- (e) An Arbitrage Certificate of an Authority Officer executed and delivered in accordance with Section 1.148-2(b)(2) of the Regulations promulgated under the Code with respect to such Additional Bonds;
- (f) The opinion of Counsel for the Borrower required by Section 2.05 of the Agreement with respect to the Additional Indebtedness (paragraph (b) of Section 2.05 shall be applicable only to the supplemental documents being delivered in conjunction with the Additional Indebtedness) and the opinion of Bond Counsel required by Section 2.06 of the Agreement with respect to the Additional Bonds (paragraphs (a) and (b) of Section 2.06 shall be applicable only to Additional Bonds which are Tax Exempt Bonds);
- (g) Certificates of insurance evidencing the insurance required to be maintained as provided for in Sections 7.02 and 7.03 of the Agreement with respect to the additional Project site; and
- (h) The purchase price of the Additional Bonds from the Underwriter, representing the par amount of the Additional Bonds, less original issue discount, plus accrued interest, if any, which amounts shall be set forth in the supplement to this Indenture.

ARTICLE IV

PROJECT FUND

Section 4.01. Establishment of Funds. The Authority hereby establishes and creates the Project Fund, which shall be a special fund held by the Trustee. The Trustee shall establish a “Series A Bond Account” and a “Series B Bond Account” within the Project Fund. The proceeds of the Series A Bonds shall be segregated from the proceeds of the Series B Bonds and held in the Series A Bond Account in the Project Fund to be disbursed as provided in this Indenture. The proceeds of the Series B Bonds shall be segregated from the proceeds of the Series A Bonds and held in the Series B Bond Account in the Project Fund to be disbursed as provided in this Indenture.

Section 4.02. Payments into the Project Fund; Disbursements. (A) \$8,078,419.39 of the proceeds from the issuance and sale of the Series A Bonds and \$207,560.13 of the proceeds from the issuance and sale of the Series B Bonds or from the proceeds of any insurance or condemnation award from the Project Facilities shall be deposited in the Project Fund. The Trustee shall establish additional Project Funds for the payment of Costs of any additions to be paid from the proceeds of Additional Bonds or from insurance proceeds, condemnation awards (or other similar sums) pursuant to the Loan Agreement. Project Funds shall consist of the amounts required or permitted to be deposited therein pursuant to any provision hereof or of the Loan Agreement. Such additional Project Funds or accounts within a given Project Fund shall be maintained for each series of Additional Bonds. Payments from any Project Fund established hereunder shall be made only in respect of the Costs of the additions (or portion thereof) for which it is established and only upon compliance with Section 3.02 of the Loan Agreement.

(B) The Trustee is hereby authorized and directed to make each disbursement required by the provisions of the Agreement and to issue its checks or to make wire transfers, as the case may be, therefor. In connection therewith, the Trustee shall be entitled to rely entirely on the Requisition Form delivered to it pursuant to Section 3.02 of the Agreement and the Trustee shall have no liability to the Authority or the Bondholders with respect to any disbursement made from the Project Fund supported by any such Requisition Form. The Trustee shall keep and maintain a record of such Requisition Forms and disbursements from the Project Fund and all such payments therefrom.

(C) Upon the occurrence of an Event of Default, any moneys held in the Series A Bond Account in the Project Fund shall be transferred to the Series A Bond Account in the Debt Service Fund for application to pay the principal of and interest on the Series A Bonds in accordance with Section 9.10 hereof and upon the occurrence of an Event of Default, any moneys held in the Series B Bond Account in the Project Fund shall be transferred to the Series B Bond Account in the Debt Service Fund for application to pay the principal of and interest on the Series B Bonds in accordance with Section 9.10 hereof.

Section 4.03. Completion of the Project. The completion of the Project and payment or provision made for payment of all Costs of the Project shall be evidenced by the filing with the Trustee of the certificate required by the provisions of Section 3.04 of the Agreement. As soon as practicable and, in any event, not more than sixty (60) days from the date of receipt of the certificate referred to in the preceding sentence, any balance remaining in the Project Fund (except amounts the Borrower shall have directed the Trustee in writing to retain for any costs of the Project not then due or payable or if due and payable, not then paid) shall without further authorization, be deposited in the Redemption Fund by the Trustee to be used for the partial redemption of the Bonds in Authorized Denominations in accordance with the provisions of Sections 7.01 and 7.02 hereof; provided that the proceeds of the Bonds held in the Series A Bond Account in the Project Fund shall only be used to redeem the Series A Bonds.

ARTICLE V

REVENUES AND APPLICATIONS THEREOF

Section 5.01. Payments, etc., to be Sufficient. The payments under the Loan Agreement and the Note have been fixed so that the Revenues will be sufficient in each Fiscal Year to provide for the payment, when due, of the principal or Redemption Price upon mandatory sinking fund redemption of the Bonds and interest on the Bonds in order to correspond to the payments required under the Bonds and to provide for all other deposits and other payments required to be made hereunder.

Section 5.02. Revenues to Be Paid Over to Trustee. The pledge of the Revenues as security for the performance of all obligations of the Authority hereunder shall be valid and binding from the time such pledge is made. The Revenues shall immediately be subject to the lien of the pledge created by the Loan Agreement and this Indenture without any physical delivery thereof or further act. Pursuant to the assignment made by this Indenture of the Authority's rights under the Loan Agreement, the Revenues shall be paid directly to the Trustee by or on behalf of the Borrower. Upon receipt of any Revenues or other payments hereunder, the Trustee shall deposit the same in the appropriate Fund or Funds established hereunder as set forth herein or, where appropriate, as set forth in a Borrower Certificate. Except as otherwise provided herein, the Revenues shall be collected, held and applied for the payment of the equal and ratable benefit and security of all Bondholders. From and after the occurrence of an Event of Default, the Revenues shall be applied as provided in Section 9.10 hereof.

Section 5.03. Revenue Fund; Application Thereof. (i) There is hereby established a Revenue Fund, into which the Trustee shall, except as otherwise provided in this Indenture, deposit all Revenues received by the Trustee, including payments made pursuant to the Loan Agreement, and any other amounts required or permitted to be deposited therein pursuant to the provisions hereof or of the Loan Agreement.

(ii) On or before the first Business Day of each month or the Business Day preceding any required payment hereunder, the Trustee shall apply Revenues on deposit in the Revenue Fund to the following Funds, accounts or entities, in the order of priority set forth below (including curing any deficiency in deposits, transfers or payments required in prior months or Bond Years, except as otherwise provided), the requirements of each Fund or account, deposit, transfer or payment to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payment later in priority:

First, to each account within the Debt Service Fund the following amounts in order that the Trustee will have sufficient funds in each account in the Debt Service Fund not later than the first Business Day of the month prior to each Interest Payment Date in order to make payments due on the respective series of Bonds on such Interest Payment Date, as described in Section 5.04(a) of this Indenture:

On or before the first Business Day of August, 2014 and on or before the first Business Day of each month thereafter, one-twelfth (1/12th) of the amount which is necessary for the payment of the principal of the Series B Bonds coming due on August 1, 2015, and on or before the first Business Day of each month thereafter, one-twelfth (1/12th) of the principal amount of the Series A Bonds or Series B Bonds, as applicable, coming due on the immediately succeeding August, as the case may be, subject to credit for other available funds in the manner provided in this Indenture; and

On or before the first Business Day of April, 2013 and the first Business Day of each month thereafter, one-fourth (1/4th) of the amount which is necessary, after credit for the capitalized interest on deposit in the Debt Service Fund (if any), for the payment of the interest of the Bonds coming due on August 1, 2013, and on or before the first Business Day of each month thereafter, one-sixth (1/6th) of the amount which is necessary, after credit for the capitalized interest on deposit in the Debt Service Fund (if any), for the payment of the interest of the Bonds on the immediately succeeding February 1 and August 1, as the case may be, subject to credit for other available funds in the manner provided in this Indenture;

Second, to replenish each account within the Debt Service Reserve Fund for amounts withdrawn therefrom pursuant to Section 5.05 hereof, and in accordance with Section 2.01(f) of the Loan Agreement;

Third, commencing August 1, 2014, and on the first Business Day of each month thereafter, \$16,000 to the Borrower for the payment of monthly rent due under the Prime Lease;

Fourth, to the Repair and Replacement Fund the amounts required under Section 5.12 hereof and Section 2.01(g) of the Loan Agreement;

Fifth, when required for payment, into the Redemption Fund any amount required for the payment of the Redemption Price of the Bonds upon a partial Optional Redemption of the Bonds;

Sixth, when required for payment, into the Rebate Fund any amount required for the payment of rebate; and

Seventh, provided that each of the deposits to the Debt Service Fund required in this Article V have been made each month, and no deficiency exists in any other Fund or Account, and no Event of Default exists (or may exist with the passage of any applicable grace period), on or about the tenth (10th) day of each month, the Trustee shall pay any surplus Revenues held in the Revenue Fund to the Borrower in accordance with Section 5.13(b) below.

Section 5.04. Debt Service Fund. There is hereby established a Debt Service Fund, and within the Debt Service Fund the “Series A Bond Account” and the “Series B Bond Account,” the moneys on deposit within which shall be applied by the Trustee as follows (in the following order of priority):

(a) (i) (A) moneys on deposit within the Series A Bond Account to the payment of interest, when due, on all Outstanding Series A Bonds, including any accrued interest due in connection with redemptions of Series A Bonds pursuant to this Section 5.04 or Sections 5.06 and 7.01 hereof; and (B) moneys on deposit within the Series B Bond Account to the payment of interest, when due, on all Outstanding Series B Bonds, including any accrued interest due in connection with redemptions of Series B Bonds pursuant to this Section 5.04 or Sections 5.06 and 7.01 hereof; and

(ii) (a) moneys on deposit within the Series A Bond Account or Series B Bond Account, to the payment, when due, of the principal or Redemption Price of the respective series of Bonds then payable at maturity, upon mandatory sinking fund redemption or upon extraordinary redemption, subject to reduction by the principal amount of such Bonds of the same maturity which are either (i) purchased by the Borrower and surrendered to the Trustee for cancellation, provided that, in the case of Bonds subject to mandatory sinking fund redemption, such Bonds shall be surrendered to the Trustee for cancellation at least 15 days prior to the giving of notice of such redemption by the Trustee, or (ii) purchased for cancellation by the Trustee pursuant to subsection (c) below or Section 5.06 hereof.

(b) during the 12 month period preceding each principal maturity or Mandatory Redemption Date, the Trustee shall, at the request of the Borrower, purchase the respective series of Bonds of the maturity coming due on such principal maturity or mandatory sinking fund redemption date from funds transferred from the Revenue Fund to the Series A Bond Account or Series B Bond Account in the Debt Service Fund for such purpose; provided, however, that no such purchase shall be made unless (i) the purchase price does not exceed 100% of the principal amount of the Bonds so to be purchased, (ii) in the case of any purchase of any maturity of Bonds which are subject to mandatory sinking fund redemption, firm commitments for the sale of such Bonds from the holders thereof shall have been accepted at least 15 days prior to the giving of notice of such redemption by the Trustee, and (iii) upon the making of any transfer of moneys from the Revenue Fund to the Series A Bond Account or Series B Bond Account in the Debt Service Fund in connection with the proposed purchase, there shall be no deficiency in the Revenue Fund, taking into account the amounts then required to be paid or transferred therefrom for other purposes or reserved therein against such payments and transfers.

Section 5.05. Debt Service Reserve Fund.

(a) There is hereby established a Debt Service Reserve Fund, and within the Debt Service Reserve Fund a “Series A Bond Account” into which the Trustee shall initially deposit an amount equal to the initial Reserve Fund Requirement for the Series A Bonds and a “Series B Bond Account”, into which the Trustee shall initially deposit an amount equal to the initial Reserve Fund Requirement for the Series B Bonds. The Trustee shall establish additional

accounts and make additional deposits in connection with the issuance of Additional Bonds if and to the extent required under subsection (c) below. If any withdrawal is made under subsection (b)(i) below, the amount of the withdrawal shall be restored by the Borrower in accordance with Section 2.01(f) of the Agreement on or prior to the next Interest Payment Date following the Interest Payment Date on which the withdrawal is made. If the value of the assets in the Debt Service Reserve Fund, determined in accordance with Section 6.03 hereof, is less than 95% of the Reserve Fund Requirement (except to the extent that such deficiency relates to any withdrawal made under subsection (b)(i) below), the difference between such Reserve Fund Requirement and the value of the Debt Service Reserve Fund shall be restored by deductions from the Revenue Fund in approximate equal monthly amounts so as to restore the Reserve Fund to its proper value on or prior to the next succeeding Interest Payment Date following the date of such valuation.

(b) Subject to the further provisions of Section 6.02 hereof, moneys on deposit in the Debt Service Reserve Fund shall be applied as follows:

(i) (A) On the date of each required payment from the Series A Bond Account in the Debt Service Fund, moneys in the Series A Bond Account in the Debt Service Reserve Fund shall be applied to cure any deficiency in the Series A Bond Account in the Debt Service Fund and (B) on the date of each required payment from the Series B Bond Account in the Debt Service Fund, moneys in the Series B Bond Account in the Debt Service Reserve Fund shall be applied to cure any deficiency in the Series B Bond Account in the Debt Service Fund;

(ii) At the time of valuation, any amount in the Debt Service Reserve Fund in excess of the Reserve Fund Requirement shall be transferred to the Revenue Fund and, at written direction of the Borrower, credited to either principal payments or interest payments on the Bonds; and

(iii) In each month during the twelve month period preceding the final maturity date of the Bonds, moneys held in the Debt Service Reserve Fund shall be credited against the payment of principal of and interest on the respective series of Bonds and shall be transferred to the respective Account in the Debt Service Fund for the payment of such principal and interest; provided, however, that no such credit shall be given and no such transfer shall be made if and to the extent that, immediately prior to such crediting and transfer, the amount on deposit in the Debt Service Reserve Fund is not at least equal to the Reserve Fund Requirement, less the amounts previously transferred to the Debt Service Fund during such twelve month period pursuant to this subparagraph (iii).

(c) The Reserve Fund Requirement in connection with the issuance of any Additional Bonds shall be determined in accordance with the terms of the supplement to the Trust Indenture; provided that the Authority may, at the request of the Borrower, issue Additional Bonds which are not secured by or otherwise entitled to any payments from the Debt Service Reserve Fund. If any calculation of the Reserve Fund Requirement is made which indicates that excess moneys are on deposit in the Debt Service Reserve Fund, such excess shall be applied as a credit against the next succeeding interest payments on the applicable series of Bonds. If any

calculation indicates that the amount on deposit in the Debt Service Reserve Fund is less than the Reserve Fund Requirement, an additional deposit to cure such deficiency shall be made on the issue date for the Additional Bonds.

(d) The Trustee shall establish additional accounts within the Debt Service Reserve Fund as may be provided in supplemental indentures to this Indenture authorizing Additional Bonds to be held as security for such Additional Bonds, as provided in the applicable supplemental indenture.

(e) At the option of the Borrower, all or any portion of the Reserve Fund Requirement may be satisfied by a reserve fund credit facility (the "Reserve Fund Credit Facility"), subject to the following requirements: (i) each Reserve Fund Credit Facility shall have a term of not less than five years and shall permit the Trustee to make drawings thereunder in the amounts and for the purposes specified in this Section 5.05 (including any drawings required by this subsection); (ii) prior to its acceptance of any Reserve Fund Credit Facility (including any replacement for a Reserve Fund Credit Facility previously issued), the Trustee shall have received written confirmation from Moody's and S&P that the unsecured, long term senior debt obligations of the issuer of the Reserve Fund Credit Facility are rated in one of the two highest rating categories disregarding qualifications of such categories by numerical symbols or symbols such as "+" or "-"); and (iii) the Trustee shall be required to draw the full amount available under any such Reserve Fund Credit Facility and to deposit such amount in the appropriate account in the Debt Service Reserve Fund (A) on the first Business Day which is less than sixty days prior to the expiration of the Reserve Fund Credit Facility, unless the Reserve Fund Credit Facility is renewed or replaced prior to such Business Day, (B) on the last Business Day on which a drawing can be made under the Reserve Fund Credit Facility, if it is to be terminated prior to expiration, unless the Reserve Fund Credit Facility is replaced prior to such Business Day, or (C) on the first Business Day which is more than 12 months after the Trustee has received written notice from Moody's or S&P that the issuer of the Reserve Fund Credit Facility no longer meets the requirements of clause (ii) above, unless the Reserve Fund Credit Facility is replaced prior to such Business Day. If any Reserve Fund Credit Facility is issued to replace moneys then on deposit in an Account in the Debt Service Reserve Fund, such moneys shall be applied in such a manner as may be directed in writing by an Authorized Borrower Representative, which direction shall be accompanied by an opinion of Bond Counsel to the effect that the proposed action is in accord with the terms of this Indenture and the Loan Agreement and will not cause the interest on the Series A Bonds to become includable in the gross income of the registered owners of the Series A Bonds for Federal income tax purposes.

Section 5.06. Redemption Fund. There is hereby established a Redemption Fund into which the Trustee shall deposit such amounts as are required or permitted to be deposited therein pursuant to the provisions of the Loan Agreement or this Indenture, including, but not limited to, Section 7.14 of the Loan Agreement. The Trustee shall create Accounts within the Redemption Fund if necessary to account for which series of Bonds such moneys are to redeem. Moneys in the Redemption Fund shall be applied solely to the redemption of the respective series of Bonds pursuant to Article VII hereof.

Section 5.07. Procedure When Funds Are Sufficient to Pay All Bonds. If at any time the Trustee receives a Certificate of the Borrower to the effect that the amounts held by the Trustee in the Funds established under this Article V, other than the Rebate Fund, are sufficient to pay principal or Redemption Price of and interest on all Bonds then Outstanding to maturity or prior redemption, together with any amounts due the Authority and the Trustee, and the Trustee receives confirmation of the accuracy of the determinations in the Certificate of the Borrower, the Trustee shall so notify the Authority and apply the amounts in the Funds to the payment of the aforesaid obligations and neither the Authority nor the Borrower shall be required to pay over any further Revenues unless and until it shall appear to the Trustee that there is a deficiency in the Funds held by the Trustee.

Section 5.08. Moneys to Be Held for All Bondholders, With Certain Exceptions. Until applied as herein provided, the moneys and investments held in all Funds and Accounts established hereunder, other than the Rebate Fund, and the proceeds of any remedies exercised under Article IX hereof shall be held in trust for the benefit of the holders of all Outstanding Bonds, except that: (a) on and after the date on which the interest on or principal or Redemption Price of any particular Bond or Bonds is due and payable from the Debt Service Fund or Redemption Fund, the unexpended balance of the amount deposited or reserved in either or both of such Funds for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Bondholder or Bondholders entitled thereto; (b) any special redemption fund established in connection with the issuance of any Additional Bonds for a refunding shall be held for the benefit of the holders of Bonds being refunded (subject to the escheat provisions of Section 14.03(b) hereof); (c) the rights of any Bondholders with respect to principal or interest payments extended beyond their due dates pursuant to Section 9.10 hereof shall be subordinate to the rights of Bondholders with respect to payments not so extended; (d) moneys on deposit in the Debt Service Reserve Fund shall be applied first to the respective series of Bonds to which the accounts apply and only upon payment of all Bonds Outstanding of such series shall any funds in an account in the Debt Service Reserve Fund securing such series be applied to another series of Bonds (e) and if any Additional Bonds are issued which are not secured by the Debt Service Reserve Fund, the moneys on deposit therein and the income from the investment thereof shall not be available to pay any portion of the principal or Redemption Price of or the interest on such Additional Bonds; and (f) unless otherwise provided in the applicable Supplemental Indenture, any Debt Service Reserve Fund established for a series of Additional Bonds shall be held as security only for such Additional Bonds.

Section 5.09. Cancellation of Bonds. All Bonds purchased, redeemed or paid shall, if surrendered to the Authority or any Paying Agent, be cancelled by it and delivered to the Trustee, or if presented and surrendered to the Trustee, be cancelled by it. No such Bonds shall be deemed Outstanding under this Indenture and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and shall be destroyed and a certificate thereof delivered to the Authority.

Section 5.10. Rebate Fund. There is hereby established with the Trustee a Rebate Fund and within the Rebate Fund a Series A Rebate Account with respect to the Series A Bonds, and within the Rebate Fund a separate rebate account with respect to each series of Additional Tax

Exempt Bonds, all of which shall be held separate and apart from all other funds established under this Indenture. The Borrower shall comply with the provisions of Section 6.04 of the Agreement and instruct the Trustee in writing to transfer from the Revenue Fund or the applicable account in the Project Fund to the Rebate Fund, or shall otherwise pay to the Trustee for deposit into the Rebate Fund, such amounts as shall be necessary to cause the aggregate amount transferred to or otherwise deposited in the Rebate Fund to equal the amount of rebateable arbitrage required to be paid to the United States as determined under Section 6.04 of the Agreement, plus earnings attributable to investment of such amount as of the end of each Bond Year; provided that, as set forth in such Section 6.04, no such transfers or deposits shall be necessary with respect to the Tax Exempt Bonds if the proceeds of the Tax Exempt Bonds, together with the investment earnings thereon, are fully expended within six months of the date of issue and the Trustee receives written notice from the Authority or the Borrower to that effect. Withdrawals from the Rebate Fund may be made only pursuant to written directions of the Borrower given in accordance with Section 6.04 of the Agreement. All amounts in the Rebate Fund, including income earned from investment of the Rebate Fund, shall be held by the Trustee free and clear of the lien of this Indenture, and the Trustee shall pay said amounts over to the United States from time to time as the Trustee shall be instructed in writing by the Borrower.

Notwithstanding anything contained in this Indenture to the contrary, neither the Authority nor the Trustee shall be responsible or liable for any loss, liability, or expense incurred to the extent incurred as a result of the failure of the Borrower to fulfill its obligations with respect to the calculation and payment of the Rebate Amount. The Authority and Trustee shall be entitled to rely conclusively upon the calculations provided by the Borrower. The Trustee's only duties with respect to rebating the rebatable arbitrage to the United States shall be as expressly stated in this Section 5.10 and in accordance with Section 6.04(m) of the Loan Agreement, the Borrower shall indemnify and hold the Trustee harmless from and against any losses or claims resulting from the failure of the Borrower or the Authority to comply with Section 148 of the Code and the Treasury Regulations 1.148-1 through 1.148-11, as supplemented and amended. Moneys held in the Rebate Fund shall be held by the Trustee for a period of not less than seventy-five days following the redemption or final maturity of the applicable series of Tax Exempt Bonds. Upon payment of the final rebate amount to the United States, any amount remaining in the Rebate Fund following such final payment shall be returned to the Borrower upon receipt by the Trustee of a written request therefor from the Borrower.

Section 5.11. Rebate Reminder. The Trustee agrees to furnish the Borrower and the Authority with notice of the Borrower's obligation to file its report with the Authority in accordance with Section 6.04 of the Loan Agreement and to file its rebate calculation and make its rebate payment, if any, to the Internal Revenue Service; provided, however, the failure of such notice to the Borrower shall not relieve the Borrower of its obligation to calculate and pay any Rebate Amount. Such reminder notice shall be furnished to the Borrower and the Authority at least 90 days prior to each fifth anniversary of the issuance of the applicable series of Tax Exempt Bonds as set forth in Section 6.04 of the Loan Agreement and within 30 days following the redemption or final payment of the such Bonds. The Trustee shall have no further obligation for the computation of the Rebate Amount or the filing or payment thereof.

Section 5.12. Repair and Replacement Fund. There is hereby established a Repair and Replacement Fund in which the Trustee shall deposit funds received from time to time, from the Borrower in accordance with Section 2.01(g) of the Loan Agreement. Except for periodic withdrawals as permitted herein, on and after November 1, 2027, the amount in the Repair and Replacement Fund shall be maintained at \$400,000. The amounts on deposit in the Repair and Replacement Fund may be withdrawn from time to time for capital costs incurred for the depreciating improvements on the Project Facilities, which withdrawal shall be made pursuant to a Certificate of the Borrower in the form of Exhibit C hereto specifying the capital expense to be paid from the Repair and Replacement Fund. Any amounts withdrawn from the Repair and Replacement Fund shall be reinstated through monthly payments made by the Borrower to the Trustee on or before the first day of the first month following each withdrawal, in increments of at least 1/12th of the amount withdrawn, until the amount on deposit in the Repair and Replacement Fund equals \$400,000. Moneys in the Repair and Replacement Fund shall be held separate and apart from all other Funds, shall be available only to pay costs of repairing or replacing capital improvements on the Project Facilities, and shall not be available to pay the principal of, premium, if any, or interest on the Bonds.

Section 5.13 Additional Funds, Accounts and Subaccounts.

(a) At the written request of the Borrowers, the Trustee shall establish and maintain additional Funds or Accounts within the funds or subaccounts within the Accounts established hereunder, including any Fund required to be established in connection with the issuance of any series of Additional Bonds; provided that (i) in each case, the written request of the Borrower shall set forth in reasonable detail the sources of deposits into and disbursements from the Account or Subaccount to be established, (ii) in each case, the sources of deposits into and disbursements from the Account or Subaccount to be established shall be limited to the sources of deposits permitted or required to be made into and the disbursements permitted or required to be made from the Fund or Account within which it is to be established, and (iii) except as otherwise provided in Section 5.08 hereof or, with regard to any rebate fund, in the supplemental indenture establishing such Fund, each additional Fund, Account or Subaccount established hereunder shall be held in trust for the benefit of the holders of all Outstanding Bonds (subject to the escheat provisions of Section 14.03(b) hereof).

(b) Provided that each of the deposits to the Debt Service Fund required in this Article V have been made each month, and no deficiency exists in any other Fund or Account, and no Event of Default exists (or may exist with the passage of any applicable grace period), on or about the tenth (10th) day of each month, the Trustee shall pay any surplus Revenues held in the Revenue Fund to the Borrower.

ARTICLE VI

INVESTMENT AND DEPOSIT OF MONEYS

Section 6.01. Deposits. All moneys received by the Trustee under this Indenture shall, except as hereinafter provided, be deposited with the Trustee, until or unless invested as provided in Section 6.02 hereof. The Trustee may deposit such moneys with any other depository which is authorized to receive them and is subject to supervision by public banking authorities.

Section 6.02. Investments. Subject to the restrictions hereinafter set forth in this Section 6.02 and in the Tax Certificate, moneys held in the Revenue Fund (other than moneys on deposit for the payment or redemption of Bonds), the Project Fund, the Debt Service Fund and Debt Service Reserve Fund shall be invested and reinvested by the Trustee upon the written instructions of the Borrower in Permitted Investments, maturing no later than the date on which it is estimated that such moneys will be required to be paid out hereunder. Moneys held in the Revenue Fund for the payment or redemption of Bonds shall be invested only in Government Obligations, which mature as needed for payment. All investment instructions hereunder shall be provided to the Trustee no later than one Business Day prior to the making of the investment directed therein. The Trustee may make any and all such investments through its own investment department, or through any of its affiliates or subsidiaries. The Trustee shall be entitled to rely on all written investment instructions provided by the Borrower hereunder, and shall have no duty to monitor the compliance thereof with the restrictions set forth in this Section 6.02 and in the Tax Certificate. The Trustee shall not be responsible or liable for the performance of any such investments or for keeping the moneys held by it hereunder fully invested at all times. Absent the provision of investment instructions hereunder, the Trustee shall not make any investment of the moneys held pursuant hereto. Any obligations acquired by the Trustee as a result of such investment or reinvestment shall be held by or under the control of the Trustee (except for such investments held in book entry form) and shall be deemed to constitute a part of the Fund or Account from which the moneys used for its purchase were taken. All investment income shall be retained in the Fund or Account to which the investment is credited from which such income is derived, and otherwise be available for the uses set forth herein with respect to such Funds or Accounts.

Section 6.03. Valuation of Investments. The value of any Investment Obligation shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Investment Obligations credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement by the Trustee.

ARTICLE VII

REDEMPTION OF BONDS

Section 7.01. Bonds Subject to Redemption; Selection of Bonds to be Called for Redemption. The Bonds shall be subject to redemption prior to maturity upon such terms as are acceptable to the required number of Holders and the Borrower, and as expressed in the Bonds, subject, however, to the following:

(a) Mandatory Sinking Fund Redemption. The Bonds shall be required to be redeemed from moneys deposited in the Debt Service Fund for such purpose, such redemptions to be made on August 1st in each of the years and in such amounts as set forth in Exhibit A hereto, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date.

(b) Optional Redemption. The Series A Bonds maturing on or after August 1, 2024 are subject to redemption prior to maturity at the option of the Authority, at the direction of the Borrower, in whole or in part at any time on or after August 1, 2023 at a redemption price of 100%.

The Series B Bonds shall not be subject to optional redemption.

(c) Extraordinary Redemption. The Bonds may be subject to redemption from surplus money in the Project Fund, which are transferred to the Redemption Fund, and from insurance proceeds, condemnation awards, proceeds of conveyances in lieu of condemnation or proceeds from the sale of the Project Facilities deposited in the Redemption Fund and available for such purpose, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date.

(d) Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date, when, at the option of the Authority, the Authority provides written notice to the Trustee that any of the following events has occurred:

i. the Borrower ceases to operate the Project, or to cause the Project to be operated, as an authorized “project” under the Act for twelve (12) consecutive months, without first obtaining the prior written consent of the Authority; or

ii. any representation or warranty made by the Borrower in the Loan Agreement or in any report, certificate, financial statements or other instrument furnished by the Borrower to the Authority in connection with the Loan Agreement shall prove to be false or misleading in material respect when made.

(e) Extraordinary Mandatory Redemption Upon Taxability. The Series A Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, after receipt by the Trustee of a notice of the occurrence of a Determination of Taxability.

The Series B Bonds are not subject to extraordinary mandatory redemption upon a Determination of Taxability.

In the event that less than all the Bonds are to be redeemed, the Bonds shall be selected for redemption in such manner as may be expressed herein, subject, however, to the following:

(i) in the case of any series having Bonds of varying denominations, each Bond shall be treated as representing that number of Bonds which is obtained by dividing the face amount thereof by the smallest Authorized Denomination; and

(ii) in no event shall any partial redemption result in a Bond of a denomination of less than the Authorized Denomination.

Section 7.02. Procedure for Redemption. When the Trustee shall be required or authorized, or shall receive notice from the Authority given by the Borrower of its election, to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of this Indenture, mail a notice of redemption by first class mail to the holders of all Bonds to be redeemed at the registered addresses appearing in the registration books of the Trustee. Each such notice shall (i) be mailed not more than 45 nor less than 30 days prior to the redemption date, (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds) (iii) specify the redemption date, the redemption price and, if less than all of any particular Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the redemption date the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the Bonds to be redeemed, including without limitation the original issuance date, maturity date and interest rate applicable to such Bonds.

In case the Authority shall have elected to redeem all or fewer than all of the Outstanding Bonds, it shall in each such instance, at least fifteen (15) days before the first date upon which the notice of redemption hereinbefore mentioned is required to be given, notify the Trustee in writing through notice given by the Borrower of such election and of the aggregate principal amount of Bonds to be redeemed, the series and maturity dates of the Bonds to be redeemed, and thereupon the Trustee shall redeem such Bonds. In the event the Borrower does not designate the series and maturities of Bonds to be redeemed, the Trustee shall select the Bonds from all series and maturity dates by lot. In case any Bond shall be redeemed in part only, such notice shall specify the principal amount thereof to be redeemed, which amount shall be in a multiple of \$5,000. Partial redemption of any Bond issued in book entry form may be made without surrender of such Bond, and the Trustee shall keep a record of the amounts and dates of each

such partial redemption. For Bonds not held in book entry form, such partially redeemed Bond shall be surrendered upon redemption, in which case a new Bond or Bonds in Authorized Denominations and of an aggregate principal amount equal to the unredeemed portion of such Bond will be issued in lieu thereof, and the Authority shall execute and the Trustee shall authenticate and deliver such new Bond or Bonds to or upon the written order of the registered owner of such Bond, at the expense of the Borrower.

On or before the redemption date specified in the notice above provided for, there shall be deposited with the Trustee an amount of cash sufficient to effect the redemption of the Bonds specified in such notice, except that such amount may be reduced to the extent that moneys then held by the Trustee under any of the provisions of this Indenture are available for such redemption. All moneys deposited with the Trustee, or set apart by the Trustee under the provisions of this Indenture, for the redemption of Bonds shall be held in trust for the account of the respective registered owners of the Bonds to be redeemed and applied in accordance with the provisions of Section 14.03 hereof.

On the redemption date designated in such notice, the principal amount of each Bond so to be redeemed, together with the accrued interest thereon to such date, and such premium, if any, as is due and payable on such Bond upon such redemption, shall become due and payable; and from and after such date (such notice having been given in accordance with the provisions of this Section 7.02 and such deposit having been made or moneys set apart as aforesaid), then, notwithstanding that any Bonds so called for redemption shall not have been surrendered, no further interest shall accrue on any such Bond (or on the portion thereof so to be redeemed). From and after such date of redemption (such notice having been given in accordance with the provisions of this Section 7.02 and such deposit having been made or moneys set apart as aforesaid), or from and after the date upon which such notice is mailed, if such notice shall state that moneys to effect such redemption have been deposited with or set apart by the Trustee, all such Bonds or such portions thereof, as the case may be, insofar as such deposit shall have been made or moneys set apart as aforesaid, shall be deemed to have been paid in full as between the Authority and the respective registered owners thereof and shall no longer be deemed to be Outstanding hereunder, and the Authority shall be under no further liability in respect thereof.

If, at the time of mailing of notice of any optional redemption or of any redemption described under "Extraordinary Mandatory Redemption" above, the Borrower shall not have deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, the redemption notice shall state that it is conditioned on the deposit with the Trustee of moneys sufficient to redeem all the Bonds called for redemption not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 7.03. Payment of Redemption Price. If (a) notice of redemption has been given by mail and (b) moneys sufficient to redeem all the Bonds called for redemption have been duly deposited with the Trustee on or prior to the date of the Authority's notice to the Trustee, then the Bonds called for redemption shall be payable on the redemption date at the applicable Redemption Price. Payment of the Redemption Price together with accrued interest shall be made by the Trustee, out of Revenues or other funds deposited for such purpose, to or upon the

order of the Holders of the Bonds called for redemption either upon surrender of such Bonds or in accordance with the book-entry provisions of Section 2.12 hereof if all Bonds are held by DTC.

Section 7.04. Notice of Redemption of Bonds. The Trustee agrees to provide timely notice to the Authority that some or all of the Bonds have been redeemed or paid.

ARTICLE VIII

REGARDING THE AUTHORITY

Section 8.01. Payment of Principal of and Interest on Bonds. The Authority shall promptly pay or cause to be paid the principal or Redemption Price of, and the interest on, every Bond issued hereunder according to the terms thereof, but shall be required to make such payment or cause such payment to be made only out of Revenues or any other moneys held by the Trustee under this Indenture. The Authority shall appoint one or more paying agents for such purpose, each such agent to be a national banking association, a bank and trust Company or a trust company. The Authority hereby appoints U.S. Bank National Association, Paying Agent, and designates the corporate trust office of such agent in Morristown, New Jersey as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

Notwithstanding the foregoing, the Authority may enter into a written agreement with any Holder of any Bond providing for the payment of principal or Redemption Price of and interest on such Bond at a place other than the place specified in such Bond as the place for payment without the necessity of surrendering the Bond to the Trustee; provided, that (a) there shall be filed with the Trustee a duplicate original of such agreement and (b) such agreement will provide that in each case in which payment of principal is so made, the Holder will not sell, transfer or otherwise dispose of such Bond unless it shall have caused notation to be made thereon by the Trustee of the amount of principal paid thereon and the last date to which interest has been paid thereon.

Section 8.02. Organization; Authority to Issue Bonds. The Authority is a public body corporate and politic constituting an instrumentality of the State, duly organized, established and existing under the laws of the State, particularly the Act. The Authority is authorized to issue the Bonds in accordance with the Act and to use the proceeds thereof to make the loan to the Borrower.

Section 8.03. Enforcement of Agreement; Prohibition Against Amendments of Agreement; Notice of Default. The Authority may, but shall not be obligated to, require the Borrower to perform its obligations under the Agreement. The Authority may exercise all its rights under the Agreement as amended or supplemented from time to time, including the right to amend the Agreement to cure any ambiguity or to correct or supplement any provision contained therein which may be defective or inconsistent with any other provision contained therein or herein and to make such other provision in regard to matters or questions arising under the Agreement or this Indenture; provided that it shall not amend the Agreement or make such other provisions in a manner which materially and adversely affect the interests of Bondholders without the consent of the Trustee pursuant to Section 12.03 hereof and provided further that it shall not amend the substantive terms of the Agreement or make such other provisions in a manner that would materially and adversely affect the interest of the Borrower without the written consent of the Borrower. Prior to making any amendment pursuant to this Section 8.03,

the Authority shall file with the Trustee and the Borrower (i) a copy of the proposed amendment and (ii) an opinion of nationally recognized Bond Counsel to the effect that such amendment or supplemental will not have an adverse effect on the exemption of interest on the Series A Bonds from Federal income tax, and, unless the Trustee shall have otherwise given its consent to such amendment or supplement (and the Borrower shall have otherwise given its consent to such amendment or supplement in the case where the amendment or supplement materially and adversely affects the interest of the Borrower), to the further effect that such amendment or supplement will not otherwise materially and adversely affect the interests of the Bondholders and the Borrower. The Authority shall give prompt written notice to the Trustee of any default known to the Authority under the Agreement or any amendment or supplement thereto.

Section 8.04. Further Assurances. Except to the extent otherwise provided in this Indenture, the Authority shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and shall, from time to time, at the expense of the Borrower, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

Section 8.05. Filing and Recording. The Authority agrees that it will cooperate with the Borrower, at the expense of the Borrower, in connection with the Borrower's obligation to cause all documents, statements, memoranda or other instruments to be registered, filed or recorded in such manner and at such places as may be required by law fully to protect the security of the registered owners and the right, title and interest of the Trustee in and to any moneys of securities held hereunder or any part thereof (including any refilings, continuation statements or such other documents as may be required).

Section 8.06. Indemnification. (a) Pursuant to Section 6.07 of the Loan Agreement, the Borrower shall indemnify the Authority, the Trustee, the State and the Paying Agent, any person who "controls" the Authority, the Trustee, the State or the Paying Agent, within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, and any member, director, officer, official, agent, attorney and employee of the Authority, the Trustee, the State or the Paying Agent (herein the "Indemnified Parties").

(b) To secure the Borrower's indemnification payment obligation to the Authority, the Authority shall have a lien prior to the lien created by this Indenture for the benefit of the Owners of the Bonds on all money or property held or collected by the Trustee, except for money held for the payment of the principal of redemption price of any Bonds, and interest on any Bonds previously matured or called for redemption in accordance with this Indenture, which shall be held for the benefit of the registered owners of such Bonds only. Such obligations shall survive the satisfaction and discharge of this Indenture.

(c) When an Indemnified Party incurs expenses or renders services after an Event of Default, the expenses and compensation for the services are intended to constitute expenses of administration under any applicable bankruptcy law.

Section 8.07. Federal Tax Covenant. Pursuant to Section 6.04 of the Loan Agreement, the Borrower has covenanted to comply with the provisions of Sections 103 and 141 through 150 of the Code with respect to the Tax Exempt Bonds. The Authority hereby covenants not to take or omit to take any action so as to cause interest on the Tax Exempt Bonds to be no longer excluded from gross income for the purposes of federal income taxation and to otherwise comply with the requirements of Sections 103 and 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of the Tax Exempt Bonds. Pursuant to the Loan Agreement all investments of the proceeds of the Bonds will be at the written direction of the Borrower.

Section 8.08. The Bonds. When the Bonds are issued, transferred and delivered in accordance with the provisions of this Indenture, the Bonds will have been duly authorized, executed, issued and delivered and will constitute the valid special, limited obligation of the Authority payable solely from the Revenues and other monies derived by the Authority from the Loan Agreement (except for payment intended for the Authority as provided in Sections 2.01(d), 6.04, 6.05, 6.06, 6.07, 6.18, 8.05 and 9.03 of the Agreement), and nothing in the Bonds or this Indenture shall be construed as assigning or pledging therefor any other funds or assets of the Authority. **THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.**

The Act provides that neither the members of the Authority nor any person executing bonds for the Authority shall be liable personally on said bonds by reason of the issuance thereof.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following shall be considered an Event of Default with respect to the Bonds under this Indenture:

- (a) payment of the principal or Redemption Price, if any, on any Bond shall not be made when the same shall be due and payable at maturity, upon redemption or otherwise; or
- (b) payment of an installment of interest on any Bond shall not be made when the same shall be due and payable; or
- (c) the occurrence of an “event of default” under the Agreement; or
- (d) the Authority shall default in the due and punctual performance of any covenant in this Indenture on the part of the Authority to be performed, and such default shall continue for sixty (60) consecutive days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the Borrower by the Trustee, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding.

If any of the foregoing shall occur or be continuing after the expiration of any applicable grace period, with respect to the Bonds, the Trustee may, and shall, at the written direction of the Holders of at least a majority of the aggregate principal amount of all Bonds then Outstanding by written notice given to the Authority and the Borrower (provided that the default has not theretofore been cured), declare the principal of all Bonds then Outstanding to be due and payable immediately and upon such declaration, without further action, said principal together with interest accrued thereon, shall become due and payable immediately at the place of payment provided in the said notice, anything in this Indenture or in said Bonds to the contrary notwithstanding.

The above provisions, however, are subject to the condition that if, after the principal of all Bonds then Outstanding shall have been so declared to be due and payable and prior to the entry of a judgment or decree for the payment of any moneys due pursuant to the Bonds, this Indenture or the Agreement, all arrears of interest upon such Bonds, and interest on overdue installments of interest (to the extent permitted by law) at the applicable rate per annum borne by such Bonds and the principal on all Bonds then Outstanding which shall have become due and payable otherwise than by acceleration, and all other sums payable under this Indenture, except the principal of, and interest on, the Bonds which by such declaration shall have become due and payable, shall have been paid by or on behalf of the Authority, all other Events of Default hereunder shall have been cured, and all other things in respect of which there may have been a

default under this Indenture, shall have performed, and the reasonable fees and expenses of the Authority, the Trustee and of the Holders of such Bonds, including reasonable attorneys' fees paid or incurred shall have been paid, then and in every such case, subject to Section 9.05(b) hereof, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Trustee may rescind and annul such declaration, whereupon the Trustee shall give written notice thereof to the Authority and the Borrower by registered mail. Any such rescission and annulment shall be binding upon all Bondholders, but no such rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. Immediately upon such annulment, the Trustee shall cancel any demand for redemption made by the Trustee pursuant to Section 9.03 of this Indenture.

Section 9.02. Enforcement of Agreement. In any case under the provisions of Section 9.01 of this Indenture in which the Trustee has the right to declare the principal of all Bonds then Outstanding to be due and payable immediately, or when the Bonds by their terms mature (upon redemption or otherwise) and are not paid, the Authority agrees that the Trustee shall have the right, subject to the Authority's Reserved Rights, as assignee of the Authority (but not in the name of the Authority) to enforce all rights of the Authority and all obligations of the Borrower under and pursuant to the Loan Agreement and the other Loan Documents, for and on behalf of the Holders of the Bonds, whether or not the Authority is in default hereunder.

Section 9.03. Judicial Proceedings by Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Trustee, in its discretion may and upon the written request of the Holders of at least a majority of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction shall, and upon written request of the Authority if an Event of Default occurs pursuant to Section 9.01(c) of this Indenture shall:

(a) exercise any and all rights or powers permitted to be taken or exercised by it or by the Authority under this Indenture, the Agreement, the Note or any other Loan Documents;

(b) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders under the Note, the Agreement or other Loan Documents;

(c) bring suit upon the Bonds;

(d) exercise, with respect to the security interest granted hereunder, all of the rights and remedies of a secured party under the New Jersey Uniform Commercial Code.

Section 9.04. Discontinuance or Abandonment of Proceedings. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Bondholders of the Bonds shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.05. Bondholders May Direct Proceedings. (a) The Holders of a majority in principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or with this Indenture or unduly prejudice the rights of minority Bondholders.

(b) Notwithstanding anything in this Indenture or in any of the other Loan Documents to the contrary, neither the Trustee nor the registered owners, shall have the right to waive an Event of Default under any of the Loan Documents which arises out of a violation of a Reserved Right without the prior written consent of the Authority, which it shall give in its sole and complete discretion. Notwithstanding anything herein or in any other Bond Document to the contrary, nothing herein shall affect the Authority's unconditional right to specifically enforce its Reserved Rights or to accelerate the Borrower's payment obligations under the Loan Agreement upon the occurrence of an Event of Default under Section 8.01(c) of the Loan Agreement or to cause an Extraordinary Mandatory Redemption of the Bonds.

Section 9.06. Limitations on Actions by Bondholders. No Bondholder shall have any right to pursue any remedy with respect to the Bonds hereunder unless:

- (a) the Trustee shall have been given written notice of an Event of Default;
- (b) the Holders of at least a majority in principal amount of all of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names;
- (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities; and
- (d) the Trustee shall have failed to comply with such request within a reasonable time.

Notwithstanding the foregoing provisions of this Section 9.06 or any other provision of this Indenture, the obligation of the Authority shall be absolute and unconditional to pay hereunder, but solely from the Revenues and other funds pledged under this Indenture, the principal or Redemption Price of, and interest on, the Bonds to the Holders thereof on the due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Section 9.07. Trustee May Enforce Rights Without Possession of Bonds. All rights under this Indenture and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Holders of the Bonds.

Section 9.08. Remedies Not Exclusive. No remedy herein conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 9.09. Delays and Omissions Not to Impair Rights. No delays or omissions in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given by this Article IX may be exercised from time to time and as often as may be deemed expedient.

Section 9.10. Application of Moneys in Event of Default. Any moneys relating to the Bonds received by the Trustee pursuant to any right given or action taken under the provisions of this Article IX shall (after payment of the costs and expenses (including legal fees and expenses) of the proceedings resulting in the collection of such moneys and of the fees and expenses, liabilities and advances of the Authority and the Trustee, it being understood that such payment shall not be made from any moneys already held for the benefit of the Bondholders) be deposited in the Debt Service Fund, and all moneys in such Fund shall be applied as follows:

(i) Unless the principal of all the Bonds Outstanding shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Outstanding Bonds and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege (provided, however, that no payment shall be made with respect to any Bond held by or for the account of the Borrower or any affiliate or Related Person thereof); and

SECOND - To the payment to the persons entitled thereto of the unpaid principal of, and premium, if any, on, the Outstanding Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are already held pursuant to the provisions of this Indenture) in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of each Bond due on any particular date, together with such premium, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto, without any discrimination or privilege (provided, however, that no payment shall be made with respect to any Bond held by or for the account of the Borrower or any affiliate or Related Person thereof).

(ii) If the principal of all the Outstanding Bonds shall have become due or shall have been declared due and payable by acceleration, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due on such Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, 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, premium, if any, and interest, to the persons entitled thereto, without any discrimination or privilege (provided, however, that no payment shall be made with respect to any Bond held by or for the account of the Borrower or any affiliate or Related Person thereof).

(iii) If the principal of all the Outstanding Bonds shall have been declared due and payable by acceleration, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article IX, then the moneys shall be applied in accordance with the provisions of subsection (i) above; provided, however, that in the event that the principal of all the Bonds shall later become due or be declared due and payable by acceleration, the moneys shall be applied in accordance with the provisions of subsection (ii) above.

Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be applied only to the payment of the Bonds and such Additional Bonds as shall specifically benefit from deposits made therein.

Notwithstanding the foregoing restrictions on payment in respect of any Bond held by or for the account of the Borrower or any affiliate or Related Person of the Borrower, moneys may be applied to such payment, but only after payment in full of all other Outstanding Bonds; and, to the extent that such surplus moneys are not available for application to such Borrower Bonds after acceleration of the Bonds, all such Borrower Bonds shall be deemed to be no longer Outstanding and shall be cancelled, and no payment shall be made in respect thereof. Whenever moneys are to be applied pursuant to the provisions of this Section 9.10, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine is appropriate upon due consideration of the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

Whenever the Trustee shall apply such funds it shall fix the date of application, which shall be an Interest Payment Date unless it shall deem, in the reasonable exercise of its discretion, another date more suitable. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Section 9.11. Trustee's Right to Receiver; Compliance With Act. As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver of the assets of the Borrower; and the Trustee, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Section 9.12. Trustee and Bondholders Entitled to All Remedies Under Act. It is the purpose of this Article to provide such remedies to the Trustee and Bondholders as may be lawfully granted under the provisions of the Act; but should any remedy herein granted be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of this Article shall apply to and be binding upon any trustee or receiver appointed under the Act.

Section 9.13. Authority's Rights. Notwithstanding anything in this Indenture or in the Loan Agreement or in any of the other Loan Documents to the contrary, neither the Trustee nor the Registered Owners shall have the right to waive an Event of Default under any of the Loan Documents which arises out of a violation of a Reserved Right without the prior written consent of the Authority, which the Authority may give in its sole and complete discretion. Notwithstanding any other provision contained in this Indenture or any other Loan Document to the contrary, nothing herein or therein shall affect the Authority's unconditional right to enforce its Reserved Rights.

ARTICLE X

THE TRUSTEE

Section 10.01. Acceptance of Trust. The Authority hereby appoints U.S. Bank National Association to serve as Trustee under this Indenture. The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the parties hereto and the Bondholders agree. The Borrower shall have the right to appoint any successor trustee in accordance with the terms of this Article X.

Section 10.02. No Responsibility, etc. The recitals, statements and representations in this Indenture or in the Bonds, save only the Trustee's certificate of authentication upon the Bonds, have been made by the Authority and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof.

Section 10.03. Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence; Not Liable For Action Taken in Accordance With Bondholder Direction. The Trustee may exercise any powers hereunder and perform any duties required of if through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder and to rely on any such advice contained in a written opinion of such Counsel. The Trustee shall not be answerable for the negligence, default or misconduct of any attorney or agent selected by it with reasonable care. Except as otherwise provided herein, the Trustee shall not be answerable for the exercise of any discretion or power under this Indenture nor for anything whatever in connection with the trust hereunder, except only its own willful misconduct or negligence. The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee.

Section 10.04. Compensation. The Borrower shall pay the Trustee's and any other paying, authenticating or rating agent's closing and annual fees and expenses under the Loan Agreement and this Indenture, including, but not limited to, reasonable attorneys' fees and all costs of issuing, collecting payment on and redeeming the Bonds hereunder. The Authority shall not be responsible for payment of any such fees and expenses. Upon the occurrence of an Event of Default, but only upon such occurrence, the Trustee shall have a lien on the Trust Estate which is second only to the lien of the Authority, with right of payment prior to payment of the principal or redemption price of, and the interest on, any Bond, for the foregoing fees and expenses of the Trustee.

Section 10.05. Notice of Default. The Trustee shall, within thirty (30) days after notice thereof, give written notice by registered mail to the Authority and the Holders of Bonds of all defaults known to the Trustee (the term "defaults" for purposes of this Section and Section 10.06 being defined to mean the events specified in clauses (a) through (d) of Section 9.01). The Trustee shall not be deemed to have notice of any default other than defaults under clauses (a)

and (b) of Section 9.01, unless notified in writing of such default by the Holders of at least twenty-five percent (25%) of the principal amount of all Bonds then Outstanding or by the Authority.

Section 10.06. Obligation to Act. If any Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by this Indenture and shall use the same degree of care in their exercise as a prudent person would exercise or use in the circumstances in the conduct of his or her own affairs; provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

Section 10.07. Reliance on Requisition, etc. The Trustee may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

The Trustee agrees that it shall hold all documents, affidavits, certificates and opinions delivered to the Trustee pursuant to Section 3.02 of the Agreement for the term of the Bonds. During such period, the Authority shall have the right to inspect such documents, affidavits, certificates and opinions at the principal office of the Trustee at reasonable times and upon reasonable notice; and the Trustee shall provide copies of such documents, affidavits, certificates and opinions to the Authority at its written request and expense.

The Trustee shall furnish the Borrower monthly and at such other times as the Borrower or the Authority may reasonably request a statement of account of any moneys held in the Funds by the Trustee.

Section 10.08. Trustee May Deal in Bonds. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee may so engage in or be interested in any financial or other transaction with the Authority or the Borrower; provided that if any such relation is in conflict or apparent conflict with its duties under this Indenture, it shall eliminate the conflict or resign as Trustee.

Section 10.09. No Duty to Renew Insurance. The Trustee shall be under no duty to effect or to renew any insurance policy required under Section 7.02 of the Loan Agreement nor shall it

incur any liability for the failure of the Borrower to effect or renew insurance or to report or file claims of loss thereunder.

Section 10.10. Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of this Indenture, and any construction by the Trustee shall be binding upon the Bondholders, the Authority and the Borrower.

Section 10.11. Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by written resignation filed with the Secretary of the Authority (and a copy to the Borrower) not less than sixty (60) days before the date when it is to take effect, provided notice of such resignation is mailed by first-class mail to the registered Holders of the Bonds not less than fifty (50) days prior to the date when the resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor trustee.

Section 10.12. Removal of Trustee. The Trustee hereunder may be removed at any time by the Borrower or by the Holders of a majority in principal amount of the Bonds then Outstanding, by an instrument appointing a successor to the Trustee so removed, executed by the Holders of a majority in principal amount of the Bonds then Outstanding and filed with the Trustee and the Authority, provided that such removal shall not prevent the Trustee from suing the Borrower for all amounts due and owing the Trustee under the Indenture. Such removal shall only be effected with simultaneous appointment of a successor trustee.

Section 10.13. Appointment of Successor Trustee. If the Trustee or any successor trustee is dissolved or if its property or business is taken under the control of any state or Federal court or administrative body and a vacancy shall forthwith exist in the office of the Trustee, or if the Trustee or any successor trustee resigns or is removed, the Borrower shall appoint a successor trustee and the Borrower shall mail notice thereof immediately by first-class mail to the registered Holders of the Bonds. If the Borrower fails to make such appointment promptly, the Holders of a majority in principal amount of the Bonds then Outstanding may do so. In the event that a successor trustee is not appointed within sixty (60) days following the date of resignation or removal of the Trustee, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor trustee.

Section 10.14. Qualification of Successor. A successor trustee shall be a national banking association with trust powers or a bank and trust company or a trust company having capital and surplus of at least \$75,000,000, if there be one able and willing to accept the trust on reasonable and customary terms.

Section 10.15. Instruments of Succession. Any successor trustee shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder; and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall pay over to the successor trustee all moneys held by it hereunder; and, upon request of the successor trustee, the Trustee ceasing to act and the

Authority shall execute and deliver an instrument transferring to the successor trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to act.

Section 10.16. Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or any corporation to which any Trustee may sell or transfer all or substantially all of its corporate trust business, provided such corporation shall be eligible under Section 10.14 hereof, shall be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 10.17. Notice of Non-Compliance. Upon the receipt of notice by or the receipt of actual knowledge by any officer responsible for the administration of the Funds, the Trustee shall report immediately to the Authority any breach of any covenant or any Event of Default by the Borrower under the Loan Agreement or any fact or circumstance which, except for any grace period permitted by the Loan Agreement, would result in any breach of a covenant or Event of Default by the Borrower thereunder.

Section 10.18. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including without limitation the laws of the State of New Jersey) denying or restricting the right of banks or trust companies to transact business as trustees in that jurisdiction. It is recognized that (a) if there is litigation under the Indenture or other instruments or documents relating to the Bonds and the Project, and in particular, in case of the enforcement hereof or thereof upon a default or an Event of Default, or (b) if the Trustee should deem that, by reason of any present or future law of any jurisdiction, it may not (i) exercise any of the powers, rights or remedies granted herein to the Trustee, (ii) hold title to the properties, in trust, as granted herein, or (iii) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or additional institution as a Co-Trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an individual or additional institution as a Co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that Co-Trustee, but only to the extent accepted by such Co-Trustee and necessary for it to be so vested and conveyed and to enable that Co-Trustee to exercise it. The Co-Trustee shall acknowledge its acceptance of the trusts so conveyed to it, in writing to the Authority. Every covenant, agreement and obligation necessary to the exercise thereof by such Co-Trustee shall run to and be enforceable by it.

This Article X of this Indenture is hereby made applicable to any Co-Trustee appointed hereunder.

Should any instrument or document in writing from the Authority reasonably be required by any Co-Trustee for vesting and conveying more fully and certainly in and to that Co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Authority. Any Co-Trustee may resign or be removed and a successor Co-Trustee appointed upon the same terms as provided for the Trustee.

ARTICLE XI

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOF OF OWNERSHIP OF BONDS

Section 11.01. Ownership of Bonds. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution by any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and any Paying Agent with regard to any action taken, suffered or omitted by any of them under such instrument if made in the following manner:

- (a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgements within such jurisdiction, to the effect that the person signing such instrument acknowledged before him or her the execution thereof, or by an affidavit of a witness to such execution.
- (b) The ownership of Bonds shall be proved by the Bond register.

Nothing contained in this Article XI shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters in this Article XI stated which to it may seem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond and any Bond or Bonds issued in exchange or substitution therefor or upon the registration of transfer thereof in respect of anything done by the Trustee in pursuance of such request or consent.

ARTICLE XII

AMENDMENTS AND SUPPLEMENTS

Section 12.01. Amendments and Supplements Without Bondholders' Consent. This Indenture may be amended or supplemented from time to time without the consent of the Bondholders by a Supplemental Indenture for one or more of the following purposes:

(a) in connection with the issuance of Additional Bonds, to set forth such matters as are specifically required or permitted hereunder or such other matters as will not adversely affect the holders of the Bonds then Outstanding;

(b) to add additional covenants of the Authority or to surrender any right or power herein conferred upon the Authority;

(c) to make conforming changes in connection with any changes to the Loan Agreement pursuant to Section 12.04(c) hereof;

(d) to cure any ambiguity or to cure, correct or supplement any defective provision hereof (whether because of any inconsistency with any other provision hereof or otherwise), which shall supersede any actions taken by the Trustee under Section 10.10 hereof, or to make any other amendments to this Indenture, provided that the amendments do not impair the security hereof or adversely affect the Bondholders; and

(e) in connection with obtaining a rating on any series of Bonds from either Moody's Investors Service or Standard & Poor's; provided that the amendments do not impair the security hereof or adversely affect the Bondholders.

Section 12.02. Amendments With Bondholders' Consent. This Indenture may be amended or supplemented from time to time by a Supplemental Indenture with the consent of (i) the Borrower and (ii) the holders of at least 51% in aggregate principal amount of the Bonds then Outstanding; provided, with respect to the approval of the Bondholders that (a) no amendment shall be made which adversely affects the Bonds without the consent of the holders of at least 51% of the then Outstanding Bonds, (b) no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds without the consent of the holders of 51% of the Bonds so affected, and (c) no amendment which alters the interest rates on any Bonds, the maturities, interest payment dates or redemption provisions of any Bonds, this Article XII or the security provisions hereunder may be made without the consent of the holders of all Outstanding Bonds adversely affected thereby.

Section 12.03. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture or amendment permitted by this Article XII and in so doing shall be fully protected by an opinion of Counsel that such Supplemental Indenture or amendment is so

permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

Section 12.04. Amendments to the Loan Agreement Without Consent of Bondholders.

The Loan Agreement may be amended without the consent of the Bondholders (a) to correct any ambiguity, inconsistency or formal defect or omission therein, (b) in connection with the issuance of Additional Bonds, to set forth such matters as are permitted or required hereunder in connection with such issuance or to set forth other matters that do not adversely affect the holders of the Bonds then Outstanding, or (c) to make any other change in the Loan Agreement which, in the judgment of Bond Counsel, does not materially adversely affect the rights of the holders of any Bonds, provided that there is delivered to the Authority and the Trustee an opinion of Bond Counsel not unacceptable to the Trustee addressed to the Authority and the Trustee to the effect that (i) the action proposed to be taken is authorized or permitted by this Indenture and the Loan Agreement and complies with their respective terms; and (ii) such action will not adversely affect the exemption of interest on the Tax Exempt Bonds from Federal income taxation and the validity of the Bonds. No prior notice to the Bondholders of any proposed changes pursuant to this Section shall be required.

Section 12.05. Amendments to the Loan Agreement with Consent of Bondholders.

Except for amendments, changes or modifications as specifically provided in Section 12.04 hereof, neither the Authority nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement or waive any obligation or duty of the Borrower under the Loan Agreement without the written consent of the holders of not less than 51% in aggregate principal amount of the Outstanding Bonds affected thereby; provided, however, that no such waiver, amendment, change or modification shall permit termination or cancellation of the Loan Agreement or any reduction of the amounts payable under Section 2.01 of the Loan Agreement or change the date when such payments are due without the consent of the holders of all the Bonds then Outstanding.

Section 12.06. Conditions to Supplements and Amendments. Before the Authority and the Trustee shall enter into any Supplemental Indenture, or before the Authority and the Borrower shall enter into any amendment or supplement of the Loan Agreement, there shall have been delivered to the Trustee (i) an opinion of Bond Counsel not unacceptable to the Trustee addressed to the Authority and the Trustee to the effect that (a) the action proposed to be taken is authorized or permitted by this Indenture and the Loan Agreement and complies with their respective terms; and (b) such action will not adversely affect the exemption of interest on the Tax Exempt Bonds from Federal income taxation and the validity of the Bonds and (ii) any required consents, in writing, of the Bondholders.

ARTICLE XIII

DEFEASANCE

Section 13.01. **Defeasance.** When principal or the Redemption Price (as the case may be) of, and interest on, all Bonds issued hereunder have been paid, or provision has been made for payment of the same when due in the manner described in this Section 13.01, whether at maturity or upon redemption, acceleration, or otherwise, together with all other sums payable hereunder or under the Agreement, the right, title and interest of the Trustee shall thereupon cease (except with respect to moneys or securities held by the Trustee hereunder for the payment of the principal or Redemption Price (as the case may be) of, and interest on, the Bonds and other amounts) and the Trustee, on written demand of the Authority, shall release the lien of this Indenture and shall execute documents to evidence such release as may be reasonably required by the Authority, shall surrender the Note to the Borrower and shall turn over to the Borrower or to such person, body or authority as may be entitled to receive the same all balances then held by it hereunder.

Provision for the payment of Bonds shall be deemed to have been made upon the delivery to the Trustee of (i) cash in an amount which, when added to any other moneys held by the Trustee and available for such payment, would be sufficient to make all payments specified above, or (ii) Government Obligations which are non-callable prior to the stated maturity thereof and having stated maturities arranged so that the principal of and interest becoming due and payable on such Government Obligations will, under any and all circumstances (and without further investment or reinvestment of either the principal amount thereof or the interest earned thereon), be sufficient (as confirmed by a nationally recognized firm of public accountants) to make all such payments, or (iii) any combination of such cash and such Government Obligations the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient to make all such payments, and in each case, the delivery to the Trustee of (a) an opinion of Bond Counsel to the effect that such defeasance is permitted under this Section 13.01 and (b) an opinion of Counsel selected by the Trustee and reasonably acceptable to the Borrower as to such other matters as the Trustee may reasonably request. Neither the obligations nor moneys deposited with the Trustee pursuant to this Section shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, the Redemption Price of and interest on said Bonds.

The release of the obligations of the Authority under this Section 13.01 shall not affect the obligations of the Borrower to make direct payments to the Authority or the Trustee pursuant to the Agreement.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Dissolution. In the event of the dissolution of the Authority, all the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of, or for the benefit of, the Authority, shall bind or inure to the benefit of the successors of the Authority from time to time and any officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Authority shall be transferred.

Section 14.02. No Rights Conferred on Others. Except as in this Indenture otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person other than the Borrower, the Authority, the Trustee and the Holders of the Bonds issued under this Indenture, any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the Borrower, the Authority, the Trustee and the Holders of the Bonds issued under this Indenture.

Section 14.03. Deposit of Funds for Payment of Bonds; Escheat. (a) If the Authority deposits with the Trustee funds sufficient to pay the principal or Redemption Price of any Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, all interest on such Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bonds shall likewise cease, except as hereinafter provided. Thereafter the Holders of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, provided that such restriction shall not affect the obligations of the Borrower to make payments for the benefit of the Holders of the Bonds pursuant to this Indenture or the Agreement, and the Trustee shall hold such funds in trust for such Holders.

(b) If any Bond or evidence of beneficial ownership of such Bond shall not be presented for payment when the principal thereof becomes due (whether at maturity, by acceleration, upon call for redemption, upon purchase or otherwise), all liability of the Authority to the registered owner thereof for the payment of such Bond, shall forthwith cease, terminate and be completely discharged if funds sufficient to pay such Bond and interest due thereon, if any, are held by the Trustee uninvested for the benefit of the registered owner thereof. Thereupon it shall be the duty of the Trustee to comply with the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 et. seq., with respect to such funds. The registered owner shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond.

Section 14.04. Severability of Invalid Provisions. In case any one or more of the provisions of this Indenture or of the Bonds issued under this Indenture shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or of said Bonds, and this Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

Section 14.05. No Personal Recourse. In the exercise of the powers of the Authority and its members, directors, officers, employees, attorneys or agents under this Indenture and the Loan Agreement, and including without limitation the application of moneys, the investment of funds, and the assignment or other disposition of the Trust Estate in the event of default by the Borrower, neither the Authority nor its members, directors, officers, employees, attorneys or agents shall be accountable to the registered or beneficial owners of the Bonds, the Trustee or the Borrower for any action taken or omitted by it or them in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred. The Authority and its members, directors, officers, employees, attorneys and agents shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it and they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any member, director, officer, agent, attorneys, or employee of the Authority in his individual capacity, and neither the members of the Authority nor any official or attorney executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 14.06. Notice. Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the persons named below shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if and when sent by registered mail return receipt requested:

If to the Issuer: New Jersey Economic Development Authority
 36 West State Street
 PO Box 990
 Trenton, New Jersey 08625
 Attn: Director of Bonds and Incentives

If to the Trustee: U.S. Bank National Association
 Corporate Trust Administration
 21 South Street
 3rd Floor
 Morristown, NJ 07960

If to the Borrower: BWP School Partners LLC
 c/o Build With Purpose, Inc.,
 224 Main Street
 Metuchen, NJ 08840-2728
 Attn:

If to the Bondholders, by notification as provided in Section 7.02.

Section 14.07. Execution in Several Counterparts. This Indenture shall be simultaneously executed in several identical counterparts, and all of said counterparts executed and delivered, each as an original and complete in itself, shall constitute but one and the same instrument and any such counterpart may be introduced in evidence, proved, recorded or used for any purpose without the production of any other counterpart.

Section 14.08. Laws Governing Indenture. The effect and meaning of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of New Jersey (without regard to the State's conflicts of laws principles).

Section 14.09. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 14.10. Headings for Convenience Only. The descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 14.11. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday, Sunday or other day that is not a Business Day, then payment of interest or principal or Redemption Price need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest on such payment shall accrue for the period after such date.

Section 14.12. Authority Not Responsible. (a) The Authority is not under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Borrower, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Authority shall have no responsibility in respect of the sufficiency of the security provided by this Indenture. The Authority shall not be under any obligation to see that any duties herein imposed upon any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Authority shall not be under any liability for failure to see that any such duties or covenants are so done or performed.

(b) The immunities and exemptions from liability of the Authority hereunder shall extend to its directors, members, attorneys, officers, employees and agents.

Section 14.13. Authority May Rely On Certificates. The Authority shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith and in accordance with the terms of this Indenture, upon any resolution, order, notice, request,

consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Loan Agreement or this Indenture, or upon the written opinion of any attorney, engineer, accountant or other expert believed by it to be qualified in relation to the subject matter, and the Authority shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

Section 14.14. Interested Parties. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Paying Agent and the registered Holders of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Paying Agent and the registered Holders of the Bonds.

Section 14.15. Application of New Jersey Contractual Liability Act. Notwithstanding anything to the contrary contained herein, the foregoing is subject to the limitations of the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, et seq. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. is not applicable by its terms to claims arising under contracts with the Authority, the Underwriter and the Borrower hereby agree that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims arising against the Authority under this agreement.

Section 14.16. P.L. 2005 c.92 Compliance. In accordance with State P.L. 2005 c. 92, the Trustee agrees that all services performed by it under this Indenture and any subcontract hereunder, shall be performed within the United States of America.

Section 14.17. Compliance With L. 2005, c.271 Reporting Requirements. The Trustee hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission (“ELEC”) pursuant to N.J.S.A. 19:44A-20.27 (L.2005, c. 271, section 3) if the Trustee enters into agreements or contracts such as this Indenture, with a State public entity (including the Authority), and receives compensation or fees of \$50,000 or more in the aggregate from State public entities, in a calendar year. It is the Trustee’s responsibility to determine if filing is necessary. Failure to so file can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

Section 14.18. Compliance With L. 2005, c. 51. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with L. 2005, c. 51, which codified Executive Order No. 134 (McGreevey 2004), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection with the Indentured Bonds. The Trustee agrees

that it shall maintain continued compliance with L. 2005, c. 51 and regulations promulgated thereunder while the Indentured Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under this Indenture and any remedies available may be exercised against the Trustee at law or in equity.

Section 14.19. Compliance With Executive Order 117. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with Executive Order No. 117 (Corzine 2008), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection with the Indentured Bonds. The Trustee agrees that it shall maintain continued compliance with Executive Order 117 (Corzine 2008) and regulations promulgated thereunder while the Indentured Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under this Indenture and any remedies available may be exercised against the Trustee at law or in equity.

IN WITNESS WHEREOF, the Authority and the Trustee have caused these presents to be signed by their respective officers thereunto duly authorized and this Indenture to be dated as of the day and year first above written.

ATTEST:

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

Gregory Ritz
Assistant Secretary

By: _____
John J. Rosenfeld
Director of Bonds and Incentives

ATTEST:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Paul O'Brien
Vice President

By: _____
Rick Barnes
Vice President

EXHIBIT A

Form of Bonds

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BOND. THE BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

No. R[A][B]-_____ \$ _____

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

CHARTER SCHOOL REVENUE BONDS

(LADY LIBERTY ACADEMY CHARTER SCHOOL, INC. PROJECT) [SERIES 2013 A
(TAX EXEMPT)][SERIES 2013 B (TAXABLE)]

<u>Maturity Date</u>	<u>Issue Date</u>	<u>Authentication Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
August 1, 20____	February __, 2013	February __, 2013	_____ %	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ **DOLLARS**

The NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey (the "State"), for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date shown above unless this Bond shall have been called for redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, upon surrender hereof, the Principal Amount identified above and to pay to the registered owner hereof (but only out of the sources hereinafter mentioned) interest thereon from the Issue Date shown above until payment of said principal sum has been made or provided for, at the Interest Rate stated above on February 1 and August 1 of each year, commencing on August 1, 2013, to the registered owner hereof as of the close of business on the January 15 or July 15 next preceding such interest payment date, and to pay interest on overdue interest (to the extent permitted by applicable law) at the rate per annum above specified. Except as otherwise provided in the Trust Indenture dated

as of February 1, 2013 (the "Indenture") between the Authority and U.S. Bank National Association, as Trustee (the "Trustee"), principal and interest shall be paid at the principal corporate trust office of the Trustee in Morristown, New Jersey, or at such other location as designated by the Trustee, or at the duly designated office of any duly appointed alternate or successor paying agent, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts, provided that interest may be paid by check or draft drawn upon any such paying agent and mailed to the registered owner hereof at his address as it appears on the bond registry of the Authority.

This Series [A][B] Bond is one of a duly authorized [Series 2013 A (Tax Exempt) Bonds][Series 2013 B (Taxable)Bonds] (the "[Series A Bonds][Series B Bonds]") limited in aggregate principal amount to [\$9,620,000][\$390,000], which are being issued under the Indenture in conjunction with [Series A Bonds][Series B Bonds] limited in aggregate principal amount to \$_____ (collectively the "Bonds") and pursuant to a resolution of the Authority dated October 9, 2012, to accomplish the public purposes of the hereinafter defined Act by aiding in financing (i) the acquisition of a long term interest in, and renovations to, the existing school building at 746 Sandford Avenue, in the City of Newark, County of Essex, New Jersey, and (ii) the construction of 23,000 sq. ft. of additional space, to be used by Lady Liberty Academy Charter School, Inc. (hereinafter collectively referred to as the "Project").

The Bonds are special limited obligations of the Authority, payable solely from payments made on the Series [A][B] Note (the "Note") delivered or to be delivered by the Borrower evidencing a loan made by the Authority to the Borrower to finance the Project and from certain payments made by the Borrower pursuant to the Loan Agreement by and between the Authority and the Borrower dated as of February 1, 2013 (the "Agreement"), the Mortgage from the Borrower to the Authority dated February 28, 2013 (the "Mortgage"), the Assignment of Leases from the Borrower to the Authority dated February 28, 2013 (the "Assignment of Leases") and from any other moneys held by the Trustee under the Indenture for such purpose, and other than as provided in the Agreement or the Indenture, there shall be no other recourse against the Authority. Except as otherwise specified in the Indenture, this Bond is entitled to the benefits of the Indenture equally and ratably both as to principal (and redemption price) and interest with all other Bonds issued under the Indenture, to which reference is made for a description of the rights of the holders of the Bonds, the rights and obligations of the Authority, the rights, duties and obligations of the Trustee, and the provisions relating to amendments to and modifications of the Indenture. The holder of this Series [A][B] Bond may not enforce the provisions of the Note except in accordance with the provisions of the Indenture. Copies of the Indenture and the Agreement are on file at the principal corporate trust office of the Trustee.

MANDATORY SINKING FUND REDEMPTION

The Series A Bonds maturing August 1, 2023 are subject to mandatory sinking fund redemption prior to maturity in part by lot, on August 1 of the years and in the amounts applicable to each respective maturity set forth as follows, at a redemption price equal to 100% plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Amount</u>
2019	\$60,000
2020	\$150,000
2021	\$160,000
2022	\$170,000
2023*	\$175,000

*Final Maturity

The Series A Bonds maturing August 1, 2033 are subject to mandatory sinking fund redemption prior to maturity in part by lot, on August 1 of the years and in the amounts applicable to each respective maturity set forth as follows, at a redemption price equal to 100% plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Amount</u>
2024	\$185,000
2025	\$195,000
2026	\$205,000
2027	\$220,000
2028	\$230,000
2029	\$245,000
2030	\$255,000
2031	\$270,000
2032	\$285,000
2033*	\$300,000

*Final Maturity

The Series A Bonds maturing August 1, 2043 are subject to mandatory sinking fund redemption prior to maturity in part by lot, on August 1 of the years and in the amounts applicable to each respective maturity set forth as follows, at a redemption price equal to 100% plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Amount</u>
2034	\$320,000
2035	\$335,000
2036	\$355,000
2037	\$375,000
2038	\$395,000
2039	\$420,000
2040	\$440,000
2041	\$465,000
2042	\$495,000
2043*	\$520,000

*Final Maturity

The Series A Bonds maturing August 1, 2047 are subject to mandatory sinking fund redemption prior to maturity in part by lot, on August 1 of the years and in the amounts applicable to each respective maturity set forth as follows, at a redemption price equal to 100% plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Amount</u>
2044	\$550,000
2045	\$580,000
2046	\$615,000
2047*	\$650,000

*Final Maturity

The Series B Bonds are subject to mandatory sinking fund redemption prior to maturity in part by lot, on August 1 of the years and in the amounts applicable to each respective maturity set forth as follows, at a redemption price equal to 100% plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Amount</u>
2015	\$80,000
2016	\$85,000
2017	\$90,000
2018	\$95,000
2019*	\$40,000

*Final Maturity

OPTIONAL REDEMPTION

The Series A Bonds maturing on or after August 1, 2024 are subject to redemption prior to maturity at the option of the Authority, at the direction of the Borrower, in whole or in part at any time on or after August 1, 2023 at a redemption price of 100%.

The Series B Bonds are not subject to optional redemption.

EXTRAORDINARY REDEMPTION

Bonds shall be subject to redemption prior to maturity in whole or in part at any time from surplus money in the Project Fund which are transferred to the Redemption Fund, and from insurance proceeds, condemnation awards, proceeds of conveyances in lieu of condemnation or proceeds from the sale of the Project Facilities deposited in the Redemption Fund and available for such purpose, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

EXTRAORDINARY MANDATORY REDEMPTION

The Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, when, at the option of the Authority, the Authority provides written notice to the Trustee that either of the following events has occurred:

(A) the Borrower ceases to operate the Project, or to cause the Project to be operated, as an authorized “project” under the Act for twelve (12) consecutive months, without first obtaining the prior written consent of the Authority; or

(B) any representation or warranty made by the Borrower in the Agreement or in any report, certificate, financial statements or other instrument furnished by the Borrower in connection with the Agreement shall prove to be false or misleading in any material respect when made.

EXTRAORDINARY MANDATORY REDEMPTION UPON TAXABILITY.

The Series A Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, after receipt by the Trustee of a notice of the occurrence of a Determination of Taxability.

SELECTION OF BONDS FOR REDEMPTION

In the event that less than all the Bonds are to be redeemed, the Bonds shall be selected for redemption in such manner as may be expressed herein, subject, however, to the following:

(a) in the case of any series having Bonds of varying denominations, each Bond of such series shall be treated as representing that number of Bonds which is obtained by dividing the face amount thereof by the smallest Authorized Denomination; and

(b) in no event shall any partial redemption result in a Bond of a denomination of less than the Authorized Denomination.

NOTICE OF REDEMPTION

(a) The Trustee shall cause notice of any redemption of Bonds hereunder to be mailed by first class mail to the holders of all Bonds to be redeemed at the registered addresses appearing in the registration books kept for such purpose pursuant to Article II of the Indenture. Each such notice shall (i) be mailed not more than 45 nor less than 30 days prior to the redemption date, (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds) (iii) specify the redemption date, the Redemption Price and, if less than all of any particular Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the redemption date the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the Bonds to be redeemed, including without limitation the original issuance date, maturity date and interest rate applicable to such Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

(b) Notice of any redemption of Bonds shall also be given by the Trustee on the same day as the mailed notice to Bondholders, (i) in accordance with then current guidelines of the Securities and Exchange Commission and (ii) to such other addresses and/or such other services as the Authority may designate with respect to the Bonds. Such further notice shall contain the information required in subsection (a) above. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given to the Bondholders as described in Subsection (a) above.

(c) If at the time of mailing of any notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that the payment of the redemption amount to the Holders is conditional in that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and that in the case of an optional redemption, such notice shall be of no effect unless such moneys are so deposited.

This Series [A][B] Bond is transferable by the registered owner hereof or his duly authorized attorney at the principal corporate trust office of the Trustee, upon surrender of this Bond, accompanied by a duly executed instrument of transfer satisfactory to the Trustee, subject to such reasonable regulations as the Authority or the Trustee may prescribe, and upon payment

of any tax, fee or other governmental charge and any mailing, delivery or insurance expense incurred with respect to such transfer. Upon any such transfer a new Bond or Bonds in the same aggregate principal amount will be issued, upon request, to the transferee. The person in whose name this Bond is registered shall be deemed the owner hereof for all purposes, and the Authority and the Trustee shall not be affected by a notice to the contrary.

The New Jersey Economic Development Authority Act, constituting Chapter 80 of the Pamphlet Laws of 1974 of the State of New Jersey, approved on November 7, 1974, as amended and supplemented (the "Act") provides that no member of the Authority nor any person executing bonds for the Authority shall be liable personally on this Bond by reason of the issuance hereof.

The State of New Jersey is not obligated to pay, and neither the faith and credit nor taxing power of the State of New Jersey is pledged to the payment of, the principal or redemption price, if any, of or interest on this Series [A][B] Bond. This Series [A][B] Bond is a special, limited obligation of the Authority, payable solely out of the revenues or other receipts, funds or moneys of the Authority pledged under the Indenture and from any amounts otherwise available under the Indenture for the payment of the Bond. The Bond does not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of New Jersey or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed and that said issue of Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by said Constitution or statutes.

This Bond is not valid unless the Certificate of Authentication endorsed hereon is duly executed by the Trustee.

IN WITNESS WHEREOF, the New Jersey Economic Development Authority has caused this Series [A][B] Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Director of Bonds and Incentives or any other Authority Officer, and its corporate seal to be hereunto affixed, impressed or otherwise reproduced, and attested by the manual or facsimile signature of its Assistant Secretary, and this Bond to be dated the Issue Date.

[SEAL]

ATTEST:

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

Gregory Ritz
Assistant Secretary

By: _____

John J. Rosenfeld
Director of Bonds and Incentives

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the New Jersey Economic Development Authority Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), [Series 2013 A (Tax Exempt)][Series 2013 B (Taxable)] described in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within-mentioned registered Bond and does hereby irrevocably constitute and appoint _____ to transfer such Bond on the Bond register with full power of substitution in the premises.

Dated:

Signature:

Signature:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank, trust company, national bank association or other banking institution incorporated under the laws of the United States or a state of the United States.

NOTICE: The Signature(s) of this Assignment must correspond with the name that appears upon the face of the within Bond in every particular, without alteration, enlargement or any change whatever.

The Trustee will be required to register a Bond in the name of a transferee only if provided with the information requested below. The transferee (or his designated representative(s)) should provide as much of the information below as is applicable to him prior to submitting this Bond for transfer.

Name: _____

Address: _____

Social Security or Employer Identification Number: _____

If a Trust, Name and Address of Trustee: _____

EXHIBIT B-1

Terms of Bonds and Debt Service Schedule

SERIES A BONDS

Series of 2013 A (Tax-Exempt), Term Bond Maturing 2023:

Maturity/SF

<u>Date</u>	<u>Amount</u>	<u>Rate</u>
2019	\$60,000	5.150%
2020	\$150,000	
2021	\$160,000	
2022	\$170,000	
2023	\$175,000	

Series of 2013 A (Tax-Exempt), Term Bond Maturing 2033:

Maturity/SF

<u>Date</u>	<u>Amount</u>	<u>Rate</u>
2024	\$185,000	5.500%
2025	\$195,000	
2026	\$205,000	
2027	\$220,000	
2028	\$230,000	
2029	\$245,000	
2030	\$255,000	
2031	\$270,000	
2032	\$285,000	
2033	\$300,000	

Series of 2013 A (Tax-Exempt), Term Bond Maturing 2043:

Maturity/SF		
<u>Date</u>	<u>Amount</u>	<u>Rate</u>
2034	\$320,000	5.650%
2035	\$335,000	
2036	\$355,000	
2037	\$375,000	
2038	\$395,000	
2039	\$420,000	
2040	\$440,000	
2041	\$465,000	
2042	\$495,000	
2043	\$520,000	

Series of 2013 A (Tax-Exempt), Term Bond Maturing 2047:

Maturity/SF		
<u>Date</u>	<u>Amount</u>	<u>Rate</u>
2044	\$550,000	5.750%
2045	\$580,000	
2046	\$615,000	
2047	\$650,000	

EXHIBIT B-2

Terms of Bonds and Debt Service Schedule

SERIES B BONDS

Maturity/SF

<u>Date</u>	<u>Amount</u>	<u>Rate</u>
2015	\$80,000	6.500%
2016	\$85,000	
2017	\$90,000	
2018	\$95,000	
2019	\$40,000	

EXHIBIT C

Form of
Request for Payment from the Repair and Replacement Fund

TO: U.S. Bank National Association
Corporate Trust Administration
21 South Street
3rd Floor
Morristown, NJ 07960

The undersigned, an Authorized Borrower Representative of BWP School Partners LLC (the "Borrower"), pursuant to the Loan Agreement by and between the New Jersey Economic Development Authority (the "Authority") and the Borrower, dated as of February 1, 2013 (the "Loan Agreement") and the Trust Indenture by and between the Authority and U.S. Bank National Association, as Trustee, dated as of February 1, 2013 (the "Indenture") entered into with regard to the Lady Liberty Academy Charter School, Inc. Project, Series 2013, hereby makes the following request pursuant to Section 5.12 of the Indenture for payment from the Repair and Replacement Fund established pursuant to the Indenture.

Payment to:

Amount: \$

Capital Expense to Be Paid:

We hereby certify that (a) the capital expense to be paid from the Repair and Replacement Fund is with respect to capital costs incurred for the depreciating improvements on the Project Facilities (as defined in the Loan Agreement); (b) the Borrower has received no written notice of any lien, right to lien or attachment upon, or claim affecting the right of such payee to receive payment of, any of the money payable under this requisition to any of the persons, firms or corporations named herein, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released, discharged or will be released or discharged upon payment of this requisition; (c) no Event of Default (as defined in the Loan Agreement) or event of default which after notice or lapse of time or both would constitute an Event of Default has occurred and not been waived; and (d) the amount requested hereby is being expended in a manner consistent in all material respects with the representations and warranties of the Borrower set forth in the Loan Agreement.

If this request is for payment to the Borrower to reimburse it for costs or expenses incurred by reason of work performed or supervised by officers or employees of the Borrower or any of its affiliates, the amount to be paid does not exceed the actual cost thereof to the Borrower or any of its affiliates.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____,
20___.

BWP SCHOOL PARTNERS LLC
By: Build With Purpose, Inc.

By:_____
Authorized Borrower Representative

APPENDIX E

Prime Lease Agreement

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LEASE AGREEMENT

BY AND BETWEEN:

ST. JOHN'S RUTHENIAN CATHOLIC CHURCH OF NEWARK ALSO
COMMONLY KNOWN AS ST. JOHN'S UKRAINIAN CATHOLIC
CHURCH OF NEWARK A RELIGIOUS NOT FOR PROFIT
CORPORATION OF THE STATE OF NEW JERSEY, THE MOST
REVEREND STEFAN SOROKA, ARCHBISHOP OF THE UKRAINIAN
CATHOLIC ARCHDIOCESE OF PHILADELPHIA, HIS ASSIGNS AND
SUCCESSORS IN OFFICE DULY APPOINTED BY THE HOLY SEE OF
ROME, IN TRUST FOR THE UKRAINIAN CATHOLIC ARCHDIOCESE
OF PHILADELPHIA

As

"LANDLORD"

And

BWP SCHOOL PARTNERS LLC

As

"TENANT"

PREMISES:

746 SANFORD AVE.
NEWARK, NEW JERSEY

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This Lease Agreement (hereinafter referred to as the "Lease") is made and entered into on this 8th day of June, 2012, between St. John's Ruthenian Catholic Church of Newark also commonly known as St. John's Ukrainian Catholic Church of Newark, a religious not for profit corporation of the State of New Jersey The Most Reverend Stefan Soroka, Archbishop of the Ukrainian Catholic Archdiocese of Philadelphia, his assigns and successors in office duly appointed by the Holy See of Rome, in trust for the Ukrainian Catholic Archdiocese of Philadelphia a religious corporation under the Pennsylvania law, having an office at 827 North Franklin St., Philadelphia PA 19123 (hereinafter referred to as the "Landlord"), and BWP School Partners LLC, a limited liability company of the State of New Jersey., having an office at 224 Main Street, Metuchen, New Jersey 08840 (hereinafter referred to as the "Tenant").

FOR AND IN CONSIDERATION of the sum of One Dollar (\$1.00) and the mutual covenants herein contained, the parties agree as follows:

1. DEFINED TERMS

The following terms wherever initially capitalized shall have the following meanings:

A. Buildings: The two buildings located at 746-772 Sanford Ave., Newark New Jersey [insert zip code].

B. School: The School building located at 746-772 Sanford Ave., Newark New Jersey [insert zip code].

C. Gymnasium: The building housing a gym located at 746-772 Sanford Ave., Newark New Jersey [insert zip code].

D. Land: The real property located at 746-772 Sanford Ave., Newark New Jersey 07106 as described by Metes and Bounds attached hereto as **EXHIBIT A**.

E. Demised Premises: All of the Buildings and all of the Land as shown on the existing survey / plan attached hereto as **EXHIBIT B** (hereinafter sometimes referred to as either the "Demised Premises" or the "Premises"); subject however to covenants, restrictions, reservations, agreements, easements, liens, encumbrances and consents, if any contained in the instruments of record.

F. Initial term: The Initial Term of this Lease shall be for a period of forty (40) years commencing November 1, 2012.

G. Commencement Date: Subject to the provisions of Section 3.3 which shall become operative upon execution of this Lease, November 1, 2012, at which time Tenant shall be granted occupancy of the Demised Premises and Tenant's obligation to pay Basic Rent and Additional Rent shall commence.

H. Extension Periods: Two twenty (20) year extension periods and one nineteen (19) year extension period (for a total potential Term of ninety nine (99) years), which the Tenant may exercise as provide for in Section 4.

I. Permitted Use: The Tenant may use the Premises for an approved educational facility and related office space and any other use permitted by applicable law. The Permitted Use shall be evidenced by a Certificate of Occupancy, or similar documentation, issued by the applicable governmental authority to be obtained by and at the cost, expense and sole responsibility of the Tenant with respect to Tenant's Permitted Use.

J. Basic Rent: The applicable Basic Rent is hereinafter set forth in Article 6.

K. Additional Rent: Any other rent and other charges to be paid by Tenant in accordance with the Lease other than Basic Rent.

L. Security Deposit and Purchase Option Payment: \$32,000.00

2. DEMISED PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Demised Premises and all related improvements constructed or to be constructed for Tenant's use, subject to and together with all easements of record benefiting or burdening the Premises as applicable.

3. TERM

3.1 The Term of this Lease shall commence on the Commencement Date.

3.2 This Lease shall terminate at the end of the Term, without the necessity of any notice from either Landlord or Tenant to terminate the same, and Tenant hereby waives notice to vacate the Premises and agrees that Landlord shall be entitled to the benefit of all provisions of law respecting the summary recovery of possession of the Premises from a tenant holding over to the same extent as if statutory notice had been given. For the period of six (6) months prior to the expiration of the Term, the Landlord may market the Premises, and all parts thereof, to prospective tenants. Such marketing, may include, but is not limited to signage, advertisements and showing the Premises.

3.3 Notwithstanding any term to the contrary, the Tenant shall have the right to terminate this Lease at any time after Tenant executes same and prior to the date which is one year after Tenant's obligation to pay rent commences, upon ninety (90) days' notice to the Landlord. In the event that the Tenant exercises its rights set out in this section, Tenant shall pay to the Landlord the sum of \$192,000.00 and the Tenant's obligation to pay Basic and Additional Rent shall terminate upon said payment to the Landlord and except as specifically provided for elsewhere in this Lease, this Lease shall be of no further force and effect.

4. OPTION TO EXTEND

If Tenant shall keep and perform all of the terms, covenants and conditions of this Lease on Tenant's part to be kept, observed and performed, Tenant shall have the right to extend this Lease for two (2) periods of twenty (20) years and one period of nineteen (19) years commencing November 1, 2052, and if all three extensions utilized by the Tenant, expiring October 31, 2111, provided Tenant shall notify Landlord in writing, by registered or certified mail, return, receipt requested, nine (9) months prior to the expiration of the current lease term (October 31, 2052, October 31, 2072 and October 31, 2091), that Tenant desires such extension, and provided further that said Lease, as extended, shall be upon the same terms, covenants and conditions as herein contained, except as to the duration of the Term hereof, and the Basic Rent to be paid during each extension period.

5. RENT PAYABLE

Tenant covenants and agrees to pay to Landlord, as rental for the Premises, the Basic Rent and any and all Additional Rent in accordance with this Lease. The Basic Rent shall be paid monthly on the first (1st) day of the applicable calendar month.

6. BASIC RENT

6.1 Effective as of the Commencement Date and during the Term hereof, Tenant shall pay Basic Rent to Landlord as follows:

A. All Basic Rent shall be due and payable to the Landlord by the first day of every month.

B. For the period commencing November 1, 2012, and continuing through October 31, 2017, the yearly Basic Rent shall be ONE HUNDRED NINETY TWO THOUSAND AND XX/100s DOLLARS (\$192,000.00) which shall be due and payable on the first day of each month in the amount of SIXTEEN THOUSAND AND XX/100s DOLLARS (\$16,000.00).

C. For the period commencing November 1, 2017 and continuing thereafter, the Basic Rent shall be adjusted as follows;

i. For the purpose hereof, a "Lease Year" shall commence on November 1, and shall

end on October 31 and each succeeding Lease Year shall run concurrently with each succeeding period of twelve (12) months.

ii. "Price Index" shall mean the Consumer Price Index - All Urban Consumers - All Items - New York-Northern New Jersey-Long Island, NY-NJ-CT-PA.

iii. "Base Price Index" for the computation of the annual Basic Rent for the Lease Year commencing November 1, 2017, shall mean the "Price Index" as it exists during the month of November 2012, and thereafter the "Base Price Index" for each of the Lease Years commencing November 1, 2018, through October 31, 2052, shall mean the Price Index as it existed for the first month of the preceding Lease Year.

iv. "Current Price Index" shall mean the Price Index existing for the last month of the preceding Lease Year prior to the then current Lease Year.

v. If the Current Price Index shall be greater than the Base Price Index; then Landlord shall send Tenant a written notice containing the following: (a) the Base Price Index; and (b) Current Price Index, (c) the percentage, if any, by which such Current Price Index exceeds the Base Price Index (the "Percentage Increase"); and (d) the amount of annual Basic Rent, payable in equal monthly installments, in advance, by Tenant to Landlord for the current Lease Year and continuing thereafter until such time as Landlord shall send a notice further increasing the annual Basic Rent pursuant to the provisions set forth in this Article.

vii. The amount of annual Basic Rent payable pursuant to this Article shall be computed by multiplying the annual Basic Rent for the preceding Lease Year, by the Percentage Increase. The amount so computed shall be added to the annual Basic Rent payable during the preceding Lease Year.

viii. If at any time during the Term of this Lease, the Price Index shall no longer be published by said Bureau, then another comparable index by said bureau or similar agency of the United States, issuing similar indices shall be used for the foregoing purposes, the same, however, to be appropriately adjusted in order to give effect to the intent of the foregoing provisions of this Article.

ix. In no event shall the annual Basic Rent due to the Landlord during any Lease Year be an amount less than that payable during the prior Lease Year, but may stay at the same rate if there is no notice of increase received by Tenant.

6.2 Except as otherwise expressly provided in this Lease, it is the purpose and intent of the Landlord and Tenant that the Basic Rent and Additional Rent shall be absolutely net to Landlord, so that this Lease shall yield, net, to Landlord the Basic Rent and Additional Rent provided in this Lease, and that all costs, expenses, impositions and obligations of every kind and nature whatsoever relating to the Premises which may arise or become due during or out of the Term of this Lease, including any renewal thereof, shall be paid by the Tenant.

Excepted from the foregoing is any requirement of Tenant to pay Landlord's debt servicing in connection with the financing of the Premises or, to pay any governmental income taxes and the like as hereinafter provided in Article 8, unless the same shall be in substitution for real property taxes as therein defined. Anything in this Article 6 to the contrary notwithstanding, Tenant shall have no obligation to pay or be charged with any of the following Landlord's obligations: management costs, capital expenditures (except as initiated by the Tenant as part of its development of the demised premises), depreciation, legal costs, environmental compliance costs, for environmental conditions which pre-exist the Tenant's occupancy of the demised premises, excluding however the cost of maintenance and operation of the vapor extraction system presently in place at the demised premises which is maintained and operated under the supervision and cost of the NJDEP, expenditures reimbursed by insurance or proceeds of condemnation, or any other obligation expressly imposed upon Landlord by the terms and conditions of this Lease.

7. PAYMENT OF RENT

7.1 Tenant covenants to pay all Basic Rent and Additional Rent when due, without any

setoff, deduction or demand whatsoever, except as otherwise may be provided for in this Lease. Any monies paid or expenses incurred by Landlord to correct defaults in any of the Tenant's obligations hereunder, after such notice to Tenant as required in this Lease, shall be due and payable to Landlord as Additional Rent. Any Additional Rent provided for in this Lease shall be paid together with the Basic Rent, unless the same shall be required to be paid upon demand as otherwise expressly stated in this Lease. Basic Rent shall be paid or delivered to Landlord at the Landlord Notice Address.

7.2 Receipt and acceptance by Landlord of any Basic Rent, Additional Rent or any monies with knowledge of Tenant's default in any covenant or condition of this Lease shall not be deemed a waiver of such default.

7.3 Any installment of Basic Rent or Additional Rent (hereinafter collectively referred to as "Rent") accruing hereunder, and any other sum payable hereunder by Tenant to Landlord which is not paid on or before the tenth (10th) day of the month in which said Rent was due shall bear an administrative fee of seven and one half percent (7.5%) of such Rent, and the failure to pay such charge, as well as the cost of collecting such unpaid Rent including but not limited to legal fees, shall be a default hereunder. Such charge shall be deemed to be Additional Rent. It is expressly understood and agreed that the foregoing fee is not a penalty, but agreed upon compensation to the Landlord for administrative costs incurred by Landlord in connection with any such late payment. In addition, any amount of Basic Rent or Additional Rent, which is unpaid as of the last day of each month, shall require the payment of interest at the rate of one percent (1.0%) per month.

8. REAL ESTATES TAXES & IMPOSITIONS

8.1. The Parties expressly covenant and acknowledge that the Demised Premises are presently exempt from payment of real estate taxes. Landlord agrees to continue to make all necessary applications to continue the current tax exempt status for the Demised Premises. If at any time during the term of this Lease, including any extension periods, the Demised Premises loses its tax exempt status for any reason, then in that event the Tenant shall, during the Term of the Lease or extensions thereof, pay to the Landlord, as Additional Rent, together with the Basic Rent, the cost of all real estate taxes assessed against the Demised Premises for land, building and improvements, including such added assessment or omitted assessment by the applicable governmental taxing authority, said obligation to be prorated as of the Commencement Date and as of the date of expiration hereunder as applicable. If the Demised Premises is subject to real estate taxes, Tenant agrees that it will pay to annual real estate tax obligations directly to the City of Newark when same become due and provide proof of payment to Landlord. Notwithstanding the foregoing, Tenant's failure to pay any real estate taxes as required herein under shall constitute a default event under this Lease, and Landlord shall have the right, but not the obligation to make such tax payment on behalf of the Tenant in which event the amount paid, including any interest and penalty costs, assessed thereon by the taxing authority shall become due from the Tenant as additional rent, payable with the Tenants then next due basic monthly rent payment.

Notwithstanding the foregoing, if the imposition of real estate taxes and or personal property taxes are caused solely as a result of the Landlord's failure to file the appropriate applications within the time period required, and but for such failure the Demised Premises would have continued as exempt from real estate and or personal property taxes, then the Landlord shall be responsible to pay the said taxes.

8.2 In addition to the obligation to pay real estate taxes as hereinabove set forth, the Tenant shall, during the Term of this Lease and any extensions thereof, pay the cost of any levy for the installation of local improvements affecting the Premises as may be assessed by any governmental boards or bureaus having jurisdiction thereof. In the event of such levy, the

Landlord shall pay the levy over the longest period permitted by law, and the Tenant shall pay such installments which are due during the Term of this Lease. Landlord represents, to the best of its knowledge, is not aware of any such levy for local improvements.

8.3 If at any time during the Term of this Lease the method or scope of taxation prevailing at the Commencement Date of the Lease Term shall be altered, modified or enlarged so as to cause the method of taxation to be changed, in whole or in part, so that in substitution for the real estate taxes there may be, in whole or in part, a capital levy or other imposition based on the value of the Premises, or the rents received therefrom, or some other form of assessment based in whole or in part on some other valuation of the Landlord's real property comprising the Demised Premises, then, and in such event, such substituted tax or imposition shall be payable and discharged by the Tenant, and as required by the terms and conditions of this Lease.

8.4 The Landlord shall have the right to consent, institute, or maintain any action, proceeding or application in any court or body or with any governmental agency or authority for the purpose of appealing or changing the amount of real estate taxes for the Premises.

Notwithstanding the foregoing, the Tenant shall have the right to request in writing that the Landlord institute and/ or maintain the appropriate action, proceeding or application in the appropriate court or body or with any governmental agency or authority for the purpose of appealing or changing the amount of real estate taxes for the Premises. In the event that the Landlord either advises the Tenant that it elects not to do so, or fails to respond to such request within thirty (30) calendar days of receipt of such written request, then Tenant shall have the right to institute, or maintain any action, proceeding or application in any court or body or with any governmental agency or authority for the purpose of appealing or changing the amount of real estate taxes for the Premises and in such event the Landlord shall assist in same at the sole cost and expense of the Tenant.

8.5 In the event any action initiated by Landlord or Tenant is successful, then, Tenant shall receive, an amount equal to any tax refund or credit to the extent the real estate taxes were actually paid by Tenant, less the cost expended in order to receive such refund or credit.

9. CONSENT

Wherever in this Lease the consent or approval of Landlord or Tenant shall be required, such consent or approval shall not be unreasonably withheld or delayed.

10. CONDITION OF PREMISES

Effective as of the Commencement Date, Tenant accepts the Premises in an "as is" condition.

11. ENVIRONMENTAL COMPLIANCE

11.1 The Tenant expressly acknowledges and represents that it is aware of the presence of certain hazardous substance contaminants (hereinafter sometimes referred to as "contamination") on the demised premises affecting the building which houses the classrooms and that the Demised Premises are considered by the New Jersey Department of Environmental Protection (hereinafter referred to as the "NJDEP") as an "orphan site" to the extent of the presence of said contamination because the NJDEP has been unable to determine the source of the contamination. As a result of the Demised Premises being considered an "orphan site" the NJDEP caused the installation and continued operation of a vapor extraction system in or about July 2008. The NJDEP continues to operate the system and conduct sampling at its own cost and expense.

The Tenant further expressly acknowledges, covenants and represents that it has had a sufficient opportunity to review any and all documents that it deemed necessary, including but not limited to those maintained by the NJDEP concerning the contamination and that its acceptance of the Demised Premises in its as is condition (see section 10) includes the environmental conditions existing at the Demised Premises.

11.2 Tenant has submitted to Landlord prior to execution of this Lease a soil sampling plan and various environmental reports outlining the required actions of Tenant's environmental consultant at the Demised Premises (the "Environmental Work"). The Environmental Work is expressly approved by Landlord subject to Tenant executing, if requested by Landlord an Access Agreement between Landlord and Tenant. The Tenant shall not undertake any intrusive environmental investigations or remediation of the Demised Premises materially beyond the Environmental Work, without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed. Consent shall be considered obtained if Tenant provides Landlord notice of a material change in the Environmental Work and Landlord or its counsel does not respond within seven (7) business days. Any and all results from permitted environmental investigations conducted at the request of the Tenant, of the property shall be reported to the Landlord.

11.3 In addition to the foregoing the Tenant shall, at its sole cost and expense, comply with any and all applicable local, regional, county, state or federal statutes, laws, rules, ordinances and regulations pertaining to the condition of the air, water, ground water, surface water, soil, or any other environmental condition of the Premises, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act as amended, 42 U.S.C., Section 9601 et seq., the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1K-6, et seq. (hereinafter referred to as "ISRA"), the Resource Conservation and Recovery Act of 1976 as amended, 42 U.S.C. Section 6901, et seq. and the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Section 1801, et seq. and any amending or successor legislation and regulations, (hereinafter collectively referred to as "Environmental Laws").

11.4 For purposes of this Lease, Hazardous Substances shall mean those substances included within the definitions of any one or more of the terms "hazardous substances," "hazardous materials," "toxic substances" and "hazardous waste" as referenced in the Environmental Laws hereinabove.

11.5 Tenant represents and warrants to Landlord that its current proposed 2007 North American Industry Classification System number relative to educational use of the Demised Premises 611110, as defined by the North American Industry Classification System Manual, published by the Federal Executive Office of the President, Office of Management and Budget, which classification is not currently subject to ISRA.

11.6 Subject to the provisions of section 11.2 above, if compliance with any Environmental Laws is applicable to Tenant because of Tenants use and occupancy of the Premises, Tenant shall, at Tenant's own expense, make all submissions to, provide all information to, undertake the investigation and remediation, and comply with all requirements of the NJDEP. The Tenant's obligations under this Article shall apply if there is a change in ownership at or affecting the Premises or the Tenant's operations at the Premises pursuant to any Environmental Laws. Notwithstanding the foregoing, this provision shall not be deemed to be consent of the Landlord to the use or occupancy of the Premises for any other use, which is subject to Environmental Laws. In the event that at any time during the Term of this lease, the Tenants use becomes subject to ISRA the Tenant may satisfy its obligations to comply with ISRA by obtaining any of the following from the NJDEP or a Licensed Site Remediation Professional: (a) a de minimis quantity exemption; (b) approval of a Negative Declaration; (c) a No Further Action Letter; (d) final approval of cleanup or (e) a Response Action Outcome.

11.7 With respect to the Tenants use of the Demised Premises, the Tenant shall provide all information requested by the Landlord for preparation of a de minimus quantity exemption application, limited conveyance application, or other submission, in accordance with any Environmental Laws, and shall promptly sign such affidavits and submissions when requested by the Landlord.

11.8 If the Tenant receives any notice of violation of any Environmental Laws applicable to the Demised Premises, or any violation arising out of the Tenant's use and occupancy of the Demised Premises, the Tenant shall give prompt notice of such notice of violation to the Landlord.

11.9 If the Landlord receives any notice of violation of any Environmental Laws applicable to the Demised Premises, or any violation arising out of the Tenant's use and occupancy of the Demised Premises, the Landlord shall give prompt notice of such notice of violation to the Tenant.

11.10 If requested by the Landlord, the Tenant shall promptly deliver to the Landlord, all environmental documents concerning or generated by or on behalf of the Tenant with respect to the Demised Premises, whether currently or hereafter existing.

11.11 Should the NJDEP or any other governmental authority determine that an investigation take place or remedial action work plan be prepared and that investigation or remediation be undertaken because Hazardous Substances have been spilled, discharged or placed in, on, under or about the Demised Premises during the Lease Term for which the Tenant is responsible then the Tenant shall immediately notify the Landlord. The Tenant shall not perform any such work at the Demised Premises without the Landlord's prior written consent. To the extent that Tenant is obligated to remediate any portion of the Demised Premises due to Tenant activities, Landlord shall provide unfettered access thereto to Tenant. Tenant shall complete such remediation and deliver to Landlord a No Further Action Letter issued by the NJDEP or such other governmental authority requiring the remediation, or a Response Action Outcome issued by a LSRP. Promptly upon completion of all permitted investigatory and remedial activities, the Tenant shall restore the affected areas of the Demised Premises from any damage or condition caused by the work, including without limitation closing, subject to NJDEP approval, any monitoring wells installed at the Demised Premises.

11.12 If the Tenant fails to obtain either: (a) a de minimis quantity exemption; (b) an unconditional Negative Declaration or No Further Action Letter; or (c) final approval of cleanup; (collectively referred to as "Environmental Clearance") as required to be provided by Tenant pursuant to this Article; or fails to clean up the Demised Premises pursuant to this Article, within thirty (30) days prior to the expiration date or earlier termination of the Lease Term, then notwithstanding the expiration date or earlier termination of the Lease Term the Tenant shall nevertheless be obligated to promptly obtain such Environmental Clearance or fulfill the obligations set forth in this Article, as the case may be.

11.13 Landlord and the Landlord's agents and representatives shall have the right of reasonable access to the Demised Premises, during normal business hours, to inspect the Demised Premises for environmental conditions and conduct environmental sampling, investigation and remediation at the Demised Premises.

11.14 The Tenant expressly covenants and agrees to indemnify, defend, and save the Landlord harmless against any claim, damage, liability, costs, penalties, or fines which the Landlord may suffer as a result of any hazardous substances or other contamination at the Demised Premises or their environs resulting from Tenant's use and occupancy of or operations at the Demised Premises. The Tenant covenants and agrees to notify the Landlord immediately of any notice served upon it with respect to any claim that the Tenant is causing any hazardous condition, or other contamination at the Demised Premises, or their environs, and the Tenant, in such event, will take immediate steps to halt, remedy and cure same. The Landlord expressly covenants and agrees to indemnify, defend, and save the Tenant harmless against any claim, damage, liability, costs, penalties, or fines which the Tenant may suffer as a result of any hazardous substances or other contamination at the Demised Premises or their environs resulting directly from Landlord's use and occupancy of or operations at the Demised Premises.

11.15 Tenant's and Landlord's obligations under this Article shall survive the expiration date or earlier termination of the Lease. In addition, the Tenant's obligation under

this Article shall continue, irrespective of the Lease Term, for so long as the Landlord remains responsible for any spills or discharges of hazardous or toxic substances, pollutants or wastes at the Demised Premises which relates to the Tenant or the Tenant's use and occupancy of the Demised Premises or which are the obligation of the Tenant pursuant to the terms of the Lease.

12. REPAIRS AND MAINTENANCE

12.1 Except as provided for in Section 14, Landlord shall, at Landlord's sole cost and expense, maintain, repair, and replace the exterior walls, roof, and foundation of the Demised Premises. Tenant shall advise Landlord, in writing, in the event of any need for repair of the foregoing as such occasion may arise.

Notwithstanding the foregoing, any damage to the exterior walls, roof or foundation caused by Tenant, or Tenant's agents, servants, employees or invitees shall be repaired by the Landlord at the Tenant's sole cost and expense.

12.2 Tenant shall, at Tenant's sole cost and expense, maintain, repair, replace and take good care of the interior and exterior of the Demised Premises, including, but not limited to, windows, the floor surface and coverings, roof leaders, gutters and drains, railings, gates, fencing, interior and exterior glass; doors and windows, the air conditioning and heating systems, the plumbing, pipes, lavatories, sinks fixtures and lines belonging thereto; and Tenant shall maintain, repair and replace all mechanical systems and working parts used in connection with the air-conditioning, electrical systems, heating and plumbing plants, lighting fixtures and systems. The Tenant shall keep the water and sewer pipes and connections free from ice and other obstructions. The Tenant shall also be responsible for repairing all damage to the Demised Premises, and the Buildings which are located on the Demised Premises caused by the moving of the Tenant's property, fixtures, furniture, or equipment.

12.3 The Tenant, at the expiration of the Term, shall deliver up the Demised Premises in good order and condition, damage by elements, ordinary wear and tear excepted. The Tenant covenants and agrees that it shall not cause or permit any waste (other than reasonable wear and tear), damage or disfigurement to the Demised Premises, or any overloading of the floors of any of the Buildings located thereon. In addition to, and not in limitation of the foregoing, Tenant agrees that, prior to expiration of the Term, it shall deliver the interior of the Buildings in a broom clean condition and remove any odors caused by, or as a result of, the Tenant's use and occupancy hereunder.

12.4 In addition to the foregoing, Tenant agrees that it will, at Tenant's sole cost and expense, undertake the obligations of maintenance, repair, and replacement with respect to; (a) the lawns, shrubbery, railings, driveways, parking areas, signs, lights, and all exterior site improvements, (b) keep the Demised Premises including the parking areas, driveways, common area driveways leading to the Demised Premises, sidewalks, and steps of the Demised Premises free and clear of ice and snow, and (c) keep the exterior of the Demised Premises and common areas adjoining the Demised Premises, free and clear of paper and other debris so as to keep same in a good and orderly manner.

12.5 Intentionally Omitted.

12.6 During the Lease Term, the Tenant shall, at its sole cost and expense, remove any and all refuse, debris, garbage or waste, from the Demised Premises. In the event Tenant does not comply with the terms of this Article of the Lease, Landlord shall have the right, but not the obligation, to either (a) cure such condition and charge the cost thereof to the Tenant as Additional Rent which shall be added to the next monthly installment of rent due the Landlord under this Lease, or (b) treat such failure as Tenant's non-compliance as a default of this Lease. Tenant's removal of refuse, debris, garbage or waste, shall be subject to such reasonable rules and regulations which, in the judgment of Landlord, are necessary for the operation of the Demised Premises.

13. UTILITIES

Except as may otherwise be provided in this Lease, Tenant shall undertake and be responsible for having all utilities placed in its name at the Demised Premises and agrees to pay, on or before the date due, all charges for same directly to the respective utility companies. Such utilities include gas, electric, water, sewer usage and connections, standby sprinkler charge, janitorial services, garbage and refuse disposal, telephone, security and fire protection services or other communication service or other utility or service used by, or rendered or supplied to, Tenant at the Demised Premises throughout the Term. Landlord may at its option furnish any one or more utilities to Tenant, in which event Tenant shall pay for same as metered as Additional Rent. In no event shall Landlord incur any liability to Tenant by reason of interruption of any service for reasons beyond the control of Landlord. If Tenant fails to make payment as herein provided, Landlord may, without further notice, terminate such service. Tenant will thereafter be liable for all costs in connection with termination and reinstallation and/or re-establishment of services. The Tenant shall, at its sole cost and expense, maintain heat in the Demised Premises sufficient to prevent the sprinkler system, water lines, sewer lines and drains from freezing.

14. RIGHT OF TENANT TO MAKE ALTERATIONS AND IMPROVEMENTS

14.1 The Landlord covenants and represents that it has been informed by the Tenant of its intention to redevelop the Demised Premises by renovating portions of the Demised Premises and building additional facilities on the Demised Premises so as to create an approximately 50,000 sq. foot educational facility (the "Redevelopment"). Subject to the provisions set out in this section and in other provisions of this Lease, the Landlord consents to the Redevelopment of the Demised Premises. The plans for the Redevelopment shall be submitted to Landlord upon completion. Landlord shall have a period of twenty (20) business days to review such plans and advise Tenant if it objects to any details of the plans (using commercially reasonable standards) and if an objection is raised as set forth herein Tenant will use commercially reasonable efforts to modify the plans in accordance with Landlord's reasonable requests. Landlord shall only have the right to object to the Redevelopment plans based on major structural, mechanical or system issues that have the potential to impact the overall value or condition of the Demised Premises.

14.2 Tenant shall be solely and exclusively responsible for the cost of any redevelopment of the property, including but not limited to design cost, architectural and engineering fees, cost of obtaining permits, environmental costs and construction costs.

14.3 In the event that the Redevelopment includes any modifications to the roof, or structure, of the buildings existing at the Demised Premises at the inception of this lease, the Tenant shall become solely and exclusively responsible for the repairs and maintenance of such systems modified by the Tenant and the provisions of Section 12 shall cease to be applicable to such systems.

14.4 The Tenant shall obtain a completion bond from each major contractor or subcontractor providing labor and/or materials as part of the Redevelopment and shall name the Landlord as an additional insured on the completion bonds. The Landlord's rights under the aforesaid completion bonds shall not be diminished or affected in any way due to Tenant's default or early termination of this Lease. In addition Tenant shall obtain an absolute affirmative representation by way of waiver or similar document from each contractor or sub-contractor who is retained to provide any services, labor or material as part of the Redevelopment, a lien release in favor of the Landlord as part of its contract with the contractor and/or sub-contractor as the case maybe.

14.5 The Tenant will comply with all local ordinances and laws regarding its Redevelopment, including, but not limited to, the necessary postings of bonds or other financial assurances with the City of Newark.

14.6 Tenant shall be solely responsible to prepare and obtain all necessary governmental permits and approvals required for any redevelopment of the Demised Premises. Landlord agrees to assist the Tenant, at the Tenant's sole cost and expense, in the preparation and execution of any

applications for such permits and approvals if requested by the Tenant and to respond to a written request within seven (7) business days, provided that the Tenant shall indemnify and hold the Landlord harmless for any liability created by Landlord's submission of the permits and approval requests.

14.7 Tenant expressly agrees that it shall be fully responsible to perform and be financially responsible for all of the costs associated with, any and all environmental remediation necessitated by its redevelopment activities and work and specifically required by Federal, State (including but not limited to NJDEP regulations) and Local laws and regulations, regardless of when the condition giving rise to the requirement to remediate arose or who created or caused the condition to exist. The Tenant shall obtain a completion bond from each major contractor or sub-contractor (excluding however any such contractor or sub-contractor who is acting solely in the capacity of a consultant and is not performing any physical remediation work) providing labor and/or materials as part of any environmental remediation work and shall name the Landlord as an additional insured on the completion bonds. The Landlord's rights under the aforesaid completion bonds shall not be diminished or affected in any way due to Tenant's default or early termination of this Lease. In addition Tenant shall obtain an absolute affirmative representation by way of waiver or similar document from each contractor or sub-contractor who is retained to provide any services, labor or material as part of any environmental remediation work, a lien release in favor of the Landlord as part of its contract with the contractor and/or sub-contractor as the case maybe.

14.8 In addition to the foregoing, Tenant may during the term of the Lease, at its own cost and expense, without Landlord's prior consent, make non-structural alterations, additions and improvements to the Demised Premises. In the event the same involve structural modifications to the Building, Tenant must obtain Landlord's written consent. Such work shall be completed in a good and workmanlike manner in compliance with all applicable laws, rules, regulations and ordinances, and the specifications for such work shall equal or exceed the specifications for the original construction of the improvements under this Lease taking into consideration any changes in construction practices and technology which may exist at the time of the alterations, additions or improvements; (a) Tenant shall have procured and paid for all permits and licenses required in connection therewith and (b) during the period when the alterations, additions or improvements are being made, Tenant shall maintain or require its contractors to maintain public liability insurance in the same limits as set out in Section 15.

14.8 Nothing herein contained shall be construed as consent on the part of the Landlord to subject the estate of the Landlord to liability under the Mechanic's Lien Law of the State of New Jersey, it being expressly understood that the Landlord's estate shall not be subject to such liability.

15. INSURANCE

15.1 Except as provided for hereinafter, effective as of the Commencement Date, and continuing during the Lease Term, the Tenant shall obtain general liability and all risk property insurance, wherein Landlord shall be the named insured with respect to the extent of damage or loss applicable to the Demised Premises including the buildings and improvements located thereon, as well as broad form boiler and machinery coverage (inclusive of heating and air-conditioning systems, if any) together with insurance coverage against sprinkler damage to the Building and its related improvements.

15.2 Effective as of the Commencement Date, and continuing during the Lease Term, the Tenant covenants and agrees that it will, at its sole cost and expense, carry commercial general liability insurance, on an occurrence basis, covering the Demised Premises and the operation of the Tenant in the minimum amount of TWO MILLION DOLLARS (\$2,000,000.00) per occurrence for one (1) person, THREE MILLION DOLLARS (\$3,000,000.00) per occurrence for two (2) or more persons, for bodily injury, personal injury, and property damage, as well as umbrella insurance in the minimum amount of THREE MILLION DOLLARS (\$3,000,000.00). Tenant, at its sole cost and

expense, shall, during the entire Term hereof, procure, pay for and keep in full force and effect all risk property insurance, including theft insuring Tenant's merchandise, trade fixtures, furnishings, equipment and all items of personal property of Tenant and including property of Tenant's students located on or in the Demised Premises in commercially reasonable amounts and workers compensation coverage as required by law. The Tenant further covenants and agrees that it will add as an additional insured party the interest of the Landlord and will furnish Landlord with certificates of insurance upon the execution of this Lease.

15.3 It is expressly understood and agreed that all policies of insurance shall contain a clause that the same shall not be cancelled, except on thirty (30) days written notice to any and all parties in interest.

15.4 Notwithstanding the foregoing, in the event that Landlord is obligated to maintain separate insurance coverage for property damage to any of the structures on the demised premises (including any Tenant constructed or renovated structures), as a result of its Archdiocese wide insurance policy, then the Tenants obligation to provide such coverage shall cease, however Tenant shall reimburse the Landlord the portion of the cost of such insurance applicable only to the Demised Premises. Payment shall be made in monthly installments calculated as 1/12 of the yearly premium and paid as additional rent.

15.5 The parties hereto mutually covenant and agree that the insurance policies required to be furnished in accordance with the terms and conditions of this Lease, or the insurance policies obtained insuring such insurable interest as Tenant may have in its own property, whether personal or real, shall expressly waive any right of subrogation on the part of the insurer against the Landlord or Tenant as the same may be applicable, and Landlord and Tenant each mutually waive all right of recovery against each other, its agents, or employees for any loss, damage or injury of any nature whatsoever to property or person for which it is required by this Lease to carry insurance.

15.6 The Tenant covenants and agrees to comply, at its own cost and expense, with all regulations and/or requests as may be required by all fire or liability insurance carriers or any similar insurance organizations providing insurance for the Demised Premises, and will further comply with such other requirements and recommendations that may be promulgated by the Board of Fire Underwriters or any similar insurance rating organization, in connection with the Tenant's use and occupancy of the Demised Premises.

Tenant shall not store, warehouse, handle or in any way use flammable, toxic, hazardous, combustible or red label, yellow label, or black label items at the Demised Premises.

15.7 If as a result of, or in connection with, any failure by Tenant to comply with this Article, or any act of omission or commission by Tenant, its employees, agents, contractors, or licensees, or as a result of or in connection with the use to which the Demised Premises are put by Tenant, notwithstanding that such use may be for the purpose hereinbefore permitted, or that such use may have been consented to by the Landlord other than the Permitted Use, the insurance rates applicable to the Demised Premises shall increase, then in such event, the Tenant agrees that it will pay to the Landlord, on demand, as Additional Rent the cost of the insurance coverage as shall be attributable to such higher rates. Notwithstanding the foregoing, this provision shall not apply to the Tenant's use of the Demised Premises as an educational facility including day care and pre-school.

16. SIGNS

Subject to Landlord's prior written consent, Tenant shall have the right to install signs on the Buildings and Demised Premises, expressly subject to the following terms and conditions:

16.1 Tenant shall not erect roof signs or roof structures of any kind.

16.2 Any such sign shall be constructed strictly in accordance with the rules and regulations of all governmental boards, bureaus, or agencies having jurisdiction thereof, including the obligation of Tenant, at its cost and expense, to pay for all permits and license fees applicable thereto.

16.3 Any such signage shall be used only to identify the name of Tenant or sub tenant or assignee, if any, and shall not contain any statements of identification that would be considered as contrary to Church Dogma, or show insensitivity to any ethnic group or religious institution.

16.4 Tenant shall indemnify Landlord and hold Landlord harmless with respect to damage or injury occasioned by the construction and continued use of such signs.

16.5 At the expiration of the Lease, Tenant will remove such signage and restore the surface which such signage was affixed, as originally found, all at the cost and expense of the Tenant.

17. FIXTURES

17.1 The Tenant is given the right and privilege of installing and removing its property, equipment and fixtures in the Demised Premises during the Term of the Lease. However, if prior to the permitted termination of this Lease the Tenant is in default and moves out, or is dispossessed, and fails to remove any property, equipment and fixtures or other property within thirty (30) days after such default, dispossess or removal, then and in that event, the said property, equipment and fixtures or other property shall be deemed at the option of the Landlord to be abandoned; or in lieu thereof, at the Landlord's option, the Landlord may remove such property and charge the reasonable cost and expense of removal and storage to the Tenant.

17.2 Except as otherwise expressly provided for in this Lease, it is expressly understood and agreed that the Tenant may install, connect and operate equipment as may be deemed necessary by the Tenant for its use in the operation of an educational facility, subject to compliance with applicable rules and regulations of governmental boards and bureaus having jurisdiction thereof. Subject to the terms and conditions of this Lease, the movable machinery, trade fixtures and equipment belonging to the Tenant shall at all times be considered and intended to be personal property of the Tenant, and not part of the realty, and subject to removal by the Tenant, provided at the time of such removal that the Tenant is not in default pursuant to the terms and conditions of this Lease, and that the Tenant, at its own cost and expense, pays for any damage to the Demised Premises caused by such removal.

18. GLASS

The Tenant expressly covenants and agrees to replace, at its sole cost and expense, any broken glass with same type and quality in the windows or other apertures of the Demised Premises, which may become damaged or destroyed.

19. TENANT'S RIGHT TO MORTGAGE LEASE AND RIGHTS OF LEASEHOLD MORTGAGEE(S)

19.1 Tenant shall have the right to mortgage and assign this Lease and Tenant's leasehold interest by one or more lenders or mortgagees (the "First Leasehold Mortgage" and the lender being referred to herein as the "First Leasehold Mortgagee"); provided, however, no such mortgages shall extend to or affect Landlord's reversionary interest and estate of Landlord in and to the Leased Premises upon the expiration of the Lease pursuant to the terms hereof. Landlord hereby consents to the execution, delivery, performance and recordation of a First Leasehold Mortgage conveying the leasehold estate created by and under this Lease. If Tenant shall mortgage this Lease and Tenant's leasehold estate hereunder, and if the First Leasehold Mortgagee shall forward to Landlord an executed counterpart of the mortgage or mortgages in the form proper for recording, or a conformed or true copy of said mortgage or mortgages, together with a written notice given in the manner provided setting forth the name and address of the First Leasehold Mortgagee then any such counterpart or copy of said mortgage and any such notice shall be deemed also to have been forwarded to any successor to Landlord's interest

in the Leased Premises and until the time, if any, that said mortgage shall be satisfied of record or said First Leasehold Mortgagee shall give to Landlord written notice that said mortgage held by it has been satisfied.

19.2 No cancellation, termination, surrender, acceptance of surrender, amendment, supplement or modification of this Lease shall be binding upon the First Leasehold Mortgagee or affect the lien of the First Leasehold Mortgage if done without the prior written consent of said First Leasehold Mortgagee. If Landlord shall give any notice, demand election or other communication (hereinafter in this subsection (b) collectively referred to as "notices") to Tenant hereunder, Landlord shall at the same time give a copy of each such notice to the First Leasehold Mortgagee at the address theretofore designated by them in the manner provided herein and the giving of such notice shall be deemed complete when such notice is received by the First Leasehold Mortgagee. No notice given by Landlord to Tenant shall be binding upon or affect said First Leasehold Mortgagee unless a copy of said notice shall be given to said First Leasehold Mortgagee pursuant to this subsection. In the case of any assignment of the mortgage or mortgages held by it or change in address of the First Leasehold Mortgagee said assignee or First Leasehold Mortgagee by written notice to Landlord, may change the name of the First Leasehold Mortgagee and/or the address to which such copies of notices are to be sent by notice to Landlord given in the manner provided herein. Landlord shall not be bound to recognize any assignment of any Leasehold Mortgage unless and until Landlord shall be given written notice of such assignment and the name and address of the assignee, acceptance of said assignment by the assignee and thereafter such assignee shall be deemed to be a First Leasehold Mortgage. If any Leasehold Mortgage is held by more than one person, corporation or other entity, no provision of this Lease requiring Landlord to give a notice or copy of a notice to the holder thereof shall be binding upon Landlord unless and until all of the holders thereof shall give to Landlord a written notice given in the manner provided herein executed by all of said holders, in form proper for recording, which shall designate the one person, corporation or other entity to whom shall be given, as agent for all of said holders, all such notices and copies of notices.

19.3 The First Leasehold Mortgagee shall have the right to perform any term, covenant, condition or agreement of this Lease to be performed by Tenant and to remedy any default by Tenant hereunder, and Landlord shall accept such performance by the First Leasehold Mortgagee with the same force and effect as if furnished by Tenant; provided, however, that the First Leasehold Mortgagee shall not thereby or hereby be subrogated to the rights of Landlord. If Landlord shall give a notice of a default or Event of Default under the provisions of this Lease and if such default or Event of Default shall not be remedied within any applicable grace period pursuant to the provisions of this Lease and Landlord shall become entitled to re-enter the Leased Premises or the Improvements or to give a notice of election to terminate this Lease, then, before so re-entering the Leased Premises or the Improvements or giving any such notice of election to terminate this Lease, Landlord shall give to the First Leasehold Mortgagee not less than thirty (30) days' additional written notice of the default and shall allow the First Leasehold Mortgagee such additional thirty (30) days within which to cure the default or, in the case of a default which cannot in the exercise of diligence be cured within said thirty (30) day period, shall allow the First Leasehold Mortgagee such reasonable additional time for the curing of the default or Event of default. In case of a default by Tenant or the occurrence of an Event of Default in the performance or observance of any term, covenant, condition or agreement on Tenant's part to be performed or observed under this Lease, if Landlord shall not elect to re-enter the Leased Premises or the Improvements or to give notice of default or Event of Default pursuant to the provisions of this Lease, but shall instead bring a proceeding to dispossess Tenant and/or other occupants of the Leased Premises or the Improvements or to re-enter the Leased Premises or the Improvements or to terminate this Lease, by reason of such default or Event of Default, pursuant to any statute now or hereafter enacted or shall elect otherwise to terminate the leasehold estate of Tenant hereunder, Landlord shall, before commencing such proceedings, or otherwise terminating the leasehold estate of

Tenant hereunder, give to the First Leasehold Mortgagee thirty (30) days' written notice of such default or Event of Default and shall allow the First Leasehold Mortgagee such thirty (30) day period within which to cure such default or Event of Default or, in the case of a default or Event of Default (other than a default or Event of Default in the payment of any rent or other sum of money which Tenant shall be obligated to pay under this Lease and other than a default of the permitted "Use" provision of this Lease) which cannot in the exercise of diligence be cured within said thirty (30) day period, shall allow the First Leasehold Mortgagee reasonable additional time for the curing of the default or Event of Default.

19.4 Tenant may delegate irrevocably to the First Leasehold Mortgagee the authority to exercise any or all of Tenant's rights hereunder (such as the authority to exercise the rights, privileges, powers of appointment of arbitrators) but no such delegation shall be binding upon Landlord unless and until either Tenant or the First Leasehold Mortgagee shall give to Landlord in the manner provided herein a true copy of a written instrument effecting such delegation. Such delegation of authority may be effected by the terms of the First Leasehold Mortgage itself in which case the service upon Landlord of an executed counterpart or true copy of the First Leasehold Mortgage in accordance herewith together with a written notice in the manner provided herein specifying the provisions therein which delegate such authority to said First Leasehold Mortgagee shall be sufficient to give Landlord notice of such delegation. Any provision of this Lease which gives to the First Leasehold Mortgagee the privilege of exercising a particular right of Tenant hereunder on condition that Tenant shall have failed to exercise such right shall not be deemed to diminish any privilege which the First Leasehold Mortgagee may have, by virtue of a delegation of authority from Tenant, to exercise such right without regard to whether or not Tenant shall have failed to exercise such right.

19.5 In case of a default or Event of Default by Tenant in the performance or observance of any term, covenant, condition or agreement on Tenant's part to be performed under this Lease, other than a term, covenant, condition or agreement requiring the payment of a sum of money (including without limitation, payment of taxes and charges), as to which payments shall continue to be made as they become due hereunder and other than a default as to the permitted Use of the Leased Premises as provided for herein, if such default is of such a nature that the same cannot practicably be cured by the First Leasehold Mortgagee without taking possession of the Leased Premises or the Improvements, or if such default is of such a nature that the same is not capable of being cured by the First Leasehold Mortgagee then Landlord shall not reenter the Leased Premises or the Improvements as provided in this Lease, or serve a notice of election to terminate this Lease, or bring a proceeding to dispossess Tenant and/or other occupants of the Leased Premises or the Improvements or to re-enter the Leased Premises or the Improvements or to terminate this Lease by reason of such default pursuant to any statute now or hereafter enacted, or otherwise, terminate the Leasehold estate of Tenant hereunder by reason of such default, if and so long as:

(i) in the case of a default which cannot practicably be cured by the First Leasehold Mortgagee without taking possession of the Leased Premises or the Improvements, the First Leasehold Mortgagee shall proceed diligently, subject to any stay in any proceedings involving the insolvency of Tenant, to obtain possession of the Leased Premises or the improvements as mortgagee (including possession by a receiver), and, upon obtaining such possession, shall proceed to cure such default which curing shall be completed, under all the prevailing circumstances, within a reasonable period of time; and

(ii) in the case of a default which is not capable of being cured by the First Leasehold Mortgagee the First Leasehold Mortgagee shall institute foreclosure proceedings and diligently prosecute the same to completion, subject to any stay in any proceedings involving the insolvency of Tenant. Said First Leasehold Mortgagee shall not be required to continue to proceed to obtain possession, or to continue in possession as mortgagee, of the Leased Premises or the Redevelopment or to continue to prosecute foreclosure proceedings pursuant to this Lease, if and when such default shall be cured.

19.6 Except to assure payment by Tenant of basic rent, additional rent and liens imposed by the City of Newark for non-payment of taxes, water charges or other municipal impositions, and notwithstanding anything to the contrary in this Lease, Landlord will not assert against any of the Tenant's assets any statutory or possessory liens, including, without limitation, rights of levy or distress for rent, all of which the Landlord hereby waives. Without limiting the foregoing, any liens or claims against any collateral that the First Leasehold Mortgagee have or may hereafter have are and shall remain superior to any liens or security interests on or claims against such collateral which the Landlord now has or may hereafter have by virtue of any statute, agreement or otherwise, all of which liens, interests and claims of the Landlord are hereby unconditionally subordinated to the rights of the Leasehold Mortgagee with respect to such collateral (regardless of the existence of or time of filing of any financing statements). If, by reason of any default by Tenant, either this Lease or any renewal thereof shall be terminated at the election of Landlord prior to the stated expiration thereof, Landlord will enter into a new lease of the Leased Premises with the First Leasehold Mortgagee for the remainder of the Term, effective as of the date of such termination, at the rent and additional rent and upon the terms, provisions, covenants and agreements herein contained subject, however, to the rights, if any, of the parties then in possession of any part of the Leased Premises, provided:

(a) said First Leasehold Mortgagee shall make written request upon Landlord for such new lease within thirty (30) days after receipt of notice of such termination and such written request is accompanied by payments to Landlord of all sums then due to Landlord under this Lease;

(b) said First Leasehold Mortgagee shall pay to Landlord, at the time of the execution and delivery of said new lease, any and all sums, then due under this Lease but for such termination, and in addition thereto, any reasonable costs and expenses, including reasonable attorneys' fees, to which Landlord shall have been subjected by reason of preparation of such new lease and of such default occurring prior to the notice received pursuant to (a) above; and

(c) said First Leasehold Mortgagee shall have a reasonable time after said First Leasehold Mortgagee obtains possession of the Leased Premises, to perform and observe all the other covenants and conditions herein contained in Tenant's part to be performed and observed to the extent that Tenant shall have failed to perform and observe the same; provided, however, that such extension of time shall not subject Landlord to either fine or imprisonment. Upon execution and delivery of such new lease any sub-leases which may have theretofore been assigned and transferred to Landlord, shall thereupon be assigned and transferred, without recourse by Landlord, to the new Tenant. Subject to the provisions of section 20, in addition to all other rights provided herein, such First Leasehold Mortgagee may assign their interests in such new lease or enter into a sublease and shall thereafter be released from all obligations under the new lease upon such assignment or sublease.

19.7 The rights hereunder of the holders of Leasehold Mortgages shall be exercisable by such holders in the order of the priority of lien or other security interest of their respective Leasehold Mortgages. Landlord shall cooperate with any enforcement action or foreclosure action taken by the holders of Leasehold Mortgages. No holder of a Leasehold Mortgage shall be liable under the provisions of this Lease unless and until such time as it becomes, and then only for as long as it remains, the owner of Tenant's interest hereunder.

19.8 Upon written request of Tenant or of the First Leasehold Mortgagee of any prospective holder of any mortgage on this Lease or Tenant's leasehold interest, Landlord will:

(a) deliver to them or any of them a separate written instrument signed and acknowledged by Landlord setting forth and confirming the foregoing provisions.

(b) acknowledge to them or either of them in writing the receipt by Landlord of any notice or instrument given, sent or delivered to Landlord pursuant to the above provisions.

(c) Furnish a written statement, duly acknowledged, of the following items: (i) the amount of Fixed Rent and additional rent due, if any; (ii) whether or not the insurance required under the terms of this Lease has been supplied in compliance therewith; (iii) whether or not the Lease is unmodified and in full force and effect (or, if there have been modifications, that the same are in full force and effect as modified and stating the modifications); (iv) whether or not Tenant is in default; (v) whether there are any offsets or defenses; and (vi) whether Landlord has given Tenant any notice of default under this Lease, and if given, whether the default set forth herein remains uncured. Any such statement shall be for the sole benefit of Tenant or its assigns or for any Leasehold Mortgagee requiring the same or its assigns and shall have no effect, as an estoppel or otherwise, with respect to any other third party.

19.9 In order to facilitate Tenant's financing its Redevelopment, Landlord agrees to execute such future modifications of this Lease as may be reasonably necessary. In any such circumstances, the parties intend that Landlord's position as fee owner and its rights and remedies provided herein shall not be diminished.

20. ASSIGNMENT AND SUBLETTING

20.1 Tenant covenants that it shall not assign, or sublet, or suffer, or permit the Demised Premises, or any part thereof, to be used or occupied by others without the prior written consent of Landlord, such consent not to be unreasonably withheld or delayed and however any assignment or subletting shall only be to another entity which will use the Demised Premises for the Permitted Use. An assignment or sublet that does not materially alter or diminish Landlord's rights to the Demised Premises Premise or provide a financial risk greater than the one set forth herein shall not be denied or withheld. Notwithstanding the foregoing, Tenant shall have the express right to sublet the Demised Premises to one or more charter schools or other educational organizations and shall only be required to provide Landlord proof of such sublet and confirmation that the sublease is subject and subordinate to this Lease.

20.2 If Tenant shall, at any time or times during the Term of this Lease, desire to assign this Lease or sublet all or part of the Demised Premises other than set forth in Article 20.1, Tenant shall give notice thereof to Landlord, which notice shall be accompanied by a statement setting forth all of the business terms and conditions of the proposed subletting or assignment, the effective or commencement date of which shall be not prior to any approval required herein and (b) a statement setting forth, in reasonable detail, the identity of the proposed assignee or subtenant, the nature of its business, and its proposed use of the Demised Premises, and (c) current financial information with respect to the proposed assignee or subtenant, including, without limitation, its most recent financial report.

20.3 In the event that Landlord consents to the proposed sublease or assignment pursuant to Section 20.2, and Tenant delivers to Landlord within fifteen (15) days from the date of Landlord's consent as set forth in Section 20.2 above, a copy of the proposed assignment or sublease, then provided that Tenant is not in default of any of Tenant's obligations under this Lease, Landlord's consent to the proposed assignment or sublease shall not be unreasonably withheld or delayed, provided and upon condition that the proposed assignee or subtenant is engaged in a business and the Demised Premises, or the relevant part thereof, will be used in a manner which is not inconsistent with or contrary to Church Dogma.

20.4 Tenant shall reimburse Landlord, as Additional Rent, for any reasonable costs that may be incurred by Landlord in connection with said assignment or sublease, including, without limitation, the costs of making investigations as to the acceptability of the proposed assignee or subtenant, and legal costs incurred in connection with the consideration of any requested consent.

20.5 The sublease shall not provide for an option on behalf of the subtenant thereunder to renew or extend the term of the sublease beyond the term of this Lease.

20.6 In the event that Tenant fails to execute and deliver the assignment or sublease to

which Landlord consented within fifteen (15) days after the giving of such consent, then Tenant shall again comply with all of the provisions and conditions of this Article 20 before assigning this Lease or subletting all or part of the Demised Premises.

20.7 Each subletting pursuant to this Article shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Lease. Tenant shall and will remain fully liable for the payment and the performance of all of the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any assignee or subtenant.

20.8 With respect to each and every sublease or subletting, it is further agreed that:

(a) no subletting shall be for a term ending later than one day prior to the expiration of this Lease, and;

(b) no sublease shall be valid, and no subtenant shall take possession of the Demised Premises or any part thereof, until an executed copy of such sublease has been delivered to Landlord.

20.9 Any assignment or transfer shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee shall assume all of the obligations of this Lease on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions contained in this Article 20 (binding upon it in respect of all future assignments and transfers). The original named Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of Basic Rent and/or Additional Rent by Landlord from an assignee, transferee, or any other party, the original named Tenant shall remain fully liable for the payment of the Basic Rent and Additional Rent and for the other obligations of this Lease on the part of Tenant to be performed or observed.

20.10 If Landlord shall give its consent to any assignment of this Lease or to any sublease to a person or entity whose use of the Demised Premises is not educational (including but not limited to day care and pre-school) or other not for profit use, then Tenant shall, in consideration therefore, pay to Landlord, as Additional Rent:

(a) in the case of any assignment, an amount equal to fifty percent (50%) of all sums and other consideration paid to Tenant by the assignee for, or by reason of, such assignment, including all sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings, or other personal property, less, in the event of a sale thereof, the then net unamortized or un-depreciated cost thereof determined on the basis of Tenant's federal income tax returns; and

(b) in the case of a sublease, an amount equal to fifty percent (50%) of any rents, additional charges, or other consideration payable under the sublease by the subtenant to Tenant that are in excess of the Basic Rent and Additional Rent accruing during the term of the sublease in respect of the subleased space by Tenant pursuant to the terms hereof (including all sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture, or other personal property, less, in the case of the sale thereof, the then net unamortized or un-depreciated cost thereof determined on the basis of Tenant's federal income tax returns).

The sums payable under this Section 19.11 above shall be paid to Landlord as and when payable by the assignee or subtenant, as the case may be, to Tenant.

20.11 If Tenant is a corporation, the provisions of Section 20.1 shall apply to a transfer (by one or more transfers) of a majority of the stock of Tenant, as if such transfer of a majority of the stock of Tenant were an assignment of this Lease; but said provisions shall not apply to transactions with a corporation (a) into, or with which, Tenant is merged or consolidated, (b) to which substantially all of Tenant's assets are transferred; or (c) that controls, is controlled by, or

is under common control with Tenant, provided that, in any of such events: (i) the successor to Tenant has a net worth, computed in accordance with generally accepted accounting principles, at least equal to the greater of (ii) the net worth of Tenant immediately prior to such merger, consolidation, or transfer or (iii) the net worth of Tenant herein named on the date of this Lease; and (iv) proof satisfactory to Landlord of such net worth shall have been delivered to Landlord at least ten (10) days prior to the effective date of any such transaction.

20.12 The joint and several liability of Tenant and any immediate or remote successor in interest to Tenant, and the due performance of the obligations of this Lease on Tenant's part to be performed or observed, shall not be discharged, released, or impaired in any respect by any agreement or stipulation made by Landlord extending the time of, or modifying any of the obligations of, this Lease, or by any waiver or failure of Landlord to enforce any of the obligations of this Lease.

20.13 The listing of any name other than that of Tenant, whether on the doors of the Demised Premises, on the Building directory, or otherwise, shall not operate to vest any right or interest in this Lease or in the Demised Premises, nor shall it be deemed to be the consent of Landlord to any assignment or transfer of this Lease, to any sublease of the Demised Premises, or to the use or occupancy thereof by others.

20.14 Tenant acknowledges that it enters this lease having been advised by the Landlord that the Landlord has entered into an "Amendment and Lease Extension" with Al-Hidaayah Group Inc., the current tenant occupying a part of the Demised Premises which extends Al-Hidaayah Group Inc., right of occupancy until August 31, 2013. The Tenant further acknowledges that it has had the opportunity to review the said "Amendment and Lease Extension" and enters into this Lease with full knowledge thereof and accepts same. Landlord agrees to assign the said "Amendment and Lease Extension" as of the Lease Commencement Date, which assignment shall include the right of the Tenant to collect the rents due from the Al-Hidaayah Group Inc.

21. FIRE AND CASUALTY

21.1 Within thirty (30) days from the date of any fire or casualty which affects the Demised Premises, the Landlord or Tenant shall obtain from its architect, or from any AIA architect of reputation in the school/educational building field, a certification certifying their opinion as to the time within which the Demised Premises can be restored and reconstructed under standard construction conditions (hereinafter referred to as the "Restoration Time"). Landlord or Tenant shall deliver such certification to the other party (hereinafter referred to as the "Landlord's Notice"), and in the event that: (a) the damage be so substantial that the Demised Premises cannot be restored within one hundred eighty (180) days from the date of such fire or casualty based on the certified Restoration Time hereinabove referred to; or (b) fifty percent (50%) or more of the Demised Premises is damaged, then in either event the Tenant shall have the right within thirty (30) days after receipt of such notice to advise Landlord that it elects to terminate the Lease. In the event Tenant shall elect to terminate this Lease as provided in this Article, Tenant shall surrender the Demised Premises forthwith provided that it shall continue to pay pro-rata Basic Rent and Additional Rent for any portion of the Demised Premises which it continues to occupy and conduct business pending such surrender.

21.2 If the Demised Premises suffers casualty loss or damage, and; (a) Landlord or Tenant shall elect not to terminate the Lease, or (b) the extent of damage is such that the Lease is not subject to cancellation in accordance with Section 21.1, then the Landlord shall undertake to restore the Demised Premises substantially to the condition prior to the fire or casualty subject to then applicable law, with reasonable speed and dispatch, and Landlord shall diligently pursue reconstruction in order to restore the Demised Premises for Tenant's use as expeditiously as possible and in such event, the Tenant shall continue to pay pro-rata Basic Rent and Additional Rent for any portion of the Demised Premises which it continues to occupy during the Restoration Time.

21.4 For the purposes of this Article 21, in determining what constitutes reasonable speed and dispatch consideration shall be given for delays, which would be excuses for non-performance for reasons of Force Majeure.

21.5 In the event of such fire or casualty, the Tenant agrees, at its cost and expense, to remove any and all of its equipment, fixtures, stock and personal property as the same may be required to permit Landlord to expedite rebuilding and/or repair. The Tenant shall assume at its sole risk the responsibility for damage or security with respect to such fixtures and equipment in the event the Demised Premises where the same may be located has been damaged, until the Demised Premises shall be restored and made secure.

21.6 Notwithstanding anything to the contrary hereinabove, if Landlord has not substantially completed reconstruction of the Demised Premises within ninety (90) days subsequent to the Restoration Time, Tenant may, upon thirty (30) days prior written notice to Landlord, terminate the Lease. In the event of any termination of the Lease by Tenant as herein provided, upon such termination the within Lease shall be null and void and both parties shall be released of liability one to the other, except as otherwise expressly reserved under this Lease.

21.7 Notwithstanding anything to the contrary in this Article 21, it is expressly understood and agreed that in the event this Lease is terminated, as permitted by this Article 21, the Tenant shall (a) take all reasonable steps to diligently effectuate surrender of the Demised Premises as expeditiously as possible and (b) pay pro-rata Basic Rent and Additional Rent as to any portion of the Demised Premises which it shall continue to occupy prior to surrender, not otherwise damaged by such fire or casualty.

21.8 In the event of any dispute in construing the terms and conditions of this Article 21, the same shall be submitted to the American Arbitration Association for binding determination at the equal administrative cost of Landlord and Tenant.

21.9 Notwithstanding any of the foregoing, in the event that the fire and/or casualty is caused by the Tenant or by the Tenant's agents, servants, employees or contractors or as a result of the Tenant's use of the Demised Premises, then in that event the provisions set out hereinabove shall not apply and shall not become operable and in such event the Tenant shall to the extent not covered by insurance, at its sole cost and expense cause the damage and or casualty to be repaired and the Demised Premises to be restored to the condition of the Demised Premises prior to suffering the damages. In such event all of the terms and conditions set forth in this lease shall continue in full force and effect, including but not limited to the requirements that the Tenant pay Basic and Additional rent, provide insurance coverage and continue any bonds which the Tenant was required to obtain and post under any provisions of this Lease. In addition in the event that the fire and/or casualty damage occurs during the period of time that the Tenant is process of redeveloping the Demised Premises and construction has begun, then in such event then the provisions set out in the paragraphs preceding this paragraph 21.9 shall not apply and Tenant shall be bound to complete the renovation work, continue to pay the Basic and Additional Rent, and comply with all of the other terms and conditions set out in this Lease, except as limited herein.

22. COMPLIANCE WITH LAWS, RULES, AND REGULATIONS

22.1 The Tenant covenants and agrees that upon acceptance and occupancy of the Demised Premises, it will, during the Lease Term, promptly, at Tenant's cost and expense, execute and comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State, County and City Government and of any and all their departments and bureaus, applicable to the Demised Premises and occasioned solely by Tenant's use thereof, as the same may require correction, prevention and abatement of nuisances, violations or other grievances, in, upon or connected with the Demised Premises, arising from the operations of the Tenant therein.

Tenant shall obtain all required occupancy permits necessary for Tenant to use the Demised Premises for its Permitted Use. The Landlord shall cooperate and assist, which shall include executing any completed applications for such required occupancy permits, so as to allow Tenant to obtain said occupancy certificates, at the Tenant's sole cost and expense.

As of the Commencement Date of this Lease, and during the Lease Term, the Landlord shall comply with all statutes, ordinances, rules, orders, regulations and requirements of the federal, state, county and city government, public authorities, and of any and all their departments and bureaus, applicable to the Demised Premises and not occasioned by Tenant's use thereof.

22.2 If the Tenant should fail or neglect to comply with the aforesaid statutes, ordinances, rules, orders, regulations and requirements, or any of them, or in case the Tenant shall neglect or fail to make any necessary repairs, then the Landlord or its agents, without any obligation upon the Landlord so to do, may after reasonable notice, except for emergency repairs which may be made immediately without notice, enter Demised Premises and make repairs and comply with any and all of the said statutes, ordinances, rules, orders, regulations or requirements, at the cost and expense of the Tenant. If the Landlord should make such repairs, Tenant shall pay for the cost of same which shall be due and owing Landlord as Additional Rent (and in case of the Tenant's failure to pay therefore, the said cost and expense shall be added to the next month's Basic Rent and be due and payable by Tenant). This provision is in addition to the right of the Landlord to terminate this Lease by reason of any default on the part of the Tenant, subject to the rights of the Tenant as hereinabove mentioned in the manner as in this Lease otherwise provided.

23. COVENANTS AGAINST LIENS

Tenant agrees that it shall not encumber the Demised Premises or the Lease (except as provided for in section 19) by any lien, charge or any other encumbrance whatsoever. The violations of this Article shall be considered a breach of this Lease.

24. DEFAULT BY TENANT

24.1 Each of the following shall be deemed a default by Tenant and a breach of this Lease:

- (a) filing of a petition by the Tenant for adjudication as a bankrupt, or for reorganization, or for an arrangement under any federal or state insolvency, bankruptcy or similar statute;
- (b) dissolution, insolvency or liquidation of the Tenant (except pursuant to corporate reorganization);
- (c) appointment of a permanent receiver or a permanent trustee of all or substantially all the property of the Tenant;
- (d) taking possession of the property of the Tenant by a governmental officer or agency pursuant to statutory authority for dissolution, rehabilitation, reorganization or liquidation of the Tenant, and;
- (e) making by the Tenant of an assignment for the benefit of creditors.

In case of any such default under this Section 23.1 shall occur, Landlord may thereupon, or at any time thereafter, elect to terminate this Lease with ten (10) days written notice to the Tenant, and this Lease shall terminate on the day specified in such notice with the same force and effect as if that date were the date herein fixed for the expiration of the Term of the Lease. In the event of a default and breach of this Lease by the Tenant the Landlord shall have the right to make an immediate claim against any of the Bonds with the Tenant shall have obtained under any of the provisions of this Lease, and use the proceeds therefrom for their intended purpose.

24.2 Each of the following shall also be deemed a default by Tenant and a breach of this Lease:

- (a) a default in the payment of the Basic Rent or Additional Rent herein reserved or any part thereof for a period of ten (10) days from the date which said Rent or Additional Rent was due;

(b) a default in the performance of any other covenant or condition of this Lease on the part of the Tenant to be performed which default continues and is not cured by Tenant within thirty (30) days after notice. However, if a non-monetary default shall be of such nature that the same cannot reasonably be cured within thirty (30) days after notice, the time period for curing the default shall not be deemed to have elapsed unless, and until, the Tenant shall have failed to commence the curing of such default as promptly as reasonably possible within the thirty (30) day period, or shall have failed thereafter to continuously and diligently proceed to completion of the cure.

In case of any such default under this Section 23.2 shall occur, Landlord may thereupon, or at any time thereafter, following the expiration of any grace period mentioned above, elect to terminate this Lease with ten (10) days written notice to the Tenant, and this Lease shall terminate on the day specified in such notice with the same force and effect as if that date were the date herein fixed for the expiration of the Term of the Lease. In the event of a default and breach of this Lease by the Tenant the Landlord's rights as against any completion bonds as referenced in Section 14 or insurance proceeds as referenced in Section 15 shall not be affected.

24.3 In case this Lease shall be lawfully terminated as hereinbefore provided, or by summary proceedings or other legal process, Landlord or its agents may, immediately or any time thereafter, reenter and resume possession of the Demised Premises or such part thereof, and remove all persons and property there from, without being liable for any damages therefore. No re-entry by Landlord shall be deemed an acceptance of a surrender of this Lease.

24.4 In case this Lease shall be terminated as hereinabove provided, or by summary proceedings or other legal process, Landlord may, in its own name and in its own behalf, relet the whole or any portion of the Demised Premises, for any period equal to or greater or less than the remainder of the then current Term, for any sum which it may deem reasonable, to any tenant which it may deem suitable and satisfactory, and for any use and purpose which it may deem appropriate, and in connection with any such lease Landlord may make such changes in the character of the improvements on the Demised Premises as Landlord may determine to be appropriate or helpful in effecting such lease and may grant concessions or free rent. Landlord shall not in any event be required to pay Tenant any surplus of any sums received by Landlord on a re-letting of the Demised Premises in excess of the Basic Rent reserved in this Lease. Landlord acknowledges that it shall use commercially reasonable efforts to re-let the Demised Premises in order to mitigate any loss incurred as a result of a Tenant default resulting in the termination of the Lease.

24.5 In case this Lease shall be terminated as hereinabove provided or by summary proceedings or other legal process as provided in this Article 23, and whether or not the Demised Premises be re-let, Landlord shall be entitled to recover from the Tenant, the following:

(a) a sum equal to all reasonable expenses, if any, including reasonable counsel fees, incurred by Landlord in recovering possession of the Demised Premises, and all reasonable costs and charges for the care of said Demised Premises while vacant, which damages shall be due and payable by Tenant to Landlord at such time or times as such expenses shall have been incurred by Landlord; and

(b) a sum equal to all damages set forth in this Article 23 and in Article 24 hereinafter referred to; and

(c) the cost of restoring the Demised Premises to its original condition or if the Tenant has commenced its redevelopment construction the cost to complete the redevelopment and/or the cost of completing any required environmental remediation, which costs shall be calculated as the difference between funds that were made available through the bonds which Tenant had obtained and the actual costs of completion; and,

(d) such other relief as the law may allow.

24.6 Separate actions may be maintained by Landlord against Tenant from time to time to recover any damages which, at the commencement of any such action, have then or theretofore become due and payable to the Landlord under this Article 23 and subsections hereof without waiting until the end of the then current Term.

24.7 All sums which Tenant has agreed to pay by way of taxes, sewer charges, water rents or water meter charges, insurance premium and other similar items becoming due from time to time under the terms of this Lease shall be deemed Additional Rent reserved in this Lease within the meaning of this Article 23 and subsections hereof.

25. LIABILITY OF TENANT FOR DEFICIENCY

In the event that the relationship of the Landlord and Tenant may cease or terminate by reason of the default by the Tenant and the reentry of the Landlord as permitted by the terms and conditions contained in this Lease or by the ejectment of the Tenant by summary proceedings or other judicial proceedings, or after the abandonment of the Demised Premises by the Tenant, it is hereby agreed that the Tenant shall remain liable to pay in monthly payments the Basic Rent and Additional Rent which shall accrue subsequent to the reentry by the Landlord, and the Tenant expressly agrees to pay as damages for the breach of the covenants herein contained the difference between the Basic Rent and Additional Rent reserved and such actual Rent collected and received, if any, by the Landlord, during the remainder of the unexpired Term, as the amount of such difference or deficiency shall from time to time be ascertained. Such payments shall be in addition to the payments required to complete redevelopment and/or environmental remediation as set forth in 23.5 (c), and elsewhere in this Lease.

26. NOTICES

All notices under this Lease shall be in writing and sent by national overnight delivery service, or sent by certified mail, return receipt requested, to the following addresses, or at such other address specified by a party in accordance with this Article 25.

	If to Landlord:	St. John's Ukrainian Catholic Church Sanford Ave. Newark, NJ
	With a copy to:	Metropolitan Archeparchy of Philadelphia 827 N. Franklin Street Philadelphia, PA 19123 Petro R. Stawnychy, Esq. 35 Main Street PO Box 287 South Bound Brook, NJ 0880
	If to Tenant:	BwP School Partners L.L.C. 224 Main Street Metuchen, New Jersey 08840
	With a copy to:	Evan S. Glanz, Esq. E Glanz Associates 33 Martinsville Road Basking Ridge, New Jersey 07920

27. NON-WAIVER

The failure of the Landlord or Tenant to insist upon strict performance of any of the covenants or conditions of this Lease, or to exercise any option of the Landlord or Tenant herein conferred in any one or more instances, shall not be construed as a waiver by the Landlord or

Tenant of any of its rights or remedies in this Lease, and shall not be construed as a waiver, relinquishment or failure of any such covenants, conditions, or options, but the same shall be and remain in full force and effect.

27. WARRANTY OF TITLE

Landlord represents that it has good and marketable fee simple title to the Demised Premises which are the subject of this Lease, and that it has the full right, capacity and authority to enter into the within Lease agreement.

29. ESTOPPEL

Both Landlord and Tenant agree at any time and from time to time upon not less than fifteen (15) days' prior written notice by the other party, without charge, to execute, acknowledge and deliver to the other party a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (b) the dates to which the Rent and additional rent have been paid, (c) to the certifying party's actual knowledge (without any duty of investigation or inquiry), whether or not the other party is in default in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease and, if in default, specifying each such default, and (d) such other information as may be reasonably requested and is factually correct, it being intended that any such statement delivered pursuant to this Article may be relied upon by any prospective purchaser or lender (but without constituting a waiver by the certifying party of any rights or remedies it may have against the other party as a result of any defaults that may exist respecting the other non-certifying party as of the date of the certified statement/estoppel).

30. STATEMENT OF ACCEPTANCE

Upon the delivery of the Demised Premises to the Tenant pursuant to the terms and conditions of this Lease, the Tenant covenants and agrees that it will furnish to the Landlord a statement that it accepts the Demised Premises and agrees to pay Basic Rent and Additional Rent from the date of acceptance, subject to the terms and conditions of the Lease as herein contained, which statement may be in recordable form if required by the Landlord and which statement shall set forth the Commencement Date and the Lease Term.

31. FORCE MAJEURE

Except for the obligation of the Tenant to pay Basic Rent and Additional Rent as provided in this Lease, the period of time during which the Landlord or Tenant is prevented from performing any act required to be performed under this Lease by reason of fire, flood, terrorism, war, riot, catastrophe, strikes, lockouts, or other labor interruptions, civil commotion, acts of God or the public enemy, government prohibitions or preemptions, embargoes, inability to obtain material or labor by reason of governmental regulations or prohibitions, or the act or default of the other party for causes beyond their control, shall be added to the time for performance of such act. In order to invoke the benefits of this Article notice shall be given in writing to the other party invoking the benefits hereunder within fifteen (15) business days after the occurrence of any event claimed to have caused delay hereunder.

32. CONDEMNATION

32.1 If, due to condemnation, taking or seizure by any authority having the right of eminent domain, in the event (a) more than thirty percent (30%) of the Building is taken, or; (b) more than thirty percent (30%) of the Demised Premises is taken or; (c) if access to the Demised Premises be denied, then and in either of such events as hereinabove provided, the Lease Term created shall, at the option of the Tenant, terminate, cease and become null and void, and in such event, the Tenant shall be responsible for the payment of proportionate Basic Rent and Additional Rent from the date of such taking until the time of surrender. In any event, no part of the Landlord's condemnation award shall belong to or be claimed by the Tenant. Without diminishing Landlord's award, the Tenant shall have the right to make a claim against the condemning

authority for such independent claim which it may have and as may be allowed by law, for costs and damages due to relocating, moving and other similar costs and charges directly incurred by the Tenant and resulting from such condemnation. Notwithstanding the foregoing, in the event that termination of the Lease occurs after the Tenant has commenced redevelopment construction or environmental remediation, the Tenant shall nevertheless remain financially responsible to either complete the redevelopment work and/or remediation or to restore the Demised Premises to the condition it was in prior to the Tenant having commenced the redevelopment construction and/or remediation.

32.2 In the event of any partial taking which would not be cause for termination of the within Lease or in the event of any partial taking where the Tenant shall elect to retain the balance of the Demised Premises remaining after such taking, then and in either event, the Basic Rent and Additional Rent shall abate in an amount to be mutually agreed upon between the Landlord and Tenant based on the relationship that the character of the property taken bears to the property which shall remain after such condemnation. In any event, no part of the Landlord's condemnation award shall belong to or be claimed by the Tenant. However, the Landlord shall, to the extent permitted by applicable law and as the same may be practicable on the site of the Demised Premises, at the Landlord's sole cost and expense, promptly make such repairs and alterations in order to restore the Building and/or improvements to the extent of the condemnation award, which restoration shall be made in the same manner and in accordance with the same time periods as hereinbefore provided in Article 19. In the event there is any dispute as to the amount of rent abatement, the same shall be submitted to the American Arbitration Association for binding determination at the equal administrative cost of Landlord and Tenant.

33. QUIET ENJOYMENT

The Landlord further covenants that the Tenant, on paying the Basic Rent and Additional Rent and performing the covenants and conditions contained in this Lease, shall and may peaceably and quietly have, hold and enjoy the Demised Premises for the Term aforesaid.

34. SURRENDER OF DEMISED PREMISES AND HOLDOVER

On the last day, or earlier permitted termination, of the Lease Term, Tenant shall quit and surrender the Demised Premises in good and orderly condition and repair (reasonable wear and tear excepted) and shall deliver and surrender the Demised Premises to the Landlord peaceably and Tenant shall return and deliver possession of the Demised Premises to Landlord in broom-clean condition, free of any property whatsoever, including product, inventory, property belonging to third parties, debris and trash in or about the Demised Premises and free of any occupants whatsoever. Further, on or prior to the termination date, Tenant shall, at its sole cost and expense, remove from the Demised Premises all machinery, equipment, and trade fixtures constituting personal property which were installed by Tenant.

All property not removed by Tenant shall be deemed abandoned by Tenant, and Landlord reserves the right to charge the reasonable cost of such removal to the Tenant, which obligation shall survive the Lease termination and surrender hereinabove provided. Without limiting Tenant's liability as hereinabove referred to, in the event surrender is delayed by Tenant, Tenant shall pay to Landlord, monthly, a sum equal to two times that portion of Basic Rent and Additional Rent due for the month prior to the expiration of the Lease Term. The foregoing is not intended to afford to Tenant the right to remain in possession of the Demised Premises after expiration of the Term without Landlord's prior written consent. All Basic Rent and Additional Rent adjustments and executory covenants as in the Lease provided shall survive the Lease termination and surrender of the Demised Premises in accordance with their terms. If the Demised Premises are not surrendered at the end of the Lease Term, Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in surrendering the Demised Premises, including, without limitation any claims made by any succeeding tenant founded on the delay. The payment of all costs and expenses incurred by the Landlord as a result of Tenant not delivering the Demised Premises to Landlord as well as the payment of Basic Rent, Additional Rent, and utilities as indicated in this paragraph, shall be personally guaranteed as specified in the attached Personal

Guaranty.

35. INDEMNITY

35.1 To the extent not due to the intentional misconduct of Landlord, the Tenant shall keep, defend, save and hold harmless the Landlord from any and all damages and liability for anything and everything whatsoever arising from or out of the occupancy at the Demised Premises (a) by or under the Tenant, the Tenant's agents or servants; (b) and from any loss or damage arising from any fault or negligence by the Tenant, or (c) any failure on the Tenant's part to comply with any of the Lease covenants, terms and conditions herein contained. To the extent not due to the intentional misconduct of Tenant, the Landlord shall keep, defend, save and hold harmless the Tenant from any and all damages and liability for anything and everything whatsoever arising from or out of the Landlord's maintenance of the Demised Premises as required herein or Landlord's gross negligence or intentional failure to comply with the terms of this Lease.

35.2 To the extent not due to the intentional misconduct of Landlord, it is expressly understood and agreed that under all circumstances, Tenant shall expressly assume the risk of any damage or loss as may be occasioned to its personal property, fixtures and equipment.

35.3 The above indemnifications in this Article are intended to supplement and not supersede the benefits to each party provided by the insurance required pursuant to this Lease.

36. MEMORANDUM OF LEASE

It is understood between the parties hereto that this Lease will not be recorded, but Landlord and Tenant will simultaneously execute a Memorandum of Lease and Purchase Option in the form attached hereto as Exhibit C, which will be recorded in accordance with the laws governing and regulating the recording of such documents in the State of New Jersey.

37. LEASE CONSTRUCTION

This Lease shall be construed pursuant to the laws of the State of New Jersey.

38. OPTION TO PURCHASE - RIGHT OF FIRST REFUSAL

38.1 The Landlord grants to the Tenant the right to purchase the Demised Premises including the improvements located thereon, at any time during the Term of this Lease. Any such sale shall be "as is". In the event that the Tenant elects to purchase the Demised premises pursuant to the terms set out herein, the Tenant shall give the Landlord notice of its intention to purchase together with a proposed contract for sale. The Landlord and the Tenant shall thereafter negotiate the specific contract terms of the proposed purchase and sale. In the event that the Landlord and Tenant cannot agree upon a sales price, each agrees to obtain an appraisal of the Demised Premises to value the Demised Premises as of the date of this Lease (such valuation to expressly discount both the Redevelopment and appreciation of the Demised Premises from the date of this Lease until the exercise of the option, but include a commercially reasonable CPI increase, provided same does not exceed the percentage of appreciation value). Provided that the Tenant has completed any redevelopment construction, the Tenant shall be permitted a credit for funds that it has expended in connection with the completed redevelopment construction and for any completed environmental remediation. Notwithstanding the foregoing the sales price shall not be less than two million two hundred thousand dollars (\$2,200,000.00). There shall be no offsets for either basic or additional rent paid under the terms of this lease against the sales price.

38.2 At the execution of this lease the Tenant shall pay to the Landlord a one-time purchase option fee of \$32,000 for the absolute right to purchase the property as set forth herein. This fee shall also be considered as the security deposit under this Lease. Notwithstanding the foregoing, in the event that the Tenant elects to purchase the Demised Premises the fee referred to herein shall not be returned to the Tenant as part of any required return of the aforesaid security deposit and shall not be applied against the purchase price, in the event of a sale.

38.3 In addition to the foregoing, the Tenant shall have a right of first refusal to purchase the Demised Premises upon the same terms and conditions in the event that another party makes

an offer to purchase the Demised Premises. The Tenant shall have twenty (20) calendar days after receiving written notice from the Landlord of an offer from another party to purchase the property to agree to purchase the property upon the same terms and conditions as the other party has offered. The Tenants failure to provide notice to the Landlord that it agrees to purchase the Demised Premises upon the same terms and condition as the unrelated party, within the stated time period shall automatically void and make unenforceable the Tenant's right of first refusal and the Tenant shall have no further rights under the provisions herein.

39. BIND AND INURE CLAUSE

The terms, covenants and conditions of the within Lease shall be binding upon and inure to the benefit of each of the parties hereto, their respective executors, administrators, heirs, successors and assigns, as the case may be.

40. DEFINITIONS

The neuter gender, when used herein and in the acknowledgment hereafter set forth, shall include all persons and corporations, and words used in the singular shall include words in the plural where the text of the instrument so requires.

41. BROKERAGE

The Landlord and Tenant mutually represent to each other that KW Commercial MTD Realty Group is the only broker involved in this transaction and that neither party dealt with any other broker in connection with the within Lease. The Landlord shall be responsible, at its sole cost and expense, to pay the real estate brokerage commission in connection with this Lease transaction. Landlord and Tenant agrees to indemnify, defend and save harmless the other party in connection with the claims of any other real estate brokers claiming commissions in connection with the within transaction and claiming authority from a party.

42. LANDLORD'S REMEDIES

42.1 The rights and remedies given to the Landlord in this Lease are distinct, separate and cumulative remedies, and no one of them, whether or not exercised by the Landlord, shall be deemed to be in exclusion of any of the others.

42.2 In addition to any other legal remedies for violation or breach by or on the part of the Tenant or by any under tenant or by anyone holding or claiming under the Tenant or any one of them, of the restrictions, agreements or covenants of this Lease on the part of the Tenant to be performed or fulfilled, such violation or breach shall be restrainable by injunction at the suit of the Landlord.

42.3 No receipt of money by the Landlord from any receiver, trustee or custodian or debtors in possession shall reinstate, continue or extend the Term of this Lease or affect any notice theretofore given to the Tenant, or to any such receiver, trustee, custodian or debtor in possession, or operate as a waiver or estoppel of the right of the Landlord to recover possession of the Demised Premises for any of the causes therein enumerated by any lawful remedy; and the failure of the Landlord to enforce any covenant or condition by reason of its breach by the Tenant shall not be deemed to void or affect the right of the Landlord to enforce the same covenant or condition on the occasion of any subsequent default or breach.

43. SUBORDINATION

43.1 This Lease shall be subject and subordinate at all times to the lien of any mortgages or ground rents or other encumbrances now or hereafter placed on the Demised Premises without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. Landlord represents that there is currently no financing and no intent to place financing on the Demised Premises. Any and all such financing shall recognize the rights of Tenant set forth in this Lease and the parties shall execute a commercially reasonable non disturbance agreement along with the subordination required herein. Tenant covenants and agrees to execute and deliver upon demand such instrument or instruments evidencing such

subordination of the Lease to the lien of any such mortgage or ground rent or other encumbrances as shall be desired by a mortgagee or proposed mortgagee or by any person. The Tenant's failure to execute and deliver any such documents shall entitle the Landlord to terminate the within Lease Agreement and the Term hereof is expressly limited accordingly.

43.2 Tenant agrees to execute at any time and from time to time at reasonable intervals, within twenty (20) days after written request by Landlord or to its assignee, mortgagee or other secured parties as may be designated by Landlord, a certification stating: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and identifying the modification agreements, or if this Lease is not in full force and effect the certificate shall so state); (b) the date to which rental has been paid under this Lease; (c) whether or not there is any existing default by Tenant in the payment of any rent or other sum of money under this Lease, and whether or not there is any other existing default by either party under this Lease with respect to which a notice of default has been served, and if there is any such default, specifying the nature and extent thereof (d) whether or not there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed by Tenant under this Lease; and (e) such other matters relating to this Lease as may be reasonably requested by Landlord or any of its designees. Landlord agrees to furnish to Tenant a reciprocal certificate setting forth the applicable facts as hereinabove referred to in this Article.

44. AUTHORITY

Landlord and Tenant, by their respective signatories, do hereby warrant one to the other that the parties executing the within Lease have the full authority to execute the within Lease and to bind Landlord and Tenant respectively.

45. LIMIT OF LANDLORD'S LIABILITY

In case the Landlord shall be a joint venture, limited liability company, partnership, tenancy in common, association or other form of joint ownership, the individual members thereof shall have absolutely no personal liability or obligation with respect to any provision of this Lease, or any obligation or liability arising therefrom or in connection therewith, which covenant hereinabove referred to, shall be deemed effective as of the date Landlord completes and delivers the Demised Premises in accordance with the terms and conditions of the Lease.

46. NON-LIABILITY OF LANDLORD

Except for Landlord's intentional misconduct, Landlord shall not be liable for any damage or injury to property or person caused by or resulting from steam, electricity, gas, water, rain, ice, or snow, or any leak or flow from or into any part of said Building, or from damage or injury resulting or arising from any other cause or happening whatsoever.

Except for Landlord's intentional misconduct, Tenant, in all events, shall assume all risk of damage or loss to its property, equipment, and fixtures occurring in or about the Leased Demised Premises, whatever the cause of such damage or loss.

If Landlord shall breach any of the provisions hereof, Landlord's liability shall in no event exceed Landlord's interest in the Land and Building of which the Leased Demised Premises are a part. Any judgment or award, which Tenant may obtain against Landlord, shall be recoverable and satisfied solely out of the right, title, and interest of Landlord in and to the Demised Premises. Tenant shall have no rights of lien or levy against any other property of Landlord or rights of lien or levy against property of Landlord (or of any person or entity comprising Landlord), or nor shall any other property or assets of Landlord be subject to levy, execution or other enforcement proceedings for the collection of any such sums or satisfaction of any such judgment or award.

47. SECURITY DEPOSIT

47.1 Upon execution of this Lease, the Tenant shall pursuant and subject to the provisions of section 38.2, deposit with the Landlord the sum of Thirty Two Thousand Dollars (\$32,000.00) (hereinafter referred to as the "Purchase Option Payment/Initial Security Deposit") as security for the full and faithful performance of this Lease upon the part of the Tenant to be

performed. Anything herein contained to the contrary notwithstanding, it is expressly understood and agreed that the Purchase Option Payment/Security Deposit shall not bear interest. Tenant covenants and agrees that it will not assign, pledge, hypothecate, mortgage or otherwise encumber the aforementioned Purchase Option Payment/Security Deposit during the Term of this Lease. It is expressly understood and agreed that the Landlord shall have the right to co-mingle the Purchase Option Payment/Security Deposit with its general funds and the Purchase Option Payment/Security Deposit shall not be required to be segregated.

47.2 The Tenant shall only be entitled to a return of the security deposit if the Landlord wrongfully terminates this Lease and at the time of the termination Tenant is not in default of any of terms and conditions of this Lease.

48. ENTIRE AGREEMENT

This Lease constitutes the entire agreement between the parties hereto and no earlier statements or prior written matter shall have any force or effect. Tenant agrees that it is not relying on any representations or agreement other than those contained in this Lease. This Lease shall not be modified or canceled except by written instrument subscribed by both parties.

49. COUNTERPARTS

This Lease can be executed in counter parts and when taken together shall form a complete document and agreement.

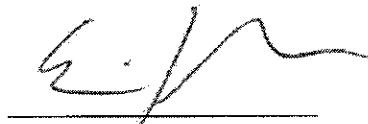
IN WITNESS WHEREOF, the parties have hereunto set their hands and seals or caused these presents to be signed by its proper corporate officers and caused its proper corporate seal to be hereunto affixed, the day end year first above written.

Tenant

Witness:

BWP SCHOOL PARTNERS, LLC

BY: BUILD WITH PURPOSE INC., SOLE MEMBER



By: _____



BRIAN KEENAN
BOARD PRESIDENT

Landlord

Witness:

ST. JOHN'S RUTHENIAN CATHOLIC CHURCH OF NEWARK ALSO COMMONLY KNOWN AS ST. JOHN'S UKRAINIAN CATHOLIC CHURCH OF NEWARK A RELIGIOUS NOT FOR PROFIT CORPORATION OF THE STATE OF NEW JERSEY, THE MOST REVEREND STEFAN SOROKA, ARCHBISHOP OF THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA, HIS ASSIGNS AND SUCCESSORS IN OFFICE DULY APPOINTED BY THE HOLY SEE OF ROME, IN TRUST FOR THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA

By: _____

MOST REVEREND STEFAN SOROKA
ARCHBISHOP

performed. Anything herein contained to the contrary notwithstanding, it is expressly understood and agreed that the Purchase Option Payment/Security Deposit shall not bear interest. Tenant covenants and agrees that it will not assign, pledge, hypothecate, mortgage or otherwise encumber the aforementioned Purchase Option Payment/Security Deposit during the Term of this Lease. It is expressly understood and agreed that the Landlord shall have the right to co-mingle the Purchase Option Payment/Security Deposit with its general funds and the Purchase Option Payment/Security Deposit shall not be required to be segregated.

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48. ENTIRE AGREEMENT

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49. COUNTERPARTS

This Lease can be executed in counter parts and when taken together shall form a complete document and agreement.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals or caused these presents to be signed by its proper corporate officers and caused its proper corporate seal to be hereunto affixed, the day and year first above written.

Tenant

Witness:

BWP SCHOOL PARTNERS, LLC
By: BUILD WITH PURPOSE INC., SOLE MEMBER

By: _____
BRIAN KEENAN
BOARD PRESIDENT

Landlord

Witness:

ST. JOHN'S RUTHENIAN CATHOLIC CHURCH OF NEWARK ALSO COMMONLY KNOWN AS ST. JOHN'S UKRAINIAN CATHOLIC CHURCH OF NEWARK A RELIGIOUS NOT FOR PROFIT CORPORATION OF THE STATE OF NEW JERSEY, THE MOST REVEREND STEFAN SOROKA, ARCHBISHOP OF THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA, HIS ASSIGNS AND SUCCESSORS IN OFFICE DULY APPOINTED BY THE HOLY SEE OF ROME, IN TRUST FOR THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA

By: _____

MOST REVEREND STEFAN SOROKA
ARCHBISHOP

EXHIBIT A

Metes and Bounds Description

Real property in the City of Newark, County of Essex, State of New Jersey, described as follows;

BLOCK 4089 LOTS 1, 40, 41, 42, 43, 45, 46 AND 60

IN CITY OF NEWARK

ESSEX COUNTY, NEW JERSEY

BEGINNING at a point, said point being the intersection of the easterly line of Sanford Avenue (66 feet wide) and the southerly line of Ivy Street (50 feet wide) and running; thence

- 1) Along said southerly line of Ivy Street, South $68^{\circ}11'09''$ East, a distance of 200.00 feet to a point on the westerly line of Chapman Street (60 feet wide); thence
- 2) Along said westerly line of Chapman Street, South $21^{\circ}48'51''$ West, a distance of 155.21 feet to a point; thence
- 3) North $68^{\circ}11'09''$ West, a distance of 100 feet to a point; thence
- 4) South $21^{\circ}48'51''$ West, a distance of 205 feet to a point; thence
- 5) North $68^{\circ}11'09''$ West, a distance of 100 feet to a point on the aforementioned easterly line of Sanford Street; thence
- 6) Along said easterly line of Sanford Street, North $21^{\circ}48'51''$ East, a distance of 360.21 feet to the point of BEGINNING.

This description is prepared in accordance with a plan entitled "Topographic and Boundary Survey of Block 4089 Lots 1, 40, 41, 42, 43, 45, 46 and 60, Lady Liberty Charter School, City of Newark, Essex County, New Jersey" prepared by Langan Engineering and Environmental Services, Inc. Elmwood Park New Jersey, Job. No. 100295401, dated May 15 2012, Drawing No. VT101.

EXHIBIT B

SURVEY - SITE PLAN

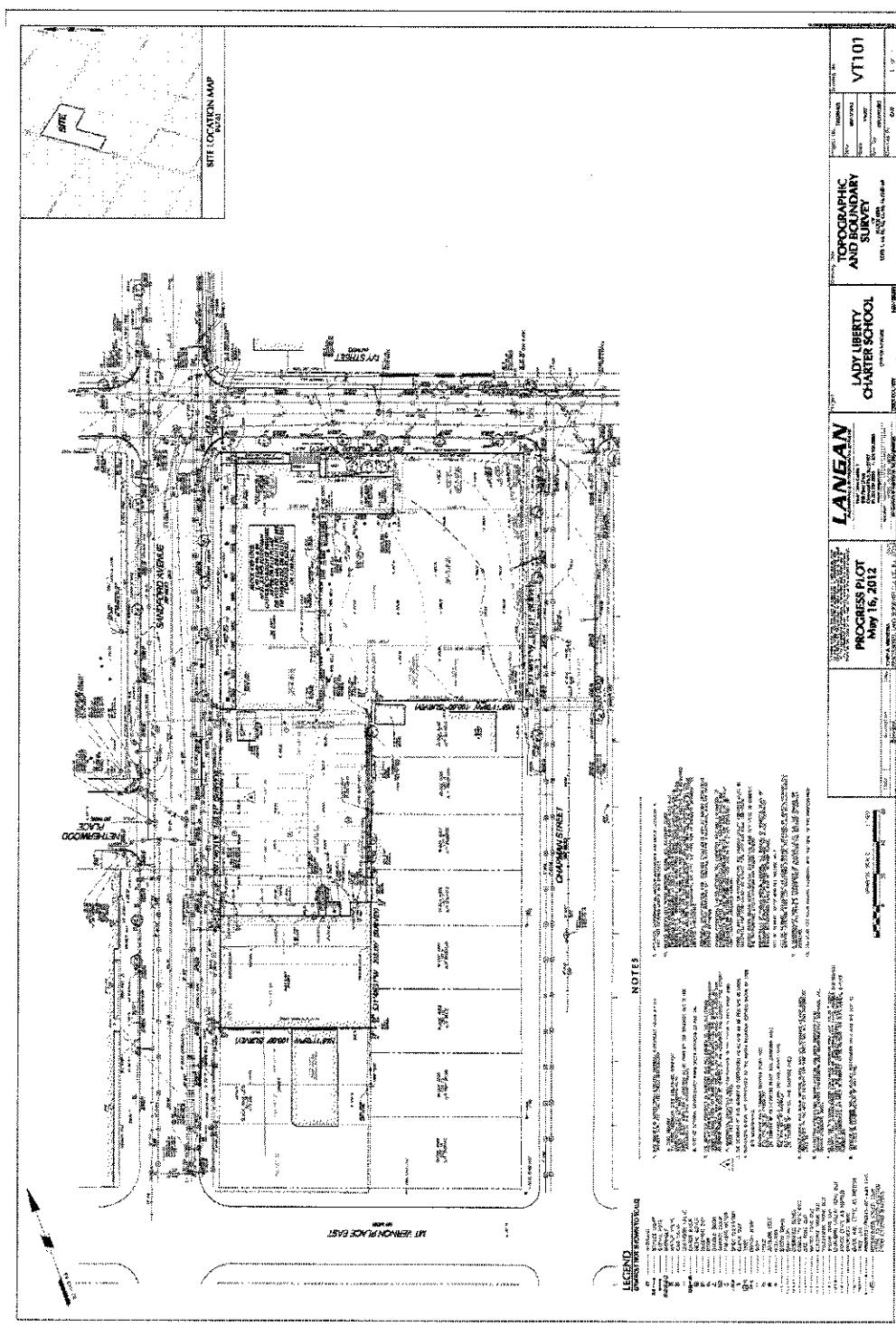


EXHIBIT C

MEMORANDUM OF LEASE AND PURCHASE OPTION

RECORDING REQUESTED BY, AND)
WHEN RECORDED RETURN TO:)
E Glanz Associates)
Evan S. Glanz)
33 Martinsville Road)
Basking Ridge, New Jersey 07920)

MEMORANDUM OF LEASE AND PURCHASE OPTION

THIS MEMORANDUM OF LEASE AND PURCHASE OPTION (this "Memorandum") is made and entered into as of the ____ day of _____, 2012, is by and between ST. JOHN'S RUTHENIAN CATHOLIC CHURCH OF NEWARK ALSO COMMONLY KNOWN AS ST. JOHN'S UKRAINIAN CATHOLIC CHURCH OF NEWARK A RELIGIOUS NOT FOR PROFIT CORPORATION OF THE STATE OF NEW JERSEY, THE MOST REVEREND STEFAN SOROKA, ARCHBISHOP OF THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA, HIS ASSIGNS AND SUCCESSORS IN OFFICE DULY APPOINTED BY THE HOLY SEE OF ROME, IN TRUST FOR THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA ("Landlord"), and BWP SCHOOL PARTNERS LLC ("Tenant").

Recitals

This Memorandum of Lease is made with respect to the following facts:

A. Simultaneously with the execution of this Memorandum, Landlord and Tenant are entering into the Lease Agreement (the "Lease"), pursuant to which Landlord is leasing the land described on Exhibit A attached hereto and by this reference made part hereof to Tenant with the building and improvements currently existing thereon (the "Property").

B. Landlord and Tenant want to enter into this Memorandum to give record notice of the Lease and the rights of Tenant under the Lease.

Lease and Agreement

In consideration of the Lease and the terms and provisions hereof, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant do hereby promise and agree as follows:

1. Lease. In accordance with and subject to the terms and conditions of the Lease, Landlord leases the Property to Tenant, and Tenant hires and leases the Property from Landlord.

2. Lease Term. The initial term of the Lease is for forty (40) years commencing November 1, 2012 and expiring on October 31, 2052, subject to extension as set forth in the Lease.

3. Extension Option. Tenant has options to extend the term of the Lease for two (2) periods of twenty (20) years and one period of nineteen (19) years as set forth in the Lease and specifically:

Option Period #1: November 1, 2052 to October 31, 2072

Option Period #2: November 1, 2072 to October 31, 2092

Option Period #3: November 1, 2092 to October 31, 2111

4. Purchase Option. Tenant has an option to purchase the Property on the terms and subject to the conditions provided in the Lease.

5. Rent. During the term of the Lease, Tenant shall pay rent to Landlord in accordance with the provisions of the Lease and, subject to the terms of the Lease.

6. Conflicts. In the event of any conflict between the terms of the Lease and the terms of this Memorandum, the terms of the Lease shall control.

7. Incorporation of Lease. All terms and conditions set forth in the Lease are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum on the date first written above.

WITNESS:

LANDLORD:

ST. JOHN'S RUTHENIAN CATHOLIC
CHURCH OF NEWARK ALSO COMMONLY KNOWN AS ST. JOHN'S UKRAINIAN CATHOLIC CHURCH OF NEWARK A RELIGIOUS NOT FOR PROFIT CORPORATION OF THE STATE OF NEW JERSEY, THE MOST REVEREND STEFAN SOROKA, ARCHBISHOP OF THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA, HIS ASSIGNS AND SUCCESSORS IN OFFICE DULY APPOINTED BY THE HOLY SEE OF ROME, IN TRUST FOR THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA

By: _____

MOST REVEREND STEFAN SOROKA
ARCHBISHOP

TENANT

BWP SCHOOL PARTNERS LLC
By: BUILD WITH PURPOSE, INC.,
SOLE MEMBER

By: _____

BY: BRIAN KEENAN
TITLE: PRESIDENT

STATE OF PENNSYLVANIA)
) ss.
COUNTY OF PHILADELPHIA)

Be it remembered that on this _____ day of _____, 2012, before me, the subscriber, personally appeared _____, the _____ of ST. JOHN'S RUTHENIAN CATHOLIC CHURCH OF NEWARK ALSO COMMONLY KNOWN AS ST. JOHN'S UKRAINIAN CATHOLIC CHURCH OF NEWARK A RELIGIOUS NOT FOR PROFIT CORPORATION OF THE STATE OF NEW JERSEY, THE MOST REVEREND STEFAN SOROKA, ARCHBISHOP OF THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA, HIS ASSIGNS AND SUCCESSORS IN OFFICE DULY APPOINTED BY THE HOLY SEE OF ROME, IN TRUST FOR THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA, and he thereupon acknowledged that he signed the foregoing instrument in such capacity and that said instrument is the voluntary act of deed of said entity.

STATE OF NEW JERSEY)
) ss.
COUNTY OF MIDDLESEX)

Be it remembered that on this _____ day of _____, 2012, before me, the subscriber, personally appeared BRIAN KEENAN, Board President of Build With Purpose, Inc., the Sole Member of BWP School Partners LLC and he thereupon acknowledged that he signed the foregoing instrument in such capacity and that said instrument is the voluntary act of deed of such entity

EXHIBIT A

Real property in the City of Newark, County of Essex, State of New Jersey, described as follows;

BLOCK 4089 LOTS 1, 40, 41, 42, 43, 45, 46 AND 60

IN CITY OF NEWARK

ESSEX COUNTY, NEW JERSEY

BEGINNING at a point, said point being the intersection of the easterly line of Sanford Avenue (66 feet wide) and the southerly line of Ivy Street (50 feet wide) and running; thence

- 1) Along said southerly line of Ivy Street, South $68^{\circ}11'09''$ East, a distance of 200.00 feet to a point on the westerly line of Chapman Street (60 feet wide); thence
- 2) Along said westerly line of Chapman Street, South $21^{\circ}48'51''$ West, a distance of 155.21 feet to a point; thence
- 3) North $68^{\circ}11'09''$ West, a distance of 100 feet to a point; thence
- 4) South $21^{\circ}48'51''$ West, a distance of 205 feet to a point; thence
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This description is prepared in accordance with a plan entitled "Topographic and Boundary Survey of Block 4089 Lots 1, 40, 41, 42, 43, 45, 46 and 60, Lady Liberty Charter School, City of Newark, Essex County, New Jersey" prepared by Langan Engineering and Environmental Services, Inc. Elmwood Park New Jersey, Job. No. 100295401, dated May 15 2012, Drawing No. VT101.

APPENDIX F
Form of the Sublease Agreement

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SUBLEASE

THIS SUBLEASE (the "Sublease") is made as of the 28 of February, 2013 between **BWP SCHOOL PARTNERS, LLC**, a New Jersey limited liability company ("Sublandlord") and **LADY LIBERTY ACADEMY CHARTER SCHOOL**, a New Jersey non-profit corporation ("Subtenant").

RECITALS:

A. Sublandlord is the tenant under a lease dated June 8, 2012 (the "Prime Lease"), a complete copy of which is annexed hereto as **EXHIBIT A**, with ST. JOHN'S RUTHENIAN CATHOLIC CHURCH OF NEWARK ALSO COMMONLY KNOWN AS ST. JOHN'S UKRAINIAN CATHOLIC CHURCH OF NEWARK A RELIGIOUS NOT FOR PROFIT CORPORATION OF THE STATE OF NEW JERSEY, THE MOST REVEREND STEFAN SOROKA, ARCHBISHOP OF THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA, HIS ASSIGNS AND SUCCESSORS IN OFFICE DULY APPOINTED BY THE HOLY SEE OF ROME, IN TRUST FOR THE UKRAINIAN CATHOLIC ARCHDIOCESE OF PHILADELPHIA (the "Prime Landlord") relating to property identified as 746-772 Sanford Avenue, Newark, New Jersey, which is more particularly described in the Prime Lease (the "Demised Premises").

B. Sublandlord desires to sublet to Subtenant and Subtenant desires to sublet from Sublandlord the entire Demised Premises.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree:

1. **Sublease.** Sublandlord hereby leases the entire Demised Premises as described in the Prime Lease (referred to herein as the "Sublease Premises") to Subtenant, and Subtenant hereby leases the Sublease Premises from Sublandlord, on the terms and conditions hereinafter set forth.

2. **Term of Sublease.** The Sublease shall be for a term ("Term") commencing on the latter to occur of (i) July 1, 2013 or (ii) the day following receipt of a Temporary Certificate of Occupancy and substantial completion of all of school construction and fit out described herein ("Commencement Date") and ending at midnight on the current expiration date of the Subtenant's charter granted by the Commissioner of Education of the State of New Jersey to operate a charter school (the "Charter"), pursuant to the terms of the Charter School Law, N.J.S.A. 18A-36A-1 *et seq.* and all applicable regulations (the "Charter School Law"), unless sooner terminated as provided for in this Sublease (including pursuant to Section 15 below), provided that this Sublease shall automatically renew for a total of six (6) renewal periods of five (5) years each (each, a "Renewal Period"), unless sooner terminated as provided for in this Sublease (including pursuant to Section 15 below). Sublandlord and Subtenant shall execute a mutually acceptable instrument setting forth the Commencement Date; however, the failure to execute such instrument shall not serve to invalidate this Sublease.

3. Rent. The Subtenant's obligation to pay fixed rent shall commence on the Commencement Date. Subtenant shall pay Sublandlord, without notice or demand and without counterclaim, deduction, abatement, reduction or set-off for any reason whatsoever, except as hereafter expressly provided, fixed rent ("Fixed Rent") for and during the Term as follows:

SEE RENT SCHEDULE ATTACHED HERETO AS EXHIBIT B

Fixed Rent and any additional rent required under this Sublease are collectively referred to herein as "Rent". Rent shall be paid directly to the bond trustee (the "Trustee") pursuant to Sublandlord's financing as further described in Paragraph 16 of this Sublease below. Rent shall be payable in advance in monthly installments on the fifth (5th) day of each month during the Term. If the Commencement Date occurs on a day other than the first day of a calendar month, the Fixed Rent for the partial calendar month shall be prorated. The obligation of the Subtenant to pay Rent required under this Sublease during the Term shall be absolute and unconditional, and payment shall not be abated through accident or unforeseen circumstances. Notwithstanding any dispute between the Subtenant, the Sublandlord, the Trustee, any contractor or subcontractor retained with respect to the Premises, or any other party, the Subtenant shall, during the Term, make all payments of Rent when due and shall not withhold any Rent pending final resolution of such dispute, nor shall the Subtenant assert any right of set-off or counter-claim against its obligation to make such payments required hereunder; provided, however, that the making of such payments shall not constitute a waiver by the Subtenant of any rights, claims or defenses which the Subtenant may assert. No action or inaction on the part of the Sublandlord or the Trustee shall affect the Subtenant's obligation to pay Rent.

Notwithstanding anything herein to the contrary, any other payment obligations from Subtenant to Sublandlord under any other agreement or arrangement between them (the "Subordinated Payments") are subordinated to Subtenant's obligation to pay Rent hereunder. So long as there is not default hereunder or under the Bonds (as defined herein), Sublandlord may accept payments of Subordinated Payments from the Subtenant. From and after any such default, unless and until the Bonds shall be paid in full, the Sublandlord agrees that it shall not, directly or indirectly make any claim or commence or initiate any demand, enforcement or other action, lawsuit, case or proceeding against the Subtenant in connection with the Subordinated Payments. In the event that Sublandlord receives any payments of Subordinated Payments after any such default, it shall hold such amounts in trust for the holders of the bonds and promptly pay them over to the trustee therefore.

4. Construction / School Build Out. Sublandlord will complete improvements to the Sublease Premises as set forth on **EXHIBIT C** attached hereto (the "Improvements"). All Improvements shall be completed in a good and workmanlike manner, in accordance with all applicable laws, codes, ordinances and governmental rules and regulations ("Applicable Law"). Substantial Completion of the Improvements shall occur when Sublandlord completes the Improvements in accordance with the plans and specifications attached hereto as **Exhibit C** (the "Plans"), (ii) Sublandlord obtains a temporary certificate of occupancy, and (iii) Sublandlord and Subtenant inspect the Improvements and agree that the Improvements are complete subject to the

Punch List Items. "Punch List Items" shall mean the additional construction, decoration or mechanical adjustment work necessary to fully complete the Improvements and obtain a final Certificate of Occupancy. Sublandlord shall complete all such Punch List Items within a commercially reasonable time after Substantial Completion of the Improvements, but no longer than ninety (90) days unless Punch List Items include long lead time materials, and without material interference with Subtenant's school day operations.

Sublandlord shall use commercially reasonable efforts to Substantially Complete the Improvements on or before July 31, 2014 (the "Estimated Completion Date"). Subject to a Subtenant Delay (as defined below), if Sublandlord fails to Substantially Complete the Improvements on or before December 31, 2014 (the "Outside Completion Date"), Subtenant will receive a credit equal to one day's Fixed Rent for each day of delay in Sublandlord's Substantial Completion of the Sublease Premises beyond the Outside Completion Date. Subject to a Subtenant Delay, if Sublandlord fails to Substantially Complete the Improvements on or before June 30, 2015 (the "Outside Completion Date for Termination"), Subtenant shall have a right upon thirty (30) days written notice to terminate this Lease. If there shall be a delay beyond the foregoing dates in the Substantial Completion of the Improvements as a result of (i) Subtenant's failure to respond to Sublandlord's requests for selections or information regarding the Plans within fifteen (15) days; (ii) Subtenant's changes in the Plans; or (iii) any other act or omission of Subtenant within the Sublease Premises that materially interferes with Sublandlord's completion of the Improvements and of which Subtenant has been given prior notice and a reasonable opportunity to cure (not less than twenty-four (24) hours) when such interference occurs (collectively referred to herein as "Subtenant Delay"), then each of the foregoing dates will be extended for a period equal to (a) the duration of the act, occurrence or omission that constitutes the Subtenant Delay, or (b) if longer, the period of delay actually caused by such Subtenant Delay.

5. Occupancy. Subject to the terms and provisions hereinafter set forth, Subtenant shall be permitted to enter into occupancy of the Sublease Premises on the Commencement Date to be used for educational purposes as a charter school and educational facility, general school office, and other uses consistent with Subtenant's purposes and for no other use unless approved in advance by Sublandlord and consistent with Sublandlord's lender requirements and not in direct competition with Sublandlord's non-profit business and interests, Sublandlord's approval not to be unreasonably withheld or conditioned.

6. Prime Lease; Inapplicable Provisions. This Sublease is subject to and subordinate to the Prime Lease, and all defined terms used herein, unless otherwise indicated, shall have the meanings given to them in the Prime Lease. The term "Landlord" as used in the Prime Lease shall refer to Sublandlord hereunder, "Subtenant" as used in the Prime Lease shall refer to Subtenant hereunder, "Commencement Date" shall refer to the Commencement Date of this Sublease and "Lease Term" shall refer to the Term of this Sublease except as otherwise expressly provided in this Sublease. Sublandlord represents and warrants to the best of its knowledge that: (a) a true and complete copy of the Prime Lease is attached hereto as Schedule A; (b) the Prime Lease is in full force and effect as of the date of this Sublease; (c) Sublandlord is not in default of the payment of rent or additional rent under the Prime Lease; (d) Sublandlord has not received any notice of default under the Prime Lease, except for any defaults which

Sublandlord has cured and Prime Landlord is no longer claiming to exist. Sublandlord shall not voluntarily terminate the Prime Lease except pursuant to a right of termination expressly set forth in the Prime Lease. Sublandlord shall promptly send to Subtenant copies of all notices of default that Sublandlord receives from Prime Landlord under the Prime Lease. Except as otherwise provided herein, the obligations of Sublandlord in the Prime Lease shall be the obligations of Subtenant hereunder, and Subtenant assumes and shall perform all of the terms of the Prime Lease to be performed by Sublandlord as Subtenant thereunder with respect solely to the Sublease Premises for the Term of this Sublease. Subject to Paragraph 7 of this Sublease and to the extent not otherwise inconsistent with the terms hereof, all of the remaining terms, covenants and conditions in the Prime Lease shall be applicable to this Sublease with the same force and effect as if Sublandlord were the landlord under the Prime Lease and Subtenant were the Subtenant under the Prime Lease. Such terms are incorporated by reference into this Sublease, except the following provisions of the Prime Lease shall not apply to this Sublease:

- a) Section 1 - Defined Terms: - See below specific exclusions.
- b) Section 3.
- c) Section 4.
- d) Section 6.
- e) Section 14.
- f) Section 38.
- g) Section 41.
- h) Section 47.

7. Prime Lease Modifications. The following provisions of the Prime Lease are incorporated by reference into this Sublease subject to the following terms:

- a) Section 7.3. If the payment of Rent required to be paid to Sublandlord shall become overdue for more than five (5) days after the date such Rent is due, Subtenant will be assessed a late charge equal to five (5%) percent of the Rent that is delinquent.
- b) Section 12. Subtenant shall be responsible for all repairs and maintenance to the Sublease Premises at its sole cost and expense except for the following "Sublandlord Maintenance and Repair Items": (i) structural components of the roof, (ii) load bearing and exterior walls, and (iii) capital repairs to the HVAC system, major mechanical systems, and elevator. Sublandlord Maintenance and Repair Items will be conditioned upon and Subtenant shall be required to provide annual maintenance contracts for the HVAC system and elevator. Sublandlord will assign all warranties and enforce construction warranties as they apply to the initial construction of the Sublease Premises.

c) Section 13. Subtenant shall be responsible for and arrange for all utility services in its name. Sublandlord shall not be liable or responsible to Subtenant for loss, damages, or expenses Subtenant sustains as a result of interruption in utility services.

d) Section 20. Subtenant shall not have the express right to sublet the Sublease Premises to a charter school or other educational organization. Subtenant may sublet or assign this Lease with Sublandlord's prior written consent, which consent shall not be unreasonably withheld provided the Subtenant or assignee and its proposed use are reasonably acceptable to Sublandlord and Sublandlord's lender and the Subtenant or assignee does not directly compete with Sublandlord's business. Subtenant may not mortgage or encumber any part of the Sublease Premises or its interest therein. Subleases and assignments by Subtenant shall at all times be subject to: (i) the terms of this Sublease; (ii) The sublease or assignment term shall not extend beyond the Term; (iii) Subtenant and Subtenant and/or assignee shall remain jointly and severally liable for all Sublease obligations; and (iv) Consent to one sublease or assignment does not waive the consent requirement for future assignments or subleases.

e) Section 26. Notices shall be delivered to Sublandlord's address set forth in the Prime Lease and Subtenant's addresses first appearing in this Sublease to the attention of the President of the Board of Trustees of each party with copies to the following counsel:

Sublandlord: Evan S. Glanz, Esq.
E Glanz Associates
33 Martinsville Road
Basking Ridge, New Jersey 07920

Subtenant: Morton Goldfein, Esq.
Saiber
One Gateway Center
10th Floor, Suite 1000
Newark, New Jersey 07102-5311

8. Prime Lease Indemnity. Subtenant shall neither do, nor permit anything to be done which would cause the Prime Lease to be terminated or forfeited by reason of any right of termination or forfeiture reserved or vested in the Prime Landlord under the Prime Lease. Subtenant shall indemnify and hold Sublandlord harmless from and against all claims, demands, obligations, liabilities and expenses (including reasonable attorneys' fees) of any kind whatsoever by reason of any breach or default on the part of Subtenant by reason of which the Prime Lease may be terminated or forfeited, unless caused by Sublandlord's negligence. The foregoing indemnity shall survive termination of the Prime Lease or this Sublease.

9. Limitation of Sublandlord's Liability; Prime Landlord's Obligations.

Notwithstanding anything to the contrary contained elsewhere in this Sublease or any instrument incorporated into this Sublease by reference or otherwise: (a) Sublandlord shall not be required to perform any of its obligations if Prime Landlord is similarly obligated under the Prime Lease and, in such cases, Sublandlord shall be obligated only to use reasonable efforts to cause Prime

Landlord to perform in and for the benefit of the Sublease Premises the obligations to be performed by Prime Landlord under the Prime Lease, provided, however, that Sublandlord may, but shall not be obligated to, initiate any action at law or suit in equity or any proceeding in arbitration or incur any expense in connection therewith; (b) Sublandlord shall not have any liability to Subtenant due to nonperformance or deficient performance by Prime Landlord of any service, covenant or obligation to be furnished or performed by Prime Landlord under the Prime Lease and Sublandlord shall not be in default under this Sublease because of such non-performance or deficiency; and (c) if Prime Landlord shall fail or refuse to comply with any of the terms of the Prime Lease insofar as they affect Subtenant's occupancy of the Sublease Premises, Subtenant may exercise all the rights to enforce performance on the part of Prime Landlord as are available to Sublandlord, as Subtenant thereunder, provided that Subtenant shall indemnify and hold harmless the Sublandlord from any claim, damage, cost or expense suffered or incurred by Sublandlord as a result of Subtenant enforcing such rights. Notwithstanding anything contained herein above to the contrary, Sublandlord shall be liable for its gross negligence in complying with the terms of the Prime Lease.

10. "As Is" Condition. Except for the Improvements as defined herein, which includes the school build out coordinated by Sublandlord with Subtenants input and assistance, Subtenant has inspected the Sublease Premises and accepts the same from Sublandlord in its present condition "as is", and Sublandlord does not have any obligation to do any work or make any repairs to the Sublease Premises. Subtenant acknowledges and agrees with Sublandlord that, except as may be expressly set forth elsewhere in this Sublease and related to the to be constructed Improvements, neither Sublandlord, nor any employee of Sublandlord, nor other party claiming to act on Sublandlord's behalf has made any representation, warranty, estimation, or promise of any kind or nature whatsoever relating to the physical condition of the Sublease Premises, including, by way of example only, the fitness of the Sublease Premises for Subtenant's intended use or the actual dimensions of the Sublease Premises.

11. Prime Lessor Consent. Wherever the consent of the Prime Landlord is required pursuant to the terms of the Prime Lease, the consent of Sublandlord shall also be required. Sublandlord shall not be obligated to consent without first obtaining Prime Landlord's consent, and Sublandlord shall have no liability to Subtenant due to refusal by Prime Landlord to consent or delay by Prime Landlord in consenting or refusing to consent. Any fees or expenses which Sublandlord is required to pay to Prime Landlord in connection with any matter requiring Prime Landlord's consent or approval, where such consent or approval is sought by Subtenant, shall be paid by Subtenant as and when they are required to be paid by Sublandlord to Prime Landlord.

12. Insurance. Subtenant shall procure and maintain at its sole cost all insurance required to be maintained by Sublandlord under Section 15 of the Prime Lease, which insurance policies shall name Sublandlord, Sublandlord's Lender, and Prime Landlord as additional insureds or loss payees and comply with all insurance requirements of the Prime Lease and any additional insurance requirements of Sublandlord's Lender. Specific Sublandlord Lender requirements for insurance are as follows:

(a) commercial casualty insurance insuring loss by reason of casualty of any kind (except only as limited by the standard form of extended coverage endorsement used in the State

of New Jersey) to the Sublease Premises in a minimum amount equal to the greater of (x) the outstanding principal amount of the Bonds (as defined in Sublandlord's Lender documents) and (y) the replacement value thereof, naming the Economic Development Authority (the "Authority") and U.S. Bank National Association ("Trustee"), their successors and assigns, as additional insureds;

(b) general comprehensive liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Sublease Premises (such coverage to include provisions waiving subrogation against the Authority and the Trustee) in amounts not less than \$1,000,000 with respect to bodily injury to any one person, \$3,000,000 aggregate with respect to bodily injury to two or more persons in any one accident and \$1,000,000, with respect to property damage resulting from any one occurrence naming the Authority and the Trustee as additional insureds;

(c) liability insurance with respect to the Sublease Premises under the workers' compensation laws of the State of New Jersey; and

(d) if at any time any portion of the Sublease Premises is in an area that has been identified by the Secretary of Housing and Urban Development as having special flood and mud slide hazards, a policy of flood insurance covering improvements located on such portion of the Sublease Premises with the maximum available coverage.

Subtenant shall deliver to the Sublandlord prior to the Commencement Date certificates of insurance reasonably acceptable to the Prime Landlord and Sublandlord evidencing all such insurance policies. Section 15.4 of the Prime Lease shall not apply to this Sublease.

Sublandlord shall not take any action that will violate conditions of the insurance policies procured by Subtenant or cause any insurer to terminate coverage.

13. Security Deposit.

Upon execution of this Sublease, Subtenant will deposit \$131,666.67 ("Security Deposit") with Sublandlord to secure Subtenant's performance of its Lease obligations. If Subtenant defaults, Sublandlord may, without prejudice to Sublandlord's other remedies, apply part or all of the Security Deposit to cure Subtenant's default. If Sublandlord so uses part or all of the Security Deposit, then Subtenant shall, within ten (10) days after written demand, pay Sublandlord the amount used to restore the Security Deposit to its original amount. Any part of the Security Deposit not used by Sublandlord as permitted by this Section that has not been paid to Subtenant shall be returned to Subtenant within thirty (30) days after the Lease ends.

In lieu of the cash security required by this Section and subject to Sublandlord's lender approval, Subtenant may provide to Sublandlord an irrevocable letter of credit in the amount of the Security Deposit in form and substance reasonably satisfactory to Sublandlord and issued by a financial institution reasonably approved by Sublandlord ("LOC"). If Subtenant defaults, Sublandlord may, without prejudice to Sublandlord's other remedies, draw upon the LOC to cure any default of Subtenant or for any purpose authorized by this Lease. If Sublandlord so draws upon the LOC, then Subtenant shall, within ten (10) days after written demand, additionally fund

the LOC with the amount so drawn so that Sublandlord shall have the full Security Deposit on hand at all times during the Term (including any renewals or extensions), and for a period of thirty (30) days after the Term (including any renewals or extensions). Subtenant shall pay, upon Sublandlord's demand, as additional Rent, any and all bank costs or fees charged in connection with the LOC that arise due to transfer or assignment of the LOC to the vendee or lessee, and in connection with any addition, deletion or modification of any beneficiaries under the LOC. Upon Sublandlord's prior consent, the LOC may be of the type that is automatically renewed on an annual basis ("Annual Renewal Date"), provided however, in such event Subtenant shall maintain the LOC and its renewals in full force and effect during the entire Term of this Lease (including any renewals or extensions) and for a period of thirty (30) days thereafter. The LOC will contain a provision requiring the issuer thereof to give the beneficiary (Sublandlord) sixty (60) days advance written notice of its intention not to renew the LOC on the next Annual Renewal Date. In the event Subtenant shall fail to deliver to Sublandlord a substitute irrevocable LOC, in the amount stated above, on or before thirty (30) days prior to the next Annual Renewal Date, said failure shall be deemed a default under this Lease. In addition, and not in limitation, Sublandlord shall be permitted to draw upon the LOC as in the case of any other default by Subtenant under the Lease. Any cash balance remaining after applying the amount of any draw of such LOC, shall be held and applied as cash security under this Subsection. In the event Subtenant provides a replacement LOC pursuant to this Subsection, Sublandlord shall return any unused cash security remaining after such draw upon the original LOC.

14. Miscellaneous.

- a) Each party warrants that it is authorized to enter into the Sublease, that the person signing on its behalf is duly authorized to execute the Sublease, and that no other signatures are necessary.
- b) All prior understandings and agreements between the parties are merged within this Sublease, which alone fully and completely sets forth the understanding of the parties. This Sublease shall not be modified, altered or amended in any way except by agreement in writing, signed by the parties hereto.
- c) The terms, covenants and conditions contained in this Sublease shall be binding on and inure to the benefit of the parties hereto and their respective permitted successors and permitted assigns.
- d) If any provision of the Sublease is invalid or unenforceable to any extent, then that provision and the remainder of this Sublease shall continue in effect and be enforceable to the fullest extent permitted by law.
- e) The parties chose this Sublease document because it is fair to both parties. Therefore, the parties agree that it shall be construed as if both parties were equally responsible for drafting the Sublease and the rule of construction of construing against the drafter shall not apply.

- f) This Sublease shall be governed by the laws of the State of New Jersey.
- g) Sublandlord gave this Sublease to Subtenant for review. It is not an offer to lease. This Sublease shall not be binding unless signed by both parties and an originally signed counterpart is delivered to Subtenant.
- h) Subtenant warrants and represents to Sublandlord that this Sublease and the transaction contemplated hereby is legally binding on, and enforceable against Subtenant in accordance with its terms. Sublandlord warrants and represents to Subtenant that this Sublease and the transaction contemplated hereby is legally binding on, and enforceable against Sublandlord in accordance with its terms.
- i) Sublandlord and Subtenant represent and warrant to each other that they have dealt with no broker or parties who are or might be entitled to a commission in connection with this Sublease. If anyone makes a claim for a commission or similar fee in connection with this Sublease, the party whose actions give rise to such claim shall indemnify and hold harmless the other party from and against such claim and all suits, proceedings, actions, judgments, costs and expenses, including, without limitation, reasonable counsel fees, arising out of or related to such claim.
- j) This Sublease may not be assigned and the Sublease Premises or a portion thereof may not be further sublet without the advance written consent of Sublandlord, such consent not to be unreasonably withheld, and compliance with all requirements of the Prime Lease.
- k) This Sublease may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- l) Any dispute between Sublandlord and Subtenant under this Sublease except a dispute as to possession of the Sublease Premises and the filing of a summary dispossess action with the Superior Court of New Jersey, Landlord Subtenant Division, shall be settled or filed with the American Arbitration Association ("AAA") in Essex County, New Jersey by and through the Expedited Rules for Resolution of Commercial Disputes.
- m) Notwithstanding anything contained herein to the contrary, Subtenant shall have a right to cure Sublandlord defaults under the Prime Lease, provided Sublandlord has failed to cure such default and consistent with the terms and conditions of the Prime Lease.

15. Special Sublease Provisions.

- a) This Sublease shall be subject to the Subtenant's compliance with the Charter School Law.

b) Subtenant shall have an option to purchase the Sublease Premises pursuant to a separate agreement between Sublandlord and Subtenant and subject to Sublandlord's acquisition of the Sublease Premises pursuant to the Prime Lease.

c) In the event that the Subtenant's charter is revoked, non-renewed, suspended or surrendered, then Subtenant's obligation to pay rent under this Sublease shall automatically terminate. Upon such termination, Subtenant, the Board of Trustees of the Subtenant, and any and all parties acting on behalf of the Subtenant shall be fully and forever released and discharged from any and all obligations, covenants or liabilities of whatsoever kind or nature in law, equity or otherwise arising out of or in connection with this Sublease.

d) Nothing contained herein shall be construed as limiting or precluding the recovery by Sublandlord from Subtenant of any sums or damages to which, in addition to the damages particularly provided above, Sublandlord may lawfully be entitled by reason of any default hereunder on the part of Subtenant; provided, however, that in the event of a default by Subtenant, (i) Sublandlord shall not be entitled to consequential damages, (ii) Subtenant's obligation to pay rent shall not be accelerated, and (iii) Sublandlord shall not be entitled to attach any grants or tuition payments payable to Subtenant or any revenues generated in connection with any schools operated by Subtenant.

16. Special Covenants Related to Bond Transaction.

Subtenant acknowledges that Landlord will fund the improvement and construction of the Sublease Premises through revenue bonds designated as the Charter School Revenue Bonds (Lady Liberty Academy Charter School Project Series 2013 C (Tax Exempt) and Charter School Revenue Bonds (Lady Liberty Academy Charter School Project Series 2013 D (Taxable) (collectively the "Bonds") issued by the New Jersey Economic Development Authority (the "Bond Transaction"). In connection with the Bond Transaction, the New Jersey Economic Development Authority has requested that the Sublandlord and the Subtenant make the following representations and covenants:

(a) Further Assurances. The Sublandlord and the Subtenant agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Sublease and the Bond Transaction, including without limitation any reports or information requested by the New Jersey Economic Development Authority or the Trustee.

(b) Audits. The Subtenant agrees that it will have its books and records audited annually, commencing with the Fiscal Year ending June 30, 2013, in accordance with New Jersey state law, and shall furnish in accordance with the requirements set forth below to the Sublandlord and the Trustee, a copy of the audit report accompanied by a certificate signed by an authorized representative of the Subtenant setting forth, to the best of the authorized representative's knowledge, whether or not the Subtenant currently is, or has been during such Fiscal Year, in default of the performance of any covenant contained herein. The Subtenant will

notify the Sublandlord, and the Trustee in writing of a change in its accountant stating the reasons for such change.

(c) Financial Statements; Reports; Annual Certificate.

(i) Maintenance of Books and Accounts. The Subtenant agrees that it will maintain and make available to the Sublandlord and the Trustee proper books of records and accounts of all of its operations with full, true and correct entries of all of its dealings substantially in accordance with practices generally used for public school accounting and such other data and information as may reasonably be requested by the Sublandlord and the Trustee from time to time.

(ii) Financial Reports. The Subtenant shall provide to the Sublandlord and the Trustee the following information:

(A) within fourteen (14) days of delivery to the State of New Jersey or the New Jersey Department of Education (“DOE”), a copy of the Subtenant’s adopted annual budget for the present Fiscal Year;

(B) within fourteen (14) days of delivery to the DOE, a copy of the Subtenant’s annual financial report, together with a copy of any management letter delivered by the auditors in connection with such report;

(C) a copy of revisions, if any, to the Subtenant’s annual budget as approved by its governing board within 30 days of adoption (items (A) through (C) collectively referred to herein as the “Reports”); and

(D) a copy of every notice and report required to be provided to the Nationally Recognized Municipal Securities Information Repository at the same time required to be provided thereto.

(iii) Additional Reports and Certification. Simultaneously with the delivery of the annual financial report, the Subtenant shall provide the Sublandlord and the Trustee with:

(A) a copy (which may be by electronic transfer) of each October 15 Enrollment Count provided to the DOE.

(B) a copy of Subtenant’s Annual Report, including the results of state-mandated student achievement tests; and

(C) a certificate executed by the Subtenant’s lead person or the school business administrator stating that he/she is familiar with the provisions of this Sublease and the Tax Certificate related to the above-referenced Bonds (the “Tax Certificate”) and to the best of his/her knowledge, based on such review and familiarity, the Subtenant has fulfilled all of its obligations hereunder and thereunder throughout the Fiscal Year, and there have been no

defaults under this Sublease or the Tax Certificate or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to him/her and the nature and status thereof and the actions taken or being taken to correct such default.

(iv) Notice of Violation. Within fourteen (14) days of receipt from the DOE, the Subtenant will deliver to Trustee any notice of a violation of its Charter.

(d) Authority of Authorized Representative of the Subtenant. Whenever under the provisions of this Sublease the approval of the Subtenant is required, or the Sublandlord or the Trustee is required to take some action at the request of the Subtenant, such approval or such request shall be made by the authorized representative of the Subtenant unless otherwise specified in this Sublease. The Sublandlord or the Trustee shall be authorized to act on any such approval or request and the Subtenant shall have no complaint against the Sublandlord or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Sublease by an authorized representative of the Subtenant shall be on behalf of the Subtenant and shall not result in any personal liability of such authorized representative.

(e) Authority of Authorized Representative of the Sublandlord. Whenever under the provisions of this Sublease the approval of the Sublandlord is required, or the Subtenant or the Trustee is required to take some action at the request of the Sublandlord, such approval or such request shall be made by the authorized representative of the Sublandlord unless otherwise specified in this Sublease. The Subtenant or the Trustee shall be authorized to act on any such approval or request and the Sublandlord shall have no complaint against the Subtenant or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Sublease by an authorized representative of the Sublandlord shall be on behalf of the Sublandlord and shall not result in any personal liability of such authorized representative.

(f) Licenses and Qualifications. The Subtenant will do, or cause to be done, all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals and to comply, or cause its lessees to comply, with such permits, licenses and other governmental approvals necessary for operation of the Sublease Premises as a charter school.

(g) Right to Inspect. Following reasonable notice to the Subtenant, at any and all reasonable times during business hours, the Trustee, the Sublandlord, and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Sublease Premises, including all books and records of the Subtenant (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired; provided, however, that they shall maintain these books and records in confidence unless required by applicable law to do otherwise and it is necessary to distribute the information to some other third party under applicable law.

(h) Nonsectarian Use. The Subtenant acknowledges that in order for the Bonds to be validly issued, it is necessary that the requirements of the United States Constitution

and the Constitution of the State of New Jersey with respect to the establishment and free exercise of religion be satisfied. The Sublandlord has been advised that under the law in effect as of the date of issue of the Bonds and as interpreted by the courts, the financing of facilities for a pervasively sectarian school or the financing of nonsecular facilities (e.g., places of religious worship) could be in violation of these constitutional requirements. The Subtenant covenants that it will not operate the charter school in a pervasively sectarian manner for so long as the Bonds are outstanding and will not use the proceeds of the Bonds to acquire, construct, install, or refinance any facilities which are intended to be used, other than a de minimis amount, for sectarian purposes. The Subtenant will comply with all applicable state and federal laws concerning discrimination on the basis of race, creed, color, sex, sexual orientation, national origin, or religious belief and will respect, permit, and not interfere with the religious beliefs of persons working for the Subtenant. The Subtenant may rely upon an Opinion of Counsel acceptable to the Sublandlord in order to determine whether it is in compliance from time to time with the covenants contained in this paragraph.

(i) Debt Service Coverage Ratio.

(i) At each Fiscal Year end, the Subtenant shall meet the following financial covenant: Revenue Available for Debt Service for the previous fiscal year must not be less than 110% of the Maximum Annual Debt Service for currently outstanding Long-Term Indebtedness related to the Sublease Premises.

(ii) If, at the end of each Fiscal Year, Subtenant is not in compliance with the foregoing covenant, Subtenant shall retain a consultant within thirty (30) days after notice from the Sublandlord or the Trustee of Subtenant's failure to comply. The consultant shall prepare and deliver a report of its conclusions and recommendations to the Trustee within no less than forty-five (45) days after its retention and the action plan recommended by the consultant. Subtenant shall to the extent commercially reasonable and feasible, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law or by the terms of the Bond Transaction, revise its methods of operation and shall take such other action as shall be in conformity with such recommendations; provided, however, that Subtenant need not make such revisions or take such actions in conformity with such recommendations if the governing body of Subtenant makes a good faith determination that such recommendations, in whole or in part, are not in the best interest of Subtenant. In the event that Subtenant fails to comply with the recommendations of the consultant, subject to the applicable requirements or restrictions imposed by law or by the terms of the Bond Transaction, the Trustee shall, upon receipt of indemnity satisfactory to the Trustee, in addition to the rights and remedies elsewhere set forth herein, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel Subtenant to comply with the recommendations and requirements of this Section. Subtenant shall provide reports to Sublandlord and the Trustee no less frequently than quarterly regarding the progress of Subtenant and its compliance with the recommendations of the consultant.

(j) Cash on Hand.

(i) Subtenant covenants and agrees to file with Sublandlord and the Trustee a statement of an authorized representative of Subtenant calculating, as of June 30 and December 31 of each year, the Cash on Hand (as defined below) as of such date. Such filings shall be made within one hundred eighty (180) days of the June 30 dates and within sixty (60) days of the December 31 dates being used for such calculation and shall be based on the Subtenant's unaudited balance sheet as of the December 31 dates and the audited balance sheet for the Subtenant as of the June 30 dates. Subtenant covenants to maintain Cash on Hand in the amount of three percent (3%) of the Gross Revenues of Subtenant on each calculation date.

(ii) If as of any June 30 or December 31 calculation date the Cash On Hand is less than two percent (2%) of the Gross Revenues of Subtenant, but greater than or equal to one percent (1%), Subtenant shall retain a consultant within thirty (30) days after the filing of the statement required above, but in no event less than one hundred eighty (180) days after the applicable calculation date. The consultant shall prepare and deliver a report of its conclusions and recommendations to the Trustee within no less than forty-five (45) days after its retention and the action plan recommended by the consultant. Subtenant shall to the extent commercially reasonable and feasible, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law or by the terms of the Bond Transaction, revise its methods of operation and shall take such other action as shall be in conformity with such recommendations; provided, however, that Subtenant need not make such revisions or take such actions in conformity with such recommendations if the governing body of Subtenant makes a good faith determination that such recommendations, in whole or in part, are not in the best interest of Subtenant. In the event that Subtenant fails to comply with the recommendations of the consultant, subject to the applicable requirements or restrictions imposed by law or by the terms of the Bond Transaction, the Trustee shall, upon receipt of indemnity satisfactory to the Trustee, in addition to the rights and remedies elsewhere set forth herein, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel Subtenant to comply with the recommendations and requirements of this Section. Subtenant shall provide reports to Sublandlord and the Trustee no less frequently than quarterly regarding the progress of Subtenant and its compliance with the recommendations of the consultant.

(iii) If Subtenant complies in all material respects with the reasonable recommendations of the consultant, Subtenant will be deemed to have complied with the covenants contained in this Section for such Fiscal Year notwithstanding that Cash on Hand shall be less than the amount required under subsection (a) of this Section; provided, that (1) this sentence shall not be construed as in any way excusing Subtenant from taking any action or performing any duty required under this Sublease, and (2) on any calculation date, the Cash On Hand is at least equal to one percent (1%) of the Gross Revenues of Subtenant.

(k) Number of Employees. The total number of employees employed by the Subtenant (at the Sublease Premises and at the other school facility used by the Subtenant), will reach an aggregate amount of _____ full time employees and _____ part time employees over the next 24 months.

(l) Definitions.

(i) "Cash on Hand" means the sum of cash, cash equivalents, liquid investments and unrestricted marketable securities (valued at the lower of cost or market) of Subtenant.

(ii) "Debt Service Coverage Ratio" means, for any Fiscal Year, the ratio obtained by dividing the Revenue Available for Debt Service for such Fiscal Year by the Maximum Annual Debt Service.

(iii) "Revenue Available for Debt Service" means, for any period of determination thereof, all revenues and receipts of the Subtenant for such period, plus all interest earnings on moneys held in the Debt Service Reserve Fund, but only to the extent that such interest earning are transferred to the Debt Service Fund, minus total operating expenses for such period but excluding (A) payments made by Subtenant of Rent (not including the portion of Rent shown on Exhibit B as payable on account of the Prime Lease and not including any Subordinated Payments), (B) payments made by the Subtenant for leasehold improvements related to the Land and/or Building leased under this Sublease, (C) any profits or losses which would be regarded as extraordinary items under Generally Accepted Accounting Principles, (D) gain or loss in the extinguishment of Indebtedness, (E) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of the Subtenant, the proceeds of any sale, transfer or other disposition of the Sublease Premises or any other of the Subtenant's assets by the Subtenant, and any condemnation or any other damage award received by or owing to the Subtenant.

(iv) "Maximum Annual Debt Service" means as of any date of calculation, the highest principal and interest payment requirements with respect to all Long-Term Indebtedness of the Sublandlord related to the acquisition, improvement or expansion of the Land and Building outstanding for any succeeding Fiscal Year and the highest principal and interest payment requirements with respect to any Long-Term Indebtedness of the Subtenant.

(v) "Long-Term Indebtedness" means all obligations for payment of principal and interest with respect to money borrowed, incurred or assumed by the Sublandlord or the Subtenant, and all purchase money mortgages, financing or capital leases, installment purchase contracts, or other similar instruments in the nature of a borrowing by which the Sublandlord or the Subtenant will be unconditionally obligated to pay. Notwithstanding the foregoing, "Long-Term Indebtedness" shall not include installment purchase contracts entered into by the Sublandlord or the Subtenant in the normal course of the Sublandlord's or the Subtenant's usual business operations.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, this instrument has been executed as of the day and year first appearing.

WITNESS:

SUBLANDLORD:
BWP SCHOOL PARTNERS, LLC
By: Build With Purpose, Inc. Sole Member

By: _____

Name:

Title:

SUBTENANT:
LADY LIBERTY ACADEMY CHARTER SCHOOL

By: _____

Name:

Title:

SCHEDULE A

(PRIME LEASE)

SCHEDULE B

(RENT SCHEDULE)

RENT SCHEDULE

2/21/2013

 pre-funded 30 days prior to
lease commencement
\$400,000

Period Ending	Principal & Interest	Capitalized Interest Fund	Sanford Ave. Prime Lease	Repair & Replace. Fund	BWP Asset Mgmt. Fee	Total Annual Rent
8/1/2013	239,748.88	(239,749)	-	-	-	-
8/1/2014	564,115.00	(564,115)	-	-	-	-
8/1/2015	644,115.00	(47,010)	192,000	-	6,000	795,105
8/1/2016	643,915.00	-	192,000	-	6,000	841,915
8/1/2017	643,390.00	-	197,760	-	12,000	853,150
8/1/2018	642,540.00	-	203,693	-	12,000	858,233
8/1/2019	641,365.00	-	209,804	-	20,000	871,169
8/1/2020	685,675.00	-	216,098	-	40,000	941,773
8/1/2021	687,950.00	-	222,581	-	40,000	950,531
8/1/2022	689,710.00	-	229,258	-	40,000	958,968
8/1/2023	685,955.00	-	236,136	-	40,000	962,091
8/1/2024	686,942.50	-	243,220	-	40,000	970,162
8/1/2025	686,767.50	-	250,516	-	40,000	977,284
8/1/2026	686,042.50	-	258,032	-	40,000	984,074
8/1/2027	689,767.50	-	265,773	-	40,000	995,540
8/1/2028	687,667.50	-	273,746	-	40,000	1,001,414
8/1/2029	690,017.50	-	281,958	-	40,000	1,011,976
8/1/2030	686,542.50	-	290,417	-	40,000	1,016,960
8/1/2031	687,517.50	-	299,130	-	40,000	1,026,647
8/1/2032	687,667.50	-	308,104	-	40,000	1,035,771
8/1/2033	686,992.50	-	317,347	-	40,000	1,044,339
8/1/2034	690,492.50	-	326,867	-	40,000	1,057,360
8/1/2035	687,412.50	-	336,673	-	40,000	1,064,086
8/1/2036	688,485.00	-	346,773	-	40,000	1,075,258
8/1/2037	688,427.50	-	357,177	-	40,000	1,085,604
8/1/2038	687,240.00	-	367,892	-	40,000	1,095,132
8/1/2039	689,922.50	-	378,929	-	40,000	1,108,851
8/1/2040	686,192.50	-	390,296	-	40,000	1,116,489
8/1/2041	686,332.50	-	402,005	-	40,000	1,128,338
8/1/2042	690,060.00	-	414,066	-	40,000	1,144,126
8/1/2043	687,092.50	-	426,487	-	40,000	1,153,580
8/1/2044	687,712.50	-	439,282	-	40,000	1,166,995
8/1/2045	686,087.50	-	452,461	-	40,000	1,178,548
8/1/2046	687,737.50	-	466,034	-	40,000	1,193,772
8/1/2047	687,375.00	-	475,355	-	40,000	1,202,730

 Increases per CPI,
estimated 3%

SCHEDULE C

(IMPROVEMENTS)

**LIST OF DRAWINGS AND SPECIFICATIONS
GMP PRICING & ESTIMATING DOCUMENTS**

ARCHITECTURAL DRAWING LIST

SHEET #	SHEET TITLE
A-000 -	COVER SHEET - DRAWING LIST
A-001 -	SITE PLAN
A-002 -	FINISH SCHEDULE
A-100 -	BASEMENT PLAN
A-101 -	FIRST FLOOR PLAN
A-102 -	SECOND FLOOR PLAN
A-103 -	ROOF PLAN
A-200 -	ELEVATIONS
A-201 -	ELEVATIONS
A-202 -	ELEVATIONS
A-203 -	GLAZING TYPES AND SCHEDULE
A-300 -	SECTIONS
A-301 -	SECTIONS
A-350 -	WALL SECTIONS
A-400 -	RCP BASEMENT
A-401 -	RCP FIRST FLOOR
A-402 -	RCP SECOND FLOOR
A-500 -	INTERIOR ELEVATIONS, FIRST FLOOR CORRIDOR
A-501 -	INTERIOR ELEVATIONS, CAFETERIA AND KITCHEN
A-502 -	INTERIOR ELEVATIONS, COMPUTER AND SCIENCE
A-503 -	INTERIOR ELEVATIONS, SECOND FLOOR CORRIDOR
A-504 -	INTERIOR ELEVATIONS, TYP OFFICE AND CLASSROOM
A-505 -	INTERIOR ELEVATIONS, TYP WC AND JC

EXCAVATION DRAWING LIST

SHEET #	SHEET TITLE
A-000 - EX	COVER SHEET - DRAWING LIST
A-001 - EX	SITE - EXISTING SURVEY
A-020 - EX	3D DIAGRAM- CLEARING
A-030 - EX	EXCAVATION PLAN
A-040 - EX	SITE - GRADING PLAN
A-050 - EX	SITE - UTILITY PLAN
A-060 - EX	SITE - DRAINAGE PLAN
A-070 - EX	SITE - SITE - SOIL & SEDIMENT CTRL PLAN
S-100 - CN	STRUCTURAL - FOOTING AND FOUNDATION PLAN
A-300 - EX	BUILDING SECTIONS
A-350 EX	WALL SECTIONS
A-700 - EX	SITE - DRAINAGE DETAILS
A-701 - EX	SITE - DRAINAGE DETAILS

ROUGH CARPENTRY DRAWING LIST

SHEET #	SHEET TITLE
A-000 - RC	COVER SHEET - DRAWING LIST
D-100 - RC	DEMO BASEMENT PLAN EXISTING BUILDING
D-101 - RC	DEMO FIRST FLOOR PLAN EXISTING BUILDING
A-100a - RC	BASEMENT PLAN EXISTING BUILDING
A-101a - RC	1ST FLOOR PLAN EXISTING BUILDING
A-100b - RC	BASEMENT PLAN NEW CONSTRUCTION
S-101 - RC	SILL PLATE FOUNDATION PLAN
A-300 - RC	BUILDING SECTIONS
A-400a - RC	BASEMENT RCP EXISTING BUILDING
A-400b - RC	BASEMENT RCP NEW CONSTRUCTION
A-401a - RC	FIRST FLOOR RCP EXISTING BUILDING
A-700 - RC	WALL AND CEILING TYPES
A-701 - RC	DOOR TYPES

EXTERIOR CLADDING

SHEET #	SHEET TITLE
A-000 - CL	COVER SHEET - DRAWING LIST
A-100 - CL	FIRST FLOOR PLAN
A-200 - CL	NORTH & EAST ELEVATIONS
A-201 - CL	SOUTH & WEST ELEVATIONS
A-202 - CL	COURTYARD ELEVATIONS
A-700 - CL	CLADDING DETAILS

VAPOR MITIGATION DRAWING LIST

SHEET #	SHEET TITLE
A-000 - VM	COVER SHEET - DRAWING LIST
A-100a - VM	FOOTINGS PLAN
A-101a - VM	FOOTINGS PLAN WITH CRAWL SPACE
A-100b - VM	FOUNDATION PLAN
A-101b - VM	FOUNDATION PLAN WITH CRAWL SPACE
A-700 - VM	TYPICAL DETAILS

CONCRETE DRAWING LIST

SHEET #	SHEET TITLE
A-000 - CN	COVER SHEET - DRAWING LIST
S-001 - CN	GENERAL NOTES
S-002 - CN	CONCRETE SCHEDULE
S-100a - CN	CONCRETE FOOTING PLAN
S-100b - CN	CONCRETE FOUNDATION PLAN
S-250 - CN	CONCRETE ELEVATIONS
A-300 - CN	BUILDING SECTIONS
A-350 - CN	WALL SECTIONS
A-700 - CN	TYPICAL CONCRETE DETAILS
A-701 - CN	TYPICAL CONCRETE DETAILS
A-702 - CN	TYPICAL CONCRETE DETAILS

WATERPROOFING DWG LIST

SHEET #	SHEET TITLE
A-000 - WP	COVER SHEET - DRAWING LIST
S-100a - WP	STRUCTURAL - FOOTING AND FOUNDATION PLAN
S-100b - WP	STRUCTURAL - FOOTING AND FOUNDATION PLAN
A-300 - WP	BUILDING SECTIONS
A-350 - WP	WALL SECTIONS
A-700 - WP	TYPICAL WATERPROOFING DETAILS

MECHANICAL DRAWING LIST

SHEET #	SHEET TITLE
M-000	COVER SHEET - DRAWING LIST
M-001	HVAC SCHEDULES, SYMBOLS LIST, ABBREVIATIONS
M-100	HVAC BASEMENT FLOOR PLAN
M-101	HVAC FIRST FLOOR PLAN
M-102	HVAC SECOND FLOOR PLAN
M-103	HVAC ROOF PLAN
A-300-M	ARCHITECTURAL BUILDING SECTIONS

ELECTRICAL DRAWING LIST

SHEET #	SHEET TITLE
A-000 -	COVER SHEET - DRAWING LIST, NOTES & ABBREV.
E-001 -	EQUIPMENT AND LIGHTING SCHEDULE
E-002 -	ELECTRICAL RISER DIAGRAM
E-050 -	LIGHTING SITE PLAN
E-100a -	ELECTRICAL BASEMENT PLAN
E-100b -	ELECTRICAL BASEMENT PLAN
E-101a -	ELECTRICAL 1ST FLOOR PLAN
E-101b -	ELECTRICAL 1ST FLOOR PLAN
E-102 -	ELECTRICAL 2ND FLOOR PLAN
E-103 -	ELECTRICAL ROOF PLAN
E-400 -	ELECTRICAL LIGHTING BASEMENT PLAN
E-401 -	ELECTRICAL LIGHTING 1ST FLOOR PLAN
E-402 -	ELECTRICAL LIGHTING 2ND FLOOR PLAN

ELEVATOR DRAWING LIST

SHEET #	SHEET TITLE
A-000 - ELEV	COVER SHEET - DRAWING LIST
A-750 - ELEV	PLANS, SECTIONS, DETAILS

PLUMBING DRAWING LIST

SHEET #	SHEET TITLE
P-000	COVER SHEET - DRAWING LIST
P-002	PLUMBING SCHEDULES
P-003	PLUMBING SANITARY RISER DIAGRAMS
P-100 - D	PLUMBING BASEMENT DEMO PLAN
P-101 - D	PLUMBING FIRST FLOOR DEMO PLAN
P-100	PLUMBING BASEMENT FLOOR PLAN
P-101	PLUMBING FIRST FLOOR PLAN
P-102	PLUMBING SECOND FLOOR PLAN
P-103	ROOF PLAN

SPRINKLER DRAWING LIST

SHEET #	SHEET TITLE
SP-000	COVER SHEET - DRAWING LIST
SP-001	SYMBOLS, DETAILS & RISER DIAGRAM
SP-100	BASEMENT SPRINKLER PLAN
SP-101	FIRST FLOOR SPRINKLER PLAN
SP-102	SECOND FLOOR SPRINKLER PLAN

FIRE ALARM DRAWING LIST

SHEET #	SHEET TITLE
FA-000	COVER SHEET - DRAWING LIST
FA-001	FIRE ALARM RISER DIAGRAM
FA-100	FIRE ALARM BASEMENT PLAN
FA-101	FIRE ALARM FIRST FLOOR PLAN
FA-102	FIRE ALARM SECOND FLOOR PLAN

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APPENDIX G
Form of Bond Counsel Opinion

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February 28, 2013

New Jersey Economic Development Authority
36 West State Street
PO Box 990
Trenton, New Jersey 08625

Re: \$10,010,000 Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project), Series 2013

To Whom It May Concern:

We have examined a record of proceedings relating to the issuance by the New Jersey Economic Development Authority, a public body corporate and politic, constituting an instrumentality of the State of New Jersey (the "Authority") of its \$9,620,000 Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project) Series 2013 A (Tax-Exempt) (the "Series 2013A Bonds") and its \$390,000 Charter School Revenue Bonds (Lady Liberty Academy Charter School, Inc. Project) Series 2013 B (Taxable) (the "2013B Bonds"). The 2013A Bonds and the 2013B Bonds are hereinafter referred to as the "2013 Bonds."

The Bonds are issued under and pursuant to Chapter 80 of the Pamphlet Laws of 1974 of New Jersey, as amended and supplemented, (the "Act") and a Bond Resolution of the Authority adopted October 9, 2012 (as so amended, the "Bond Resolution").

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New Jersey Economic Development Authority
February 28, 2013
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The Bonds are initially issued in the form of fully registered bonds numbered RA-1, RA-2, RA-3, RA-4 and RB-1, respectively, and upward and in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The 2013A Bonds are dated February 28, 2013, mature, bear interest and are redeemable prior to maturity all as more particularly described therein. The 2013 B Bonds are dated February 28, 2013, mature, bear interest and are redeemable prior to maturity all as more particularly described therein.

The Bonds are issued for the purpose of financing a project for BWP School Partners, LLC, a New Jersey limited liability company, whose sole member is Build With Purpose, Inc., a New Jersey not-for-profit corporation (the "Borrower"), which consists of (i) the acquisition of a long-term interest in the building at 746 Sandford Ave. in the City of Newark, County of Essex, which is being used as a school, and (ii) the construction of 23,000 sq. ft. of additional space, to be used by Lady Liberty Academy Charter School, Inc., to be used as part of the school (the "Project"), all as set forth in the Bond Resolution and the Agreement (defined below). The Project is to be subleased to Lady Liberty Academy Charter School, Inc. The Authority and the Borrower have entered into a Loan Agreement dated as of February 1, 2013 (the "Agreement") providing, among other things, for the making of a loan (the "Loan") to the Borrower in order to finance the Project. The Authority and U.S. Bank National Association (the "Trustee") have executed a Trust Indenture dated as of February 1, 2013 (the "Indenture") pursuant to which the Authority has assigned to the Trustee, as security for the payment of the Bonds, certain of its rights under the Agreement. Capitalized terms used herein and not defined herein shall have the same meaning given to them as in the Agreement.

We are of the opinion that:

1. The Authority is duly created and validly existing under the Act, and it has good right and lawful authority (a) to enter into the Agreement and make the Loan contemplated thereby and (b) to enter into the Indenture and assign its rights and pledge its revenues to be derived therefrom pursuant to the Indenture as security for the payment of the Bonds in accordance with its terms.

2. The Agreement, the Indenture, the Bond Purchase Agreement dated February 20, 2013 (the "Purchase Agreement") by and among the Authority, the Borrower and RBC Capital Markets, LLC, as the Underwriter, have each been duly authorized, executed and delivered by the Authority, and assuming the due authorization, execution and delivery by the other parties thereto, are each in full force and effect and constitute, legal, valid and binding agreements by and among the parties thereto, enforceable in accordance with their respective terms. In the Indenture, the Authority has duly and validly assigned to the Trustee certain of its rights and interests in the Agreement as security for the payment of the Bonds.

3. The Bonds have been duly authorized, executed and issued by the Authority in accordance with law, and are valid, legal and binding special limited obligations of the Authority, the principal of, premium, if any, and interest on which are payable solely from the

WOLFF • SAMSON

New Jersey Economic Development Authority
February 28, 2013
Page 3

revenues and other moneys of the Authority derived from financing the Project and pledged therefor pursuant to the Agreement and the Indenture. The Bonds are enforceable in accordance with their terms and are entitled to the benefit of the Act. All conditions precedent to the delivery of the Bonds have been fulfilled.

4. (a) Interest on the Series 2013A Bonds is not includable in gross income for income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), subject to the limitations set forth in paragraph 4(c) hereof.

(b) The Code establishes certain conditions which must be met in order that said interest on the Series 2013A Bonds remains not includable in gross income for income tax purposes under the provisions thereof. The Agreement specifies those conditions which we deem are necessary in order that said interest on the Series 2013A Bonds be deemed and remain not includable in gross income for tax purposes under Section 103 of the Code. Pursuant to the Agreement, the Borrower has made certain representations and has covenanted not to take any action, or omit to take any action, which act or omission would adversely affect such tax-exempt status of interest on the Series 2013A Bonds under Section 103 of the Code. Misrepresentations or non-compliance with any of the foregoing covenants may cause interest on the Series 2013A Bonds to lose such tax-exempt status retroactively to the date of issuance. In rendering our opinion in paragraphs 4 and 5 hereof, we have assumed that such conditions in fact will be met.

(c) Our opinion is subject to the following tax consequences arising under the Code:

(i) Interest on the Series 2013A Bonds held by certain corporations may be included in the "adjusted net book income" calculation and the "adjusted current earnings" calculation for federal alternative minimum tax; and

(ii) Ownership of the Series 2013A Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2013A Bonds. No opinion is expressed with regard to the foregoing collateral Federal income tax consequences enumerated in this paragraph (ii).

5. The offering and sale of the Bonds are not required to be registered under the Securities Act of 1933, as amended, and such registration is not required under the rules and regulations of the Securities and Exchange Commission promulgated under such Act as presently enforced. The Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

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New Jersey Economic Development Authority
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Page 4

6. Interest on the Series 2013A and Series 2013B Bonds and the gain on the sale thereof are exempt from inclusion as gross income under the New Jersey Gross Income Tax Act (P.L. 1976, Chapter 47).

The foregoing opinions are also qualified to the extent that the enforceability of the 2013 Bonds, the Agreement, the Indenture and the Purchase Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors' rights generally and the application of general principles of equity.

In rendering this opinion, we have relied as to the power of the Borrower to enter into and the due authorization, execution and delivery of the Agreement and the other Loan Documents, on the opinion of E Glanz Associates, counsel to the Borrower.

We have examined the executed Bonds No. RA-1, RA-2, RA-3 and RB-1 and, in our opinion, the form of such Bonds and their execution are regular and proper.

Notwithstanding anything to the contrary herein, we acknowledge that this opinion is a government record subject to release under the Open Public Records Act (N.J.S.A. 47: 1A-1 et seq.).

Very truly yours,

APPENDIX H
Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT is executed and delivered as of February 28, 2013, by and among BWP School Partners, LLC (the “Borrower”), Lady Liberty Academy Charter School (the “School”), and U.S. Bank National Association, as trustee (the “Trustee”).

WITNESSETH:

WHEREAS, pursuant to the Bond Purchase Agreement dated February 20, 2013, by and among the New Jersey Economic Development Authority (the “Authority”), the Borrower, and RBC Capital Markets, LLC as the underwriter (the “Underwriter”), the Authority is selling \$9,620,000 aggregate principal amount, of the Charter School Revenue Bonds (Lady Liberty Academy Charter School Project) Series 2013 A and \$390,000 aggregate principal amount, of the Charter School Revenue Bonds (Lady Liberty Academy Charter School Project) Series 2013 B (collectively, the “Bonds”) to the Underwriter; and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements contained herein, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Definitions.

In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System (www.emma.msrb.org).

“Sublease” shall mean that certain sublease agreement by and between the Borrower and the School dated as of February 28, 2013, for the property located at 746 Sandford Avenue, Newark, New Jersey.

“Loan Agreement” shall mean the Loan Agreement dated as of February 1, 2013, between the Authority and the Borrower.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Trust Indenture” shall mean the Trust Indenture, dated as of February 1, 2013, between the Authority and the Trustee.

Terms not otherwise defined herein shall have the same meanings as in the Trust Indenture.

Section 2. Covenants of the Borrower and the School.

The Borrower and the School, each for itself only, respectively, covenant as follows:

(a) The Borrower shall deliver to each of the Authority, the Trustee and the MSRB, through EMMA, within 180 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2012 certain financial information and other operating data with respect to the Borrower (collectively, the “Annual Report”), as follows:

- (1) The financial statements of the Borrower for the most recent fiscal year and prepared in accordance with accounting principles generally accepted in the United States of America, applied on a consistent basis, and audited by the Borrower’s independent certified public accountants in accordance with auditing standards generally accepted in the United States of America, which financial statements shall be accompanied by a calculation for such fiscal year of compliance with the debt service coverage ratio required by the Loan Agreement;
- (2) A summary of the aggregate amounts of insurance carried by the Borrower for primary business purposes as of the date of each Annual Report; and
- (3) A summary of any significant and financially material litigation to which the Borrower is a party, if any.

(b) The School shall deliver to each of the Authority, the Trustee and the MSRB, through EMMA, the following reports at the times set forth below:

- (1) Within fourteen (14) days of delivery to the State of New Jersey or the New Jersey Department of Education (“DOE”), a copy of the School’s adopted annual budget for the present Fiscal Year;
- (2) Within fourteen (14) days of delivery to the DOE, a copy of the School’s annual financial report, together with a copy of any management letter delivered by the auditors in connection with such report;
- (3) A copy of revisions, if any, to the School’s annual budget as approved by its governing board within 30 days of adoption;

(4) A copy of every notice and report required to be provided to the Nationally Recognized Municipal Securities Information Repository at the same time required to be provided thereto;

(c) Simultaneously with the delivery of the annual financial report pursuant to Section (b)(2) above, the School shall provide:

- (1) a copy (which may be by electronic transfer) of each October 15 Enrollment Count provided to the DOE.
- (2) a copy of the School's Annual Report, including the results of state-mandated student achievement tests; and
- (3) a certificate executed by the School's lead person or the school business administrator stating that he/she is familiar with the provisions of the Sublease and the Tax Certificate and to the best of his/her knowledge, based on such review and familiarity, the School has fulfilled all of its obligations thereunder throughout the Fiscal Year, and there have been no defaults under the Sublease or the Tax Certificate or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to him/her and the nature and status thereof and the actions taken or being taken to correct such default.

(d) In a timely manner, not in excess of ten (10) business days after the occurrence of the event, the Borrower and the School shall deliver to the Authority, the Trustee and the MSRB, through EMMA, notice of any of the following events (collectively, "Reportable Events") with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of any credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (7) Modifications to rights of the Bondholders, if material;
- (8) Unscheduled bond calls, if material;
- (9) Tender offers;
- (10) Defeasances;
- (11) Release, substitution, or sale of property securing payment of the Bonds, if material;
- (12) Rating changes on the Bonds or on any other debt for which the Borrower or the School is obligated;
- (13) Bankruptcy, insolvency, receivership or similar proceeding of the Borrower or the School;
- (14) The consummation of a merger, consolidation, or acquisition involving the Borrower or the School or the sale of all or substantially all of the assets of the Borrower or the School, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(e) In a timely manner, the Borrower and the School shall each give to the Trustee, the Authority and the MSRB, through EMMA, notice of any failure by the Borrower or the School to provide any information required pursuant to subsection (a) above on or before the date specified in subsection (a) above.

(f) The Borrower and the School shall each send to the Trustee and the Authority concurrently with the delivery of any information required pursuant to subsection (a) or (b) above a certificate signed by an authorized officer of the Borrower, stating that it has filed such information with the MSRB, through EMMA.

(g) The Borrower and the School each respectively agree to provide information required in subsection (a), (b) and (c) above for all persons who are determined by it to be “Obligated Persons” under the Rule.

(h) The Borrower and the School each agree that the provisions of this Section 2 shall be for the benefit of the registered holders and beneficial owners of the Bonds and the Authority, and shall be enforceable by any holders or beneficial owners of the Bonds, or by the Trustee on their behalf, in accordance with the provisions of Section 7 herein.

(h) The obligations of each of the Borrower and the School under this Section 2 shall be independent and shall only apply to each of the Borrower or the School individually and neither the Borrower nor the School shall be charged with knowledge of the actions or inactions of the other or be responsible for the actions or inactions of the other party.

Section 3. Duties of Trustee.

The Trustee shall have no responsibility or liability in connection with the Borrower's or the School's filing obligations under this Continuing Disclosure Agreement. The Trustee shall have only those duties specifically set forth in this Continuing Disclosure Agreement and no other duties shall be implied. The Borrower or the School, respectively, agree to indemnify and save the Trustee, its officers, directors, employees and agents (collectively, the "Indemnitees"), from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket expenses, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Trustee is authorized to rely pursuant to the terms of this Continuing Disclosure Agreement, unless such Losses shall be caused by the gross negligence or willful misconduct of the Trustee. In addition to and not in limitation of the immediately preceding sentence, the Borrower and the School, respectively, also covenant and agree to indemnify and save the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's performance under this Continuing Disclosure Agreement provided the Trustee has not acted with gross negligence or in violation of this Continuing Disclosure Agreement or engaged in willful misconduct. The provisions of this Section 3 shall survive the termination of this Continuing Disclosure Agreement and the resignation or removal of the Trustee for any reason. Anything in this Continuing Disclosure Agreement to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 4. Termination of Reporting Obligations.

The Borrower's and the School's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Borrower's obligations with respect to the payment of the Bonds are assumed in full by some other entity, such other entity shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the Borrower, and the Borrower shall have no further responsibility hereunder. In addition, the Borrower's and the School's obligation to provide information and notices as specified in Section 2 hereof shall terminate (a) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (b) in the event of a repeal or rescission of the Rule or (c) upon a determination that the Rule is invalid or unenforceable.

Section 5. Third Party Beneficiary; Indemnification of Authority.

The Authority shall be a third party beneficiary of this Continuing Disclosure Agreement. In addition, the Authority shall have no responsibility or liability for the Borrower's or the School's compliance with this Continuing Disclosure Agreement, or in connection with the Borrower's or the School's obligations under this Continuing Disclosure Agreement or for the compliance of this Continuing Disclosure Agreement or the contents of the annual financial or other information filed or notices provided in accordance with Section 2 hereof with the requirements of the Rule. The Borrower and the School, respectively, agree to indemnify and save the Authority, its members, officers, employees and agents, harmless against any claim, loss, expense (including reasonable attorneys' fees and expenses) or liability arising from or based upon (i) any breach by the Borrower or the School of this Continuing Disclosure Agreement or (ii) any information or notices provided under this Continuing Disclosure Agreement or any omission therefrom. This provision shall survive the termination of this Continuing Disclosure Agreement.

Section 6. Amendment.

The Borrower, the School, and the Trustee may amend this Continuing Disclosure Agreement and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (a) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the Borrower or the School or the operations conducted by the Borrower or the School, (b) this Continuing Disclosure Agreement, as modified by the amendment or waiver complies with the requirements of the Rule, (c) the amendment or waiver does not materially impair the interest of the registered owners of the Bonds or the Authority, and (d) the amendment or waiver is executed and delivered by all parties hereto. With respect to any amendment to a provision affecting the Authority, the Authority's written assent thereto shall be required. Prior to executing any requested amendment, the Trustee may request the Borrower or the School to provide an opinion, addressed to Trustee, of counsel knowledgeable in federal securities laws and not unacceptable to the Trustee to the effect that the proposed amendment satisfies the requirements described above, which opinion the Trustee may exclusively rely upon. In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrower or the School shall describe such amendment in its next annual report delivered pursuant to Section 2(a) or (b) respectively hereof, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i.e., changes other than those prescribed by generally accepted accounting principles), (i) notice of such change shall be given pursuant to the Reportable Event notice requirements as set forth in this Continuing Disclosure Agreement; and (ii) the annual report for the year in which the change is made will present a comparison between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. To the extent that the Rule requires or permits an approving vote of beneficial owners of the Bonds in connection with an amendment, the approving vote of beneficial owners of Bonds constituting more than 50% of the aggregate principal amount of the then outstanding Bonds shall constitute such

approval. The Borrower or the School shall provide notice of any amendment to this Continuing Disclosure Agreement to the MSRB, through EMMA, and to the registered holders of the Bonds.

Section 7. Remedies for Default.

In the event of a breach or default by the Borrower or the School of either of their covenants to provide annual financial information and notices as provided in Section 2 hereof, the Trustee or any registered holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the Borrower or the School, respectively. A breach or default under this Continuing Disclosure Agreement shall not constitute default or an event of default under the Bonds, the Trust Indenture, the Loan Agreement executed in connection therewith, or any other agreement. The Trustee shall be under no obligation to enforce this Continuing Disclosure Agreement unless (a) directed in writing by the registered holders or beneficial owners of at least 25% of the outstanding principal amount of the Bonds and (b) furnished with indemnity and security for expenses satisfactory to it in its sole discretion.

Section 8. Miscellaneous.

(a) Binding Nature of Agreement. This Continuing Disclosure Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 8 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Continuing Disclosure Agreement, except as required by the Rule. Holders of book-entry credits evidencing an interest in the Bonds may file their names and addresses with the Authority for the purposes of receiving notices or giving direction under this Continuing Disclosure Agreement.

(b) Notices. All notices and other communications required or permitted under this Continuing Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee or when deposited in the United States mails, registered or certified mail, postage prepaid, return receipt requested), addressed or sent as set forth below:

(i) To the Trustee at:

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, NJ 07960
Attention: Corporate Trust Department

(ii) To the Borrower at:

BWP School Partners, LLC
c/o Build with Purpose

224 Main Street
Metuchen, NJ 08840
Attention: President

(iii) To the School at:

Lady Liberty Academy Charter School
15 Frank E. Rodgers Blvd. South
Harrison, NJ 07029
Attn: School Business Administrator

(iv) To the Authority at:

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, NJ 08625
Attention: Director - Bonds and Incentives

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

(c) Execution in Counterparts. This Continuing Disclosure Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Continuing Disclosure Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall be executed by all of the parties hereto.

(d) Controlling Law. This Continuing Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the State of New Jersey and the Rule.

(e) Successor and Assigns. Notwithstanding anything herein to the contrary, any successor trustee under the Trust Indenture under which the Bonds were issued shall automatically succeed to the rights and obligations of the Trustee under this Continuing Disclosure Agreement.

Section 9. No Recourse to Authority.

No recourse shall be had for the performance of any obligation, agreement or covenant of the Borrower, the School, the Trustee or the Dissemination Agent under this Continuing Disclosure Agreement against the Authority or against any member, official, employee, counsel, consultant and agent of the Authority or any person executing the Bonds.

IN WITNESS WHEREOF, the parties hereto have executed this Continuing Disclosure Agreement as of the date first above written.

BWP SCHOOL PARTNERS, LLC

By:_____

Brian Keenan
President

LADY LIBERTY ACADEMY CHARTER
SCHOOL

By:_____

K. Anthony Thomas
President, Board of Trustees

U.S. BANK NATIONAL ASSOCIATION

By:_____

Rick Barnes,
Vice President

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