

NEW ISSUE/BOOK ENTRY ONLY

Ratings: S&P Insured: AAA
S&P Underlying: A+
Moody's Insured: Aaa

In the opinion of Phillips Lytle LLP, Bond Counsel, based upon existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Series 2006 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) such interest is not treated as a preference item in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals or corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the further opinion of Bond Counsel, interest on the Series 2006 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), and the Series 2006 Bonds are exempt from all taxation directly imposed thereon by or under the authority of said State, except for transfer and estate taxes. See "TAX MATTERS" herein.

\$55,000,000

**NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(COLD SPRING HARBOR LABORATORY PROJECT), SERIES 2006**

Dated: Date of Delivery

Price: 100%

Due: January 1, 2042

The Series 2006 Bonds are issued pursuant to a Trust Indenture dated as of June 1, 2006 between the Nassau County Industrial Development Agency (the "Agency") and The Bank of New York, as Trustee. The Trustee is Bond Registrar and Paying Agent for the Series 2006 Bonds. The Series 2006 Bonds are special limited obligations of the Agency payable by the Agency solely from the lease rental payments to be made by the Laboratory with respect to the Facility and the amounts on deposit in certain Funds and Accounts established under the Indenture. The Series 2006 Bonds are further secured by a Guaranty Agreement from Cold Spring Harbor Laboratory (the "Laboratory") to the Trustee.

The Series 2006 Bonds will initially be issued as bonds that bear interest at the Auction Rate (hereinafter the "ARS Rate") but may be converted by the Agency in whole or in part at the direction of the Laboratory, subject to certain restrictions, to bear interest at different interest rate modes including the Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate, and will be subject to mandatory tender on the conversion date. The Series 2006 Bonds will bear interest from their date of delivery for the initial period as set forth on the inside front cover of this Official Statement at the initial rate established by the Underwriter and thereafter at the seven-day Auction Period and at the Auction Rates determined pursuant to the Auction Procedures (defined herein) and set forth in Appendix I hereto. While the Series 2006 Bonds are in the Auction Rate Period, a beneficial owner of a Series 2006 Bond may sell, transfer or dispose of a Series 2006 Bond only in accordance with the Auction Procedures.

The Series 2006 Bonds are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2006 Bonds will be made in book-entry-only form, in the denomination of \$25,000 or any integral multiple thereof while the Series 2006 Bonds are in the Auction Rate Period. Purchasers of beneficial interests will not receive certificates representing their interests in the Series 2006 Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2006 Bonds. See "DESCRIPTION OF THE SERIES 2006 BONDS — DTC Book-Entry Only System" herein. The Series 2006 Bonds will be subject to optional and mandatory redemption and mandatory tender upon a change in Interest Rate Mode, as described herein.

The Bank of New York will act as the initial Auction Agent and J.P. Morgan Securities Inc. will act as the initial Broker-Dealer for the Series 2006 Bonds.

This Official Statement in general describes the Series 2006 Bonds only while the Series 2006 Bonds bear interest at the ARS Rate.

NEITHER THE STATE OF NEW YORK NOR NASSAU COUNTY IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2006 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW YORK OR NASSAU COUNTY IS PLEDGED TO SUCH PAYMENT. THE SERIES 2006 BONDS SHALL NOT BE PAYABLE OUT OF ANY FUNDS OF THE NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY (THE "AGENCY") OTHER THAN THOSE PLEDGED THEREFOR. THE AGENCY HAS NO TAXING POWER.

Payment of the (i) principal of the Series 2006 Bonds when due (other than upon advancement of such payment as a result of a declaration of acceleration following the occurrence of an Event of Default, optional and special mandatory redemption, or mandatory tender as more fully described herein), and (ii) interest on the Series 2006 Bonds when due, will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series 2006 Bonds by Financial Guaranty Insurance Company.



The Series 2006 Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of legality by Phillips Lytle LLP, Garden City, New York, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Laboratory by its counsel, Nixon Peabody LLP, New York, New York; and for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that delivery of the Series 2006 Bonds in definitive form will take place on or about June 27, 2006, in New York, New York.

JPMorgan

The date of this Official Statement is June 21, 2006.

\$55,000,000
NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(COLD SPRING HARBOR LABORATORY PROJECT), SERIES 2006

Dated: Date of Delivery
Cusip No.: 631657JS3⁽¹⁾

Interest Payment Date: The Business Day immediately following the Auction Period (generally every Wednesday) except for Series 2006 Bonds in a Daily Auction Period or a Flexible Auction Period.

Auction Rate Bonds due January 1, 2042 - Price 100%

Initial Pricing Date: June 26, 2006

Settlement Date: June 27, 2006

Length of Initial Period: 8 days

First Interest Payment Date: July 5, 2006

First Auction Date: July 3, 2006

Auction Period: 7 days

Auction Date: Generally every Tuesday

⁽¹⁾ The CUSIP number listed above is provided solely for the convenience of bondholders and neither the Agency nor the Laboratory makes any representation with respect to such number or undertakes any responsibility for its accuracy. The CUSIP number is subject to change after the issuance of the Series 2006 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Nassau County Industrial Development Agency (the "Agency"), Cold Spring Harbor Laboratory (the "Laboratory") or the Underwriter. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency or the Laboratory since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2006 Bonds in any jurisdiction in which such offer, solicitation or sale is not qualified under applicable law or to any person to whom it is unlawful to make such offer, solicitation or sale.

The Agency assumes no responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the caption "THE AGENCY", all of which other information has been furnished by others. The information set forth herein under the captions "THE LABORATORY", "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" has been furnished by the Laboratory and from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, nor is it to be construed as a representation or warranty by, the Agency or the Underwriter.

The Series 2006 Bonds will not be registered under the Securities Act of 1933, as amended, and neither the Nassau County Industrial Development Agency nor the Underwriter intend to list the Series 2006 Bonds on any stock or other securities exchange. The Securities and Exchange Commission has not passed upon the accuracy or adequacy of this Official Statement. With respect to the various states in which the Series 2006 Bonds may be offered, no attorney general, state official, state agency or bureau, or other state or local governmental entity has passed upon the accuracy or adequacy of this Official Statement or passed upon or endorsed the merits of this offering or the Series 2006 Bonds.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2006 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006 BONDS AT LEVELS ABOVE THOSE 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 SERIES 2006 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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**Official Statement
relating to**

\$55,000,000

**NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
CIVIC FACILITY REVENUE BONDS
(COLD SPRING HARBOR LABORATORY PROJECT), SERIES 2006**

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is being distributed by the Nassau County Industrial Development Agency (the "Agency") and Cold Spring Harbor Laboratory (the "Laboratory"), a not-for-profit corporation organized and existing under the laws of the State of New York (the "State") and determined to be exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), to provide information with respect to the Agency's \$55,000,000 Civic Facility Revenue Bonds (Cold Spring Harbor Laboratory Project), Series 2006. The Agency is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized pursuant to the New York State Industrial Development Agency Act, constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended, and pursuant to Chapter 674 of the 1975 Laws of New York, as amended (collectively, the "Act"). Capitalized terms not defined in the body of this Official Statement shall have the meaning given those terms in Appendix D hereto.

The Series 2006 Bonds are authorized to be issued under and pursuant to the Act, a resolution of the Agency adopted on June 6, 2006, authorizing the Series 2006 Bonds, and an Trust Indenture dated as of June 1, 2006 (the "Indenture"), between the Agency and The Bank of New York, New York, New York, as trustee (the "Trustee"). The Trustee shall also serve as the Tender Agent, the Bond Registrar and the Paying Agent.

THE SERIES 2006 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY. NEITHER THE STATE OF NEW YORK NOR NASSAU COUNTY IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR INTEREST ON, THE SERIES 2006 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW YORK OR NASSAU COUNTY IS PLEDGED TO SUCH PAYMENT. THE SERIES 2006 BONDS SHALL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR. THE AGENCY HAS NO TAXING POWER.

The Series 2006 Bonds will be issued for the purpose of (i) paying a portion of the costs of the acquisition, construction, installation and equipping of a project (the "Project") as more fully described under the heading "THE PROJECT" herein, (ii) paying capitalized interest on the Series 2006 Bonds and (iii) paying certain costs of issuance of the Series 2006 Bonds. The land, buildings and structures constituting part of the Project are herein referred to as the "Facility Realty" and the machinery, equipment and other tangible personal property acquired and

installed as part of the Project are herein referred to as the “Facility Equipment.” The Facility Realty and the Facility Equipment are together herein referred to as the “Facility.” The Facility Realty will be leased by the Laboratory to the Agency pursuant to a Company Lease Agreement dated as of June 1, 2006 between the Laboratory, as Landlord, and the Agency, as tenant (the “Company Lease Agreement”), and concurrently subleased by the Agency to the Laboratory pursuant to the Lease Agreement dated as of June 1, 2006, between the Agency and the Laboratory (the “Lease Agreement”). The Lease Agreement requires the payment by the Laboratory of rentals sufficient to provide for the payment of the principal, Redemption Price, if applicable, interest on, and other amounts due with respect to, the Series 2006 Bonds as the same become due.

The Series 2006 Bonds will initially bear interest at the ARS Rate for a 7-day Auction Period. Under certain circumstances the method of calculating the interest rate borne by the Series 2006 Bonds may be converted by the Agency in whole or in part at the direction of the Laboratory, subject to certain restrictions, to bear interest at different interest rate modes including the Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate. See “DESCRIPTION OF THE SERIES 2006 BONDS.” In no event shall the interest rate payable on the Series 2006 Bonds during the ARS Rate Period exceed the lesser of 15% per annum or the maximum interest rate permitted by, or enforceable under, applicable law.

This Official Statement in general describes the Series 2006 Bonds only while the Series 2006 Bonds bear interest at a ARS Rate.

The payment of the principal of, redemption premium, if any, and interest on the Series 2006 Bonds will be secured by a pledge and assignment by the Agency of substantially all of its right, title and interest in and to the Lease Agreement (including certain of the lease rentals, receipts and revenues derived from or in connection with the Facility payable thereunder, but exclusive of certain retained rights) to the Trustee for the benefit of the owners of the Series 2006 Bonds. In addition, the payment of the principal, Redemption Price, if applicable, and interest on the Series 2006 Bonds is to be guaranteed pursuant to a Guaranty Agreement dated as of June 1, 2006 from the Laboratory to the Trustee (the “Guaranty Agreement”).

In addition, the payment of the principal and interest on the Series 2006 Bonds when due, will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series 2006 Bonds by Financial Guaranty Insurance Company.

The Series 2006 Bonds are issuable as fully registered bonds and when issued initially shall be issued only in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC is serving as the initial Securities Depository for the Series 2006 Bonds. Purchases of beneficial ownership interests in the Series 2006 Bonds may be made only through the DTC book-entry system and may be made only in minimum denominations of \$25,000 or any integral multiple in excess thereof. Beneficial Owners of the Series 2006 Bonds will not receive certificates representing their interests in the Series 2006 Bonds. So long as DTC or its nominee is the registered owner of the Series 2006 Bonds, references herein to Bondowners or owners of the Series 2006 Bonds shall mean Cede & Co., as aforesaid (except with respect to “TAX MATTERS” herein), and payments of principal or redemption premium, if any, and interest on the Series 2006 Bonds will be made

directly to DTC by The Bank of New York, as paying agent. See “DESCRIPTION OF THE SERIES 2006 BONDS - Book-Entry Only System” herein.

Brief descriptions of the Agency, the Laboratory and the Project, and certain provisions of the Series 2006 Bonds, the Indenture, the Company Lease Agreement, the Lease Agreement, the Guaranty Agreement and the Continuing Disclosure Agreement are set forth herein or in the Appendices. Such descriptions do not purport to be comprehensive or definitive. All references herein to the foregoing documents are qualified in their entirety by reference to such documents, and the description herein of the Series 2006 Bonds is qualified in its entirety by reference to the terms thereof. All such descriptions are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors’ rights generally. Copies of the foregoing documents may be obtained on and after the date of issuance of the Series 2006 Bonds from the Trustee at its office at The Bank of New York, 101 Barclay Street, Floor 21 W, New York, New York 10286, Attention: Corporate Trust Department.

THE INFORMATION APPEARING HEREIN RELATING TO THE LABORATORY AND THE PROJECT HAS BEEN FURNISHED BY THE LABORATORY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE AND NEITHER THE AGENCY NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE AGENCY

General

The Agency is a corporate governmental agency constituting a body corporate and politic and public benefit corporation of the State, duly created and validly existing under the laws of the State, including, particularly, the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended the “Enabling Act”) and together with Chapter 674 of the 1975 Laws of New York, as amended (which Chapter 674 of the 1975 Laws of New York, as amended, and the Enabling Act are herein collectively called the “Act”). The Agency was created for the purpose of promoting, developing, encouraging and assisting in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of, among others, industrial, manufacturing, warehousing, commercial, civic, research and recreational facilities, thereby advancing the job opportunities, health, general prosperity and economic welfare of the people of the State and improving their recreational opportunities, prosperity and standard of living.

Under the Act, the Agency has power to acquire, hold and dispose of personal property for its corporate purposes; to acquire, use for its corporate purposes and dispose of real property within the corporate limits of Nassau County; to appoint officers, agents and employees; to make contracts and leases; to acquire, construct, reconstruct, lease, improve, maintain, equip or furnish one or more “projects” (as defined in the Enabling Act); to borrow money and issue bonds and to provide for the rights of the holders thereof; to grant options to renew any lease with respect to any project and to grant options to buy any project at such price as the Agency may deem

desirable; to designate depositories for its moneys; and to do all things necessary or convenient to carry out its purposes and exercise the powers given in the Act.

The Series 2006 Bonds are limited obligations of the Agency, payable solely from amounts due under the Lease Agreement and amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture. Neither the general credit nor the taxing power of the County, the State or any other political subdivision thereof is pledged for the payment of the Series 2006 Bonds, nor shall the Series 2006 Bonds be or be deemed an obligation of the County, the State or any political subdivision thereof, other than as limited obligations of the Agency. The Agency has no taxing power.

THE SERIES 2006 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AGENCY NOR SHALL THE SERIES 2006 BONDS BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR.

NEITHER THE MEMBERS, DIRECTORS, OFFICERS OR AGENTS OF THE AGENCY NOR ANY PERSON EXECUTING THE SERIES 2006 BONDS SHALL BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY WITH RESPECT TO THE SERIES 2006 BONDS. AS THE SERIES 2006 BONDS ARE NOT PAID DIRECTLY OR INDIRECTLY FROM THE GENERAL CREDIT OF THE AGENCY OR ITS MEMBERS, DIRECTORS, OFFICERS OR AGENTS, NO FINANCIAL INFORMATION WITH RESPECT TO THE AGENCY OR ITS MEMBERS, DIRECTORS, OFFICERS OR AGENTS HAS BEEN INCLUDED IN THIS OFFICIAL STATEMENT.

THE AGENCY HAS NOT VERIFIED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN THE INFORMATION SET FORTH HEREIN UNDER "THE AGENCY" AND "LITIGATION" AS IT RELATES TO THE AGENCY ONLY.

Members of the Agency

The governing body of the Agency is appointed by the County Executive of the County subject to confirmation by the Nassau County Legislature. The Agency's board consists of currently five (5) members appointed by the County Executive of the County. Members of the Agency are appointed for indefinite terms and serve at the pleasure of the County Executive. The current members of the Agency are:

Howard Fensterman	Chairman
Gary Weiss	Vice Chairman
Peter Ruffner	Secretary
John E. Puckhaber	Treasurer
Mark Goldberg	Asst. Treasurer

The Executive Director of the Agency is Joseph Gioino, Esq.

The Agency has previously issued bonds for the purpose of financing other projects for other borrowers that are payable from revenues received from such other borrowers. The source of payment for other bonds previously issued by the Agency for other borrowers is separate and distinct from the source of payment of the Series 2006 Bonds, and accordingly, any default by any such other borrower with respect to any of such bonds is not considered a material fact with respect to the payment of the Series 2006 Bonds.

SECURITY FOR THE SERIES 2006 BONDS

Concurrently with the issuance of the Series 2006 Bonds, the Agency will enter into the Lease Agreement with the Laboratory. The Laboratory will be obligated under and pursuant to the Lease Agreement to make lease payments to the Trustee which in the aggregate will be an amount sufficient to pay the principal of, Redemption Price, if applicable, and interest on the Series 2006 Bonds as the same respectively become due.

Pursuant to the Indenture, the Agency has assigned to the Trustee substantially all of its right, title and interest in and to the Lease Agreement, including all rights to receive lease rental payments sufficient to pay the principal, Redemption Price, if applicable, and interest on, the Series 2006 Bonds as the same become due, to be made by the Laboratory pursuant to the Lease Agreement, but excluding certain rights special to the Agency or the Agency's statutory purposes. In addition the payment of the principal of, Redemption Price, if applicable, and interest on the Series 2006 Bonds is to be guaranteed by the Laboratory to the Trustee pursuant to the Guaranty Agreement.

THE SERIES 2006 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY, PAYABLE BY THE AGENCY AS TO PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND INTEREST SOLELY FROM THE TRUST ESTATE. THE SERIES 2006 BONDS ARE NOT A DEBT OF THE STATE OR OF THE COUNTY AND NEITHER THE STATE NOR THE COUNTY SHALL BE LIABLE THEREON. NEITHER THE STATE NOR THE COUNTY IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, REDEMPTION PRICE, IF APPLICABLE, OF, OR INTEREST ON THE SERIES 2006 BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR THE COUNTY IS PLEDGED TO SUCH PAYMENT. THE SERIES 2006 BONDS SHALL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR. THE AGENCY HAS NO TAXING POWER.

Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2006 Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

THE PROJECT

The proceeds of the Series 2006 Bonds will be used to finance a portion of the costs of the acquisition, construction, installation and equipping by the Laboratory of a project (the "Project") consisting of: (1) the construction of six (6) research buildings and a chiller building comprising approximately 120,000 aggregate square feet of space, together with related site

improvements, on an approximately 11 acre site and the acquisition and installation therein and thereon of certain furniture, fixtures, machinery and equipment; and (2) capital improvements to, and the acquisition of furniture, fixtures or equipment in, other existing buildings and structures, all located on the Laboratory's main campus located in the Village of Laurel Hollow, Town of Oyster Bay, County of Nassau, New York.

DESCRIPTION OF THE SERIES 2006 BONDS

General

The Series 2006 Bonds will be issued pursuant to the Indenture. The Series 2006 Bonds will be issued initially as bonds that bear interest at the ARS Rate but may be converted by the Agency in whole or in part at the direction of the Laboratory, subject to certain restrictions, to bear interest at different interest rate modes including the Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate. Upon conversion from the ARS Rate to a different interest rate mode, the Series 2006 Bonds, will be subject to mandatory tender on the conversion date at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to such date. See "Conversion of Series 2006 Bonds to Another Interest Rate Mode" below.

The Series 2006 Bonds will be dated their date of delivery, and will bear interest from their date of delivery through and including July 4, 2006 (the "Initial Period") as set forth on the inside front cover of this Official Statement at the rate established by J.P. Morgan Securities Inc. and thereafter at the ARS Rate determined pursuant to the Auction Procedures (as hereinafter defined). Following the Initial Period, the Series 2006 Bonds will initially bear interest for seven-day Auction Periods but all or a portion of the Series 2006 Bonds, as the case may be, can be converted to a daily, 28-day, 35-day, three-month, a semiannual or a Flexible Auction Period. See "APPENDIX I – ARS PROVISIONS." Interest on the Series 2006 Bonds in an Auction Period of 180 days or less will be computed on the basis of a 360-day year for the actual number of days elapsed. Interest on the Series 2006 Bonds in an Auction Period of more than 180 days will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2006 Bonds will be issued as fully registered bonds without coupons and in denominations of \$25,000 or any integral multiple thereof while in the Auction Rate Period. The Series 2006 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2006 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2006 Bonds, the Series 2006 Bonds will be exchangeable for other fully registered certificated Series 2006 Bonds in any authorized denominations, maturity and interest rate. See "Book-Entry Only System" herein. The Trustee may impose a charge sufficient to reimburse the Agency, the Laboratory or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2006 Bond. The cost, if any, of preparing each new Series 2006 Bond issued upon such exchange or transfer, and any other expenses of the Agency, the Laboratory or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Series 2006 Bonds will be payable by wire or by check or draft mailed to the registered owners thereof. As long as the Series 2006 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein.

ARS Bonds

“ARS Rate” means the rate of interest to be borne by such Series 2006 Bonds during each Auction Period which (other than for the Initial Period) equals the Auction Rate for each Auction Period determined in accordance with the Auction Procedure set forth in the Indenture; provided, however, that, in the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period will be the same as the preceding Auction Period and the ARS Rate for the new Auction Period will be the same as the ARS Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period will be extended to the seventh day following the day that would have been the last day of such Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the ARS Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event the Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction will be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no ARS Rate shall be extended for more than 35 days. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, the ARS Rate shall be the Maximum Interest Rate.

In the event of a failed conversion from the ARS Rate to a different Interest Rate Mode or the failed conversion from one Auction Period to another Auction Period due to lack of Sufficient Clearing Bids, the Auction Period for affected Series 2006 Bonds will be a seven-day Auction Period and the affected Series 2006 Bonds will bear interest at the Maximum Interest Rate for the next Auction Period.

“Interest Payment Date” for Series 2006 Bonds bearing interest at the ARS Rate means July 5, 2006 for the Initial Period and thereafter: (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period; (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period; (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, for the Series 2006 Bonds, each January 1 and July 1 and on the Business Day immediately following such Flexible Auction Period; and (d) the maturity date.

“Auction Date” means (i) if the Series 2006 Bonds are in a daily Auction Period, each Business Day, (ii) if the Series 2006 Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and (iii) if the Series 2006 Bonds are in any other Auction

Period, the Business Day next preceding each Interest Payment Date for the Series 2006 Bonds (whether or not an Auction is conducted on such date); provided, however, that the last Auction Date with respect to the Series 2006 Bonds in an Auction Period other than the daily Auction Period or Flexible Auction Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for such Series 2006 Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for such Series 2006 Bonds; and provided, further, that if the Series 2006 Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for such Series 2006 Bonds and (y) the Business Day next preceding the final maturity date for such Series 2006 Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

“Auction Period” means (i) a Flexible Auction Period; (ii) with respect to Series 2006 Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day; (iii) with respect to Series 2006 Bonds in a seven-day Auction Period, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (iv) with respect to Series 2006 Bonds in a 28-day Auction Period, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (v) with respect to Series 2006 Bonds in a 35-day Auction Period, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (vi) with respect to Series 2006 Bonds in a three-month mode, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and (vii) with respect to Series 2006 Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding January 1 or July 1; provided, however, that if there is a conversion from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), if there is a conversion from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day)

which is more than 21 days but not more than 28 days from such date of conversion, and, if there is a conversion from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but not more than 35 days from such date of conversion.

Order to Existing Owners and Potential Owners

The procedure for submitting orders prior to the Submission Deadline on each Auction Date is set forth in the Indenture and described in Appendix I hereto as are the particulars with regard to the determination of the Auction Rate and the allocation of Series 2006 Bonds bearing interest at ARS Rates (collectively, the “Auction Procedures”).

Amendment of Auction Procedures

The provisions of the Indenture concerning the Auction Procedures including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Interest Rate, ARS Rate and Auction Rate, may be amended by obtaining the consent of the Bond Insurer and the owners of all Outstanding Series 2006 Bonds bearing interest at the ARS Rate. All owners shall be deemed to have consented if on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to such owners the ARS Rate determined for such date is the Winning Bid Rate or the All Hold Rate and there is delivered to the Laboratory and the Trustee an Opinion of Bond Counsel.

Conversion of Series 2006 Bonds to Another Interest Rate Mode

The Laboratory, with Bond Insurer consent and by written direction to the Agency, the Trustee and the Bond Insurer, may elect at any time that all or any portion of the Series 2006 Bonds may be converted to bear interest at a Daily Rate, Weekly Rate, Flexible Rate, Term Rate or a Fixed Rate. On the conversion date applicable to the Series 2006 Bonds to be converted, the Series 2006 Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any. The purchase price of the Series 2006 Bonds so tendered is payable solely from the proceeds of the remarketing of such Series 2006 Bonds. In the event that the conditions of a conversion are not satisfied, including the remarketing of all applicable Series 2006 Bonds on the mandatory tender date, the Series 2006 Bonds bearing interest at the ARS Rate shall not be subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Interest Rate. It is currently anticipated that, should any of the Series 2006 Bonds be converted to bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate, a remarketing memorandum or remarketing circular shall be distributed describing the Series 2006 Bonds during such Rate Period.

Conversion from One Auction Period to Another

On the conversion date for Series 2006 Bonds selected for conversion from one Auction Period to another, any Series 2006 Bonds which are not the subject of a specific Order shall be deemed to be subject to a Sell Order. In the event of a failed conversion to another Auction

Period due to the lack of Sufficient Clearing Bids, the Series 2006 Bonds shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Interest Rate. In connection with a conversion from one Auction Period to another, written notice of such conversion shall be given by the Laboratory to the Agency, the Trustee, the Bond Insurer, the Auction Agent, the Broker-Dealer and the Securities Depository in accordance with the Auction Procedures; however, the Series 2006 Bonds shall not be subject to mandatory tender on such conversion date.

Special Considerations Related to Auction Rate Securities

Securities and Exchange Commission Settlement

J.P. Morgan Securities Inc. has been appointed as the initial auction broker-dealer for the Bonds (the “Broker-Dealer”). On May 31, 2006, the SEC announced that it had settled its investigation against 15 firms, including the Broker-Dealer, that participate in the auction rate securities market regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Broker-Dealer agreed to pay a civil money penalty of \$1,500,000. In addition, the Broker-Dealer, without admitting or denying the SEC’s allegations, agreed to be censured, to cease and desist from violating certain provisions of the securities laws, to provide to customers written descriptions of its material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by the Broker-Dealer to conduct the auction process in accordance with disclosed procedures. No assurances are given as to how the settlement may affect the market for auction rate securities or the Series 2006 Bonds.

Bidding by Broker-Dealer

The Broker-Dealer is permitted, but not obligated, to submit Orders in Auctions for its own account either as a Bidder or a Seller and routinely does so in the auction rate securities market in its sole discretion. If the Broker-Dealer submits an Order for its own account, it would likely have an advantage over other Bidders because the Broker-Dealer would have knowledge of some or all of the other Orders placed through the Broker-Dealer in that Auction and, thus, could determine the rate and size of its Order so as to ensure that its Order is likely to be accepted in the Auction and that the Auction is likely to clear at a particular rate. For this reason, and because the Broker-Dealer is appointed and paid by the Laboratory to serve as a Broker-Dealer in the Auction, the Broker-Dealer’s interests in conducting an Auction may differ from those of Existing Holders and Potential Holders who participate in Auctions. See “Auction Dealer Fees.” The Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

The Broker-Dealer may place one or more Bids in an Auction for its own account to acquire Series 2006 Bonds for its own account, to prevent an Auction in which the Auction Agent does not receive sufficient Orders at or below the Maximum Interest Rate to purchase all the Series 2006 Bonds being sold (a “Failed Auction”) or to prevent an Auction from clearing at

a rate that the Broker-Dealer believes does not reflect the market for the Series 2006 Bonds. The Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When bidding for its own account, the Broker-Dealer may also bid outside or inside the range of rates that it posts in its Price Talk. See “Price Talk” below. The Broker-Dealer may also encourage bidding by others in Auctions, including to prevent a Failed Auction or an Auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for the Series 2006 Bonds. The Broker-Dealer may encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. The Broker-Dealer routinely places such bids, or encourages others to bid, in auctions relating to other auction rate securities.

Bids by the Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Auction Rate - including preventing the Auction Rate from being set at the Maximum Interest Rate or otherwise causing Bidders to receive a higher or lower rate than they might have received had the Broker-Dealer not bid or not encouraged others to bid and (ii) the allocation of the Series 2006 Bonds being auctioned - including displacing some Bidders who may have their Bids rejected or receive fewer Series 2006 Bonds than they would have received if the Broker-Dealer had not bid or encouraged others to bid. Because of these practices, the fact that an Auction clears successfully does not mean that an investment in the Series 2006 Bonds involves no significant liquidity or credit risk. The Broker-Dealer is not obligated to continue to place such Bids or encourage other Bidders to do so in any particular Auction to prevent an Auction from failing or clearing at a rate the Broker-Dealer believes does not reflect the market for the Series 2006 Bonds. Investors should not assume that the Broker-Dealer will do so or that a Failed Auction will not occur. Investors should also be aware that Bids by the Broker-Dealer or by those it may encourage to place Bids may cause lower Auction Rates to occur.

In any particular Auction, if all outstanding Series 2006 Bonds are the subject of Submitted Hold Orders, the Auction Rate for the next succeeding Auction Period will be the All Hold Rate (such a situation is called an “All Hold Auction”).

If the Broker-Dealer holds any Series 2006 Bonds for its own account on an Auction Date, the Broker-Dealer will submit a Sell Order into the Auction with respect to such Series 2006 Bonds, which would prevent that Auction from being an All Hold Auction. The Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction, as set forth above.

Broker Dealer Fees

The Broker-Dealer has been appointed to serve as a dealer in the Auctions pursuant to the Broker-Dealer Agreement among the Broker-Dealer, the Laboratory, and The Bank of New York, as auction agent. The Broker-Dealer Agreement provides that the Broker-Dealer will receive broker dealer fees at the annual rate of 0.25% of the principal amount of the Series 2006 Bonds sold or successfully placed through the Broker-Dealer. As a result, the Broker-Dealer’s interests in conducting Auctions may differ from those of investors who participate in Auctions. The Broker-Dealer may share a portion of the broker dealer fees it receives pursuant to the Broker-Dealer Agreement with other broker-dealers that submit orders through the Broker-Dealer that the Broker-Dealer successfully places in the Auctions.

“Price Talk”

Before the start of an Auction, the Broker-Dealer may, in its discretion, make available to Existing Holders and Potential Holders the Broker-Dealer’s good faith judgment of the range of likely clearing rates for the Auction based on market and other information. This is known as “Price Talk.” Price Talk is not a guaranty, and Existing Holders and Potential Holders are free to use it or ignore it. If the Broker-Dealer provides Price Talk, the Broker-Dealer will make the Price Talk available to all Existing Holders and Prospective Holders. The Broker-Dealer may occasionally update and change the Price Talk based on changes in issuer credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. The Broker-Dealer will make such changes available to all Existing Holders and Potential Holders that were given the original Price Talk.

“All-or-Nothing” Bids

The Broker-Dealer does not accept “all-or-nothing” bids (i.e., bids whereby the bidder proposes to reject an allocation smaller than the entire quantity bid) or any other type of bid that allows the bidder to avoid auction procedures that require the pro rata allocation of securities where there are not sufficient sell orders to fill all bids at the clearing rate.

No Assurances Regarding Auction Outcomes

The Broker-Dealer provides no assurance as to the outcome of any Auction. Nor does the Broker-Dealer provide any assurance that any Bid will be accepted or that the Auction will clear at a rate that a Bidder considers acceptable. Bids may be rejected or may be only partially filled, and the rate on any Series 2006 Bonds purchased or retained may be lower than the Bidder expected.

Deadlines/Auction Periods

Each particular Auction has a formal time deadline by which all Bids must be submitted by the Broker-Dealer to the Auction Agent. This deadline is called the “Submission Deadline.” To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, the Broker-Dealer imposes an earlier deadline (the “Internal Submission Deadline”) by which Bidders must submit Bids to the Broker-Dealer. The Internal Submission Deadline is subject to change by the Broker-Dealer. The Broker-Dealer may allow for correction of clerical errors after the Internal Submission Deadline and prior to the Submission Deadline. The Broker-Dealer may submit Bids for its own account at any time until the Submission Deadline. The Auction Agent allows for the correction of clerical errors in certain circumstances after the Submission Deadline.

During any Auction Period, the Laboratory, with the consent of the Agency may, pursuant to the terms of the Auction Procedures, change the length of the next Auction Period. In Auctions that are subject to the changed Auction Period, the Broker-Dealer may place a Bid to buy the Series 2006 Bonds that may effectively place an upper limit on the rate that can be set at

the Auction at a rate that is below the Maximum Interest Rate. The Broker-Dealer may negotiate a separate fee from the Laboratory in such circumstances.

Existing Holder's Ability to Resell Auction Rate Securities May Be Limited

Existing Holders will be able to sell all of the Series 2006 Bonds that are the subject of submitted Sell Orders only if there are Bidders willing to purchase all those Series 2006 Bonds in the Auction. If sufficient clearing Bids have not been made, Existing Holders that have submitted Sell Orders will not be able to sell in the Auction all, and may not be able to sell any, of the Series 2006 Bonds subject to such submitted Sell Orders. As discussed above under the subheading "Bidding by Broker-Dealer", the Broker-Dealer may submit a Bid in an Auction to keep it from failing, but it is not obligated to do so. There may not always be enough Bidders to prevent an Auction from failing in the absence of the Broker-Dealer bidding in the Auction for its own account or encouraging others to bid. Therefore, Failed Auctions are possible, especially if the Agency's, Laboratory's or Financial Guaranty's credit were to deteriorate, a market disruption were to occur or if, for any reason, the Broker-Dealer was unable or unwilling to bid.

Between Auctions, there can be no assurance that a secondary market for the Series 2006 Bonds will develop or, if it does develop, that it will provide Existing Holders the ability to resell the Series 2006 Bonds in the secondary market on the terms or at the times desired by an Existing Holder. The Broker-Dealer may, in its own discretion, decide to buy or sell the Series 2006 Bonds in the secondary market for its own account to or from investors at any time and at any price, including at prices equivalent to, below, or above the par value of the Series 2006 Bonds. However, the Broker-Dealer is not obligated to make a market in the Series 2006 Bonds, and may discontinue trading in the Series 2006 Bonds without notice for any reason at any time. Existing Holders who resell between Auctions may receive less than par value, depending on market conditions.

The ability to resell the Series 2006 Bonds will depend on various factors affecting the market for the Series 2006 Bonds, including news relating to the Agency or the Laboratory, the attractiveness of alternative investments, the perceived risk of owning the Series 2006 Bonds (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded the Series 2006 Bonds (including recent clarification of U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in "Securities and Exchange Commission Settlement," above) or press reports, financial reporting cycles and market conditions generally. Demand for the Series 2006 Bonds may change without warning, and declines in demand may be short-term or continue for longer periods.

Auction Agent, Broker-Dealer and Auction Procedures

The Auction Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days' notice, or 45 days' notice if it has not been paid, to the Agency, the Laboratory and the Trustee and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreement provides that the Broker-Dealer may resign upon thirty Business Days' notice or immediately, in certain circumstances, and does not require, as a condition to the

effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Series 2006 Bonds will be determined as described in “APPENDIX I – ARS PROVISIONS” hereto.

Changes to the Auction Periods and Auction Dates do not require the amendment of the Auction Procedures and thus may be made without the consent of any beneficial owner of the Series 2006 Bonds.

See the “ARS PROVISIONS”, attached to this Official Statement as Appendix I, for a more extensive discussion of the provisions applicable to the Series 2006 Bonds while bearing interest at the Auction Rate.

Mandatory Tender and Purchase of Series 2006 Bonds

The Series 2006 Bonds in the Auction Rate Mode shall be subject to mandatory tender and purchase by the Laboratory on each date on which the Interest Rate Mode on the Series 2006 Bonds is to be converted to a different Interest Rate Mode. See “Appendix D – Excerpts From the Trust Indenture” herein. The purchase price of the Series 2006 Bonds so tendered is payable solely from the proceeds of the remarketing. In the event that the conditions of a conversion are not satisfied, including the remarketing of all applicable Series 2006 Bonds on the mandatory tender date, the Series 2006 Bonds bearing interest at the ARS Rate shall not be subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Interest Rate.

Redemption Provisions

Optional Redemption for the Series 2006 Bonds

The Series 2006 Bonds in the Auction Rate Period shall be subject to redemption prior to maturity, as a whole or in part, at the option of the Agency, at the direction of the Laboratory, on any Interest Payment Date immediately following an Auction Period, at a Redemption Price equal to the principal amount of Bonds to be redeemed, plus accrued interest, if any, to the date fixed for redemption; provided that after any optional redemption there will not be less than \$10,000,000 in aggregate principal amount of any Series 2006 Bonds bearing interest at an ARS Rate unless otherwise consented to by the Broker-Dealer.

Sinking Fund Redemption

The Series 2006 Bonds are further subject to redemption on each January 1, commencing January 1, 2035, from moneys in the Sinking Fund Account, at the principal amount thereof specified below, plus accrued interest thereon to the date set for redemption.

<u>Year</u>	<u>Principal Amount</u>
2035	\$5,975,000
2036	6,200,000
2037	6,450,000
2038	6,725,000
2039	6,975,000
2040	7,275,000
2041	7,550,000
2042*	7,850,000

* Final Maturity

While the Series 2006 Bonds bear interest at an Auction Rate, if January 1 is not an Interest Payment Date, such Series 2006 Bonds shall be redeemed on the Interest Payment Date immediately preceding such January 1. In addition, the Series 2006 Bonds in a Flexible Auction Period may be redeemed prior to the end of the Flexible Auction Period pursuant to the sinking fund redemption schedule.

Special Mandatory Redemption

The Series 2006 Bonds shall be subject to special mandatory redemption in the event that (i) insurance or condemnation proceeds of \$25,000 or more resulting from any damage, destruction, casualty loss or condemnation with respect to the Premises shall be on deposit in the Redemption Fund pursuant to Section 4.2 of the Agreement or (ii) excess bond proceeds of \$25,000 or more are no longer needed for Costs of a Project shall be on deposit in the Redemption Fund pursuant to the Indenture, in each case at least forty-five (45) days prior to any Interest Payment Date, in which case the Trustee shall apply, at the direction of the Agency, such amounts to the redemption of Series 2006 Bonds as a whole or in part at par, plus accrued interest thereon to the date set for redemption, on an Interest Payment Date.

Redemption Procedures

When Series 2006 Bonds (or portions thereof) are to be redeemed, the Agency must give or cause to be given notice of the redemption of the Series 2006 Bonds to the Trustee no later than forty-five (45) days prior to the redemption date. Thereafter, the Trustee must give or cause to be given notice of the redemption of the Series 2006 Bonds (or portions thereof) in the name of the Agency which notice must specify: (i) the Series 2006 Bonds to be redeemed in whole or in part; (ii) the redemption date; (iii) the numbers and other distinguishing marks of the Series 2006 Bonds to be redeemed (except in the event that all of the Outstanding Bonds are to be redeemed); and (iv) that such Series 2006 Bonds shall be redeemed at the designated corporate trust office of the Trustee. Such notice must further state that on such date there is due and

payable upon each Series 2006 Bond (or a portion thereof) to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon ceases to accrue. Such notice must be given, not more than forty-five (45) nor less than thirty (30) days (or such shorter period as may be established by the Indenture) prior to the redemption date, by the Trustee by mail, postage prepaid, to the Bondowners of any Series 2006 Bonds which are to be redeemed, at their addresses appearing on the registration books maintained by the Trustee. Notice having been given in accordance with the foregoing, failure to receive any such notice by any of such Bondowners or any defect therein, shall not affect the redemption or the validity of the proceedings for the redemption of the Series 2006 Bonds.

If less than all of the Series 2006 Bonds of any maturity are to be so redeemed, the Series 2006 Bonds (or portions thereof) to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee.

If any Series 2006 Bonds are to be redeemed and such Series 2006 Bonds are held by a Securities Depository, the Agency shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date and (ii) an instruction to Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such Auction Rate Bonds to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Trustee immediately after such determination of the (1) positions of the Securities Depository Participants in such Series 2006 Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such Auction Rate Bonds immediately following such Auction settlement, and (3) the Securities Depository Redemption Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Trustee shall send a copy of such notice to the Auction Agent.

Purchase in Lieu of Redemption

Whenever the Series 2006 Bonds are subject to redemption, they may instead be purchased at the election of the Laboratory (with the consent of Financial Guaranty as hereinafter defined) at a purchase price equal to the Redemption Price. The Laboratory will give written notice thereof and of the Series 2006 Bonds and maturity to be so purchased to the Agency, the Trustee, Financial Guaranty, the Auction Agent, and the Broker-Dealer. The Trustee will select the particular Series 2006 Bonds and maturity to be so purchased in the same manner as provided in the Indenture for the selection of Series 2006 Bonds to be redeemed in part. The Trustee will not give notice unless prior to the date such notice is given the Laboratory has caused to be delivered to the Trustee the written consent to such purchase of the Agency. All such purchases may be subject to conditions to the Laboratory's obligation to purchase such Series 2006 Bonds and will be subject to the condition that money for the payment of the purchase price therefore is available on the date set for such purchase. Notice of purchase having been given in the manner required above, then, if sufficient money to pay the purchase price of such Series 2006 Bonds is held by the Trustee, the purchase price of the Series 2006 Bonds or portions thereof so called for purchase will become due and payable on the date set for purchase, upon presentation and

surrender of such Series 2006 Bonds (other than the Book Entry Bonds) to be purchased at the office or offices specified in such notice, and, in the case of Series 2006 Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney.

DTC Book-Entry Only System

Unless otherwise noted, the description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2006 Bonds, payment of interest and other payments on the Series 2006 Bonds to DTC Participants or Beneficial Owners of the Series 2006 Bonds, confirmation and transfer of beneficial ownership interests in the Series 2006 Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Series 2006 Bonds is based solely on information furnished by DTC for inclusion in this Official Statement. Accordingly, the Agency, the Laboratory, the Trustee and the Underwriter do not and cannot make any representations concerning these matters.

DTC will act as Securities Depository for the Series 2006 Bonds. The Series 2006 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for the Series 2006 Bonds, in the aggregate principal amount of the Series 2006 Bonds, and will be deposited with DTC.

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 the Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial

relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal 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 County 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 (nor its nominee), the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County and the Trustee; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may determine to discontinue providing its services as Securities Depository with respect to the Series 2006 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Agency, the Laboratory and the Underwriter believe to be reliable, but the Agency, the Laboratory and the Underwriter take no responsibility for the accuracy thereof.

NEITHER THE AGENCY, THE LABORATORY, THE UNDERWRITER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL, REDEMPTION PRICE OR INTEREST ON THE SERIES 2006 BONDS; (3) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDOWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2006 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2006 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE SERIES 2006 BONDOWNERS OR REGISTERED HOLDERS OF THE SERIES 2006 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2006 BONDS.

Payment of Principal and Interest

The principal or Redemption Price of the Series 2006 Bonds shall be payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee and Paying Agent or at the principal corporate trust office of any successor Paying Agent.

Interest on the Series 2006 Bonds shall be payable to the person appearing on the registration books of the Trustee as Bond Registrar as the registered owner thereof on the Regular Record Date (as defined in the Indenture) next preceding the Interest Payment Date (1) by check mailed on the Interest Payment Date to each registered owner, or by wire transfer on the Interest Payment Date to any owner of at least \$1,000,000 in aggregate principal amount of Series 2006 Bonds upon written notice provided by the registered owner to the Trustee not later than five (5) days prior to the Regular Record Date for such interest payment (which request will remain in effect until revoked); except that if and to the extent there shall be a default in the payment of the interest due on any Interest Payment Date, the defaulted interest shall be paid to the owners in whose names the Series 2006 Bonds are registered at the close of business on a special record date fixed by the Trustee (the "Special Record Date") which date shall not be more than fifteen (15) nor less than ten (10) days next preceding the date of payment of the defaulted interest. Notice of the payment of such defaulted interest and the Special Record Date so fixed will be made by the Trustee to each owner of the Series 2006 Bonds not less than ten (10) days prior to the Special Record Date. Interest payments made by check shall be mailed to each registered owner at his address as it appears on the registration books of the Trustee as Bond Registrar on the applicable Record Date or at such other address as he may have filed with the Trustee for that purpose and appearing on the registration books of the Trustee as Bond Registrar on the applicable Record Date. Wire transfer payments of interest shall be made at such wire transfer address as the registered owner shall specify in his notice requesting payment by wire transfer.

Transfer of Series 2006 Bonds

Each Series 2006 Bond shall be transferable only upon compliance with the restrictions on transfer set forth in the Series 2006 Bond and only upon the books of the Agency, which shall be kept for that purpose at the principal corporate trust office of the Trustee, by the registered owner thereof in person or by his duly authorized attorney-in-fact with a guarantee of signature thereon by a member of the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15, upon presentation thereof, together with a written instrument of transfer in the form appearing on such Series 2006 Bond, duly executed by the registered owner or his duly authorized attorney-in-fact with signature guaranteed. Upon the transfer of any Series 2006 Bond, the Trustee shall prepare and issue in the name of the transferee one or more new Series 2006 Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

Any Series 2006 Bond, upon surrender thereof at the Delivery Office of the Trustee, with a written instrument of transfer in the form appearing on such Series 2006 Bond, duly executed by the registered owner or his duly authorized attorney-in-fact with signature guaranteed as described in the preceding paragraph, may, at the option of the holder thereof, be exchanged for

an equal aggregate principal amount of Series 2006 Bonds and maturity of any other authorized denominations. Except for Series 2006 Bonds that have been tendered or deemed tendered for purchase by the registered owners pursuant to the Indenture, the Trustee will not be required to (i) transfer or exchange any Series 2006 Bonds during the period between a Record Date and the next succeeding Interest Payment Date or during the period of fifteen (15) days next preceding any day for the mailing of a notice of redemption of Series 2006 Bonds to be redeemed; (ii) transfer or exchange any Series 2006 Bonds selected, called or being called for redemption in whole or in part; or (iii) register any transfer of or exchange any Series 2006 Bond which is subject to mandatory purchase.

The Agency, the Laboratory, the Tender Agent, the Remarketing Agent, the Bond Registrar, the Trustee and any Paying Agent may deem and treat the person in whose name any Series 2006 Bond shall be registered as the absolute owner of such Bond, whether such Series 2006 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, Redemption Price, if applicable, and interest on such Series 2006 Bond and for all other purposes, and all payments made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Series 2006 Bond to the extent of the sum or sums so paid, and neither the Agency, the Laboratory, the Tender Agent, the Remarketing Agent, the Bond Registrar, the Trustee, nor any Paying Agent shall be affected by any notice to the contrary.

In case any Series 2006 Bond shall become mutilated or be destroyed, stolen or lost, the Agency shall execute, and thereupon the Trustee shall authenticate and deliver, a replacement Series 2006 Bond of like maturity and unpaid principal amount as the Series 2006 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2006 Bond, upon surrender and cancellation of such mutilated Series 2006 Bond, or in lieu of an in substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence reasonably satisfactory to it that such Series 2006 Bond has been destroyed, stolen or lost, and complying with such other reasonable regulations as the Trustee in its sole determination may prescribe and paying such expenses as the Agency and the Trustee may incur.

BOND INSURANCE

Financial Guaranty has supplied the following information for inclusion in this Official Statement. No representation is made by the Agency, the Laboratory or the Underwriter as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Series 2006 Bonds, Financial Guaranty Insurance Company (“Financial Guaranty”) will issue its Municipal Bond New Issue Insurance Policy for the Series 2006 Bonds (the “Policy”). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Series 2006 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Series 2006 Bonds (the “Issuer”). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the “Fiscal Agent”), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the

business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Series 2006 Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Series 2006 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Series 2006 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Series 2006 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Series 2006 Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Series 2006 Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Series 2006 Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure Bonds, Financial Guaranty may be granted certain rights under the Series 2006 Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 2006 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in

the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At March 31, 2006, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York’s comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders’ surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At March 31, 2006, Financial Guaranty had net admitted assets of approximately \$3.603 billion, total liabilities of approximately \$2.454 billion, and total capital and policyholders’ surplus of approximately \$1.149 billion, determined in accordance with statutory accounting practices (“SAP”) prescribed or permitted by insurance regulatory authorities.

The unaudited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles (“GAAP”), as of March 31, 2006 and the audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of GAAP, as of December 31, 2005 and 2004, which have been filed with the Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading “BOND INSURANCE,” or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2006 Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's audited SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Series 2006 Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2006 Bonds. Financial Guaranty does not guarantee the market price or investment value of the Series 2006 Bonds nor does it guarantee that the ratings on the Series 2006 Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Series 2006 Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE." In addition, Financial Guaranty makes no representation regarding the Series 2006 Bonds or the advisability of investing in the Series 2006 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of and earnings on the Series 2006 Bonds are expected to be applied as follows:

ESTIMATED SOURCES OF FUNDS

Series 2006 Bond Proceeds	<u>\$55,000,000</u>
Total Sources	\$55,000,000

ESTIMATED USES OF FUNDS

The Project ⁽¹⁾	\$52,709,095
Cost of Issuance ⁽²⁾	<u>2,290,905</u>
Total Uses	\$55,000,000

⁽¹⁾ Includes estimated capitalized interest through June 2008.

⁽²⁾ Includes Underwriter's discount, Bond Insurance premium fees and other costs of issuance.

The Laboratory also expects to use approximately \$50 million of its own funds to pay Project costs.

ESTIMATED DEBT SERVICE SCHEDULE⁽¹⁾

The debt service schedule below does not include the Laboratory's Suffolk County Industrial Development Agency Research Facility Revenue Bonds, Series 1993 which are expected to be redeemed on July 3, 2006.

Year Ending December 31	Principal for the Series <u>2006 Bonds</u>	Estimated Interest on the on the Series <u>2006 Bonds*</u>	Estimated Debt Service on the <u>Series 1999 Bonds*</u>	Total Estimated <u>Debt Service*</u>
2006	\$ -	\$1,063,815	\$1,605,710	\$2,669,525
2007	-	2,116,003	1,605,710	3,721,713
2008	-	2,156,695	1,606,455	3,763,150
2009	-	2,116,003	1,604,965	3,720,967
2010	-	2,116,003	1,605,710	3,721,713
2011	-	2,116,003	1,605,710	3,721,713
2012	-	2,116,003	1,606,455	3,722,458
2013	-	2,116,003	1,604,965	3,720,967
2014	-	2,156,695	1,605,710	3,762,405
2015	-	2,116,003	1,605,710	3,721,713
2016	-	2,116,003	1,606,455	3,722,458
2017	-	2,116,003	1,604,965	3,720,967
2018	-	2,116,003	1,605,710	3,721,713
2019	-	2,116,003	1,605,710	3,721,713
2020	-	2,156,695	1,606,455	3,763,150
2021	-	2,116,003	1,604,965	3,720,967
2022	-	2,116,003	1,605,710	3,721,713
2023	-	2,116,003	1,605,710	3,721,713
2024	-	2,116,003	1,606,455	3,722,458
2025	-	2,156,695	1,604,965	3,761,660
2026	-	2,116,003	1,605,710	3,721,713
2027	-	2,116,003	1,605,710	3,721,713
2028	-	2,116,003	1,606,455	3,722,458
2029	-	2,116,003	1,604,965	3,720,967
2030	-	2,116,003	1,605,710	3,721,713
2031	-	2,156,695	1,605,710	3,762,405
2032	-	2,116,003	1,606,455	3,722,458
2033	-	2,116,003	1,604,965	3,720,967
2034	-	2,116,003	42,336,375	44,452,378
2035	5,975,000	1,889,286	-	7,864,286
2036	6,200,000	1,683,213	-	7,883,213
2037	6,450,000	1,400,129	-	7,850,129
2038	6,725,000	1,142,139	-	7,867,139
2039	6,975,000	874,582	-	7,849,582
2040	7,275,000	595,556	-	7,870,556
2041	7,550,000	306,799	-	7,856,799
2042	7,850,000	5,808	-	7,855,808
	\$55,000,000	\$68,412,871	\$87,296,255	\$210,709,121

⁽¹⁾ Totals may not add due to rounding.

* The Series 1999 Bonds and the Series 2006 Bonds have been assumed to bear interest at an estimated rate of 3.805% per annum after taking into account anticipated fixed payments to be made by the Laboratory on the interest rate swap agreement entered into in connection with such bonds. See "Appendix A – Liabilities".

CONTINUING DISCLOSURE

The Agency has determined that no financial or operating data concerning the Agency is material to any decision to purchase, hold or sell the Series 2006 Bonds and the Agency shall not provide any such information. The Laboratory has undertaken all responsibilities for any continuing disclosure for the benefit of the Beneficial Owners of the Series 2006 Bonds as described below, and the Agency shall have no liability to the beneficial owners of the Series 2006 Bonds or any other person with respect to such disclosures.

The Laboratory shall enter into a continuing Disclosure Agreement with respect to the Series 2006 Bonds for the benefit of the Beneficial Owners of the Series 2006 Bonds, substantially in the form attached as Appendix J to this Official Statement (the “Continuing Disclosure Agreement”), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Series 2006 Bonds, and (iii) timely notice of a failure by the Laboratory to provide the required annual financial information on or before the date specified in the respective Continuing Disclosure Agreement. The Underwriter’s obligation to purchase the Series 2006 Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Series 2006 Bonds, an executed copy of the Continuing Disclosure Agreement.

TAX MATTERS

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2006 Bonds in order that interest on the Series 2006 Bonds be and remain not includable in gross income for federal income tax purposes pursuant to Section 103 of the Code. Pursuant to the Tax Regulatory Agreement, the Laboratory has made certain representations, warranties and covenants relating to such non-inclusion in gross income. The Tax Regulatory Agreement obligates the Laboratory to do and perform all acts and things necessary or desirable and within its reasonable control to assure that interest on the Series 2006 Bonds is not included in gross income pursuant to Section 103 of the Code. Noncompliance may cause interest on the Series 2006 Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. Compliance with certain of such requirements may necessitate that persons not within the control of the Agency or the Laboratory take or refrain from taking certain actions.

Under the Code, interest on the Series 2006 Bonds will not be treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. The Code also imposes a tax on excess net passive income of certain S corporations that have Subchapter C earnings and profits. Passive investment income includes interest on tax-exempt obligations.

Under the Code, interest on the Series 2006 Bonds is taken into account in the computation of the foreign branch profits tax, and the environmental tax that may be imposed with respect to corporations.

The Code further provides that interest on the Series 2006 Bonds is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement payments is to be included in taxable income of individuals. Moreover, the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Series 2006 Bonds.

Bondholders should consult their tax advisors with respect to the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, the taxation of net passive income of S corporations, the deductibility of interest on obligations incurred or continued to purchase or carry the Series 2006 Bonds, or the inclusion of Social Security or other retirement payments in taxable income.

In the opinion of Phillips Lytle LLP, Bond Counsel, under existing statutes and court decisions, (i) interest on the Series 2006 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code and (ii) such interest is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

In rendering the opinion described above with respect to the Series 2006 Bonds, Bond Counsel has relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Agency's tax certification, the Lease Agreement and the Tax Regulatory Agreement, each to be delivered on the date of original issuance of the Series 2006 Bonds with respect to matters affecting the federal non-inclusion in gross income of interest on the Series 2006 Bonds for purposes of federal income taxation.

In the further opinion of Bond Counsel, interest on the Series 2006 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 2006 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for transfer and estate taxes.

Reference is made to Appendix C hereto for the proposed form of the approving opinion, in substantially final form, expected to be rendered by Bond Counsel in connection with the Series 2006 Bonds.

RATINGS

Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and Moody's Investors Services ("Moody's") have assigned the ratings of "AAA" and "Aaa", respectively, to the Series 2006 Bonds with the understanding that upon issuance of the Series 2006 Bonds they will be insured by a policy to be issued simultaneously by Financial Guaranty Insurance Company. S&P also has assigned an underlying rating of "A+" to the Series 2006 Bonds based upon the credit strength of the Laboratory. Such ratings reflect only the view of such organization, and an explanation of the significance of such ratings may be

obtained from Standard & Poor's and Moody'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 the rating agency if in the judgment of such rating agency circumstances so warrant. Neither the Underwriter, the Agency, nor the Laboratory has undertaken any responsibility either to bring to the attention of the holders of the Series 2006 Bonds any proposed change in or withdrawal of a rating of the Series 2006 Bonds or to oppose any such proposed change or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2006 Bonds.

UNDERWRITING

The Series 2006 Bonds are being purchased by J.P. Morgan Securities Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2006 Bonds from the Agency at a purchase price of \$54,740,173.22 (which reflects an Underwriter's discount of \$259,826.78). The obligation of the Underwriter to accept delivery of the Series 2006 Bonds is subject to various conditions contained in the bond purchase agreement among the Agency, the Laboratory and the Underwriter. The Underwriter will be obligated to purchase all Series 2006 Bonds if any Series 2006 Bonds are purchased. The Series 2006 Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than the public offering price set forth on the cover page of this Official Statement, and such public offering price may be changed, from time to time, by the Underwriter.

The Laboratory has agreed to indemnify the Underwriter and the Agency with respect to certain liabilities, including certain liabilities under the Federal securities laws.

LEGAL MATTERS

Legal matters in connection with the authorization, issuance and sale of the Series 2006 Bonds are subject to the approving opinion of Phillips Lytle LLP, Garden City, New York, Bond Counsel, which opinion will be substantially in the form attached hereto as Appendix C. Certain legal matters will be passed upon for the Laboratory, by its special counsel, Nixon Peabody LLP, New York, New York; and for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

LITIGATION

There is no litigation pending or, to the knowledge of the Agency or the Laboratory threatened, against the Agency or the Laboratory, respectively, in any court to restrain or enjoin the issuance, sale or delivery of the Series 2006 Bonds, or the collection of revenues or funds pledged or to be pledged to pay the principal of and interest on the Series 2006 Bonds, or in any way questioning the proceedings and authority under which the Series 2006 Bonds are to be issued, or the validity of the Series 2006 Bonds, the right of the Agency to finance the Project as described in this Official Statement in accordance with the provisions of the Act, the Indenture and the Lease Agreement, or the tax-exemption of interest on the Series 2006 Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements of the Laboratory as of and for the year ended December 31, 2005 set forth in Appendix B to this Official Statement, have been audited by KPMG LLP, independent accountants, as stated in their report appearing in Appendix B.

MISCELLANEOUS

Information concerning the Laboratory contained in this Official Statement and information concerning the Project contained herein has, in each case, been furnished by the Laboratory. Neither the Agency nor the Underwriter makes any representation or warranty as to the accuracy or completeness of such information.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such, and not as representations of facts. No representation is made that any of the opinions or estimates will be realized. This Official Statement is not intended to be construed as a contract or agreement between the Agency or the Laboratory and the purchasers or holders of any of the Series 2006 Bonds.

The distribution of this Official Statement to prospective purchasers of the Series 2006 Bonds by the Underwriter has been duly authorized by the Agency and by the Laboratory. This Official Statement is made available only in connection with the sale of the Series 2006 Bonds and may not be used in whole or in part for any other purpose.

NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY

By: /s/ Joseph Gioino

Executive Director

Approved:

COLD SPRING HARBOR LABORATORY

By: /s/ W. Dillaway Ayres, Jr.

Chief Operating Officer

APPENDIX A

CERTAIN INFORMATION RELATING TO COLD SPRING HARBOR
LABORATORY

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COLD SPRING HARBOR LABORATORY

INTRODUCTION

Cold Spring Harbor Laboratory (the “Laboratory”) is a New York not-for-profit research and educational corporation chartered by the University of the State of New York. It is an exempt educational and scientific institution under Section 501(c)(3) of the Internal Revenue Code and a “public charity.” The Laboratory, through its staff of research scientists and graduate students, conducts research in the biological sciences, with particular emphasis on basic research in molecular biology and genetics. In recent years, the major emphasis at the Laboratory has been basic cancer research, neuroscience, bioinformatics and plant genetics. The Laboratory is one of twenty-two National Cancer Institute-designated basic cancer centers in the United States.

The Laboratory is also a world center for advanced education in molecular biology, genetics and bioinformatics. In 2005, more than 8,000 scientists from academia, government and industry attended its post-graduate courses and high-level scientific meetings and seminars.

During its over 100 years of existence, the Laboratory has been at the forefront of basic research in the biological sciences. It has played a key role in the development of powerful techniques of molecular biology and genetics which have resulted in progress against intractable diseases, and have facilitated the expansion of the biotechnology industry.

In 1998, the Laboratory received approval by the Board of Regents of the New York State Department of Education to establish the Cold Spring Harbor Laboratory, Watson School of Biological Sciences (the “Watson School”). This granted the Laboratory degree granting authority to award M.S. and Ph.D. degrees in the biological sciences. In 2004, the Watson School graduated the first-year class of six graduate students, with additional graduates annually thereafter. Financial support for the degree-granting graduate program was provided through the establishment of an endowment raised from private donors and dedicated to the graduate school.

HISTORY

The Biological Laboratory at Cold Spring Harbor was founded in 1890 as a summer field station of the Brooklyn Institute of Arts and Sciences. Under the direction of Charles Davenport, named director in 1898, the Biological Laboratory became a summer camp for science, offering courses that gave biology teachers the hands-on laboratory experience lacking from their textbook training.

Charles Davenport also convinced the Carnegie Institution to give support to the investigation, experimentally, of the origin of species and thus became the first director of the Carnegie Institution’s Station for Experimental Evolution, which was located next to the Biological Laboratory at Cold Spring Harbor.

During the first two decades of the twentieth century, the Station for Experimental Evolution enjoyed a reliable source of funding for year-round research, while the Biological Laboratory struggled for funding. In 1924, a group of scientists and prominent citizens formed the Long Island Biological Association (“LIBA”) to assume responsibility for the Biological Laboratory.

In 1962, when the Carnegie Institution phased out its research activities at Cold Spring Harbor, LIBA also relinquished its management of the Biological Laboratory. The two institutions were then merged to form an independent entity, the Cold Spring Harbor Laboratory of Quantitative Biology, and in 1970 the name was changed to the present Cold Spring Harbor Laboratory.

In 1968, Dr. James D. Watson, who had shared the Nobel Prize in Physiology or Medicine for his discovery with Dr. Francis Crick of the structure of DNA, became the director of the Laboratory. Dr. Watson directed the research program toward the study of tumor viruses, which positioned the Laboratory at the forefront of cancer research. In 1972, the National Cancer Institute designated the Laboratory as a National Cancer Center and awarded it a 5-year cancer research grant. This grant has been renewed consistently since that time, including the most recent 5-year renewal in 2005 when it was rated one of the top cancer centers in the country.

RESEARCH AND PROFESSIONAL EDUCATION PROGRAMS

The Laboratory's research and professional education programs can be divided into six main areas.

1. Cancer Biology. Almost two-thirds of the Laboratory's scientific staff is involved in the study of the molecular, genetic and chemical basis of cancer. The Laboratory changed the course of cancer research in 1981 by tracing the origin of cancer directly to malfunctioning genes. This research has led to a focus on proteins called oncoproteins, encoded by cancer causing genes called oncogenes. In its electron microscope facility, Laboratory scientists use computer imaging to determine how oncoproteins encoded by oncogenes disturb cell chemistry to produce cell malignancy. The Laboratory's cancer research has also broadened into an inquiry into the mechanics of aging in cells.
2. Molecular Neuroscience. The Laboratory also has pioneered research methods for determining the roles genes play in various neural disorders, and the degeneration of neural networks. The neuroscience group employs various model systems and molecular and genetic techniques to isolate specific genes responsible for such disorders. The Laboratory sponsors courses for scientists and advanced graduate students to introduce new concepts and techniques in the area of neuroscience. The construction of the Beckman Neuroscience Center, completed in June 1991, was a major element of the Laboratory's plan to develop a year-round Neuroscience Education and Research program. Research conducted under this program has since yielded fruitful inquiries into the molecular biology of learning and memory, and the role genes play in certain inherited neurological disorders. The Beckman Neuroscience Center contains two teaching laboratories for course participants and nine research laboratories for permanent staff.
3. Structural Biology. The Laboratory has assembled an interdisciplinary structural biology group which includes protein chemists, molecular biologists and x-ray crystallographers. This group employs a variety of elaborate and highly sensitive instruments to aid in determining the three-dimensional structures of proteins. The facilities of the structural biology group are located on the first floor of the Beckman Neuroscience Center, which also houses all the necessary equipment for structural biology, including x-ray generators and detectors, high speed graphics computers, and DNA and protein synthesizers and sequencers.
4. Plant Genetics. The Laboratory continues to pioneer research in the area of plant genetics. This program focuses on the genetic manipulation of model plant systems. Scientists use recombinant-DNA technology, borrowed from cancer research, to introduce into corn plants genes that control nutritional content, disease resistance, and climatic tolerance. The Laboratory's plant genetics facilities include the Arthur and Walter Page Laboratory, where biochemical research is conducted, and Uplands Farm, which includes cornfields, a cytogenetics laboratory and a research greenhouse.
5. Professional Education. The Laboratory is a major world center for professional biological education, functioning as a graduate university and clearing house for rapid dissemination of molecular biological research. Each year approximately 8,000 scientists attend over 60 conferences and advanced-training courses held at the main campus and at the Laboratory's nearby Banbury Center. The Banbury Center was established by the Laboratory as a facility to present meetings on topics in biology that are of concern to scientists and also relevant to the public at large. (See "*FACILITIES*" below.)

6. DNA Literacy. The Dolan DNA Learning Center (the “Center”) is the culmination of the Laboratory’s DNA Literacy Program, which was initiated in 1985 as one of the nation’s first research based laboratory programs to retrain high school and college biology teachers in molecular biology and genetics, and to help close the gap between research progress and public understanding of biotechnology. Instructors from the Center travel to secondary schools and colleges throughout the United States bringing state of the art teaching methods. The Center has established teaching programs in Canada, the former Soviet Union and other foreign countries. The Center provides a forum for public discussion of the personal, social and ethical implications of DNA science. It is open daily to the general public, and receives approximately 39,000 visitors annually, largely pre-college students. There are currently forty states throughout the United States currently using curriculum developed by the DNA Learning Center.

Research Highlights

1890 Biological Laboratory at Cold Spring Harbor (“CSHL”) founded.

1908 George Schull finds that by cross-pollinating corn plants he can consistently produce stronger, heartier plants with 20% greater yield. This theory of “hybrid vigor” gave rise to the “green revolution” and today’s agricultural genetics.

1928 E. Carlton McDowell discovers a strain of mice predisposed to spontaneous leukemia. Subsequent breeding experiments lead to the development of mice with increased susceptibility or resistance to cancer. This work laid the foundation for modern cancer research.

Hugo Fricke, the Laboratory’s first full-time investigator, does some of the earliest work on the effect of x-rays on living cells.

1930’s The first cure for Addison’s disease – adrenal cortical hormone – is purified at Cold Spring Harbor Laboratory.

In two World War II related research projects funded by the federal government:

- Milislav Demerec and associates used x-ray mutagenesis to produce a high yield strain of Penicillium virus that increased wartime penicillin production by 500%.
- CSHL researchers developed the “Cold Spring Harbor Aeroliser,” which produced a spray of very fine droplets. These two breakthroughs were combined by Vernon Bryson to develop an aerosol penicillin spray for respiratory infections.

1945 Salvador Luria and Max Delbruck initiate bacterial virus (“phage”) course; this long lived course trained the first generation of molecular biologists.

1951 Barbara McClintock presents the first theory of jumping genes at the CSHL annual Symposium. McClintock’s explanation of genetic mutations resulting from a genetic element jumping off the chromosome and inserting itself elsewhere won her the Nobel Prize thirty-two years later, in 1983. This theory is the basis for much of today’s research into mutations that contribute to the development of cancer.

1953 James Watson and Francis Crick present their findings on the structure of DNA at the Cold Spring Harbor Symposium. The discovery is the basis on which today’s genetic research is built, opening the door to research into cancer and other diseases, as well as matters of the brain and human traits.

1969 Max Delbruck, Salvador Luria and Alfred Hershey share a Nobel Prize for showing that DNA is the molecule of heredity.

1970's

- Phillip Sharp, William Sugden, and Joseph Sambrook develop the technique of using agarose gels and ethidium bromide staining for detecting restriction-enzyme fragments.
- Richard Roberts begins the isolation of large numbers of restriction enzymes and makes them available to other researchers.
- Elias Lazarides and Klaus Weber use immunofluorescence to reveal the elaborate network of actin filaments in nonmuscle cells.
- Joseph Sambrook, James Williams, Phillip Sharp, and Terri Grodzicker use restriction-site polymorphisms to produce a physical map of genetic mutations in adenovirus.
- Thomas Maniatis clones b-globin cDNA.
- Michael Botchan, William Topp, and Joe Sambrook use Southern blotting to define the SV40 DNA sequences in transformed cells.
- Richard Roberts, Louise Chow, Thomas Broker, and Richard Gelinas discover "split genes" in adenovirus. Roberts and Phillip Sharp share the 1993 Nobel Prize for Physiology or Medicine for their roles in the discovery of split genes.
- Robert Tjian reports that SV40 T-antigen binds to DNA in the SV40 origin of replication.

1980's

- Ronald McKay and Birgit Zipser use monoclonal antibodies to identify specific neurons in the leech.
- Yakov Gluzman isolates COS cells. As a result of their search for altered genes in cancer cells, Michael Wigler and his collaborators clone the first human, tumor-derived oncogene, soon to be identified as ras. Wigler later identifies the key oncogenic mutation in ras and discovers that the distantly related budding yeast also has a ras gene.
- James Hicks, Amar Klar, and Jeffrey Strathern determine the molecular mechanism of mating-type switching in yeast.
- Earl Ruley demonstrates oncogene cooperation in cellular transformation.
- Douglas Hanahan describes pancreatic cell tumors in transgenic mice carrying an insulin/SV40 transgene.
- Studies by Winship Herr and Yakov Gluzman reveal the modular nature of a eukaryotic transcriptional enhancer.
- The two classes of cancer-causing genes—oncogenes and tumor-suppressor genes—are brought together when Edward Harlow's group shows that E1A, an adenovirus oncoprotein, acts by binding to the Rb protein, the product of a cellular tumor-suppressor gene.
- David Beach's laboratory plays a key role in revealing molecular events that control cell cycle progression.

1990's

- Carol Greider clones the gene that encodes the RNA component of the telomerase enzyme.
- David Beach and his colleagues begin to study the cell cycle in human cells, which leads to the discovery of many genes associated with human cancers, including those that encode cyclin D and the cyclin-dependent kinase inhibitors p16 and p21.
- Carol Greider, Bruce Futcher, and their colleagues show an association between telomere shortening and cell aging.
- Bruce Stillman and postdoctoral researcher Stephen Bell report the cellular, DNA-replication-initiation protein complex ORC.
- Robert Martienssen and Venkatesan Sundaresan devise a gene-trap transposon system for Arabidopsis that uses Barbara McClintock's transposable elements.
- Grigori Enikolopov and colleagues initiate a series of discoveries that reveals how nitric oxide instructs cells to stop dividing, enabling them to differentiate into specialized cell types.
- Michael Wigler and Nikolai Lisitsyn develop representational difference analysis (RDA), a powerful genetic tool for identifying mutations in cells with complex genomes. This method leads to the discovery of the human tumor-suppressor gene PTEN.

- Xiaodong Cheng and Richard Roberts discover "base flipping" when they determine the structure of DNA–methyl transferase bound to DNA.
- David Barford and Nicholas Tonks determine the structure of the enzyme protein tyrosine phosphatase, which leads to novel strategies for identifying cellular targets of phosphatase action.
- Bruce Stillman and his colleagues complete a 10-year effort to reconstitute SV40 DNA replication with purified human-cell proteins.
- Tim Tully, Jerry Yin, and Alcino Silva link the cAMP-responsive element-binding protein CREB to learning and memory in *Drosophila* and mice.
- Roberto Malinow and his collaborators report that certain synapses in the mammalian hippocampus have only NMDA-type glutamate receptors and are thus "silent" when transmitter is released.
- Yi Zhong discovers a role for the ras oncogene in learning and memory.
- Hollis Cline reveals that the activity of postsynaptic neurons influences the development of presynaptic neurons in the *Xenopus* brain.
- Carol Greider and colleagues demonstrate that mice lacking telomerase activity are viable but telomerase-deficient cells acquire chromosome abnormalities.
- Tatsuya Hirano discovers condensins and, the following year, cohesins—related protein complexes that modulate chromosome structure in preparation for cell division.
- Nouria Hernandez demonstrates in molecular detail how a transcriptional activator makes direct contact with the basal transcriptional apparatus to stimulate transcription.
- Michael Myers, Nicholas Tonks, Mike Wigler, and colleagues demonstrate that the lipid phosphatase activity of PTEN is critical for its tumor suppressor function.
- Karel Svoboda and Roberto Malinow capture high-resolution real-time images of changing connections between neurons in the brain.
- Scott Lowe shows that tumors with a normal p53 gene can develop if another segment of the p53 pathway is inactivated.

2000 through 2005

- W. Richard McCombie, Rob Martienssen, and collaborators report the first complete DNA sequence of a plant genome.
- Adrian Krainer, with Michael Zhang, discovers that exonic mutations in the BRCA1 breast and ovarian cancer gene cause pre-mRNA splicing defects by disrupting splicing enhancers.
- Scott Lowe, with Yuri Lazebnik and W. Richard McCombie, reveal that a key trigger of programmed cell death, the Apaf-1 gene, is frequently silenced in malignant human melanoma.
- Gregory Hannon reveals the role of an endonuclease complex in the initiation step of RNA interference (RNAi).
- Tim Tully and Joshua Dubnau show that a transient block of communication from mushroom body neurons in the brain interferes specifically with the retrieval but not acquisition or storage of memory in flies.
- Masaaki Hamaguchi and Michael Wigler discover the DBC2 tumor suppressor, a gene that is deleted from or inactive in 60% of the nonheritable (most common) forms of breast cancer they examined, and is also altered in a large proportion of lung cancers.
- Studies by Shiv Grewal, Gregory Hannon, and Rob Martienssen on the properties and mechanisms of RNA interference (RNAi) are recognized as the "Breakthrough of the Year" by the journal *Science* in 2002.
- Roberto Malinow obtains evidence that the dynamic replacement of AMPA receptors at synapses is likely to be a principle molecular mechanism of memory. In related studies, Malinow and Linda Van Aelst reveal the role of Ras and Rap proteins in controlling AMPA receptor dynamics.
- Tim Tully and Josh Dubnau identify a large group of candidate memory genes that are potential targets for the development of therapies for treating human memory disorders.
- Scott Lowe develops a two drug combination therapy that eradicates tumors in a mouse model of human cancer and thereby establishes a new paradigm for overcoming chemotherapy resistance in human patients.

- David Spector creates the first system for viewing how the “Central Dogma” of biology unfolds in its entirety, from DNA to RNA to protein, within living cells.
- Michael Wigler detects several large-scale, previously unidentified variations in human chromosomal DNA dubbed copy number polymorphisms or CNPs by comparing the genomes of normal human individuals using a technology he developed called ROMA.
- Leemor Joshua-Tor and Gregory Hannon establish the Argonaute2, a signature protein component of the RNA interference machinery, which provides the cutting action that carries out RNAi-mediated messenger RNA cleavage.
- Gregory Hannon, Scott Lowe, and Scott Powers find a recently discovered class of genetic regulators called microRNAs can act as bona fide human cancer-causing oncogenes.
- Carlos Brody develops strikingly simple yet robust mathematical model of how short-term memory circuits are likely to store, process, and make rapid decisions.
- Partha Mitra reveals an intriguing “one step back, two steps forward” effect of sleep on vocal learning in the zebra finch.

Important On-Going Research Projects

- Mike Wigler and Rob Lucito have invented a new technology to perform “DNA biopsy” and use this planned diagnostic tool to find gene candidates for drug targets for various types of cancer.
- Jonathan Sebat uses the Wigler-Lucito technique to uncover genetic changes that give rise to complex disorders like autism, schizophrenia and Parkinson’s disease.
- Scott Lowe conducts clinical trials on mice using a combination of drugs, working toward treating human cancer effectively and with less toxicity.
- Tim Tully works to find genes related to learning and memory and activate them with drugs to eliminate symptoms in neurodegenerative diseases, like Alzheimer’s disease.

GOVERNANCE

The Laboratory is governed by a 35-member Board of Trustees (the “Board”) that meets three times a year. The members of the Board (currently thirty-two with three vacancies) are composed of distinguished community representatives, prominent business leaders and active scientists from major research institutions. The scientists presently on the Board of Trustees are affiliated with the following institutions: Columbia University College of Physicians and Surgeons, Howard Hughes Medical Institute Research Laboratory, Memorial Sloan-Kettering Cancer Center, Numenta, Inc., Princeton University Lewis Sigler Institute, Rockefeller University, and the Whitehead Institute for Biomedical Research.

The Board is made up of two groups of members, voting and non-voting. The Scientific and Individual Trustees are voting members of the Board and are appointed to four-year terms, excepting members of management who are appointed by virtue of office. The Honorary Trustees are appointed “emeritus” status with non-voting privileges.

SCIENTIFIC TRUSTEES

Laurence Abbott, Ph.D.
David Botstein, Ph.D.
Titia de Lange, Ph.D.
Jeff Hawkins
Susan Lee Lindquist, Ph.D.
Bruce Stillman, Ph.D. *
Robert Tjian, Ph.D.

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The Rockefeller University
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Howard Hughes Medical Institute Research Laboratory,
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Mary D. Lindsay
David L. Luke III
Walter H. Page
Wendy V. P. Russell

(*Members of the Executive Committee)

Committees of the Board

The Executive Committee is authorized to act for the Board between its meetings. The Executive Committee is composed of Board officers plus any other members who may be elected to the Executive Committee by the Board. Additional standing and ad hoc committees are appointed by the Board to provide guidance and advice in specific areas of the Laboratory's operations. These include but are not limited to; Audit, Building, Development, DNA Learning Center, Finance, Higher Education, Investment, Nominating, Research, Robertson Research Fund, and Tenure and Appointments.

Officers

Eduardo G. Mestre	Chairman
Lola N. Grace	Vice Chairman
Edward Travagianti	Secretary/Treasurer
James D. Watson, Ph.D.	Chancellor
Bruce Stillman, Ph.D.	President/Chief Executive Officer
W. Dillaway Ayres, Jr.	Chief Operating Officer

Below are brief biographies of the Officers of the Laboratory.

Eduardo G. Mestre, *Chairman*: Eduardo Mestre is Vice Chairman of Evercore Partners with responsibility for the management of the firm's mergers and acquisitions advisory practice. Evercore is a private partnership involved in mergers and acquisitions and restructuring advisory services, private equity and venture capital. Prior to joining Evercore in November of 2004, Mr. Mestre was a Vice Chairman of Citigroup Global Markets, Inc. and Chairman of its Investment Banking Division. He was head of investment banking at Salomon Smith Barney and its predecessor firms from 1995-2001 and co-head of Salomon Brothers' mergers and acquisitions department from 1989-1995.

Mr. Mestre has represented many clients in the communications, technology, aerospace, defense, media and power industries including Amgen, AOL, Citigroup, News Corporation, SBC, Pacific Telesis, and Northrop Grumman. Prior to joining Salomon Brothers in 1977, Mr. Mestre was an associate with the law firm of Cleary, Gottlieb, Steen and Hamilton. He graduated summa cum laude and Phi Beta Kappa from Yale University in 1970 with a B.A. degree in Economics and Political Science and is a 1973 cum laude graduate of Harvard Law School. Born in Havana, Cuba in 1949, Mr. Mestre's outside activities include past Chairman and a member of the executive committee of the board of WNYC, New York's public radio stations.

Lola N. Grace, *Vice Chairman*: Lola Grace is a Managing Director of Sterling Grace Capital Management in New York, a diversified asset management and financial advisory firm. Prior to Sterling Grace, she was an investment banker for Morgan Stanley and First Boston in corporate finance. Ms. Grace also served as Director of New Dartmouth Savings Bank and Peninsula National Bank. She has led an active career in finance and is presently engaged in a number of philanthropic and community projects. Ms. Grace is a member of the Board of Advisors of the Stanford Institute of International Studies, advisor to the Center of Creative Problem Solving and Mathematics at SUNY Old Westbury, a member of the Council on Foreign Relations, and on the Advisory Council of the U.S. Foreign Policy and Women Project.

Raised in Latin America, Ms. Grace speaks Spanish, Portuguese and French. She holds several degrees from Stanford University including a B.A. in Economics, an M.B.A. from the Graduate School of Business, and an M.A. from the Food Research Institute. In 2005, Ms. Grace received the Ellis Island Medal of Honor Award.

Edward Travaglianti, *Secretary/Treasurer*: A thirty-seven year veteran of commercial banking in the metropolitan New York market, Edward Travaglianti had until July 2001 been Chairman and Chief Executive Officer of European American Bank (EAB). At the time of Citibank's acquisition of the \$17 Billion EAB, he was appointed President of the newly formed Commercial Markets Group of Citibank, N.A. with responsibility for Citibank's nationwide Middle Market and Small Business activities. Mr. Travaglianti retired from Citibank in October of 2002. In February of 2004, Mr. Travaglianti resumed his banking career when he joined Commerce Bancorp., a \$41 Billion commercial bank as President, Commerce Bank, Long Island.

Mr. Travaglianti is Vice Chairman of the board of trustees of Winthrop-University Hospital in Mineola, New York and is a member of the board of trustees of the Winthrop-South Nassau Health System. He is a member of the board of directors of Pall Corporation, Chairman of the Board of the Long Island Works Coalition, Inc., and is also a founding member of the board of directors of Cop-Shot, Inc. In 2004, Mr. Travaglianti was appointed to the Suffolk County Economic Development Advisory Council, and since 2005 has been Chairman of the Commerce Bank Championship, Long Island's only PGA Champions Tour Event.

Mr. Travaglianti is Chairman of the Board of Trustees of Long Island University, a member of the Board of Tomorrow's Hope Foundation, and a founding member of the Energeia Partnership. As a member of the Board of the New York Blood Center, he also serves as Chairman of the Long Island Blood Services Volunteer Leadership Campaign.

A lifelong resident of the New York area, Mr. Travaglianti received an undergraduate degree in Economics from St. Francis College in Brooklyn, New York in 1970, with subsequent graduate study in Corporate Finance and Banking at New York University's Stern Graduate School of Business in New York City.

James D. Watson, Ph.D., *Chancellor:* Chancellor of the Cold Spring Harbor Laboratory, Dr. Watson has a long history with the Laboratory. He first came to the Laboratory as a student of Salvador Luria in 1948. In the early 1950's, he worked with British physicist Francis Crick at Cambridge, where they discovered the famous 'double helix' structure of DNA. For this work, Watson and Crick shared the Nobel Prize with Maurice Wilkins in 1953. That year Watson became associated with the California Institute of Technology, moving in 1956 to Harvard University, where he remained as a professor until 1976. In 1968, Watson became Director of Cold Spring Harbor Laboratory. From 1988 to 1992, Dr. Watson served as Director for the National Cancer Center for Human Genome Research, the branch of the National Institutes of Health that is involved in the worldwide effort to map and sequence the entire set of genetic instructions for our species. In 1993, at the age of 65, Dr. Watson ceased being director of the Laboratory and assumed the title of President. Ten years later, he assumed the title of Chancellor.

Bruce Stillman, Ph.D., *President/CEO:* A native of Australia, Dr. Stillman obtained a Bachelor of Science degree with honors at Sydney University and a Ph. D. at the John Curtin School of Medical Research at the Australian National University. He then moved to Cold Spring Harbor Laboratory as a Postdoctoral Fellow in 1979 and has been at the Laboratory ever since, being promoted to the scientific staff in 1981. Dr. Stillman has been Director of the Cancer Center at the Laboratory since 1992, a position he still holds. In 1994, he succeeded Dr. James D. Watson as Director of Cold Spring Harbor Laboratory and was appointed President/CEO in 2003.

Dr. Stillman's research focuses on the mechanism and regulation of duplication of DNA and chromatin in cells, a process that ensures accurate inheritance of genetic information from one cell generation to the next. For these research accomplishments, Dr. Stillman has received a number of honors including election as a Fellow of The Royal Society in 1993. In 1994, Dr. Stillman was awarded the Julian Wells Medal (Australia) and in 1999, Dr. Stillman was appointed an Officer of the Order of Australia (AO) for service to scientific research. Dr. Stillman was elected in 2000 to the U.S. National Academy of Sciences. In 2004, Dr. Stillman was awarded the Alfred P. Sloan, Jr. Prize from the General Motors Cancer Research Foundation with Dr. Thomas Kelly. He has also received three honorary doctorates.

Dr. Stillman is a past recipient of research awards from the Damon Runyon Cancer Research Fund and the Rita Allen Foundation. He is a former chair of the Experimental Virology Study Section of the National Institutes of Health and is a member of a number of academic societies. Dr. Stillman is a member of the Medical Advisory Board of the Howard Hughes Medical Institute and advises a number of other research organizations including the M.I.T. Cancer Center and the Walter and Eliza Hall Institute of Medical Research in Melbourne, Australia. He is on the Boards of the New York Biotechnology Association and AMDeC, an academic medicine development organization in New York. He is currently an advisor to Amgen, Symphony Capital and EnGeneIC (an Australian biotech company). He is past co-chair of the Board of Scientific Councilors of the National Cancer Institute and a member of the NCI Executive Committee and recently completed a term as vice-chair of the National Cancer Policy Board.

W. Dillaway Ayres, Jr., *Chief Operating Officer:* Appointed Chief Operating Officer ("COO") in 2000, Mr. Ayres is responsible for the day-to-day management of all operations and administrative staff functions of the institution. These include Finance and Accounting, Endowment Management, Technology Transfer, Development, Human Resources, Public Affairs, Information Technology, Grants and Library Services. In addition, he oversees the administrative affairs of the Cold Spring Harbor Laboratory Press and the Meetings and Courses Program. As COO, he also sits on key committees of the Board of Trustees including the Executive, Finance and Investment Committees.

Prior to joining the Laboratory in 1998, Mr. Ayres had a twenty year business career during which he worked as a corporate executive, investment banker and entrepreneur. In 1995, he co-founded Business and Trade Network, Inc., a business-to-business, venture capital-backed internet company. Prior to that he worked for five years as a Managing Director of Veronis, Suhler and Associates, a boutique investment banking firm in New York specializing in the media/communications industry. While there he focused on investing the firm's private equity fund and was responsible for originating and executing the fund's largest investment, Hughes Broadcasting Partners, which generated a 90% internal rate of return. Mr. Ayres spent much of the 1980's as an executive of Capital Cities/ABC where he rose to the position of Vice President, Corporate Planning. In this role he was involved in the planning and execution of the Company's acquisition of ESPN. From 1976-1982, he held managerial positions at American Express and Union Carbide, also in New York.

Mr. Ayres graduated from Princeton University in 1973 with a B.A. degree in English and from Columbia University Graduate School of Business in 1975 with an MBA in Finance.

FACILITIES

Campus Facilities

The main campus of the Laboratory is located on over 110 acres on the west side of Cold Spring Harbor on Long Island, New York's North Shore. This central campus is a cluster of over 50 buildings that has extensive facilities for research, teaching and data processing. The Laboratory's research equipment includes electron and laser microscopes, DNA and protein synthesizers and sequencers, and x-ray crystallography equipment. The Laboratory maintains an additional 12-acre agricultural facility called Uplands Farm, located on a hill above the east shore of Cold Spring Harbor, which includes planting fields, a cytogenetics laboratory and research greenhouses. The Laboratory also maintains the Banbury Center, a 51-acre estate in Lloyd Harbor, which has accommodations for visiting scientists, students, and conference attendees; and includes a conference center, library, dormitory and resident facilities. The DNA Learning Center is located in premises on the main street of the Village of Cold Spring Harbor. The Cancer Genome Research Center is a 65,000 square foot facility located on 11 acres in Woodbury, New York. It is also home to the Cold Spring Harbor Laboratory Press.

Capital Maintenance and Ongoing Construction

The facilities staff of over 120 maintains and oversees the Laboratory's buildings and grounds with a total annual budget in 2005 and 2004 of \$10.4 and \$9.1 million, respectively, not including major renovations and depreciation. Capital expenditures for major renovations and replacements funded by operations for 2005 were approximately \$5.0 million, and for 2004 were approximately \$4.3 million.

The Laboratory is currently in the process of renovating three buildings on or near the campus. These projects will house research facilities, and a high powered computer center.

Environmental Considerations and Issues

The Laboratory maintains an Environmental Health and Safety Department that is responsible for assuring compliance with appropriate federal, state, and local regulations, as required by the Occupational Safety and Health Act. The department is staffed by a certified safety professional and five full time safety employees who are responsible for implementing comprehensive environmental health and safety programs. These programs include general, chemical, biological and radiation safety; employee initial and refresher occupational training; workplace inspections and consultations; occupational health; safety engineering/industrial hygiene and environmental regulatory affairs. The department is also responsible for medical and hazardous material emergency response, hazardous waste management, fire protection, security, disaster preparedness, and workers' compensation.

Insurance

The Laboratory has comprehensive insurance coverage for casualty, fire, theft, etc. on the Laboratory's buildings and personal property, which are valued for purposes of the policy at \$206.5 million and \$34.3 million, respectively. The Laboratory also maintains basic liability coverage of \$2 million and an umbrella policy for \$15 million. In addition, the Laboratory has a \$5 million directors and officers liability policy. The Laboratory maintains a key-man life insurance policy in the amount of \$3 million on the life of Dr. James D. Watson, the Chancellor of the Laboratory.

INVESTMENTS

The following table is a summary of the Laboratory's investments for the last five years:

	Market Value of Investments (In Thousands)				
	2001	2002	2003	2004	2005
Bonds	\$ 11,739	\$ 21,104	\$ 7,996	\$ 9,682	\$ 1,206
Mutual Funds					
Equity	48,562	36,662	54,713	62,592	66,533
Fixed Income	73,926	79,354	56,980	57,319	61,745
Stocks	51,557	36,814	73,741	75,646	96,038
Alternative Investments	164	212	5,266	6,055	6,849
Total	<u>\$ 185,948</u>	<u>\$ 174,146</u>	<u>\$ 198,696</u>	<u>\$ 211,294</u>	<u>\$ 232,371</u>

Investment Policy

The Laboratory's Investment Policy for its endowment and similar funds emphasizes long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses. The portfolio is invested in domestic and international equities, private equity, (and other non-traditional investments), real estate, broadly diversified fixed income and cash equivalents. The portfolio is expected to earn returns higher than the "market" as represented by a benchmark constructed as a blended rate of indices. The portfolio oversight rests with the Investment Committee of the Board, including the selection of external managers, the allocation of investments and the type of investments.

Spending Policy

The Laboratory's Spending Policy for its endowment funds is established by the Board of Trustees and has been set as not to exceed 4% of the average fair value of the fund for the trailing twelve quarters. Distributions from the funds are typically made twice a year (January and July) and are determined on the basis of the market value of the fund as of the preceding fiscal year end.

The substantial increase in the market value of invested funds has been due to good investment performance and conservative drawdown by the Laboratory of income earned by the funds. Over the life of the invested portfolio of funds, the annual drawdown of income has averaged 3.6% of principal per annum, with the balance of annual income being reinvested to offset inflation and provide for growth in the Laboratory's programs.

NET ASSETS

The Laboratory's net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are assets that are not subject to donor imposed restrictions including the carrying value of all land, buildings and equipment. Temporarily restricted net assets are subject to donor-imposed restrictions that will be met either by the actions of the Laboratory or the passage of time. Permanently restricted net assets are those assets subject to donor-imposed restrictions to be maintained permanently by the Laboratory, the income from which investments is expendable to support research, education and training.

The following tables are summaries of the Laboratory's net assets classified based on the existence or absence of donor-imposed restrictions for the last five years:

Unrestricted Net Assets (In Thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General operating	\$ 15,559	\$ 10,676	\$ 9,924	\$ 11,501	\$ 16,186
Designated by Board for:					
Research programs	1,848	-	-	-	-
Endowment	90,474	81,218	104,579	107,447	115,077
Net investment in plant	<u>62,703</u>	<u>63,046</u>	<u>63,913</u>	<u>65,449</u>	<u>64,168</u>
Total	<u>\$ 170,584</u>	<u>\$ 154,940</u>	<u>\$ 178,416</u>	<u>\$ 184,397</u>	<u>\$ 195,431</u>

Temporarily Restricted Net Assets (In Thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Capital projects	\$ 6,083	\$ 1,415	\$ 6,397	\$ 18,745	\$ 53,728
Research programs	5,580	6,422	5,586	3,742	13,252
Restricted use assets	1,400	2,240	2,240	2,240	2,240
Educational programs	<u>116</u>	<u>56</u>	<u>-</u>	<u>692</u>	<u>1,069</u>
Total	<u>\$ 13,179</u>	<u>\$ 10,133</u>	<u>\$ 14,223</u>	<u>\$ 25,419</u>	<u>\$ 70,289</u>

**Permanently Restricted Net Assets
(In Thousands)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Primary program services	\$ 75,794	\$ 67,928	\$ 83,791	\$ 92,170	\$ 104,018
Watson School of Biological Sciences programs	22,212	25,582	26,975	26,975	31,159
Operation and improvement of Banbury Center facilities	<u>9,957</u>	<u>8,816</u>	<u>10,500</u>	<u>11,461</u>	<u>11,952</u>
Total	<u>\$ 107,963</u>	<u>\$ 102,326</u>	<u>\$ 121,266</u>	<u>\$ 130,606</u>	<u>\$ 147,129</u>

Robertson Research Fund, Inc.

The Robertson Research Fund, Inc. (the “Corporation”), a not-for-profit organization, was incorporated in 1972 by Mr. and Mrs. Charles Robertson to provide funds for the benefit of the Laboratory on a continuing basis. The Corporation is administered by a nine member board of trustees, five of whom represent the Laboratory and four of whom represent the Robertson family. The assets of the corporation are maintained in two funds – the Robertson Research Fund and the Robertson Maintenance Fund. The market value of the Corporation’s assets has increased from the initial gifts of \$9 million to a market value at December 31, 2005 of over \$116 million. See footnote 15 in the 2005 Audited Consolidated Financial Statements of the Laboratory, attached to this Official Statement as Appendix B, for further discussion of the Corporation.

LIABILITIES

Outstanding Debt

During 1993, the Laboratory executed an agreement to obtain \$10 million of bond financing for the construction, purchase, renovation and equipping of Laboratory facilities of which \$7 million was obtained through the Nassau County Industrial Development Agency (“NCIDA”), and \$3 million was obtained through the Suffolk County Industrial Development Agency (“SCIDA”). The \$7 million NCIDA bonds were refunded during 1999, as described below. The \$3 million SCIDA bonds mature and are payable in full on July 1, 2023, bear interest at a variable daily rate which is payable on a monthly basis, and are guaranteed by a letter of credit issued by a financial institution. The Laboratory currently expects the \$3 million SCIDA bonds to be called for redemption on July 3, 2006.

On April 1, 1999, the Laboratory executed an agreement to obtain \$42.2 million of bond financing through the NCIDA. Approximately \$5 million of the proceeds were used to reimburse the Laboratory for the purchase of property and a building located in Woodbury, New York. Approximately \$10 million of the proceeds were used, together with other available funds, to finance renovation, equipping and furnishing of the building. The property, purchased on June 1, 1998, houses additional research facilities and the editorial offices of the Cold Spring Harbor Laboratory Press. The remaining \$27 million of the proceeds were used to refund \$20 million 1989 Series Bonds and \$7 million 1993 Series Bonds issued through the NCIDA. The bonds, which mature on January 1, 2034, bear interest at a variable daily rate which is payable on a monthly basis, and are secured by a revolving line of credit agreement issued by a financial institution. The agreements contain certain covenants including those relating to liquidity, net worth as defined, capital expenditures, restrictions of additional liens on certain Laboratory property and assumption of additional debt.

In April 2006, the Laboratory entered into an interest rate swap agreement (the "Swap Agreement") with JPMorgan Chase Bank, N.A. The Swap Agreement was entered into to hedge or otherwise manage interest rate exposure with respect to the Laboratory's 1999 bond issue and the Series 2006 Bonds. Pursuant to the terms of the Swap Agreement, the Laboratory will make payments at a fixed rate of 3.805% and receive payments at a variable rate based on a percentage of LIBOR. The Swap Agreement has a Notional Amount of \$97,200,000, an effective date of October 1, 2006 and a scheduled termination date of January 1, 2042.

Other Financing Arrangements

The Laboratory has a \$5,000,000 discretionary line of credit with JP Morgan Chase, which expires on June 30, 2006. The facility bears interest at prime plus .5%. At December 31, 2005 and 2004 there were no borrowings outstanding. The Laboratory expects to renew the facility upon expiration.

Retirement Plan

The Laboratory's employees are covered under a defined-contribution retirement plan by the Teachers Insurance Annuity Association/College Retirement Equities Fund Plan. The Laboratory remits the contributions to the Plan based on a predetermined percentage of the participants' salaries. Total expenses under the plan approximated \$2,755,000 and \$2,548,000 for the years ended December 31, 2005 and 2004, respectively.

OPERATING INFORMATION

Operating Statistics As of January 2006

STAFF		BUDGET	
Total employees	904	2006 Laboratory Budget	\$103 million
Number of Ph.D.'s/M.D.'s	270		
Number of Post Doctoral Fellows	172		
Number of Watson School graduate students	32	<u>Sources of Revenue:</u>	
Number of other graduate students	64	Federal Grants	30%
Countries represented on staff	47	Auxiliary Activities (meetings, publications, etc.)	12%
Percentage of women Ph.D.'s/M.D.'s	26	Foundations/private contributions/grants	45%
		Investment income on endowed/ restricted net assets	5%
		Royalty/Licensing Fees	4%
		Corporate contributions/grants	3%
		Interest and Miscellaneous	1%
FACILITIES		MEETINGS & COURSES	
Cold Spring Harbor Laboratory	110.0 acres		number/attendees
Banbury Center	51.4 acres		2005
Uplands Farm	12.0 acres	Meetings - CSHL Grace Auditorium	26 6,726
DNA Learning Center	1.6 acres	Meetings - Banbury Center	22 679
McClintock Meadows	100.0 acres	Courses	27 1,051
Woodbury Facility	11.1 acres		
COLD SPRING HARBOR LABORATORY ASSOCIATION		COLD SPRING HARBOR LABORATORY PRESS	
807 Members		Books in Print	178
Annual Contributions for 2005 total \$1,122,353		Video/audio and slide sets	13
		Journals in Print	5

Grants & Contracts - Five Year History
FY01 - FY05
(Dollars in Thousands)

	Total FY 01	Total FY 02	Total FY 03	Total FY 04	Total FY 05
<u>National Institutes of Health (NIH)</u>					
National Cancer Institute	\$ 11,859	\$ 12,253	\$ 12,612	\$ 13,037	\$ 13,131
National Institute of General Medical Services	4,119	4,158	5,347	5,731	5,781
National Institute of Mental Health	642	694	1,930	2,616	3,587
National Institute of Research Resources	313	1,005	20	544	2,438
National Institute of Neurological Disorders and Strokes	2,275	2,305	1,897	1,608	1,928
National Institute of Allergy and Infectious Diseases	904	1,346	1,383	1,389	1,421
National Human Genome Research Institute	2,983	4,000	1,515	1,299	1,279
National Eye Institute	1,371	1,728	1,419	1,402	909
National Institute Deafness and Communication Disorders	-	-	1,146	1,564	777
National Institute of Aging	444	358	367	391	556
National Institute of Child Health & Human Development	779	472	561	130	120
Other NIH	<u>541</u>	<u>1806</u>	<u>1389</u>	<u>1659</u>	<u>2567</u>
Total NIH	26,230	30,125	29,586	31,370	34,494
<u>Other Federal Granting Sources</u>					
National Science Foundation (NSF)	940	2,888	5,264	5,653	3,924
U.S. Department of Army	1,326	5,268	784	3,991	3,449
U.S. Department of Agriculture	3,439	558	695	996	716
U.S. Department of Energy	-	15	-	-	-
Total Federal Granting Sources	<u>31,935</u>	<u>38,854</u>	<u>36,329</u>	<u>42,010</u>	<u>42,583</u>
<u>Other Granting Sources</u>					
Beckman Foundation	-	500	250	-	438
Breast Cancer Research Foundation	-	1,000	250	250	250
California Institute of Technology	539	277	549	673	878
Columbia University	2,801	4,770	495	1,263	4,945
DART Neuroscience Limited Partnership	-	-	2,233	200	6,169
Hartman Foundation	-	-	-	-	1,200
Howard Hughes Medical Institute	500	1,648	489	330	410
Leukemia Society	-	-	1,000	1,000	1,250
Merck & Company	-	-	1,500	700	-
OSI Pharmaceutical	-	1,450	450	-	450
SAIC-Frederick	-	1,000	-	507	-
Simons Foundation	-	-	1,200	1,967	11,251
Stanley Family	-	-	-	-	5,000
State University of New Jersey, Rutgers	463	684	418	368	-
Tularik Inc.	910	1,260	660	330	-
University of Arizona	-	380	424	196	254
University of California, Berkeley	218	281	276	301	293
University of Wisconsin	427	239	246	770	-
Other	<u>11,068</u>	<u>10,068</u>	<u>9,918</u>	<u>11,924</u>	<u>12,122</u>
Total Other Granting Sources	<u>16,926</u>	<u>23,557</u>	<u>20,358</u>	<u>20,779</u>	<u>44,910</u>
Total Grants and Contracts	<u>\$ 48,861</u>	<u>\$ 62,411</u>	<u>\$ 56,687</u>	<u>\$ 62,789</u>	<u>\$ 87,493</u>

Funding

Grants and Contracts. As an independent research and education institution, the Laboratory must raise all of its operating costs. In the current year, less than half of its annual support was derived from federal grants and contracts (see chart above). The operations of the Laboratory have been supported (in descending order of importance) by grants from United States Government agencies, primarily the National Institutes of Health and the National Science Foundation; research support agreements with major corporations; grants and gifts from foundations, corporations and individuals; publication sales and receipts from meetings and courses; and return on investments on both unrestricted and permanently restricted net assets.

Currently, 49% of the Laboratory's grant and contract support comes from federal sources. Even though the success rate of obtaining federal grants and contracts has remained at a high level, the Laboratory's management has recognized the continuing uncertainties and the very keen competition for government research grants during a period of budgetary stringency in the federal government. To replace and/or supplement federal funding, the Laboratory, through its Trustees, management and scientific staff, has been proactively seeking out a broader base of non-federal sources of grant and contract support, including cooperative research and licensing agreements with commercial entities. The amounts above represent agency grants and contracts awarded in the period indicated. The actual amounts received under the grants and contracts are recorded as revenue in the period or periods subsequent to the award when the related expenditures are incurred.

Commitments Under Operating Leases

On December 1, 2003, the Laboratory entered into a sixty-one month non-cancelable operating lease for property located at 180 Oser Avenue, Hauppauge, New York. The average monthly rental is \$5,365 or approximately \$327,000 over the lease term. The Cold Spring Harbor Laboratory Press uses the property as a warehouse.

On January 1, 2005, the Laboratory entered into a five-year non-cancelable operating lease with an optional five-year extension for property located at 266 Pulaski Road, Greenlawn, New York. The average monthly rental is \$25,472 or approximately \$1,528,000 over the lease term. The property is used as an additional research facility.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

General

The Laboratory's management believes that the most significant factors contributing to the Laboratory's financial stability and continuing growth are:

1. The commitment of its Board of Trustees to operate the Laboratory with a strong business perspective while supporting the research and educational missions of the Laboratory. This is strengthened by having a combination of prominent business leaders as well as outstanding scientists on the Board. (See "Governance" above.)
2. The commitment of senior management to operating the Laboratory utilizing sound business practices, including budgeting and financial planning.
3. The commitment to maintaining an outstanding scientific staff through stringent recruitment standards and a rigorous continuing peer review system.

Favorable Trends

Total operating support and revenues excluding investment activity for the Laboratory are derived from five main sources described below, and have grown 91% during the five fiscal years ended December 31, 2005. Excluding fundraising campaign efforts, operating support and revenues have grown by 48% during the same five-year period.

Description	FY 2001 (\$ in thousands)	FY 2005 (\$ in thousands)	% Growth
Public Support -			
Grants and contracts	\$ 49,750	\$ 87,958	77%
Fundraising campaigns ⁽¹⁾	7,505	47,445	532%
Auxiliary Activities -			
Publications sales	9,941	9,751	-2%
Program fees, dining, rooms and apartments	7,196	9,635	34%
Investment income - interest and dividends	8,285	4,831	-42%
Other	<u>2,776</u>	<u>3,525</u>	27%
Total operating support and revenues	\$ <u>85,453</u>	\$ <u>163,145</u>	91%
⁽¹⁾ 2001 fundraising campaign includes amounts received in support of the Watson School; 2005 fundraising campaign includes amounts restricted for ongoing capital campaign.			

Growth in Sponsored Research Activities. Total revenue from public support, grants and contracts increased from approximately \$50 million for the fiscal year ended December 31, 2001 to approximately \$88 million for the fiscal year ended December 31, 2005. This growth reflects the continued excellence of the Laboratory's scientific staff and its successful recruitment of both internationally prominent researchers and outstanding young scientists.

Auxiliary Activities. The Cold Spring Harbor Laboratory Press is renowned internationally as a publisher of scientific books, journals and videotapes in fields such as molecular and cell biology, genetic development, neurobiology, immunology and cancer biology. More than 200 titles are in print, including the best-selling Laboratory manuals *Cells: A Lab Manual*, *Genome Analysis*, *Molecular Cloning* and *Antibodies*. The journal publishing program includes *Genes & Development*, *Genome Research*, *Learning & Memory*, *Protein Sciences*, and *RNA Journal*. The Cold Spring Harbor Laboratory Press continues to explore additional publication opportunities with the goal of increasing revenue.

Another important revenue producing activity is the hosting of scientific meetings and courses at the Laboratory (see "Research Programs" above). This program has increased by 34%, growing from \$7.2 million to \$9.6 million, during the five years ended December 31, 2005.

Commercialization of Laboratory Technology. In keeping with the mandates of federal legislation and the National Institutes of Health ("NIH") regulations, the Laboratory endeavors to transfer the results of its research to the commercial sector. To achieve this goal the Laboratory applies for patent protection and licenses its technologies to companies for further development and the creation of products for the public good.

In addition, the Laboratory has from time to time, entered into joint research support agreements with companies interested in funding Laboratory research in return for certain rights to commercialize the results of that research. In all cases the direction of the research is controlled by the Laboratory and the experimental results are freely published.

Consolidated Statement of Activities
2001 - 2005
(Dollars in Thousands)

	2001	2002	2003	2004	2005
Revenue and other support:					
Public support - contributions and non-Federal grant awards	\$22,251	\$25,057	\$29,792	\$30,259	\$83,777
Federal grant awards	20,729	22,680	26,878	29,451	32,068
Indirect cost allowances	14,275	15,074	18,000	17,659	19,558
Program fees	2,677	2,911	3,134	3,645	3,583
Publications sales	9,941	9,051	10,053	9,744	9,751
Dining services	2,629	2,850	2,928	3,183	3,349
Rooms and apartments	1,890	2,222	2,347	2,633	2,703
Royalty and licensing fees	2,235	1,174	870	927	2,873
Investment income - interest and dividends	8,285	5,516	4,141	3,134	4,831
Miscellaneous	<u>541</u>	<u>583</u>	<u>617</u>	<u>515</u>	<u>652</u>
Total revenue and other support:	<u>85,453</u>	<u>87,118</u>	<u>98,760</u>	<u>101,150</u>	<u>163,145</u>
Expenses:					
Research	39,464	42,240	45,620	52,050	57,767
Educational programs	11,490	12,105	12,917	13,239	13,207
Publications	9,801	9,346	10,631	9,381	9,432
Banbury Center conferences	1,026	1,141	1,136	1,159	1,397
Dolan DNA Learning Center programs	1,468	2,369	1,809	1,611	1,231
Watson School of Biological Sciences programs	1,105	1,648	2,029	2,263	2,848
General and administrative	9,740	10,562	11,977	12,509	13,267
Dining services	<u>3,552</u>	<u>4,147</u>	<u>4,263</u>	<u>4,237</u>	<u>4,684</u>
Total expenses	<u>77,646</u>	<u>83,558</u>	<u>90,382</u>	<u>96,449</u>	<u>103,833</u>
Excess of revenue and other support over expenses	7,807	3,560	8,378	4,701	59,312
Other changes in net assets:					
Net (depreciation)/appreciation in fair value of investments	<u>(16,950)</u>	<u>(27,888)</u>	<u>38,129</u>	<u>21,816</u>	<u>13,115</u>
(Decrease)/Increase in net assets	<u>\$ (9,143)</u>	<u>\$ (24,328)</u>	<u>\$ 46,507</u>	<u>\$ 26,517</u>	<u>\$ 72,427</u>

The Consolidated Statement of Activities for the five fiscal years ended December 31, 2005 above include summarized comparative financial information taken from the Laboratory's audited financial statements for those years. In the opinion of Laboratory management, there has been no material adverse change in the financial condition of the Laboratory since December 31, 2005, the date of the last audited financial statements.

Planning and Budgeting Process

The Laboratory's management engages in an extensive budgeting process wherein all department heads submit income and expense projections for the upcoming budget year. These departmental budgets are reviewed by senior management and then combined in a Laboratory-wide budget which is reviewed by the Finance Committee of the Board of Trustees. Upon approval, the budget is presented to the Executive Committee and to the Board of Trustees for ratification.

Current and Budgeted Financial Performance

The goal of the Laboratory is to achieve a balanced budget while maintaining the physical plant in good condition. Expected results of operations in the year ended December 31, 2006 indicate this goal should be achieved in 2006. Laboratory management believes that the outlook for the year ended December 31, 2007 is also for a balanced budget.

Litigation

Funds expended by the Laboratory under government grants and contracts are subject to audit and claims for reimbursement by government agencies. The Laboratory is a defendant in various legal actions arising out of the normal course of its operations. While the ultimate liability, if any, of the Laboratory is not presently determinable, no such litigation is pending or threatened which, to the knowledge of the Laboratory, would have a material adverse effect on the financial condition of the Laboratory or its ability to make timely payments of all sums required under the Agreement.

Laboratory Expansion - Construction Project

The success of Cold Spring Harbor Laboratory's research will rely on its ability to expand upon recent advancements by fortifying and growing existing areas of research, such as cancer and neuroscience, where there is substantial potential to make a difference in the lives of individuals. The Laboratory also aims to start a program in biomathematics and expand its program in bioinformatics where scientists use mathematical and computer analysis to accelerate the rate of biological research.

To accomplish these goals the Laboratory has undertaken an anticipated \$100 million project to expand its current research space by building six new research buildings which will provide much needed facilities for the exploration of human cancer genetics; cancer therapy; the neurobiology of the normal human brain; the molecular and cellular basis of brain disorders including Parkinson's, autism and schizophrenia; interdisciplinary studies in human genome research; and bioinformatics. The project, which broke ground in late spring of 2005, is on an eleven-acre site on the southwest corner of the Laboratory's existing Laurel Hollow property ("Hillside Campus").

The new Hillside Campus, which is expected to be completed sometime during calendar year 2008, will include six buildings, each housing approximately 15,000 square feet of space, to house state-of-the-art biological research. With additional facilities and staff, the Laboratory will strengthen its ability to carry out research vital to relieving human suffering and improving the quality of life for generations to come.

The Laboratory hopes to fund, through the sale of the Series 2006 Bonds, approximately one-half the cost of this necessary expansion. A grant received from the New York State Gen*NY*sis program of \$20 million provided the necessary support to begin the project. Gifts and grants from private donors have completed the necessary funds to ensure the successful completion of this project.

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APPENDIX B

CONSOLIDATED FINANCIAL STATEMENTS OF COLD SPRING HARBOR
LABORATORY DECEMBER 31, 2005

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COLD SPRING HARBOR LABORATORY

Consolidated Financial Statements

December 31, 2005 and 2004

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KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

The Board of Trustees
Cold Spring Harbor Laboratory:

We have audited the accompanying consolidated balance sheet of Cold Spring Harbor Laboratory (the Laboratory) as of December 31, 2005, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Laboratory's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Laboratory's 2004 consolidated financial statements and, in our report dated April 5, 2005, we expressed an unqualified opinion on those consolidated financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cold Spring Harbor Laboratory as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

April 14, 2006

COLD SPRING HARBOR LABORATORY

Consolidated Balance Sheet

December 31, 2005

(with comparative financial information as of December 31, 2004)

Assets:	2005	2004
Cash and cash equivalents	\$ 48,885,313	40,744,417
Accounts receivable:		
Publications	1,206,608	1,308,718
Other	4,528,843	1,179,604
Grants receivable	8,352,217	6,975,455
Contributions receivable, net (Note 4)	47,578,065	12,492,687
Publications inventory	2,979,817	2,945,099
Prepaid expenses and other assets	2,015,019	1,605,707
Investments (Note 2)	232,371,266	211,294,366
Investment in employee residences (Note 5)	5,726,739	4,830,425
Restricted use assets (Note 6)	3,226,538	2,904,923
Land, buildings and equipment, net (Note 7)	<u>115,851,522</u>	<u>110,757,023</u>
Total assets	<u>\$ 472,721,947</u>	<u>397,038,424</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,361,413	7,429,657
Notes payable	73,638	107,775
Deferred revenue	4,237,554	3,878,738
Bonds payable (Note 10)	<u>45,200,000</u>	<u>45,200,000</u>
Total liabilities	<u>59,872,605</u>	<u>56,616,170</u>
Net assets:		
Unrestricted (Note 11)	195,431,117	184,397,408
Temporarily restricted (Note 12)	70,289,399	25,419,056
Permanently restricted (Note 13)	<u>147,128,826</u>	<u>130,605,790</u>
Total net assets	<u>412,849,342</u>	<u>340,422,254</u>
Total liabilities and net assets	<u>\$ 472,721,947</u>	<u>397,038,424</u>

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Activities

Year ended December 31, 2005

(with summarized financial information for the year ended December 31, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005 Total</u>	<u>2004 Total</u>
Revenue and other support:					
Public support - contributions and non-Federal grant awards	\$ 22,009,798	49,454,134	12,312,801	83,776,733	30,258,733
Federal grant awards	32,067,800	-	-	32,067,800	29,451,302
Indirect cost allowances (Note 14)	19,558,159	-	-	19,558,159	17,659,458
Program fees	3,583,017	-	-	3,583,017	3,644,734
Publications sales	9,751,069	-	-	9,751,069	9,743,639
Dining services	3,349,002	-	-	3,349,002	3,183,440
Rooms and apartments	2,703,382	-	-	2,703,382	2,632,671
Royalty and licensing fees	2,873,198	-	-	2,873,198	926,913
Investment income - interest and dividends	4,831,010	-	-	4,831,010	3,134,480
Miscellaneous	<u>652,207</u>	<u>-</u>	<u>-</u>	<u>652,207</u>	<u>514,559</u>
Total revenue	101,378,642	49,454,134	12,312,801	163,145,577	101,149,929
Net assets released from restrictions	<u>4,583,791</u>	<u>(4,583,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>105,962,433</u>	<u>44,870,343</u>	<u>12,312,801</u>	<u>163,145,577</u>	<u>101,149,929</u>
Expenses (Note 18):					
Research	57,766,809	-	-	57,766,809	52,049,866
Educational programs	13,207,352	-	-	13,207,352	13,238,766
Publications	9,432,319	-	-	9,432,319	9,380,833
Banbury Center conferences	1,396,425	-	-	1,396,425	1,159,499
Dolan DNA Learning Center programs	1,231,059	-	-	1,231,059	1,611,325
Watson School of Biological Sciences programs	2,848,109	-	-	2,848,109	2,263,518
General and administrative	13,267,025	-	-	13,267,025	12,508,768
Dining services	<u>4,684,031</u>	<u>-</u>	<u>-</u>	<u>4,684,031</u>	<u>4,236,535</u>
Total expenses	<u>103,833,129</u>	<u>-</u>	<u>-</u>	<u>103,833,129</u>	<u>96,449,110</u>
Excess of revenue and other support over expenses	2,129,304	44,870,343	12,312,801	59,312,448	4,700,819
Other changes in net assets:					
Net appreciation in fair value of investments	<u>8,904,405</u>	<u>-</u>	<u>4,210,235</u>	<u>13,114,640</u>	<u>21,815,957</u>
Increase in net assets	11,033,709	44,870,343	16,523,036	72,427,088	26,516,776
Net assets at beginning of year	<u>184,397,408</u>	<u>25,419,056</u>	<u>130,605,790</u>	<u>340,422,254</u>	<u>313,905,478</u>
Net assets at end of year	<u>\$ 195,431,117</u>	<u>70,289,399</u>	<u>147,128,826</u>	<u>412,849,342</u>	<u>340,422,254</u>

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Cash Flows

Year ended December 31, 2005

(with comparative financial information for the year ended December 31, 2004)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase in net assets	\$ 72,427,088	26,516,776
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,852,278	5,769,622
Net appreciation in fair value of investments	(13,009,353)	(21,746,064)
Contributions restricted for long-term investment	(47,445,268)	(13,812,552)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,247,129)	101,178
(Increase) decrease in grants receivable	(1,376,762)	92,932
(Increase) decrease in contributions receivable	(125,496)	79,666
Increase in publications inventory	(34,718)	(738,459)
Increase in prepaid expenses and other assets	(409,312)	(38,716)
Increase in restricted use assets	(321,615)	(195,347)
Increase in accounts payable and accrued expenses	900,672	1,275,293
Increase (decrease) in deferred revenue	358,816	(189,222)
Net cash provided by (used in) operating activities	<u>13,569,201</u>	<u>(2,884,893)</u>
Cash flows from investing activities:		
Capital expenditures	(10,946,777)	(7,273,237)
Proceeds from sales and maturities of investments	134,357,645	113,998,317
Purchases of investments	(142,643,334)	(104,850,454)
Net change in investment in employee residences	(678,172)	(55,591)
Net cash (used in) provided by investing activities	<u>(19,910,638)</u>	<u>1,819,035</u>
Cash flows from financing activities:		
Permanently restricted contributions	12,312,801	1,159,665
Contributions restricted for investment in land, buildings, and equipment	35,132,467	12,652,887
Increase in contributions receivable	(34,959,882)	(1,119,362)
Increase in accounts payable relating to capital expenditures	2,031,084	179,083
Repayment of notes payable	(34,137)	(33,183)
Net cash provided by financing activities	<u>14,482,333</u>	<u>12,839,090</u>
Net increase in cash and cash equivalents	8,140,896	11,773,232
Cash and cash equivalents at beginning of year	40,744,417	28,971,185
Cash and cash equivalents at end of year	<u>\$ 48,885,313</u>	<u>40,744,417</u>
Supplemental disclosure:		
Interest paid	<u>\$ 1,134,372</u>	<u>780,758</u>

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

Cold Spring Harbor Laboratory ("Laboratory") is organized as an educational corporation under the laws of New York State. The Laboratory's primary objectives are to conduct research in cancer, neurobiology, bioinformatics, plants, and related subjects, to disseminate information, and to provide instruction and training through courses, meetings, publications, and a wide range of other educational activities. A substantial portion of the Laboratory's revenues are derived from Federal Government grants, which are awarded on a competitive basis. If there were a significant cutback in Federal Government research funding, it could have a material impact on the operations and cash flows of the Laboratory.

On September 18, 1998, the Laboratory received approval from the Board of Regents of the State of New York to operate a graduate education program and confer the degrees of Doctor of Philosophy, Master of Science, and Doctor of Science, Honorary. The program operates under the name, "Cold Spring Harbor Laboratory, Watson School of Biological Sciences." The first-year class began in September 1999. Funding has been provided through the establishment of an endowment dedicated to the graduate school.

(b) Basis of Presentation

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

Unrestricted net assets:

Net assets that are not subject to donor imposed restrictions including the carrying value of all land, buildings and equipment. Items that affect this net asset category include revenue and expenses associated with the primary objectives of the Laboratory, as well as unrestricted gifts, including those designated by the Board of Trustees of the Laboratory ("Trustees") to function as endowments. In addition, changes to this category of net assets include restricted gifts whose donor-imposed restrictions were met in the year received, through the passage of time, or through fulfillment of the restricted purpose.

Temporarily restricted net assets:

Net assets subject to donor-imposed restrictions that will be met either by the actions of the Laboratory or the passage of time. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions in the accompanying consolidated statement of activities.

Permanently restricted net assets:

Net assets subject to donor-imposed restrictions to be maintained permanently by the Laboratory, the income from which investments is expendable to support research, education and training. Realized and unrealized gains (losses) are added (subtracted) to permanently restricted net assets if so restricted by the donor. Otherwise, gains are expendable to support research and educational activities.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(c) Principles of Consolidation

The consolidated financial statements include the accounts of the Laboratory and the Robertson Research Fund, Inc. ("Corporation"), a not-for-profit organization incorporated in 1972 to provide funds for the benefit of the Laboratory on a continuing basis, unless the Laboratory ceases to be exempt from taxation under the Internal Revenue Code. The Corporation is further described in Note 15. All intercompany accounts and transactions have been eliminated in consolidation.

(d) Cash Equivalents

Cash equivalents consist principally of money market funds and short-term notes maturing within three months of the date of purchase. Cash equivalents approximated \$47,446,000 and \$40,739,000 at December 31, 2005 and 2004, respectively.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Publications Inventory

The publications inventory represents works in progress and published and offered for sale by the Laboratory. Amounts are stated at the lower of cost or estimated realizable value.

(g) Investments

Investments are recorded at fair value. Contributions of investment securities are recorded at their fair value at the date of the gift.

Included in investments are stocks which do not have a readily determinable fair value that were received by the Laboratory from biotechnology companies in return for various rights to Laboratory-developed intellectual property. Upon the receipt of founders stock from a newly formed company, the value of each share of stock is based on the amount paid per share by the outside investor(s). The amount is reduced by an appropriate valuation allowance, reflecting the high risk associated with startup companies and limitations on the transferability of such stock, to arrive at the initial cost basis of the stock. The values of the stocks are not adjusted until either a) the company is determined to have no value at which time the value of the stock is written off; b) the company is sold at which time a gain or loss is recognized; or c) the company completes an initial public offering (IPO) and its stock becomes publicly traded on a securities exchange. At the time of the IPO, the value of the stock is increased to fair value based on the quoted price of the stock. The fair value is reduced by an appropriate valuation allowance if the stock is restricted by governmental or contractual requirements, or the Laboratory owns a large block of stock that could not be sold without potentially affecting the market price.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(h) Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value (discounted to present value at a risk-free rate).

(i) Land, Buildings and Equipment

Land, buildings and equipment are reported at cost. Donated books and periodicals and other assets are recorded at appraised value as of the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives (ranging from three to forty years) of all buildings and equipment acquired with non-Federal funds. Equipment acquired with Federal funds is charged against the applicable grant in the year acquired. Land, buildings and equipment, and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Long-lived assets deemed to be impaired are written down to fair value.

(j) Deferred Revenue

Deferred revenue represents advances received on grants deemed to be exchange transactions, and amounts received for publication subscriptions and fees received, but not yet earned. Revenue is recognized in future periods as expenses are incurred or publications are shipped.

(k) Federal Income Tax Status

The Laboratory and the Corporation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(l) Excess of Revenue and Other Support over Expenses

The consolidated statement of activities presents the excess of revenue and other support over expenses, exclusive of the net appreciation in fair value of investments. Net appreciation in fair value of investments includes realized gains or losses on sales of investments as well as unrealized gains or losses in fair value of investments.

(m) Comparative Financial Statements

The accompanying consolidated statement of activities includes certain 2004 summarized comparative information presented in the aggregate and not displayed by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Laboratory's 2004 consolidated financial statements from which the summarized comparative information was derived.

(n) Reclassification

Certain 2004 amounts have been reclassified to conform to the 2005 presentation.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(2) Investments

Investments at December 31, 2005 and 2004 were as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Bonds	\$ 1,223,588	1,206,520	9,711,628	9,682,546
Mutual Funds				
Equity	47,543,284	66,532,786	39,429,905	62,591,938
Fixed Income	62,740,478	61,745,521	57,334,855	57,318,651
Stocks	66,629,069	96,037,566	49,486,998	75,646,087
Alternative Investments	5,730,124	6,848,873	5,604,792	6,055,144
	<u>\$ 183,866,543</u>	<u>232,371,266</u>	<u>161,568,178</u>	<u>211,294,366</u>

Included in the stocks above are the Laboratory's investment in biotechnology companies, which have a fair value (net of a valuation allowance) of approximately \$1,993,000 and \$2,147,000 and a cost of \$276,600 at December 31, 2005 and 2004. A valuation allowance of approximately \$1,711,000 at December 31, 2005 and 2004 has been applied to these investments in light of (i) regulatory or contractual restrictions on the Laboratory's ability to sell the investments, (ii) the significance of the Laboratory's ownership to the stock's trading volume, and (iii) the volatility of the stocks.

The Laboratory has invested \$800,000 in a limited partnership, which is included in alternative investments above. Under the terms of the limited partnership agreement, the Laboratory is obligated to advance up to \$200,000 in additional funding for investment.

(3) Fair Value of Financial Instruments

The fair value of all financial instruments, other than bonds payable, approximates carrying value because of the short-term maturity of the instruments. The fair value of bonds payable approximates carrying value as these financial instruments bear interest at rates which reflect current market rates for loans with similar characteristics, maturities and credit quality.

(4) Contributions Receivable

Contributions receivable consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Contributions receivable	\$ 51,280,531	14,805,559
Less: discount to present value at rates ranging from 2.8% to 6.5%	(3,702,466)	(2,312,872)
	<u>\$ 47,578,065</u>	<u>12,492,687</u>

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

Contributions receivable are expected to be collected as follows:

	<u>2005</u>	<u>2004</u>
Within one year	\$ 28,498,612	3,710,000
One to five years	17,143,057	6,989,831
More than five years	5,638,862	4,105,728
	<u>\$ 51,280,531</u>	<u>14,805,559</u>

Approximately 85% of the contributions receivable at December 31, 2005 are represented by amounts due from five sources - a \$20 million capital grant from the New York State Gen*NY*sis program and four individual donor pledges totaling \$24 million.

Also included in contributions receivable is the Laboratory's interest in charitable remainder unitrusts. In accordance with the terms of the trusts, the Laboratory will receive a defined interest upon the death of the designated beneficiaries. The Laboratory's interest, net of the present value discount, approximated \$2,560,000 and \$2,462,000 at December 31, 2005 and 2004, respectively.

(5) Investment in Employee Residences

Investment in employee residences consists of (a) notes receivable collateralized by mortgages on residential properties owned by several key employees, and (b) the Laboratory's percentage ownership in residences inhabited by employees. Upon sale of these residences, the Laboratory will share in market value fluctuations of the real estate in proportion to its ownership in the residence. These investments were authorized by the Board of Trustees to enable such employees to purchase local residences. All costs of property ownership, including real estate taxes, are borne by the employees.

(6) Restricted Use Assets

In 2002, the Laboratory recorded a gift of a residence in Oyster Bay, New York valued at \$840,000. Under the terms of the contribution, the donor and current occupant will continue to reside at the residence. Upon the death of the life tenant, the Laboratory will enter into a lease with the occupant for up to twelve months. At the end of the lease term the Laboratory will be entitled to occupancy of the residence.

In 2001, the Laboratory received a gift of a residence in Mill Neck, New York valued at \$1,400,000. Under the terms of the contribution, the donor will continue to reside at the residence. The Laboratory will be entitled to occupancy upon the death of the donor.

The Laboratory has a supplemental executive retirement plan (SERP) for certain members of its management and scientific staff. The Laboratory has established a grantor trust, whereby the assets and income of the trust are assets and income of the Laboratory. At December 31, 2005 and 2004, the fair value of the assets in the trust was \$851,230 and \$664,923, respectively.

In 2005, the Laboratory started a charitable gift annuity program. At December 31, 2005, the fair value of segregated assets was \$135,308.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(7) Land, Buildings and Equipment

Land, buildings and equipment at December 31, 2005 and 2004 consists of:

	<u>2005</u>	<u>2004</u>
Land and land improvements	\$ 15,308,612	14,881,302
Buildings	117,395,573	114,580,213
Furniture, fixtures and equipment	12,825,289	12,021,846
Laboratory equipment	19,765,305	19,141,687
Library books and periodicals	365,630	365,630
Construction in progress	11,672,359	6,233,113
	177,332,768	167,223,791
Less accumulated depreciation and amortization	(61,481,246)	(56,466,768)
Land, buildings and equipment, net	\$ 115,851,522	110,757,023

Construction in progress principally includes costs of construction of the Hillside Campus totaling approximately \$10,297,000 and \$3,888,000 at December 31, 2005 and 2004, respectively. The remaining balances are associated with various campus renovations ongoing at the Laboratory.

(8) Other Financing Arrangements

The Laboratory has a \$5,000,000 discretionary line of credit with JP Morgan Chase, which expires on June 30, 2006. The facility bears interest at prime plus .5%. At December 31, 2005 and 2004, there were no borrowings outstanding. The Laboratory expects to renew the facility upon expiration.

(9) Commitments Under Operating Leases

On December 1, 2003, the Laboratory entered into a sixty-one month non-cancelable operating lease for property located at 180 Oser Avenue, Hauppauge, New York. The monthly rental is \$5,365 or approximately \$327,000 over the lease term.

On January 1, 2005, the Laboratory entered into a five year non-cancelable operating lease with an optional five-year extension for property located at 266 Pulaski Road, Greenlawn, New York. The monthly rent is \$25,472 or approximately \$1,528,000 over the lease term.

(10) Bonds Payable

During 1993, the Laboratory executed an agreement to obtain \$10 million of bond financing for the construction, purchase, renovation and equipping of Laboratory facilities of which \$7 million was obtained through the Nassau County Industrial Development Agency (NCIDA), and \$3 million was obtained through the Suffolk County Industrial Development Agency (SCIDA). The \$7 million NCIDA bonds were refunded during 1999, as described below. The \$3 million SCIDA bonds mature and are payable in full on July 1, 2023, bear interest at a variable daily rate which is payable on a monthly basis, and are guaranteed by a letter of credit issued by a financial institution.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

On April 1, 1999, the Laboratory executed an agreement to obtain \$42.2 million of bond financing through the NCIDA. Approximately \$5 million of the proceeds were used to reimburse the Laboratory for the purchase of property and a building located in Woodbury, New York. Approximately \$10 million of the proceeds were used, together with other available funds, to finance renovation, equipping and furnishing of the building. The property, purchased on June 1, 1998, houses additional research facilities and the editorial offices of the Cold Spring Harbor Laboratory Press. The remaining \$27 million of the proceeds were used to refund \$20 million 1989 Series bonds and \$7 million 1993 Series bonds issued through the NCIDA. The bonds, which mature on January 1, 2034, bear interest at a variable daily rate which is payable on a monthly basis, and are secured by a revolving line of credit agreement issued by a financial institution. The effective average interest rate on all of the bonds outstanding during 2005 and 2004 approximated 2.4% and 1.4%, respectively. The rate is negotiated with the bondholders by the remarketing agent. The agreements contain certain covenants including those relating to liquidity, net worth as defined, capital expenditures, restrictions of additional liens on certain Laboratory property and assumption of additional debt.

In connection with the bond issues, financing costs of approximately \$730,000 were capitalized and are being amortized over the lives of the bond issues. The financing costs are included in prepaid expenses and other assets in the accompanying consolidated balance sheet. Financing costs, net of amortization, were \$552,109 and \$573,711 at December 31, 2005 and 2004, respectively.

(11) Unrestricted Net Assets

Unrestricted net assets at December 31, 2005 and 2004 consist of:

	<u>2005</u>	<u>2004</u>
General operating	\$ 16,185,887	11,501,236
Designated by Board for endowment	115,076,724	107,446,924
Net investment in plant	<u>64,168,506</u>	<u>65,449,248</u>
	<u>\$ 195,431,117</u>	<u>184,397,408</u>

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2005 and 2004 consist of gifts restricted by the donors as follows:

	<u>2005</u>	<u>2004</u>
Capital projects	\$ 53,727,731	18,745,325
Research programs	13,252,289	3,742,220
Restricted use assets (Note 6)	2,240,000	2,240,000
Educational programs	<u>1,069,379</u>	<u>691,511</u>
	<u>\$ 70,289,399</u>	<u>25,419,056</u>

Included in temporarily restricted net assets for capital projects is approximately \$10.3 million of amounts expended through December 31, 2005 in connection with the construction of the Hillside Campus. These net assets will be released from restriction upon completion of the project.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(13) Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2005 and 2004 are restricted in perpetuity with investment return available to support the following activities:

	<u>2005</u>	<u>2004</u>
Primary program services	\$ 104,017,864	92,170,237
Watson School of Biological Sciences programs	31,158,742	26,974,560
Operation and improvement of Banbury Center facilities	<u>11,952,220</u>	<u>11,460,993</u>
	<u>\$ 147,128,826</u>	<u>130,605,790</u>

(14) Indirect Cost Allowances

Indirect cost allowances recovered under certain government and other grants are accrued in the period the research is performed. For Federal grants, these accruals are based on an approved indirect cost rate negotiated with the cognizant government granting agency. In 2006, the Laboratory negotiated a new agreement establishing predetermined rates for each of the years 2006 through 2008. As a result, the Laboratory should not, except for unforeseen changes in Federal regulations, be subject to revisions of its predetermined indirect cost rates through the end of 2008. For nongovernment grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

(15) Robertson Research Fund, Inc.

The Corporation is administered by a nine member board of trustees, five of whom represent the Laboratory. The Corporation is composed of two funds; the Robertson Research Fund ("Research Fund") and the Robertson Maintenance Fund ("Maintenance Fund").

The Research Fund was established in 1972 to provide income to the Laboratory in support of educational facilities, basic scientific research and public dissemination of the results thereof, scholarship and fellowship awards, and auxiliary services, among other purposes.

The Maintenance Fund was established in 1976 to provide income exclusively for the improvement and operation of the Robertson house and appurtenant buildings and grounds at the Banbury Center of the Laboratory.

The Laboratory is entitled to receive all of the income of the Research and Maintenance Funds. In years when the distribution has been less than the total annual income of each fund, the difference has been reinvested along with the principal of the funds to offset the effects of inflation and to provide for future programs at the Laboratory.

(16) Retirement Plan

The Laboratory's employees are covered under a defined-contribution retirement plan by the Teachers Insurance and Annuity Association/College Retirement Equities Fund Plan. The Laboratory remits contributions to the Plan based on a predetermined percentage of the participants' salaries. Total expense under the plan approximated \$2,755,000 and \$2,548,000 for the years ended December 31, 2005 and 2004, respectively.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements
December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(17) Commitments and Contingencies

The Laboratory entered into various construction contracts for the Hillside Campus project. At December 31, 2005, the Laboratory was committed to an additional amount on these contracts of approximately \$15,304,000.

The Laboratory is currently, and has in the past been, a party to routine litigation incidental to its business. The impact of the final resolution of these matters on the Laboratory's change in net assets or liquidity in a particular reporting period is not known. Management is of the opinion, however, that the ultimate outcome of such matters will not have a material adverse effect upon the Laboratory's consolidated financial condition or liquidity.

(18) Expenses

Expenses are reported in the consolidated statement of activities by their functional classifications as required by Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. The Laboratory's primary program services are research, education and instructional training through courses, meetings, publications and educational activities. Expenses reported as general and administrative, and dining services are incurred in support of these primary program services. General and administrative expenses include approximately \$1,382,000 and \$1,120,000 of fund-raising expenses in 2005 and 2004, respectively.

SFAS No. 117 also requires allocation of expenses which relate to more than one program or supporting activity. Expenses of the Laboratory in this category include, but are not limited to, depreciation, interest, operation and maintenance of plant, library and direct research support. Amounts have been allocated to the programs and services using methods such as square footage, usage, and other financial methods.

	<u>2005</u>			<u>2004</u>		
	Direct	Allocated	Total	Direct	Allocated	Total
	Functional Expenses			Functional Expenses		
Research	\$ 43,518,523	14,248,286	57,766,809	39,064,467	12,985,399	52,049,866
Educational programs	11,044,596	2,162,756	13,207,352	11,265,214	1,973,552	13,238,766
Publications	9,018,698	413,621	9,432,319	8,994,745	386,088	9,380,833
Banbury Center conferences	817,561	578,864	1,396,425	625,162	534,337	1,159,499
Dolan DNALC programs	652,816	578,243	1,231,059	1,025,929	585,396	1,611,325
WSBS programs	2,202,723	645,386	2,848,109	1,880,340	383,178	2,263,518
General and administrative	10,898,702	2,368,323	13,267,025	10,346,816	2,161,952	12,508,768
Dining services	3,537,441	1,146,590	4,684,031	3,201,182	1,035,353	4,236,535
	<u>\$ 81,691,060</u>	<u>22,142,069</u>	<u>103,833,129</u>	<u>76,403,855</u>	<u>20,045,255</u>	<u>96,449,110</u>

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2005

(with comparative financial information as of and for the year ended December 31, 2004)

(19) Subsequent Event

In April 2006, the Laboratory entered into a forward interest rate swap agreement with a financial institution. The swap is a hedge of the Series 1999 bond issue and anticipated future borrowings. Under the terms of the agreement, the Laboratory pays interest at a predetermined fixed rate and receives a variable rate. The swap agreement has an effective date of October 1, 2006, notional amount of \$97,200,000 and a termination date of 2042.

APPENDIX C
FORM OF BOND COUNSEL OPINION

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June 27, 2006

Nassau County Industrial
Development Agency
Garden City, NY

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of Civic Facility Revenue Bonds (Cold Spring Harbor Laboratory Project), Series 2006, in the aggregate principal amount of \$55,000,000 (the "Series 2006 Bonds") of the Nassau County Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State of New York (the "Agency").

The Series 2006 Bonds are issued under and pursuant to the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of the State of New York), as amended, and Chapter 674 of the 1975 Laws of New York, as amended (collectively, the "Act"), and under and pursuant to an Trust Indenture, dated as of June 1, 2006 (the "Indenture"), between the Agency and The Bank of New York, as Trustee (the "Trustee"), and a resolution of the Agency adopted on June 6, 2006, authorizing the Series 2006 Bonds. Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Series 2006 Bonds are dated the date hereof, which Bonds are issuable as fully registered bonds in the denomination of \$25,000 or any integral multiple thereof and mature on January 1, 2042. The Series 2006 Bonds are subject to redemption prior to maturity, all in the manner and upon the terms and conditions set forth in the Indenture.

The Series 2006 Bonds are issued for the purpose of financing a portion of the cost of a project (the "Project") consisting of (A) the construction of six (6) research buildings and a chiller building comprising approximately 120,000 aggregate square feet of space (collectively, the "New Buildings"), together with related site improvements, on an approximately 11 acre site and the acquisition and installation therein and thereon of certain furniture, fixtures, machinery and equipment (the "New Building Equipment"), and (B) capital improvements to, and the acquisition of furniture, fixtures or equipment (the "Existing Building Equipment" and together with the New Building Equipment, the "Facility Equipment") in other existing buildings and structures (collectively, the "Existing Buildings" and together with the New Buildings, the "Buildings"), all located at 1 Bungtown Road, Village of Laurel Hollow, Town of Oyster Bay, County of Nassau, New York, (the "Land, and together with the Buildings,

collectively, the “Facility Realty”), all of the foregoing constituting part of an operationally integrated bio-medical research facility (the Facility Realty and the Facility Equipment are referred to herein, collectively, as the “Facility”).

The Agency and Cold Spring Harbor Laboratory, a New York not-for-profit corporation (the “Company”), have entered into a Company Lease Agreement, dated as of June 1, 2006 (the “Company Lease”), pursuant to which the Company has leased the Facility to the Agency. In connection, therewith, the Agency and the Company have entered into a Lease Agreement, dated as of June 1, 2006 (the “Lease Agreement”), providing, among other things, for the Project and the sublease by the Agency to the Company of the Agency’s leasehold interest in the Facility derived under the Company Lease. In addition, the payment of the principal and Redemption Price of, and the interest on, the Series 2006 Bonds have been guaranteed pursuant to a Guaranty Agreement, dated as of June 1, 2006, from the Company to the Trustee (the “Guaranty Agreement”). The Agency, the Company and J.P. Morgan Securities Inc. are also parties to a Bond Purchase Agreement dated June 26, 2006 (the “Bond Purchase Agreement”).

Payment of the (i) principal of the Series 2006 Bonds when due (other than upon advancement of such payment as a result of a declaration of acceleration following the occurrence of an Event of Default, optional and mandatory redemption, or mandatory tender) and (ii) interest on the Series 2006 Bonds when due, will be insured by a financial guaranty insurance policy (“Bond Insurance Policy”) to be issued simultaneously with the delivery of the Series 2006 Bonds by Financial Guaranty Insurance Company (“Bond Insurer”).

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2006 Bonds in order that interest on the Series 2006 Bonds be and remain not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code. We have examined the Tax Regulatory Agreement, dated the date hereof, by and between the Agency and the Company (the “Tax Regulatory Agreement”), in which the Company has made representations, warranties and covenants relating to such non-inclusion in gross income of interest on the Series 2006 Bonds for Federal income tax purposes. The Tax Regulatory Agreement obligates the Company to do and perform all acts and things necessary or desirable and within its reasonable control to assure that interest on the Series 2006 Bonds is not included in gross income pursuant to Section 103 of the Code. Non-compliance may cause interest on the Series 2006 Bonds to become subject to Federal income taxes retroactive to their date of issue, irrespective of the date on which such non-compliance occurs or is ascertained. Compliance with certain of such requirements may necessitate that persons not within the control of the Agency or the Company take or refrain from taking certain actions.

In our examination, we have assumed the genuineness of all signatures (except those of officers of the Agency), the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies. Furthermore, in rendering the following opinions, we have assumed that all documents executed by a person or persons other than the Agency were duly executed and delivered by said other person or persons and that said documents constitute legal, valid and binding obligations of said

person or persons enforceable against said other person or persons in accordance with their terms.

In rendering the opinions in paragraph 6 hereof, we have relied upon and assumed (1) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Agency Tax Certification and the Tax Regulatory Agreement and the Bond Counsel Questionnaire executed by the Company, each delivered on the date hereof, with respect to matters affecting the non-inclusion of interest on the Series 2006 Bonds, and (2) compliance by the Company with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

We are of the opinion that:

1. The Agency is duly created and validly existing under the Act, and has good right and lawful authority to construct, renovate, equip and install the Facility, to lease the Facility from the Company and to sublease its interest in the Facility to the Company and collect revenues and rental payments therefrom, in accordance with the terms of the Company Lease and the Lease Agreement and as provided in the Indenture.

2. The Agency has the right and power pursuant to the Act to enter into the Indenture, and the Indenture has been duly authorized, executed and delivered by the Agency, is in full force and effect, and is a valid and binding obligation of the Agency, enforceable against the Agency in accordance with its terms.

3. The Agency has the right and power pursuant to the Act to enter into the Company Lease, and the Company Lease has been duly authorized, executed and delivered by the Agency, is in full force and effect, and constitutes a valid and binding agreement of the Agency enforceable against the Agency in accordance with its terms.

4. The Agency has the right and power pursuant to the Act to enter into the Lease Agreement, and the Lease Agreement has been duly authorized, executed and delivered by the Agency, is in full force and effect, and constitutes a valid and binding agreement of the Agency enforceable against the Agency in accordance with its terms.

5. The Agency has the right and power pursuant to the Act to enter into the Bond Purchase Agreement, and the Bond Purchase Agreement has been duly authorized, executed and delivered by the Agency, is in full force and effect, and constitutes a valid and binding agreement of the Agency enforceable against the Agency in accordance with its terms.

6. The Series 2006 Bonds have been duly authorized and issued by the Agency in accordance with law and in accordance with the Indenture, and, when delivered to and paid for by the Underwriter (as defined in the Lease Agreement), shall be the valid and binding special obligations of the Agency, payable solely from the rents, revenues and receipts derived from the Lease Agreement and pledged under the Indenture. The Indenture creates a valid pledge of the "trust estate" to the Trustee, as provided for in the Indenture. Subject to delivery of the Series 2006 Bonds to the Underwriter and payment therefor, the Series 2006 Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefit of the Act and the Indenture. The issuance of Series 2006 Bonds and the execution

thereof have been duly authorized by the Agency and all conditions precedent to the delivery of the Series 2006 Bonds by the Agency to the Trustee have been fulfilled.

7. Under existing statutes and court decisions, and assuming continuing compliance with the tax covenants and procedures set forth in the Tax Regulatory Agreement in the form in effect on the date hereof, (i) interest on the Series 2006 Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations; provided, however, such interest is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed on such corporations. No opinion is expressed as to such non-inclusion in gross income on any Series 2006 Bond upon or subsequent to the change of the Interest Rate Mode on the Series 2006 Bonds from the Interest Rate Mode in effect on the date hereof. We call your attention to the fact that the change of Interest Rate Mode on the Series 2006 Bonds as referred to above is conditioned in the Indenture upon the receipt of an opinion of Nationally Recognized Bond Counsel to the effect that (1) such change is lawful under the Act and is authorized or permitted thereby, and (2) such change would not adversely affect the non-inclusion in gross income for Federal income tax purposes of the interest on the Series 2006 Bonds, nor adversely affect the validity of the Series 2006 Bonds.

8. The interest on the Series 2006 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York) and the Series 2006 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for transfer and estate taxes.

The opinions expressed in paragraphs 2, 3, 4, 5 and 6 above are qualified to the extent that the enforceability of the Series 2006 Bonds, the Indenture, the Company Lease and the Lease Agreement and the other bond documents may be limited by bankruptcy, moratorium or insolvency or other laws or enactments now or hereafter enacted by the State of New York, or the United States of America, affecting the enforcement of creditors' rights and by restrictions on the availability of equitable remedies and to the extent, if any, that enforceability of the indemnification provisions of such documents may be limited under law. We express no opinion with respect to the availability of any specific remedy provided for in any of the bond documents.

Except as stated in paragraphs 7 and 8 above, we express no opinion as to any Federal, State or local tax consequences arising with respect to the Series 2006 Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the non-inclusion in gross income for Federal income tax purposes of interest on the Series 2006 Bonds, or on the exemption of interest on the Series 2006 Bonds from personal income taxes under state and local tax law.

We express no opinion with respect to (A) title to all or any portion of the Facility, (B) the priority of any liens, charges, security interests or encumbrances affecting the Facility (or the effectiveness of any remedy which is dependent upon the existence of title to the

Facility or any interest therein or the priority of any such lien, charge, security interest or encumbrance), (C) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or requirements for the physical commencement and continuance of the renovation, construction, reconstruction, installation, equipping, occupancy or operation of the Facility or with respect to the requirements of filing or recording of any of the Security Documents, (D) the laws of any jurisdiction other than the State of New York and other than the Federal laws of the United States of America, and (E) the due authorization, execution, delivery and issuance of the Bond Insurance Policy by the Bond Insurer and the enforceability thereof against the Bond Insurer.

We have examined the Series 2006 Bond in fully registered form numbered R-1, and, in our opinion, the form of said Bond and its execution are regular and proper.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

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APPENDIX D
CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

The following is a list of certain definitions as set forth in the Lease Agreement. This list is qualified in its entirety by reference to the Lease Agreement and to the other transaction documents, including, without limitation: the Indenture, the Guaranty Agreement, the Tax Regulatory Agreement and the other Security Documents; and the Project Documents.

Account or Accounts means, as the case may be, each or all of the accounts established pursuant to the Indenture.

Act shall mean Chapter 1030 of the 1969 Laws of New York, constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended, and Chapter 674 of the 1975 Laws of New York, as amended, constituting Section 922 of said General Municipal Law.

Affiliate of a Person shall mean a Person who directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, such Person. The term “control” means: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; or (ii) the ownership, either directly or indirectly, of at least fifty-one percent (51%) of the voting stock or other equity interest of such Person.

Agency shall mean the Nassau County Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency’s Reserved Rights shall mean, collectively:

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

(ii) the right of the Agency to grant or withhold any consents or approvals within the discretion of the Agency under the Lease Agreement or any of the other Project Documents;

(iii) the right of the Agency to enforce on its own behalf the obligation of the Company to complete the Project;

(iv) the right of the Agency to exercise on its own behalf its rights under Section 2.4 of the Lease Agreement with respect to the proceeds of title insurance;

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

- (vi) the right of the Agency in its own behalf to enforce, receive amounts payable under or otherwise exercise its rights under various sections of the Lease Agreement;
- (vii) the right of the Agency to enforce the Environmental Indemnification; and
- (viii) the right of the Agency on its own behalf to declare an Event of Default as set forth in the Lease Agreement.

Enumeration of the Agency's Reserved Rights is not a limitation or reduction of the same or similar rights afforded to the Trustee, the Bond Insurer or any other party. Pursuant to the Indenture, the Agency is assigning all of its rights under the Lease Agreement to the Trustee (other than those involving payment of money to the Agency for its own account), while also retaining the right, as set forth in the Lease Agreement, to enforce its Reserved Rights.

Agreement shall mean the Lease Agreement, dated as of June 1, 2006, between the Agency and the Company, and shall include any and all amendments and supplements thereto hereafter made in conformity therewith and with the Indenture.

Application shall have the meaning given to such term in the Recitals to the Lease Agreement, and shall include all other information submitted by or on behalf of the Company and its Affiliates to the Agency in connection with the Facility.

Auction Rate Bond means any Bond issued under the Indenture which bears interest at an Auction Rate.

Auction Rate shall have the meaning given to such term in Exhibit B to the Indenture.

Auction Rate Period means the period during which the duration of the Auction Period and the interest rate is determined in accordance with the procedures set forth in Exhibit B to the Indenture.

Authorized Denomination means: (i) for any Daily Rate Bond, Weekly Rate Bond, Flexible Rate Bond or Term Rate Bond, \$100,000 or any integral multiple of \$5,000 in excess thereof; (ii) for any Fixed Rate Bond, \$5,000 or any integral multiple thereof; and (iii) during the Auction Rate Period, \$25,000 and any integral multiple thereof.

Authorized Representative shall mean: (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary or Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties; and (ii) in the case of the Company, the Chairman, President, Chief Operating Officer or Comptroller of the Company; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized Representative to any Person pursuant to the terms of the Lease Agreement or any other Security Document, such certificate or statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement.

Bond Counsel means Phillips Lytle LLP or another attorney or firm of attorneys designated by the Agency and having a national reputation in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds.

Bond Index means: (i) for tax-exempt Indebtedness, the thirty (30)-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index determined by the Agency if such Revenue Bond Index is not so published; or (ii) for taxable Indebtedness, the interest rate or interest index as may be certified to the Agency and the Trustee as appropriate to the situation by a firm of nationally recognized investment bankers or a financial advisory firm experienced in such field.

Bond Insurance Policy shall mean the bond insurance policy relating to the Series 2006 Bonds issued by the Bond Insurer concurrently with the original issuance of the Series 2006 Bonds insuring the scheduled payment when due of the principal of, and interest on the Series 2006 Bonds as provided therein.

Bond Insurer shall mean Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto, as issuer of the Bond Insurance Policy relating to the Series 2006 Bonds.

Bondowner, Owner or Holder 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.

Bonds shall mean the Series 2006 Bonds.

Bonds Tendered or Deemed Tendered for Purchase means with respect to Bonds or any portion thereof in an Authorized Denomination, Bonds tendered, or deemed to have been tendered, to the Trustee for purchase of an Optional Tender Date or on a Mandatory Tender Date, as set forth in the respective provisions of the Indenture.

Bond Year means a period of twelve (12) consecutive months, beginning on July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Buildings shall have the meaning given to such term in the Recitals to the Lease Agreement.

Business Day means any day other than: (i) a Saturday or a Sunday; (ii) a day on which the New York Stock Exchange is closed; or (iii) a day on which banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York, or such other state where the applicable corporate trust office of the Trustee is located or where the principal office of the Liquidity Facility Provider, the Remarketing Agent, the Auction Agent or the Broker-Dealer, as applicable, is located.

Capitalized Interest Account means the account for the Bonds so designated, created and established in the Construction Fund pursuant to the provisions of the Indenture.

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

Commencement Date shall mean the date of original issuance and delivery of the Series 2006 Bonds.

Company shall mean Cold Spring Harbor Laboratory, a not-for-profit corporation organized and existing under and by virtue of the laws of the State of New York, and its permitted successors and assigns pursuant to the Lease Agreement (including any surviving, resulting or transferee corporation as provided therein).

Company Lease shall mean the Company Lease Agreement dated as of the date of the Lease Agreement, as the same may be amended, modified, supplemented or restated, from the Company to the Agency, which conveys to the Agency a leasehold interest in and to the Facility

Company's Property shall mean improvements, machinery, equipment and other personal property installed or permitted to be installed at the Facility Realty and not constituting part of the Facility, which property is not subject to the terms of the Lease Agreement.

Construction Account means the account for the Bonds so designated, created and established in the Construction Fund pursuant to the Indenture.

Construction Fund means the fund so designated, created and established pursuant to the Indenture.

Continuing Disclosure Agreement means the Continuing Disclosure Agreement between the Institution and the Trustee, as dissemination agent, dated June 27, 2006, relating to the Bonds, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission.

Conversion Date means the date that any Bonds are converted to bear interest at a different interest rate as provided in the Indenture.

County shall mean the County of Nassau, State of New York.

Daily Rate means the rate of interest borne by Bonds during any Daily Rate Period and shall be determined by the Remarketing Agent on each Rate Determination Date for a Daily Rate Bond.

Daily Rate Bond means any Bond issued under the Indenture which bears interest at a Daily Rate.

Daily Rate Period means the period during which Daily Rate Bonds bear interest at a particular Daily Rate.

Debt Service Fund means the fund so designated, created and established pursuant to the Indenture.

Defeasance Obligations means: (i) non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally

guaranteed by, the United States of America; and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii) as appropriate, and (d) which are rated AAA by Standard & Poor's or Aaa by Moody's.

Defeasance Securities shall mean non-redeemable: (i) obligations of the State or the United States of America; or (ii) obligations, the principal and interest of which are guaranteed by the State or the United States of America.

Directing Party shall mean, in the event the consent, approval or direction of the Trustee or the Holders of Bonds Outstanding shall be required in connection with an action to be taken under this Indenture or under any other Security Document, the Holders of a majority in aggregate principal amount of the Bonds Outstanding voting in favor of taking a particular action, provided, however, that if the Bond Insurer has not failed to comply with its payment obligations under the Bond Insurance Policy, the Bond Insurer shall be deemed to be the Directing Party and entitled to deliver such consent, approval and direction on behalf of the Holders of the Series 2006 Bonds.

DTC means The Depository Trust Company, New York, New York, a New York State limited purpose trust company, subject to regulation by the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System and the New York State Banking Department, or its successors appointed under the Indenture.

Electronic Means means telecopy, telegraph, facsimile transmission, e-mail, or other similar electronic means of communication, including a telephonic communication confirmed in writing or written transmission.

Environmental Compliance Agreement shall mean the Environmental Compliance and Indemnification Agreement dated as of the date of the Lease Agreement made by the Company for the benefit of the Agency, as amended or supplemented.

Event of Default shall have the meaning given to such term in the Lease Agreement.

Existing Buildings shall have the meaning given to such term in the Recitals to the Lease Agreement.

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

Facility Equipment shall mean the machinery, equipment, furniture and other tangible personal property acquired and installed as part of the Project pursuant to the Lease Agreement and described in Exhibit B thereto, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto; but excluding, however, the Company's Property. Facility Equipment shall, in accordance with the provisions of the Lease Agreement, include all property substituted for or replacing items of Facility Equipment and exclude all items of Facility Equipment so substituted for or replaced.

Facility Realty shall mean the portion of the Land described in Exhibit A-1 to the Lease Agreement, and all rights or interests therein or appertaining thereto, together with the structures, buildings, foundations, related facilities, fixtures (other than trade fixtures) and other improvements now or at any time made, erected or situated thereon and described in such exhibit (including the improvements made in connection with the Project as provided in the Lease Agreement), and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto; but excluding, however, any real property or interest therein released pursuant to the provisions of the Lease Agreement.

Financial Assistance shall have the meaning given to such term in the Recitals to the Lease Agreement.

Fiscal Year of the Company shall mean a year of fifty-two (52) to fifty-three (53) weeks as elected by the Company under Section 441(f) of the Code, or such other year of similar length as to which the Company shall have given prior written notice thereof to the Agency, the Trustee and the Directing Party at least ninety (90) days prior to the commencement thereof.

Fitch means Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency, by notice to the Trustee.

Fixed Rate means the rate of interest borne by the Bonds during any Fixed Rate Period established pursuant to the Indenture.

Flexible Rate means the rate of interest borne by the Bonds during any Flexible Rate Period established pursuant to the Indenture.

Guaranty Agreement shall mean the Guaranty Agreement dated as of June 1, 2006 given by the Company to the Trustee.

Indenture shall mean the Indenture of Trust of even date with the Lease Agreement between the Agency and the Trustee, as from time to time amended or supplemented by one (1) or more Supplemental Indentures in accordance with the provisions thereof.

Interest Payment Date means: (i) for the Bonds bearing interest at a Term Rate or a Fixed Rate, January 1 and July 1 of each year; (ii) for the Bonds bearing interest at a Daily Rate or a Weekly Rate, the first Business Day of each month; (iii) for Bonds that are subject to the same Flexible Period bearing interest at a Flexible Rate, the first Business Day following the end of the applicable Flexible Period for Bonds subject to such Flexible Period; and (iv) for Bonds in the Auction Rate Period, each date specified as an Interest Payment Date in Exhibit B to the Indenture.

Interest Rate Mode means the Daily Rate, Weekly Rate, Flexible Rate, Term Rate, Auction Rate or Fixed Rate.

Investment Agreement means an agreement for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution (which may include the entity acting as Trustee).

Land shall have the meaning given to such term in the Recitals to the Lease Agreement.

Legal Requirements shall mean all Federal, State and local statutes, codes, laws, acts, ordinances, orders, judgments, decrees, rules, regulations and authorizations, whether foreseen or unforeseen, ordinary or extraordinary, which shall now or at any time hereafter be binding upon or applicable to the Company, any occupant, user or operator of the Facility or any portion thereof or any related facilities (including, without limitation, those relating to zoning, land use, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, accessibility, health, safety, equal opportunity, minimum wages and employment practices), as more fully addressed in the Lease Agreement.

Letter of Representation and Indemnity Agreement shall mean the Letter of Representation and Indemnity Agreement dated the Commencement Date from the Company to the Agency, the Trustee, the Remarketing Agent, the Underwriter and the Bond Insurer.

Lien means any mortgage, pledge, leasehold interest, security interest, choate or inchoate 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 Agency which secures any Indebtedness or any other obligation of the Agency.

Liquidity Facility means any Liquidity Facility or Substitute Liquidity Facility supporting the Bonds in accordance with the Indenture, in either case under the terms of which the Trustee will be entitled to draw thereon up to an amount sufficient to pay the Purchase Price of Outstanding Bonds Tendered or Deemed Tendered for Purchase which are not remarketed.

Liquidity Facility Provider means the issuer of any Liquidity Facility with respect to the Bonds.

Liquidity Facility Provider Bonds means any Bond registered in the name of the Liquidity Facility Provider or its nominee or its permitted assigns pursuant to the Indenture or otherwise owned by or pledged to the Liquidity Facility Provider.

Liquidity Facility Provider Rate means the rate of interest applicable to the Liquidity Facility Provider Bonds as may be established pursuant to the Liquidity Facility, as set forth in the Indenture.

Liquidity Facility Substitution Date means the effective date on which a Substitute Liquidity Facility is to be substituted for an existing Liquidity Facility, which shall be no later than the date that is five (5) days prior to the Liquidity Facility Termination Date (or if such day is not a Business Day, the Business Day preceding such fifth day) for the Liquidity Facility then being terminated and replaced with the Substitute Liquidity Facility.

Liquidity Facility Substitution Mandatory Tender Date means the related Liquidity Facility Substitution Date unless a Rating Confirmation Notice is delivered in connection with the delivery of the Substitute Liquidity Facility.

Liquidity Facility Termination Date means the expiration or termination date of the Liquidity Facility then in effect.

Liquidity Facility Termination Mandatory Tender Date means the date that is: (i) five (5) days prior to the stated expiration date of any Liquidity Facility then in effect if no Substitute Liquidity Facility has prior thereto been delivered to the Trustee or if the requirements for delivery of a Substitute Liquidity Facility have not been satisfied; or (ii) three (3) Business Days prior to the termination date specified in a “Termination Event of Default Notice” in the Liquidity Facility provided to the Trustee by any Liquidity Facility Provider of any Liquidity Facility then in effect.

Loss Event shall have the meaning given to such term in the Lease Agreement.

Mandatory Tender Date means: (i) the Liquidity Facility Substitution Mandatory Tender Date; (ii) the Liquidity Facility Termination Mandatory Tender Date; (iii) for each Bond bearing interest at a Flexible Rate, the Business Day following the last day of each Flexible Period for such Bond; (iv) the Business Day following the last day of each Term Period for a Term Rate Bond; (v) the effective date of each change in Interest Rate Mode (other than from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate); and (vi) the Conversion Date, all as more fully described in the Indenture.

Mandatory Tender Notice means a notice of a Mandatory Tender Date given by the Trustee in accordance with the provisions of the Indenture.

Maximum Rate means: (i) with respect to any Bonds other than Bonds in the Auction Rate Period and Liquidity Facility Provider Bonds, ten percent (10%) per annum; (ii) with respect to Bonds in the Auction Rate Period, fourteen percent (14%) per annum; and (iii) and with respect to Liquidity Facility Provider Bonds, the maximum rate set forth in the Liquidity Facility, but in no event may the Maximum Rate exceed the maximum interest rate allowed by law.

Minimum Employment Requirement shall have the meaning given to such term in the Lease Agreement.

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

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

New Buildings shall have the meaning given to such term in the Recitals to the Lease Agreement.

Notice Parties means the Agency, the Trustee, the Bond Insurer, the Remarketing Agent (if any), the Liquidity Facility Provider (if any), the Broker-Dealer (if any) and the Auction Agent (if any).

Officer's Certificate means a certificate signed by an Authorized Representative of the Company.

Official Statement means the Official Statement of the Agency, containing information, data and statistics concerning the Agency, the Company, the Bonds and other information, and the appendices thereto, including a letter from the Institution, relating to the Bonds.

Opinion of Bond Counsel means an opinion in writing signed by Bond Counsel.

Opinion of Counsel means an opinion in writing signed by legal counsel acceptable to the Agency.

Optional Tender Date means, with respect to any Bond, a date on which such Bond, or a portion thereof in an Authorized Denomination, is required to be purchased upon the demand of the holder thereof in accordance with the provisions of the Indenture.

Optional Tender Notice means a notice of an Optional Tender Date given by a Bondholder in accordance with the provisions of the Indenture.

Outstanding when used in reference to Bonds, means as of a particular date, all Bonds authenticated and delivered under the Indenture except: (i) any Bond canceled by the Trustee at or before such date; (ii) any Bond or portion thereof paid or deemed paid in accordance with the provisions of the Indenture; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Indenture; and (iv) any unsurrendered Bond deemed to have been purchased as provided in the Indenture.

Permitted Encumbrances shall mean, as of any particular time:

(i) liens for real estate taxes, assessments, levies and other governmental charges, and any liens for water and sewer rents and taxes, and any other governmental charges and impositions, not yet due and payable or the payment of which is not in default;

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

(iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Facility Realty and which do not, as set forth in a certificate of an Authorized Representative of the Company delivered to the Agency, the Bond Insurer and the Trustee, either individually or in the aggregate, materially impair the rights of the owner of the property affected thereby for the purpose for which it was acquired and held by the Agency under the Lease Agreement or purport to impose any liabilities or obligations on the Agency; and

(iv) those exceptions to title to the Facility Realty enumerated in the title insurance policy delivered pursuant to the Lease Agreement.

Person means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, any unincorporated organization, a limited liability company, a governmental body or a political subdivision, a municipality, a municipal authority or any other group or organization of individuals.

Plans and Specifications shall mean the plans and specifications prepared for the Facility by or on behalf of the Company and approved by the Agency and the Directing Party, as amended from time to time by or on behalf of the Company to reflect any remodeling or relocating of the Facility or substitutions, additions, modifications and improvements to the Facility made by the Company in compliance with the Lease Agreement, said plans and specifications being duly certified by an Authorized Representative of the Company and filed with the Trustee, the Agency and the Directing Party.

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

an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall have the meaning given to such term in the Recitals to the Lease Agreement.

Project Documents shall mean, collectively, the Security Documents, the Lease Agreement, the Company Lease, the Continuing Disclosure Agreement, the Remarketing Agreement, if any, the Auction Agreement, if any, the Broker-Dealer Agreement, if any, and the Environmental Compliance Agreement.

Purchase Price means, with respect to the Bonds properly tendered for purchase pursuant to the Indenture, the principal thereof, plus accrued interest then due.

Qualified Financial Institution means a financial institution that is a domestic corporation, a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a foreign bank acting through a domestic branch or agency which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; provided that for each such entity its unsecured or uncollateralized long-term debt obligations, or obligations secured or supported by a letter of credit, contract, guarantee, agreement or surety bond issued by any such organization, directly or by virtue of a guarantee of a corporate parent thereof, have been assigned a long-term credit rating by Moody's and Standard & Poor's which is not lower than the two highest ratings (with respect to a foreign bank, the highest rating category) then assigned (i.e., at the time an Investment Agreement or Repurchase Agreement is entered into) by such rating service without qualification by symbols "+" or "-" or a numerical notation.

Qualified Investments means the obligations described below:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(1) Direct obligations of or fully guaranteed certificates of beneficial ownership of the Export Import Bank of the United States;

(2) Certificates of beneficial ownership of the Rural Economic Community Development Administration;

- (3) Federal Financing Bank;
- (4) Participation certificates of the General Services Administration;
- (5) Guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association;
- (6) U.S. Maritime Administration Guaranteed Title XI loans; and
- (7) Project Notes, Local Housing Authority Bonds, New Communities Debentures and U.S. public housing notes and bonds fully guaranteed by the U.S. Department of Housing and Urban Development.

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (1) Federal Home Loan Bank System senior debt obligations, rated AAA by Moody's and AAA by Standard & Poor's;
- (2) Participation Certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation, rated Aaa by Moody's and AAA by Standard & Poor's;
- (3) Mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association, rated Aaa by Moody's and AAA by Standard & Poor's;
- (4) Senior debt obligations of the Student Loan Marketing Association, rated Aaa by Moody's and AAA by Standard & Poor's; and
- (5) Consolidated system wide bonds and notes of the Farm Credit System Corporation, rated AAA by Moody's and AAA by Standard & Poor's.

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's or Moody's of AAAM-G; AAAM; Aaa; or equivalent.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above, issued by commercial banks, savings and loan associations or mutual savings banks where the collateral is held by a third party and the Trustee or the Agency has a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC.

G. Investment Agreements (subject to approval of the Agency and the Bond Insurer of the issuer and form and substance of any Investment Agreement with a term in excess of thirty (30) days); any Investment Agreement with a term greater than seven (7) years must be

with an issuer rated AAA by Standard & Poor's and Aaa by Moody's unless a lower rating is consented to by the Bond Insurer, the Agency and the Institution.

H. Commercial paper rated "Prime-1" or better by Moody's and "A-1+" or better by Standard & Poor's and which matures no more than 270 days from the date of purchase.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's and any other national bond rating agency rating the Bonds, in one of the two highest long-term rating categories assigned by such agencies (without qualification by symbols "+" or "-" or a numerical notation).

J. Federal funds or bankers' acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or better by Moody's and "A-1" or better by Standard & Poor's.

K. Repurchase Agreements.

L. Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest, rated Aaa by Moody's or AAA by Standard & Poor's.

M. Any other investments approved in writing by the Bond Insurer.

Rate Determination Date means with respect to (a) the Daily Rate Bonds, the day such Daily Rate Bonds are issued and delivered and on each Business Day thereafter, and on the Business Day the Bonds are converted to Daily Rate Bonds and on each Business Day thereafter, (b) the Weekly Rate Bonds, the day not later than the last Business Day prior to the day the Bonds begin to bear interest at a Weekly Rate and thereafter each Wednesday, or if such Wednesday is not a Business Day, the Rate Determination Date shall be the Business Day next preceding such Wednesday, (c) the Flexible Rate Bonds, the day not later than the first Business Day of each Flexible Rate Period, (d) the Term Rate Bonds, the day not more than thirty-five (35) days preceding, nor later than the last Business Day prior to, each Term Rate Period, and (e) the Fixed Rate Bonds, the day not more than thirty-five (35) days preceding nor later than the last Business Day prior to the Conversion Date pursuant to the provisions of the Indenture.

Rating Agency means Standard & Poor's, Moody's, Fitch or any other nationally recognized securities rating agency acceptable to the Agency and maintaining a credit rating with respect to the Bonds. Except as otherwise provided in the Lease Agreement, if more than one Rating Agency maintains a credit rating with respect to the Bonds, then any action, approval or consent by or notice to a Rating Agency shall be effective only if such action, approval, consent or notice is given by or to all such Rating Agencies.

Rating Confirmation Notice means a written notice from each Rating Agency then maintaining a credit rating on the Bonds confirming that the rating(s) on the Bonds in question will not be lowered or withdrawn as a result of action proposed to be taken.

Rebate Requirement means the amount of moneys required to be rebated to the United States Department of the Treasury, the method of calculation of which is described in the Tax Regulatory Agreement.

Record Date means with respect to the Bonds bearing interest at a Term Rate or a Fixed Rate, the fifteenth day of each June and December, and with respect to the Bonds bearing interest at a Daily Rate, Weekly Rate, Auction Rate or Flexible Rate, the Business Day before each Interest Payment Date, and, to the extent interest is to be paid with respect to any Bonds on other than the regularly scheduled date therefor, the “Special Record Date” provisions of the Municipal Securities Rulemaking Board or the successor thereto shall apply.

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 pursuant to the Indenture or any Supplemental Indenture.

Remarketing Agent shall mean any remarketing agent appointed by the Company pursuant to the provisions of the Indenture, and any successor appointed pursuant to the provisions of the Indenture.

Remarketing Agreement shall mean a Remarketing Agreement entered into between the Company and the Remarketing Agent pursuant to the provisions of the Indenture, and any amendments or supplements thereto or any successor agreement.

Repurchase Agreement means, unless otherwise consented to by the Agency and the Bond Insurer, a written repurchase agreement entered into with a Qualified Financial Institution, a bank acting as a securities dealer or a securities dealer approved by the Agency which is listed by the Federal Reserve Bank of New York as a reporting dealer and rated “AA” or “Aa2” or better by Standard & Poor’s and Moody’s, under which securities are transferred from a dealer bank or securities firm for cash with an agreement that the dealer bank or securities firm will repay the cash plus a yield in exchange for the securities on a specified date and under which (i) the Agency is the real party in interest and has the right to proceed against the obligor on the underlying obligations which must be obligations of, or guaranteed by, the United States of America; (ii) the term of which shall not exceed one hundred eighty (180) days, unless the Agency and the Bond Insurer shall consent to a longer period; (iii) the collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) prior to or simultaneous with investment of moneys therein and such party shall have a perfected security interest in such collateral; and (iv) the collateral shall be valued weekly, marked to market at current market prices plus accrued interest; provided that at all times the value of the collateral must be equal to at least one hundred four percent (104%) of the amount invested in such repurchase agreement, and if the value of such collateral is less than one hundred four percent (104%) of such amount, the Qualified Financial Institution must invest additional cash or securities such that the collateral thereafter equals one hundred four percent (104%) of the amount invested.

Scheduled Completion Date shall have the meaning given to such term in the Lease Agreement.

Security Documents shall mean, collectively, the Lease Agreement, the Indenture, the Guaranty Agreement and the Tax Regulatory Agreement, together with any and all other agreements or instruments (other than the Bond Insurance Policy) delivered or assigned to the Trustee as security for the payment of the principal of, redemption premium, if any, Purchase Price, and interest on the Bonds.

Series 2006 Bonds shall mean the \$55,000,000 Civic Facility Revenue Bonds (Cold Spring Harbor Laboratory Project), Series 2006, of the Agency, issued, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment means the amount of money sufficient to redeem Bonds at the principal amount thereof in the amounts, at the times and in the manner set forth in the Indenture.

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

State shall mean the State of New York.

Substitute Liquidity Facility means any letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit facility meeting the requirements of, and delivered to the Trustee in accordance with, the provisions of the Indenture, together with any and all supplements thereto.

Supplemental Indenture means any indenture of the Agency modifying, altering, amending, supplementing or confirming the Indenture for any purpose, in accordance with the terms thereof.

Tax Exempt Organization shall mean a Person organized under the laws of the United States of America or any state thereof that is an organization described in Section 501(c)(3) of the Code and exempt from Federal income taxes under Section 501(a) of the Code, or corresponding provisions of Federal income tax laws from time to time in effect.

Tax Questionnaire shall mean the Bond Counsel Questionnaire, dated the Commencement Date, as completed and submitted by the Company to the Agency and Bond Counsel.

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

Tender Date means (a) an Optional Tender Date, or (b) a Mandatory Tender Date.

Term Period means each period during which a particular Term Rate is in effect. Each Term Period shall commence on the date of conversion to the Term Rate Period or on the January 1 or July 1 succeeding the last day of the preceding Term Period, shall end on a December 31 or June 30, shall be at least one year in length, and shall end on a day which is at least five (5) Business Days prior to the Liquidity Facility Termination Date.

Term Rate means the rate of interest borne by Bonds during any Term Rate Period which shall be determined on each Rate Determination Date for a Term Rate Bond as provided in the Indenture.

Term Rate Bond means any Bond issued under the Indenture which bears interest at a Term Rate.

Term Rate Period means the period during which Term Rate Bonds bear interest at a particular Term Rate.

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

Underwriter shall mean J.P. Morgan Securities Inc., New York, New York.

Variable Rate Indebtedness means Indebtedness that bears interest at a variable, adjustable, convertible or floating rate.

Weekly Rate means the rate of interest borne by Bonds during any Weekly Rate Period which shall be determined by the Remarketing Agent on each Rate Determination Date for a Weekly Rate Bond as provided in the Indenture.

Weekly Rate Bond means any Bond issued under the Indenture which bears interest at a Weekly Rate.

Weekly Rate Period means the period during which Weekly Rate Bonds bear interest at a particular Weekly Rate.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary is qualified in its entirety by reference to the Indenture.

Additional Bonds

No additional bonds may be issued pursuant to the Indenture.

Creation of Funds and Accounts

The following funds and separate accounts within funds are established, held and maintained by the Trustee pursuant to the Indenture:

- (1) Construction Fund
 - (a) Construction Account
 - (b) Cost of Issuance Account
 - (c) Capitalized Interest Account
 - (d) Credit/Liquidity Enhancement Fee Account
- (2) Debt Service Fund
 - (a) Interest Account
 - (b) Principal Account
 - (c) Sinking Fund Account
- (3) Redemption Fund
- (4) Rebate Fund
- (5) Purchase Fund
 - (a) Remarketing Proceeds Account
 - (b) Liquidity Facility Account
 - (c) Company Funds Account

Application of Moneys in the Construction Fund

(a) As soon as practicable after the delivery of the Bonds, the Trustee shall pay from the Cost of Issuance Account to the firms, corporations or persons entitled thereto the Cost of Issuance relating to the issuance of such Bonds solely from moneys (which shall include, with respect to the payment of Cost of Issuance for the Bonds, moneys paid to the Agency by the Company) deposited in the Cost of Issuance Account with the Trustee. Amounts on deposit in the Cost of Issuance Account shall also be applied, as soon as practicable following delivery of the Bonds, to the payment to the Agency of the Upfront Fee. Any moneys remaining on hand in the Cost of Issuance Account upon payment of all Costs of Issuance shall be transferred to the Construction Account if the Project is not completed, and if not so needed in the Construction Account, to the Trustee for deposit into the Principal Account.

(b) Except as otherwise provided in the Indenture or in any Supplemental Indenture, any moneys deposited in an Account within the Construction Fund shall be used only to pay the Costs of or relating to the Project to which the Indenture, or a project defined in such Supplemental Indenture, relates, including reimbursement to the Company for such Costs paid

by the Company in connection with the Project; provided, however, that to the extent an Event of Default under the Indenture which arises from either: (i) the nonpayment of the principal of any of the Bonds when the same shall become due and payable; or (ii) the nonpayment of the principal of an installment of interest on any Bonds when the same shall become due and payable, shall have occurred and be continuing, and no other moneys are available under the Indenture to cure such Event of Default, then moneys on deposit in the Construction Fund shall be applied in accordance with the provisions of the Indenture.

(c) Payments pursuant to paragraph (a) of this section shall be made in accordance with a requisition submitted to the Trustee and the Agency by the Company signed by an Authorized Representative of the Company stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Payments pursuant to paragraph (b) of this section shall be made in accordance with a requisition submitted to the Trustee and the Agency by the Company signed by an Authorized Representative of the Company, substantiated by a certificate filed with the Trustee and the Agency describing in reasonable detail the purpose for which such moneys were used and the amount thereof, and further stating the opinion that such purposes constitute a necessary part of the Cost of such Project to which such certificate relates, such substantiating certificate to be signed by: (i) the architect for the Project, in the case of payments for constructing the Project; or (ii) an Authorized Representative of the Company, in the case of the acquisition or refinancing of, or equipping the Project and other expenses and reimbursements; or (iii) an Authorized Representative of the Company, if for payment of interest on the Bonds.

(d) Upon completion of the Project as evidenced in accordance with the next succeeding paragraph, or if the Project is deemed complete, the Trustee shall deposit the balance in the Construction Fund, either to the Principal Account of the Debt Service Fund or to the Redemption Fund, as the Company may direct. Such payment if deposited in the Debt Service Fund shall be applied as a credit against the next due payment of the principal portion of debt service from the Company or, if deposited in the Redemption Fund, shall be applied either to the purchase or redemption of Bonds as provided under the Indenture.

Completion of the Project shall be determined by a certificate of the Company signed by an Authorized Representative thereof certifying the balance in the Construction Fund, substantiated by certificates signed by the architect for the Project and delivered after the date of completion to the Trustee, the Agency and the Company. Such certificate signed by the architect for the Project shall state that the Project has been completed, describe it in terms sufficient for identification, and specify the date of completion. In the case of the acquisition of the Project or any part thereof, completion of such acquisition shall be evidenced by a certificate signed by an Authorized Representative of the Company and delivered within ten (10) days after the date of completion of such acquisition to the Agency and to the Trustee.

(e) The Trustee shall transfer from the moneys, if any, on deposit in the Capitalized Interest Account to the Interest Account of the Debt Service Fund, on the third (3rd) Business Day next preceding each Interest Payment Date, the amounts therein which are to be applied to the payment of interest on the Bonds on such date in accordance with a schedule therefor set forth in a certificate of an Authorized Representative of the Company delivered at or prior to the issuance of the Bonds.

(f) The Company may also direct the Trustee to transfer, from moneys on deposit in the Capitalized Interest Account for deposit to the Construction Account of the Construction Fund or to the Interest Account of the Debt Service Fund, and in such case a revised schedule for payments of interest from the Capitalized Interest Account shall be provided, or caused to be provided, to the Trustee by the Company.

(g) Except as otherwise provided in the Indenture or in any Supplemental Indenture, any moneys deposited in the Credit/Liquidity Enhancement Fee Account in connection with the issuance of the Bonds shall be used by or at the direction of the Company only to pay credit or liquidity enhancement fees due from the Company to the provider thereof with respect to any liquidity or credit enhancement facility provided for such Bonds.

Deposit of Revenues and Allocation Thereof

The lease payments or rentals received pursuant to the Lease and any other moneys required by any of the provisions of the Indenture to be paid or transferred to the Trustee shall be promptly paid or transferred to the Trustee.

Notwithstanding any other provisions of the Indenture, moneys received by the Trustee as an optional prepayment pursuant to the Lease shall be deposited in the Redemption Fund if the Bonds are then subject to redemption, or otherwise in the Debt Service Fund for payment of the next due principal of or interest on the Bonds.

Subject to the immediately preceding paragraph of this section, moneys paid or transferred to the Trustee shall, on or before the next Business Day after receipt thereof, be applied as follows and in the following order of priority:

FIRST: To the Interest Account, the amount equal to the interest becoming due on the Outstanding Bonds on the next Interest Payment Date of the Bonds (after taking into account available funds, if any, on deposit in the Capitalized Interest Account of the Construction Fund which are scheduled to be transferred to the Trustee pursuant to paragraph (e) of the section above entitled "Application of Moneys in the Construction Fund" prior to such Interest Payment Date);

SECOND: To the Principal Account, the amount equal to one-half (1/2) of the principal amount becoming due on the Bonds on the next succeeding principal payment date, after taking into account any amounts on deposit therein available for the payment thereof;

THIRD: To the Sinking Fund Account, the amount equal to one-half (1/2) of the next succeeding Sinking Fund Installment applicable to the Bonds, after taking into account any amounts on deposit therein available for the payment thereof;

FOURTH: To the Rebate Fund to the extent required, amounts necessary in any year so as to meet the Rebate Requirement of the Rebate Fund, as directed in writing by the Company to the Trustee; and

FIFTH: To the Agency, unless otherwise paid, such amounts as are payable to the Agency for: (i) any expenditure of the Agency for insurance, fees and expenses of auditing, and

fees and expenses of the Trustee, all as required by the Indenture and not otherwise paid or caused to be paid or provided for by the Company; (ii) all other expenditures reasonably and necessarily incurred by the Agency in connection with the Project and the issuance of the Bonds, including penalties for late payments and all expenses incurred by the Agency to compel full and punctual performance of all the provisions of the Lease in accordance with the terms thereof; (iii) the Annual Administrative Fee; and (iv) any other amounts due and payable by the Company to the Agency pursuant to the Lease, but only upon receipt by the Trustee from the Agency of a certificate signed by an Authorized Representative of the Agency, stating in reasonable detail the amounts payable to the Agency pursuant to this paragraph FIFTH.

After making the payments required by paragraphs FIRST, SECOND, THIRD, FOURTH and FIFTH above, any balance remaining shall be paid, as the Company may direct, to the Debt Service Fund and credited against the next due payment of debt service from the Company (provided the amount in the Debt Service Fund may not exceed the amount of debt service due on the Bonds during the next twelve (12) months) or to the Redemption Fund and applied by the Trustee to the purchase or redemption of Bonds.

In lieu of redeeming Bonds through Sinking Fund Installments, as provided in clause THIRD of the third paragraph of this section and elsewhere in the Indenture, the Company may elect to do either of the following:

(A) The Company may direct the Trustee in writing or by Electronic Means to apply moneys from time to time on deposit in the Sinking Fund Account to the purchase of an equal principal amount of Bonds (of the maturity and in amounts then subject to redemption through Sinking Fund Installments) at prices not higher than the principal amount to be redeemed plus accrued interest, provided that firm commitments to sell Bonds are received at least five (5) Business Days before the notice of redemption would otherwise be required to be given; provided further, that in the event of purchases at purchase prices less than the principal amount to be redeemed plus accrued interest, the difference between the amount in the Sinking Fund Account representing the principal amount of the Bonds purchased and the purchase price (exclusive of accrued interest) shall be deposited in the Debt Service Fund for application pursuant to clauses SECOND or THIRD above as directed by the Company; and provided further, that prior to any such purchase, the Company shall give written directions to the Trustee to purchase such Bonds; or

(B) The Company may deliver to the Trustee for cancellation Bonds of the maturity then subject to redemption by Sinking Fund Installments at least five (5) Business Days before the notice of redemption would otherwise be required to be given, in which event to the extent of the principal amount of Bonds so surrendered: (i) no deposit from the Company into the Sinking Fund Account need be made; and (ii) no such redemption from Sinking Fund Installments shall occur.

So long as beneficial ownership interests in the Bonds are held through the book-entry system, any purchase or delivery of such Bonds as set forth in such clauses in the two (2) immediately preceding paragraphs shall be deemed to have occurred upon the purchase or delivery of beneficial ownership interests in such Bonds made pursuant to the provisions of the Indenture pertaining to registration of the Bonds by the DTC.

Application of Moneys in the Debt Service Fund

The Trustee shall transfer moneys out of the Interest Account on each Interest Payment Date for the payment of interest then due on the Bonds.

The Trustee shall transfer moneys out of the Principal Account or the Sinking Fund Account on each principal maturity date or Sinking Fund Installment date for the payment of the principal amount of the Bonds or Sinking Fund Installment then due.

In the event Funds received from the Liquidity Facility Provider are insufficient to make in full any payments required for the purchase of Bonds Tendered or Deemed Tendered for Purchase under the Indenture, the Trustee shall use funds received from the Company to make such payments on the relevant payment dates.

Application of Moneys in the Redemption Fund

Moneys in the Redemption Fund derived from optional prepayment of the Bonds shall, at the written direction of the Company, be applied to payment of the Redemption Price of Bonds, plus accrued interest, if any, thereon to the date set for redemption, in accordance with the provisions of the Indenture.

Moneys in the Redemption Fund derived from insurance or condemnation proceeds or from transfers from the Construction Fund pursuant to the provisions of the Indenture shall be applied to payment of the Redemption Price of Bonds, plus accrued interest on any Interest Payment Date, if any, thereon to the date set for redemption, in accordance with the provisions of the Indenture.

Subject to the provisions of the two (2) immediately preceding paragraphs, moneys in the Redemption Fund may be applied to the purchase of Bonds at purchase prices not exceeding the Redemption Price applicable to the Bonds to be purchased plus accrued interest due, in such manner as the Company may direct. Bonds so purchased shall be cancelled by the Trustee. If sixty (60) days prior to any Interest Payment Date on which Bonds are subject to optional redemption, moneys in excess of Twenty-Five Thousand Dollars and 00/100 (\$25,000.00) shall then remain on deposit in such Redemption Fund, the Trustee shall apply such moneys to the redemption of such Bonds as provided under the Indenture, at the Redemption Prices specified therein.

Application of Moneys in the Rebate Fund

All amounts to be deposited into the Rebate Fund and all amounts on deposit in the Rebate Fund shall be paid, as necessary, to the United States Department of the Treasury at the times and in the amounts required by the Tax Regulatory Agreement as shall be directed in writing or by Electronic Means by the Company. Upon the Final Computation Date, if the Rebate Amount (as such terms are defined in the Tax Regulatory Agreement), as certified to the Trustee by the Company, is less than the amount on deposit in the Rebate Fund, the Trustee shall withdraw from the Rebate Fund and transfer to the Company an amount, as directed by the Company, not to exceed the amount in the Rebate Fund in excess of the Rebate Amount.

Investment of Moneys

Any moneys held in any of the funds or accounts established under the Indenture shall be invested by the Trustee, as directed by the Company in a written order signed by an Authorized Representative thereof, but only as follows:

(a) Moneys in the Debt Service Fund may be invested only in Qualified Investments, *except* the following (as more fully described in the Lease): (i) certain evidences of indebtedness issued or guaranteed by certain non-full faith and credit United States government agencies; (ii) commercial paper rated “Prime-1” or better by Moody’s and “A-1+” or better by Standard & Poor’s and which matures no more than two hundred seventy (270) days from the date of purchase; (iii) federal funds or bankers’ acceptances with a maximum term of one (1) year of any bank which has an unsecured, uninsured and un-guaranteed obligation rating of “Prime-1” or better by Moody’s and “A-1” or better by Standard & Poor’s; and (iv) any state administered pool investment fund in which the Agency is statutorily permitted or required to invest, rated “Aaa” by Moody’s or “AAA” by Standard & Poor’s, maturing in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such Fund;

(b) Moneys in the Redemption Fund: only in Qualified Investments, *except* those listed in items (i) through (iv) of the immediately preceding paragraph, maturing or redeemable at the option of the owner not later than the next succeeding date on which the Bonds are subject to redemption;

(c) Notwithstanding anything to the contrary in the Indenture, moneys in the Rebate Fund may be invested only in the following Qualified Investments (as more fully described in the Lease): (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America; (ii) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s or Moody’s of AAAM-G; AAAM; Aaa; or equivalent; (iii) certificates of deposit secured at all times by certain required collateral as set forth in the Indenture, issued by commercial banks, savings and loan associations or mutual savings banks where the collateral is held by a third party and the Trustee or the Agency has a perfected first security interest in the collateral; (iv) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC; and (v) Repurchase Agreements, maturing or redeemable at the option of the owner not later than the date the next payment of rebate is due and only in accordance with the Tax Regulatory Agreement;

(d) Subject to the provisions of the Act, any moneys held in the Construction Fund may be invested only in Qualified Investments; and

(e) Moneys in the Remarketing Proceeds Account, the Liquidity Facility Account and the Company Funds Account of the Purchase Fund shall be held uninvested in trust expressly for the benefit of the holders of the Bonds.

Notwithstanding any other provisions of the Indenture concerning the requirement that all investment instructions shall be given to the Trustee or any depository by the Company, in the event that the Trustee has not received instructions from the Company to invest any moneys remaining in any Fund or Account established under the Indenture, the Trustee or any such depository shall daily deposit such moneys in the following Qualified Investment: money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's or Moody's of AAAM-G; AAAM; Aaa; or equivalent.

The Trustee is authorized by the Indenture, in making or disposing of any investment permitted by this section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Any securities or investments held by the Trustee shall be transferred by the Trustee, if requested in writing by an Authorized Representative of the Company, from any of the funds or accounts mentioned in this section to any other of the funds or accounts mentioned in this section at the then current market value thereof without having to be sold and purchased or repurchased; provided, however, that after any such transfer or transfers the investments in each such fund or account shall be in accordance with the provisions as stated in this section.

Unless otherwise directed by the Company, interest earned, profits realized and losses suffered by reason of any investment shall be credited or charged, as the case may be, to the Fund or Account for which such investment shall have been made.

Notwithstanding the foregoing, the Agency reserves the right to direct the transfer of arbitrage interest earned on Bond proceeds to the Rebate Fund, which amounts shall be applied in accordance with the section above entitled "Application of Moneys in the Rebate Fund".

The Trustee may sell or redeem any obligations in which moneys shall have been invested, to the extent necessary to provide cash in the respective funds or accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys, securities or investments between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of the Indenture.

In computing the value of the assets in any fund or account established under the Indenture, the Trustee, if required under the Indenture to value any fund or account under its control, shall value such assets at the current market value thereof.

Neither the Trustee nor the Agency shall be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts shall be invested, as aforesaid, or for any loss arising from any investment permitted under the Indenture.

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Indenture and any Supplemental Indenture, if at any time the amounts held in the Debt Service Fund, and the Redemption Fund

are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accruing on such Bonds to the next date when all such Bonds are redeemable, the Trustee shall so notify the Agency and the Company. Upon receipt of such notice, the Company may request the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Company, proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by the Indenture and any Supplemental Indenture, and in such event all provisions of the Indenture, as summarized below in the section entitled “Defeasance”, shall be operative.

Purchase Fund

Moneys on deposit in the Remarketing Proceeds Account of the Purchase Fund shall be applied on each Optional Tender Date and Mandatory Tender Date to the purchase of Bonds. Moneys on deposit in the Liquidity Facility Account of the Purchase Fund shall be applied on each Optional Tender Date and Mandatory Tender Date to the purchase of Bonds pursuant to the terms of the Indenture. Moneys on deposit in the Company Funds Account of the Purchase Fund shall be applied on each Optional Tender Date and Mandatory Tender Date to the purchase of Bonds pursuant to the terms of the Indenture.

Liquidity Facility; Substitute Liquidity Facility

(a) On or prior to a conversion of the Interest Rate Mode on the Bonds to a Daily Rate, Weekly Rate, Flexible Rate or Term Rate and for so long as the Bonds bear interest at a Daily Rate, Weekly Rate, Flexible Rate or Term Rate, the Company shall deliver to the Trustee and maintain a Liquidity Facility securing the payment of the Purchase Price of Bonds Tendered or Deemed Tendered for Purchase. Any such Liquidity Facility and each Substitute Liquidity Facility shall be provided by a financial Company acceptable to the Agency and the Bond Insurer, shall meet the Liquidity Facility requirements of the Bond Insurer set forth in Exhibit A to the Indenture and shall have such other terms as are acceptable to the Agency and the Bond Insurer.

The Trustee shall draw upon the Liquidity Facility in accordance with its terms, by 12:00 noon, prevailing New York City time, on any Tender Date, to pay, on such Tender Date, in accordance with the last two sentences of this paragraph (a), the Purchase Price of Bonds Tendered or Deemed Tendered for Purchase. The Liquidity Facility Provider shall be required to provide any amount so drawn upon the Liquidity Facility on each Tender Date, to the Trustee, no later than 2:00 p.m., prevailing New York City time, on each such Tender Date. Amounts received pursuant to the Liquidity Facility shall be deposited into the Liquidity Facility Account, and shall be segregated and not be commingled with moneys in any other fund and shall be held uninvested in the trust created and maintained under the Indenture, by the Trustee for the payment of the Purchase Price of Bonds Tendered or Deemed Tendered for Purchase. Not later than 3:30 p.m., prevailing New York City time, on the Business Day preceding: (i) the Optional Tender Date on which Daily Rate Bonds or Weekly Rate Bonds (other than a Liquidity Facility Provider Bond) are to be purchased pursuant to the Indenture; or (ii) the Mandatory Tender Date on which Bonds (other than Liquidity Facility Provider Bonds or any Fixed Rate Bonds) are to be purchased pursuant to the Indenture (provided, however, for Daily Rate Bonds, it shall be no later than 11:15 a.m., prevailing New York City time, on the Tender Date on which

Bonds are to be purchased pursuant to the terms of the Indenture), the Remarketing Agent shall give telephonic notice to the Trustee and the Liquidity Facility Provider of the principal amount of Bonds that the Remarketing Agent has been unable to remarket. In the event that by 11:30 a.m., prevailing New York City time, on any Tender Date there are not sufficient remarketing proceeds held by the Trustee that constitute immediately available funds to pay the Purchase Price of Bonds Tendered or Deemed Tendered for Purchase on such Tender Date, the Trustee shall, not later than 12:00 noon, prevailing New York City time, on such Tender Date, make a drawing under the Liquidity Facility to pay the Purchase Price of Bonds Tendered or Deemed Tendered for Purchase on such Tender Date in excess of the amount of the Purchase Price of any Bonds supported thereby to be paid from the proceeds of the remarketing and sale pursuant to the terms of the Indenture of any Bonds supported thereby that have been deposited with the Trustee. Any amounts received by the Trustee from a drawing on the Liquidity Facility shall be promptly applied to the payment of the Purchase Price of the Bonds.

(b) At any time which is at least forty-five (45) days prior to the expiration or termination of any Liquidity Facility, the Company may provide for the delivery to the Trustee of a Substitute Liquidity Facility. Provision of such Substitute Liquidity Facility may be evidenced by delivery of an irrevocable commitment for the Substitute Liquidity Facility issued by the proposed Liquidity Facility Provider at least forty-five (45) days prior to the expiration or termination of any Liquidity Facility then in effect. Any such Substitute Liquidity Facility may be for a term of years which is more or less than the Liquidity Facility which is being replaced and shall contain administrative provisions reasonably acceptable to the Trustee. Any Substitute Liquidity Facility delivered in substitution for another Liquidity Facility shall provide for the purchase of any Liquidity Facility Provider Bonds held on the Mandatory Tender Date by the issuer of the prior Liquidity Facility. On or prior to the date of the delivery of such Substitute Liquidity Facility to the Trustee, the Company shall furnish to the Trustee: (i) an Opinion of Bond Counsel to the effect that the delivery of the proposed Substitute Liquidity Facility to the Trustee is permitted under the Indenture and complies with the terms of the Indenture and will not adversely affect (A) the exclusion of the interest payable on the Bonds to which it relates from the gross income of the Bondowners for purposes of federal income taxation pursuant to section 103 of the Code, and (B) the exemption of interest on the Bonds for the purpose of the New York income tax; and (ii) a notice from each Rating Agency of the ratings to be assigned to the Bonds upon provision of the Substitute Liquidity Facility. Upon receipt of such documents and the documents set forth in paragraph (d) below, the Trustee shall accept such Substitute Liquidity Facility on the Mandatory Tender Date relating thereto, which Substitute Liquidity Facility shall be effective on the Liquidity Facility Substitution Date, and in any case not later than the date that is five (5) days prior to the applicable Liquidity Facility Termination Date (or if such day is not a Business Day, the Business Day preceding such fifth day), and shall surrender the Liquidity Facility then in effect to the Liquidity Facility Provider which issued such Liquidity Facility on the Liquidity Facility Substitution Date.

(c) The Trustee shall comply with any procedures set forth in any outstanding Liquidity Facility relating to the expiration or termination thereof. In addition, upon receipt by the Trustee of a notice from the Agency to the effect that the Bonds shall no longer be required to be supported by a Liquidity Facility, the Trustee shall comply with the procedures set forth in the outstanding Liquidity Facility relating to the termination thereof.

(d) Notwithstanding anything contained to the contrary in the Indenture, no Substitute Liquidity Facility shall be delivered to the Trustee under the Indenture unless such Substitute Liquidity Facility is accompanied by: (i) Opinions of Counsel reasonably satisfactory to the Agency and the Trustee to the effect that (1) the Liquidity Facility Provider is duly organized and existing under the laws of the jurisdiction of its organization and is duly qualified to do business in the United States of America; (2) the Substitute Liquidity Facility is a legal, valid and binding obligation of the Liquidity Facility Provider, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to, or affecting generally the enforcement of, creditors' rights and remedies, and by the availability of equitable remedies, including specific performance and injunctive relief; (3) to the extent required by the Rating Agency, payments made by the Liquidity Facility Provider of amounts drawn under the Substitute Liquidity Facility will not be recoverable from the Bondholders as voidable preferences under section 547(b) of the United States Bankruptcy Code or any successor provision in the event of the commencement of a proceeding by or against the Company or by the Agency as debtor under the United States Bankruptcy Code; and (4) the Substitute Liquidity Facility is an exempt security under the Securities Act of 1933, as amended, and accordingly neither the registration of the related Bonds under the Securities Act of 1933, as amended, nor the qualification of an indenture in respect thereof under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of such Substitute Liquidity Facility or the remarketing of the Bonds secured thereby; and (ii) the written consent of the Agency and the Bond Insurer to the selection of the Liquidity Facility Provider.

(e) The Trustee shall not sell, assign or otherwise transfer the Liquidity Facility except to a successor Trustee under the Indenture and in accordance with the terms of the Liquidity Facility.

(f) Notwithstanding any other provision of the Indenture, any then current Liquidity Facility shall not be released until the Trustee has on deposit in immediately available funds sufficient moneys (from remarketing proceeds or from a drawing for the payment of the Purchase Price under the Liquidity Facility then in effect) to pay in full all Bonds Tendered or Deemed Tendered for Purchase on a Tender Date.

(g) Drafts of all documents to be provided to the Trustee or the Agency on or before the Mandatory Tender Date pursuant to the Indenture shall be delivered to the Trustee and the Agency at least fourteen (14) days prior to the Mandatory Tender Date.

Particular Covenants

Payment of Principal and Interest

The Agency shall pay or cause to be paid the principal or Redemption Price of and interest on every Bond on the date and at the places and in the manner mentioned in such Bonds according to the true intent and meaning thereof, solely from the sources provided in the Indenture, and to the extent moneys are available from such sources.

Lease Payments

The Lease provides that the Company shall pay amounts sufficient at all times: (a) to pay the principal of and interest on the Bonds as the same respectively become due and payable by redemption or otherwise; and (b) to pay the expenditures of the Agency and the Trustee incurred in relation to the Project and the Indenture.

Accounts

The Trustee shall keep proper books of records and accounts in which complete and correct entries shall be made of its transactions relating to the Company's facilities and the Indenture, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Trustee, shall be subject to the inspection of the Agency, the Bond Insurer, the Company or of any owner of a Bond or of the owner's representative duly authorized in writing.

Liens

The Agency shall not create or cause to be created any lien or charge on the trust estate, other than as created by the Indenture or by any Supplemental Indenture.

The Lease; Amendment and Execution

The Lease may be amended or supplemented with the prior written consent of the Bond Insurer but without Bondowner consent, provided such amendment or supplement does not cause the Agency to violate any of its covenants and agreements under the Indenture. Notwithstanding the foregoing, the Agency reserves the right to waive any of the Agency's Reserved Rights, which waiver shall not be binding upon, or deemed a waiver by, the Trustee and/or the Bond Insurer as to their respective rights.

Tax Covenants

(a) The Agency covenants that it shall not knowingly make nor direct the Trustee to make any investment or other use of the proceeds of the Bonds issued under the Indenture that would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code. The Trustee covenants that in those instances where it exercises discretion over the investment of funds, it shall not knowingly make any investment inconsistent with the foregoing covenants.

(b) The Agency covenants that it: (i) will, at the Company's cost and request, take all reasonable actions that may be required of the Agency for the interest on the Bonds to be and remain not included in gross income for federal income tax purposes; and (ii) will not knowingly take or authorize to be taken any actions within its reasonable control that would adversely affect such status under the provisions of the Code.

Concerning the Trustee and the Remarketing Agent

Acceptance of Trustee

The Trustee accepts and agrees to execute the trusts imposed upon it by the Indenture, but only upon the terms and conditions set forth in the Indenture and subject to the provisions thereof, to all of which the parties to the Indenture and the respective owners of the Bonds agree.

Obligations of Trustee

The Trustee shall be under no obligation to institute any suit, or to take any action or proceeding under the Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the Indenture or in the enforcement of any rights and powers under the Indenture, including, without limitation, pursuant to the direction of, or on behalf of, any of the Bondowners or the Bond Insurer, until it shall be paid or reimbursed or indemnified to its satisfaction against any and all reasonable costs and expenses, outlays, liabilities, damages and counsel fees and expenses and other reasonable disbursements. The Trustee may nevertheless begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, and in such case the Agency shall reimburse the Trustee but only from the lease payments for all costs and expenses, outlays, liabilities, damages and counsel fees and expenses and other reasonable disbursements properly incurred in connection therewith. If the Agency shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of the Indenture (other than money on deposit in the Rebate Fund or in the Purchase Fund, any moneys held for the payment of the Purchase Price of Bonds Tendered or Deemed Tendered for Purchase, or any money on deposit in any irrevocable trust or escrow fund established with respect to any defeased Bonds) upon notice to the Company and the Agency of its intention to reimburse itself, and the Trustee shall be entitled to a preference therefor over any of the Bonds Outstanding under the Indenture.

Responsibilities of Trustee

(a) The Trustee makes no representations as to the validity or sufficiency of the Indenture, any Supplemental Indenture or of the Bonds or in respect of the security afforded by the Indenture or any Supplemental Indenture, and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to certain acts or occurrences as set forth in the Indenture, including, without limitation: (i) the issuance of the Bonds for value; or (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Agency or others in accordance with the Indenture except as to the application of any moneys paid to it in its capacity as Trustee; or (iv) the recording or rerecording, registration or re-registration, filing or re-filing of the Indenture or any security documents contemplated thereby; provided, however, the Trustee shall be responsible for the filing of Uniform Commercial Code continuation statements; or (v) the validity of the execution by the Agency of the Indenture; or (vi) compliance by the Agency with the terms of the Indenture. The Trustee may require of the Agency full information and advice regarding the performance of the

covenants, conditions and agreements contained in the Indenture. The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its own negligence, misconduct, or failure to comply with the provisions of the Indenture.

(b) Except as otherwise expressly provided by the provisions of the Indenture, the Trustee shall not be obligated and may not be required to give or furnish any notice, demand, report, request, reply, statement, advice or opinion to the Bondowner of any Bond, and the Trustee shall not incur any liability for its failure or refusal to give or furnish the same unless obligated or required to do so by an express provision of the Indenture. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee shall incur no liability in respect of any action taken or omitted by it in good faith without negligence in accordance with the direction of the Bondowners of the percentage of the Bonds specified in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

(c) The Trustee shall not be liable for interest on any funds deposited with it under the Indenture, except as provided therein or as the Trustee may otherwise specifically agree in writing.

(d) The Trustee may become the owner of or may deal in Bonds or may deal with the Agency or with the Company as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Agency or any committee formed to protect the rights of Bondowners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not such committee shall represent the Owners of a majority in principal amount of the Outstanding Bonds in respect of which any such action is taken.

Remarketing Agent

In the event that the Company elects to convert the Interest Rate Mode to the Daily Rate, Weekly Rate, Flexible Rate or Term Rate, on or prior to the effective date of such conversion, the Company shall appoint a Remarketing Agent for each sub-series of the Bonds in accordance with the requirements of the Indenture. The Remarketing Agent shall designate its principal office to the Company, the Trustee and the Liquidity Facility Provider and signify its acceptance of the duties and obligations imposed upon it under the Indenture by executing the Remarketing Agreement pursuant to which the Remarketing Agent agrees, particularly:

(a) to hold any Bonds delivered to it for the benefit of the respective Bondholders which shall have so delivered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to the Trustee for deposit in the Purchase Fund;

(b) to deliver to the Trustee all moneys received by it under the Indenture in connection with the remarketing of the Bonds;

(c) to keep such books and records as shall be consistent with prudent industry practice; and

(d) to comply with the provisions of the Indenture with respect to the duties and obligations of the Remarketing Agent.

The Remarketing Agreement shall not be amended or modified without the prior written consent of the Agency.

Events of Default and Remedies of Bondholders Upon Default

Events of Default

Each of the following events is considered to be an “Event of Default” under the Indenture (each, an “Event of Default”):

(a) Payment of the principal of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; in determining whether a payment of principal default has occurred, no effect shall be given to such payments made under the Bond Insurance Policy; or

(b) Payment of an installment of interest on any Bonds shall not be made when the same shall become due and payable; in determining whether a payment of an installment of interest default has occurred, no effect shall be given to such payments made under the Bond Insurance Policy; or

(c) Payment of the Purchase Price of any Bonds Tendered or Deemed Tendered for Purchase on a Tender Date shall not be made when the same shall become due and payable; or

(d) Any proceeding shall be instituted, with the consent or acquiescence of the Agency, for the purpose of effecting a composition between the Agency and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the trust estate; or

(e) The Agency shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture on the part of the Agency to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Agency by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds; or

(f) An Event of Default shall have occurred under the Lease or under any other Project Document.

Acceleration of Maturity

Upon the happening of any Event of Default specified in the immediately preceding section entitled “Events of Default”, the Trustee may, subject to the prior written consent of the Bond Insurer with respect to the acceleration of any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer, and shall, upon the written request of the owners of not less than a majority in principal amount of the Outstanding Bonds, subject to the prior written consent of the Bond Insurer with respect to the acceleration of any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer, and the Trustee shall, upon the written request of the Bond Insurer with respect to the acceleration of any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer, declare an acceleration of the payment of principal on the Bonds. Such declaration shall be by a notice in writing to the Agency, to the Bond Insurer and to the Company, declaring the principal of all of the Outstanding Bonds to be due and payable immediately. All such declarations shall be by a notice in writing to the Agency, the Bond Insurer and the Company, declaring the principal of all of the Outstanding Bonds to be due and payable immediately. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee, shall, upon the written direction of the Bond Insurer with respect to any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer, but subject to the last sentence of this paragraph, may, with the written consent of the Bond Insurer and the owners of not less than a majority in principal amount of the Bonds not then scheduled to be due by their terms and then Outstanding (which consent shall not be required if the Bond Insurer has consented thereto) and by written notice to the Agency, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of principal and interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date and the principal of such Bonds then due only because of a declaration under this Section); (ii) moneys shall have accumulated and be available and sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable by the Agency under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Indenture (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee or waived pursuant to the terms of the Indenture. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the paragraph above entitled “Events of Default”, then, and in every such case, the Trustee may proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Outstanding Bonds shall proceed (subject to certain provisions of the Indenture), in each case only with the consent of the Bond Insurer with respect to the enforcement of remedies with respect to any Bonds insured pursuant to a Bond Insurance Policy issued by such

Bond Insurer, to protect and enforce its rights and the rights of the owners of the Bonds and the rights of the Bond Insurer under the laws of the State of New York or under the Indenture or the Bonds by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Indenture or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In addition, and notwithstanding anything to the contrary in the Indenture, the Bond Insurer, while not in payment default under the Bond Insurance Policy, acting alone, shall have the right (subject to certain provisions of the Indenture) to direct all remedies under the Indenture, and, except as provided otherwise pursuant to certain provisions of the Lease, and under the other Project Documents with respect to Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer upon the happening and continuance of an Event of Default specified in the paragraph above entitled "Events of Default".

In the enforcement of any remedy under the Indenture, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Agency for principal or interest or otherwise under any of the provisions of the Indenture or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of such Bonds, and to recover and enforce any judgment or decree against the Agency but solely as provided in the Indenture and in such Bonds, for any portion of such amounts remaining unpaid, with interest, cost and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

Priority of Payments After Default

If at any time the moneys held by the Trustee under the Indenture shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the paragraph above entitled "Acceleration of Maturity"), such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Indenture or otherwise, shall be applied (after payment of all amounts owing to the Trustee from moneys under the Indenture other than from moneys in the Rebate Fund, the Purchase Fund or any irrevocable trust or escrow fund established with respect to any defeased Bonds) as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest on any of the Bonds then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of the Indenture) with interest upon such Bonds from the respective dates upon which they shall have become due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular due date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To the payment of the interest on and the principal of the Bonds as the same become due and payable.

(b) If the principal of all the Bonds shall have become due and payable, either by their terms or by a declaration of acceleration, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Indenture, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Agency, to any Bondowner, to the Bond Insurer, or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the owner of any unpaid interest or any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Effect of Discontinuance of Proceedings

In case any proceedings taken by the Trustee on account of any default in respect of Bonds shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Agency, the Trustee, the Bond Insurer and the Bondowners shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Control of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Bond Insurer (with respect only to any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer) if the Bond Insurer is not in payment default under such Bond Insurance Policy, or, if the Bond Insurer is in payment default under the Bond Insurance Policy, the owners of a majority in principal amount of the Outstanding Bonds, shall have the right, subject to the provisions of the Indenture, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided such direction shall not be otherwise than in accordance with law and the provisions of the Indenture.

Restrictions Upon Action by Individual Bondowners

No Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture or for any other remedy under the Indenture (without the consent of the Bond Insurer with respect only to any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer if the Bond Insurer is not in payment default under such Bond Insurance Policy) and unless such Owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the owners of not less than a majority in principal amount of all Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee security and indemnity, as required under the Indenture, against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or for any other remedy under the Indenture. It is understood and intended that no one or more Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner provided therein, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all Owners of the Outstanding Bonds.

Actions by Trustee

All rights of action under the Indenture or under any of the Bonds secured by the Indenture, enforceable by the Trustee may be enforced by it without the possession of any of such Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Owners of the Bonds, subject to the provisions of the Indenture.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Owners of the Bonds or the Bond Insurer under the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Waiver and Non-Waiver

No delay or omission of the Trustee or of any Owner of the Bonds or the Bond Insurer to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy provided in the Indenture to the Trustee and the Owners of the Bonds and the Bond Insurer, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Owners of not less than a majority of the principal amount of the Outstanding Bonds shall, in each case only with the consent of the Bond Insurer (with respect only to any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer), or the Trustee shall, at the written request of the Bond Insurer (with respect only to any Bonds insured pursuant to a Bond Insurance Policy issued by such Bond Insurer), waive any default with respect to the Bonds which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture or before the completion of the enforcement of any other remedy under the Indenture; but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

Notice of Default

The Trustee shall mail or cause to be mailed to all Bondowners written notice of the occurrence of any Event of Default set forth in clause (a) or (b) or (c) of the section above entitled "Events of Default" promptly after any such Event of Default shall have occurred of which the Trustee has actual knowledge. Notice of the occurrence of any other Event of Default set forth in section above entitled "Events of Default" shall be mailed to the Bond Insurer within three (3) Business Days after any such Event of Default shall have occurred of which the Trustee has actual knowledge. If in any Bond Year the total amount of deposits to the credit of the Debt Service Fund shall be less than the amounts required so to have been deposited under the provisions of the Indenture and any Supplemental Indenture, the Trustee, on or before the thirtieth (30th) day of the next succeeding Bond Year, shall mail to all Bondowners a written notice of the failure to make such deposits. The Trustee shall not, however, be subject to any liability to any such Bondowner by reason of its failure to mail or cause to be mailed any notice required by this section.

Rights of Bond Insurer

(a) So long as the Bond Insurer is not in default on its payment obligations under the Bond Insurance Policy, such Bond Insurer shall at all times be deemed to be the exclusive owner of the Bonds insured pursuant to the Bond Insurance Policy issued by such Bond Insurer for the purposes of all approvals, consents, and waivers of any action and the direction of all remedies. To the extent that the Bond Insurer makes payment of principal of or interest on the Bonds, it shall become the owner of such Bonds, and shall be entitled to the right to payment of principal of or interest on such Bonds and shall be fully subrogated to all of the registered owner's rights thereunder, including the registered owner's right to payment thereof. To evidence such subrogation: (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Agency maintained by the Trustee upon receipt of proof from the Bond Insurer as to payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Agency maintained by the Trustee upon receipt of proof from the Bond Insurer of the surrender or transfer of the Bonds by the registered owners thereof to the Bond Insurer. The Trustee shall deliver to the Fiscal Agent a document in form and substance acceptable to the Trustee and the Fiscal Agent confirming such subrogation rights.

(b) In the event that the principal of and/or interest on the Bonds shall be paid by the Bond Insurer pursuant to the terms of the Bond Insurance Policy, the Bonds shall remain Outstanding, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Agency to the registered owners shall continue to exist and the Bond Insurer shall be fully subrogated to all of the rights of such registered owners in accordance with the terms and conditions of subparagraph (a) above and the Bond Insurance Policy.

(c) Notwithstanding any provision in the Indenture to the contrary, the Bond Insurer shall have no rights under the Indenture, other than rights of subrogation as provided in the Indenture to the extent that the Bond Insurer has made payments under the Bond Insurance Policy, in the event that the Bond Insurance Policy is not in effect or the Bond Insurer is in default on its payment obligations under the Bond Insurance Policy.

(d) The Bond Insurer shall receive copies of all notices required to be delivered to Bondholders under the Indenture.

(e) The Agency agrees not to use the Bond Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Bond Insurer's standard approved form of disclosure in public documents issued in connection with the Bonds to be issued in accordance with the terms of the Bond Insurer's commitment therefor; and provided further such prohibition shall not apply to the use of the Bond Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

(f) The Agency shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds, without the prior written consent of the Bond Insurer.

(g) The Bond Insurer shall receive immediate notice of any payment default and notice of any other default known to the Trustee within thirty (30) days of the Trustee's knowledge thereof.

(h) For all purposes of the Indenture governing events of default and remedies, except the giving of notice of default to Bondholders, the Bond Insurer shall be deemed to be the sole holder of the Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

The Bond Insurer shall be entitled to: (i) notify the Agency or the Trustee or any applicable receiver of the occurrence of an Event of Default, and (ii) request the Trustee to intervene in judicial proceedings that affect the Bonds. The Trustee or receiver is required to accept notices of default from the Bond Insurer.

Bond Insurer Consent

Notwithstanding any other provisions of the Indenture, unless the Bond Insurer is in payment default under the Bond Insurance Policy, the consent of the owners of Bonds for which a Bond Insurance Policy has been issued shall for purposes of the Indenture be deemed to have been obtained when the consent of the Bond Insurer is obtained, except in the cases where approval of all Bondowners is required as provided in subparagraphs (b) and (c) of the section below entitled "Supplemental Indentures with Consent of Bondowners", in which case the consents of both the Bondowners and the Bond Insurer shall be required. Notwithstanding any provision in the Indenture to the contrary: (i) any action by the Trustee or the Agency which requires the consent or approval of all or a certain percentage of Bondowners under the Indenture shall also require the prior written consent of the Bond Insurer, unless the Bond Insurer is in payment default under the Bond Insurance Policy; (ii) nothing shall affect the Agency's right to specifically enforce the Agency's Reserved Rights; and (iii) all provisions in the Indenture requiring the consent of the Bond Insurer shall have no force and effect if the Bond Insurance Policy is not in effect or if the Bond Insurer is in payment default under such Bond Insurance Policy.

Supplemental Indentures

Adoption and Filing

The Agency and the Trustee may enter into Supplemental Indentures at any time or from time to time as provided in the Indenture, and a copy thereof shall be filed with the Trustee and the Agency.

General Provisions Relating to Supplemental Indentures

Neither the Indenture, nor any Supplemental Indenture nor the Bonds shall be modified or amended in any respect except in accordance with and subject to the provisions of the Indenture. Nothing contained in the Indenture shall affect or limit the right or obligations of the Agency to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Indenture or the right or obligation of the Agency to execute

and deliver to the Trustee any instrument elsewhere in the Indenture or any Supplemental Indenture provided or permitted to be delivered to the Trustee.

A copy of each Supplemental Indenture entered into by the Agency and the Trustee shall be accompanied by an opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully executed by the Agency in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, is valid and binding upon the Agency and enforceable in accordance with its terms, and that its enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

The Trustee is authorized to enter into any Supplemental Indenture permitted or authorized pursuant to the provisions of the Indenture and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on an opinion of Bond Counsel that such Supplemental Indenture is authorized or permitted by the Indenture.

Adoption and Filing of Supplemental Indentures

Any Supplemental Indenture referred to and permitted or authorized by the Indenture may be executed by the Agency and the Trustee, but shall become effective only on the conditions, to the extent and at the time provided therein. Every such Supplemental Indenture so becoming effective shall thereupon form a part of the Indenture, and the Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under the Indenture of the Agency, the Trustee and the Bondowners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments. Any Supplemental Indenture shall be filed with the Trustee and the Agency. A copy of such Supplemental Indenture shall be delivered to any Rating Agency then rating the Bonds at least fifteen (15) days in advance of its execution or adoption date. The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such Supplemental Indenture.

Notation on Bonds

Bonds authenticated and delivered after the effective date of any action taken as provided in the Indenture may bear a notation by endorsement or otherwise in form approved by the Agency and the Trustee as to such action, and in that case, upon demand of the owner of any Outstanding Bond at such effective date and presentation of his Bond for such purpose to the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Agency shall so determine, new Bonds so modified as in the opinion of the Agency to conform to such action shall be prepared, authenticated and delivered, and upon demand of the owner of any Outstanding Bond shall be exchanged, without cost to such Bondowner, for such Outstanding Bond upon surrender of such Outstanding Bond.

Supplemental Indenture Without Consent of Bondowners

Notwithstanding any other provisions of the Indenture, the Agency and the Trustee, with the consent of the Bond Insurer, may at any time or from time to time enter into a Supplemental Indenture supplementing the Indenture or any Supplemental Indenture so as to modify or amend such indentures, for one or more of the following purposes:

(a) To add to the covenants and agreements of the Agency contained in the Indenture or any Supplemental Indenture, other covenants and agreements thereafter to be observed relative to the acquisition, construction, reconstruction, renovation, equipment, operation, maintenance, development or administration of any project under the Act or relative to the application, custody, use and disposition of the proceeds of the Bonds; or

(b) To confirm, as further assurance, any pledge under and the subjection to any lien on or pledge of the trust estate created or to be created by the Indenture or a Supplemental Indenture; or

(c) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or

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

(e) To amend any provisions of the Indenture if, prior to the execution of any such amendment, there shall be delivered to the Trustee an Opinion of Bond Counsel to the effect that such amendment will not have a material adverse affect on the security, remedies or rights of the Bondholders.

Supplemental Indentures for the above purposes may be adopted and executed without the consent of any Bondowner.

Supplemental Indentures With Consent of Bondowners

(a) At any time or from time to time, but subject to the conditions or restrictions contained in the Indenture and each Supplemental Indenture, a Supplemental Indenture may be entered into by the Agency and the Trustee amending or supplementing the Indenture, any Supplemental Indenture or any of the Bonds or releasing the Agency from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained. However, no such Supplemental Indenture shall be effective unless such Supplemental Indenture is approved or consented to by the Bond Insurer, unless the Bond Insurer is in payment default under the Bond Insurance Policy, in which case the Supplemental Indenture shall require the approval or consent of the Owners, obtained as provided in the Indenture, of at least a majority in aggregate principal amount of all Outstanding Bonds affected thereby. In computing any such required percentage there shall be excluded from such consent, and from such Outstanding Bonds, any such Outstanding Bonds owned or held by or for the account of the Agency. Copies

of any amendments consented to by the Bond Insurer must be sent to each Rating Agency then rating the Bonds.

(b) Notwithstanding the provisions of paragraph (a) above, except as otherwise provided in the Indenture, no such modification changing any terms of redemption of Bonds, due date of principal of or interest on Bonds or making any reduction in principal or Redemption Price of and interest on any Bonds shall be made without the consent of the affected Bondowner.

(c) Notwithstanding any other provisions of this section, no Supplemental Indenture shall be entered into by the Agency and the Trustee, except by unanimous action, reducing the percentage of consent of Bondowners required for any modification of the Indenture or any Supplemental Indenture or diminishing the pledge of the trust estate securing the Bonds.

(d) The provisions of paragraph (a) above shall not be applicable to Supplemental Indentures the adoption of which does not require Bondowner consent.

(e) Notwithstanding any other provisions of this section, the consent of the owners of Bonds for which a Bond Insurance Policy has been issued shall for purposes of the Indenture be deemed to have been obtained when the consent of the Bond Insurer has been obtained, except in the cases where approval of all Bondowners is required as provided in paragraphs (b) and (c) of this section, in which case the consents of both the Bondowners and the Bond Insurer shall be required.

(f) For purposes of this Section: (i) the purchasers of the Bonds, whether purchasing as underwriters, for resale or otherwise, upon such purchase; and (ii) the Remarketing Agent, upon a Mandatory Tender Date for such Bonds, may consent to an amendment, change, modification or waiver of the Indenture with the same effect as a consent given by the Bondowners of such Bonds.

Supplemental Indentures by Unanimous Action

Notwithstanding anything contained in the Indenture, the rights and obligations of the Agency and of the owners of the Bonds, and the terms and provisions of the Indenture, any Supplemental Indenture or the Bonds may be modified or amended in any respect upon the adoption of a Supplemental Indenture by the Agency with the consent of the Bond Insurer and the owners of all the Outstanding Bonds affected by such modification or amendment, such consent to be given as provided as set forth in the Indenture, except that no notice to Bondowners by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without its written consent thereto in addition to the consent of the Bondowners so affected.

Consent of Bondowners

When the Agency and the Trustee enter into a Supplemental Indenture making a modification or amendment permitted by and requiring the consent of the Bondowners pursuant to the provisions of the Indenture, such Supplemental Indenture shall take effect when and as

provided therein. Upon the execution of such Supplemental Indenture, a copy thereof shall be filed with the Trustee for the inspection of the Bondowners affected. A copy of such Supplemental Indenture (or summary thereof), together with a request to such Bondowners for their consent thereto in form satisfactory to the Trustee, shall be mailed or caused to be mailed by the Agency to such Bondowners. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee the written consents of the percentages of owners of Outstanding Bonds in accordance with the provisions of the Indenture. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted under the Indenture. A certificate or certificates by the Trustee, which shall be placed on file, that it examined such proof and that such proof is sufficient, shall be conclusive that the consents have been given by the owners of the Bonds described in such certificate or certificates of the Trustee. Any consent shall be binding upon the owner of the Bonds giving such consent and on any subsequent owner of such Bonds (whether or not such owner has notice thereof) unless such consent is revoked in writing by the owner of such Bonds giving such consent or a subsequent owner by filing revocation with the Trustee prior to the date when the provided for under the Indenture is first given. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee which shall be placed on file. At any time after the owners of the required percentage of Bonds shall have filed their consent to any Supplemental Indenture a notice shall be given or caused to be given to such Bondowners by the Trustee by mailing such notice to such Bondowners (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in the Indenture). The Trustee shall file with the Agency proof of giving such notice. Such notice shall state in substance that any Supplemental Indenture (which may be referred to as an indenture executed by and between the Agency and the Trustee on a stated date, a copy of which is on file with the Trustee) has been consented to by the owners of the required percentage of Bonds and shall be effective as provided in the Indenture. A record, consisting of the papers required or permitted by this section to be filed with the Trustee, shall be proof of the matters therein stated. Upon such notice, such Supplemental Indenture making such amendment or modification shall become effective and conclusively binding upon the Agency, the Trustee, and the owners of all Bonds.

Exclusion of Bonds

Bonds owned or held by or for the account of the Agency shall not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds with respect to the adoption of any Supplemental Indenture, and shall not be entitled to consent or take any other action in connection therewith. At the time of any consent or other action taken with respect to the adoption of any Supplemental Indenture, the Agency shall furnish the Trustee a certificate signed by an Authorized Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

Defeasance

(a) If the Agency shall pay or cause to be paid, or there shall be otherwise paid, to the owners of all or any of the Bonds then Outstanding, the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein and in the Indenture and any Supplemental Indenture, and all fees and expenses of the Trustee and the

Agency, then the pledge of any trust estate or other moneys and securities pledged to such Bonds pursuant to the Indenture, and all other rights granted to such Bonds pursuant thereto, shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Agency, execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee or other fiduciary shall pay or deliver to the Agency all moneys or securities held by it pursuant to the Indenture and any Supplemental Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to be used by the Agency in any lawful manner including distribution to the Company. Prior to executing any discharge documents, in the event of providing for the payment of Daily Rate Bonds, Weekly Rate Bonds, Flexible Rate Bonds or Term Rate Bonds, the Trustee shall receive written confirmation from each Rating Agency then maintaining a rating on the Bonds that the proposed defeasance will not result in a reduction or withdrawal of the rating on the Daily Rate Bonds, Weekly Rate Bonds, Flexible Rate Bonds or Term Rate Bonds then in effect.

(b) Any Bonds for which moneys shall then be held by a trustee, which may be the Trustee (through deposit by the Agency or the Company of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in this Section. Any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if: (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give notice of redemption on such date of such Bonds; (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be; (iii) there shall have been filed with the Bond Insurer, the Trustee and the Agency (x) a report of a firm of certified public accountants, acceptable to the Agency, confirming the arithmetical accuracy of the computations showing the cash or Defeasance Obligations, the principal of and interest on which, together with cash, if any, deposited at the same time will be sufficient to pay when due, the principal or Redemption Price, if applicable, and interest due or to become due on such Bonds, on and prior to the redemption date or maturity date thereof, as the case may be, and (y) an Opinion of Bond Counsel, acceptable to the Agency, to the effect that upon provision for the payment of the principal or Redemption Price, if applicable, of, and interest due or to become due on such Bonds, the pledge of trust estate and other moneys and securities pursuant to the Indenture and the grant of all rights to the Owners of such Bonds thereunder shall be discharged and satisfied; and (iv) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Agency shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail, as soon as practicable, a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on such Bonds. Neither Defeasance Obligations deposited with the Trustee pursuant to this section nor principal or interest payments on any such

securities shall be withdrawn or used for any purpose other than the payment of the principal or Redemption Price, if applicable, and interest on such Bonds. Nothing in this paragraph (b) shall be, or be deemed to be, a restriction on the Agency's ability to provide for Defeasance Obligation substitutions or restructuring; provided, that: (A) the Defeasance Obligations shall at all times be in compliance with clause (ii) above; (B) a verification report of an independent nationally recognized public accountant to the effect that the escrow investments as substituted are sufficient to pay debt service when due on the defeased Bonds is delivered to the Trustee; and (C) if the interest on Bonds which have been defeased pursuant to this paragraph (b) is excludable from gross income for federal income tax purposes, the Agency shall provide an Opinion of Bond Counsel that the substitution or restructuring will not adversely affect such exclusion. Notwithstanding any provision of the Indenture, the Trustee shall have no right of set-off against any moneys and securities deposited under this paragraph (b).

(c) Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when all of the Bonds have become due and payable either at their stated maturity dates or by a call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys, if deposited with the Trustee after such date when all of the Bonds become due and payable, shall, at the written request of the Agency be repaid by the Trustee to the Agency as its absolute property and free from trust (to the extent permitted by law) to be used by the Agency in any lawful manner including a distribution to the Company, and the Agency and the Trustee shall thereupon be released and discharged of its obligations with respect to the Bonds; provided, however, that, before being required to make any such payment to the Agency, the Trustee shall mail to the Bondowners a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency to be used by the Agency in any lawful manner including a distribution to the Company.

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Agreement. This summary is qualified in its entirety by reference to the Lease Agreement.

The Project

Pursuant to the Company Lease, the Company has vested the Agency with a valid leasehold estate in the Facility, free and clear of all liens, claims, charges, encumbrances, security interests and servitudes other than Permitted Encumbrances.

As promptly as practicable after receipt of the proceeds of sale of the Series 2006 Bonds and out of said proceeds of sale, the Company will proceed to completion of the construction, renovation, installation and equipping of the Facility. The cost of the Project shall be paid from the Construction Fund established under the Indenture or as otherwise provided in the Lease Agreement. All contractors, materialmen, vendors, suppliers and other companies, firms or persons furnishing labor, services or materials for or in connection with the Project shall be designated by the Company.

The Company, as agent of the Agency, shall: (i) cause compliance with the applicable prevailing wage requirements of the New York State Labor Law; (ii) cause any contractors, subcontractors and other persons involved in the acquisition, construction, renovation, installation and equipping of the Facility to comply with such applicable statutory wage requirements; and (iii) implement and maintain an apprenticeship program substantially as contemplated by applicable County law. Notwithstanding the foregoing, the Company may, in lieu of compliance with the requirements of the preceding sentence, enter into, and perform its obligations under, a project labor agreement in form and content satisfactory to, and approved in advance by, the Agency. The Company shall not take any action, or neglect to take any action, including, without limitation, the employment of any contractor, if such action or inaction results in jurisdictional disputes or strikes or labor disharmony in connection with the Project.

In order to accomplish the purposes of the Agency, and to assure the effectuation of the Project in conformity with the requirements of the Company, the Company has undertaken to proceed with the design of the Project, the preparation of the Facility site and the commencement of the Project work, all in accordance with the Plans and Specifications.

The Company will pay: (i) all of the costs and expenses in connection with the conveyance to, and transfer of, an interest in the Facility to the Agency, including, without limitation, the delivery of any instruments and documents and their filing and recording, if required; (ii) all taxes and charges payable in connection with such conveyance and transfer, or attributable to periods prior to the conveyance and transfer, to the Agency as set forth in the Lease Agreement; and (iii) all shipping and delivery charges and other expenses or claims incurred in connection with the Project.

The Company will obtain or cause to be obtained all necessary approvals from any and all governmental agencies with respect to the Facility, all of which will be done in compliance with all Federal, State and local laws, ordinances and regulations applicable thereto, including, with respect to any item of Facility Equipment, all manufacturers' instructions and warranty requirements, and with the conditions and requirements of all policies of insurance with respect to the Facility and

of the Lease Agreement, and will furnish copies of same to the Agency, the Directing Party and the Trustee immediately upon request therefor (such request to specify in reasonable detail the particular item of Facility Equipment as shall be the subject of the request for the manufacturers' instructions or warranty requirements). Upon completion of the construction, renovation, installation and equipping of the Facility, including, without limitation, the Project, the Company will promptly obtain or cause to be obtained all required occupancy and operation permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility for the purposes contemplated by the Lease Agreement and shall furnish copies of same to the Agency, the Directing Party and the Trustee immediately upon receipt thereof.

Upon request, the Company will extend to the Agency and the Trustee all vendors' warranties received by the Company in connection with the Project, including any warranties given by contractors, manufacturers or service organizations who perform work with respect to the Project.

The Company shall take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts diligently in accordance with the terms of said contracts, including, without limitation, the correcting of any defective work, and all expenses incurred by the Company or the Agency in connection with the performance of their obligations are considered a Project Cost. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with actions and proceedings instituted by the Company, and all expenses incurred by the Company or the Agency as a result of the performance of their obligations under this paragraph, after deduction of expenses incurred in such recovery, shall be deposited into the Construction Account of the Construction Fund and made available for the payment of Project Costs, or if recovered after such date of completion, shall be transferred to the Redemption Fund and applied for a redemption of Series 2006 Bonds in an equivalent amount (to the nearest \$5,000 integral multiple).

A leasehold interest in all Facility Equipment presently incorporated or installed in and which are part of the Facility shall vest in the Agency immediately upon payment therefor. The Company shall promptly, upon the acquisition thereof by or on behalf of the Company, convey or cause to be conveyed to the Agency, by bill(s) of sale with full warranties of title, a good and merchantable leasehold interest in any item of Facility Equipment which has not previously been conveyed to the Agency pursuant to the Lease Agreement, free and clear of all liens, claims, charges, security interests and encumbrances other than Permitted Encumbrances, and cause each such item of Facility Equipment to be subjected to the terms and conditions of the Lease Agreement. The Company shall take all action necessary to so vest title to the Facility Equipment in the Agency and to protect such interest against claims of any third parties.

Prior to the completion of the Project, no modifications, alterations or amendments shall be made to the Plans and Specifications or the Facility or its operations from the description of the Facility and its operations as set forth in the Lease Agreement or in the Tax Regulatory Agreement, without the prior written consent of the Agency, the Trustee and the Directing Party and unless the Company shall have delivered to the Agency, the Trustee and the Directing Party an Opinion of Bond Counsel to the effect that the modifications, alterations or amendments and the expenditure of proceeds of the Series 2006 Bonds in connection therewith will not cause interest on any of the Series 2006 Bonds to be includable in gross income for federal income tax purposes.

The Company agrees to solicit bids from at least one (1) contractor or vendor based in the County for each contract or subcontract with a value over \$50,000 that the Company (or any Affiliate thereof) proposes to enter into with respect to the Project, including, without limitation, contracts or subcontracts for construction, renovation, demolition, replacement, alteration, management, purchase of goods or services, maintenance and repair. Further, the Company covenants to use commercially reasonable efforts to let such contracts or subcontracts, where practicable, to contractors or vendors based in the County. The Company shall furnish to the Agency all information reasonably requested by the Agency to verify compliance with this paragraph and will cooperate with the Agency in connection with inquiries made by the Agency to verify compliance with this paragraph.

The Company shall use its best efforts to take “Affirmative Steps” to ensure that “qualified W/MBE’s” are used, when possible, for each contract that the Company (or any Affiliate thereof) proposes to enter into with respect to the Facility, including, without limitation, contracts for construction (including, without limitation, the initial construction, renovation and installation of the Project), renovation, demolition, replacement, alteration, management, purchase of goods or services, maintenance and repair. The Company shall furnish to the Agency all information reasonably requested by the Agency to verify compliance with this paragraph and will cooperate with the Agency in connection with inquiries made by the Agency to verify compliance with this paragraph.

Completion by Company

The Company unconditionally covenants and agrees that it will complete the Project, or cause the Project to be completed, by December 31, 2008, which date is referred to in the Lease Agreement as the “Scheduled Completion Date”, subject to the provisions thereof, and that such completion will be effected in a first-class workmanlike manner, using high-grade materials, free of defects in materials or workmanship (including latent defects), as applicable, and in accordance with the Lease Agreement and the Indenture, and to pay all sums as may be required in connection therewith. In the event that moneys in the Construction Account of the Construction Fund are not sufficient to pay the costs necessary to complete the Project in full, the Company shall pay that portion of such costs of the Project as may be in excess of the moneys therefor in said Construction Account of the Construction Fund and shall not be entitled to any reimbursement therefor from the Agency, the Trustee, the Bond Insurer or the Holders of any of the Bonds, nor shall the Company be entitled to any diminution of the rents payable or other payments to be made under the Lease Agreement or under any other Project Document.

Upon the completion of the Project, the Company shall deliver to the Agency, the Bond Insurer and the Trustee a certificate of an Authorized Representative of the Company stating: (i) the date of completion of the Project; (ii) that the Project has been completed in accordance with the Plans and Specifications and in a good and workmanlike manner, and that all labor, services, machinery, equipment, furniture, materials and supplies used therefor have been paid for, except for any costs not then due and payable or the liability for payment of which is being contested or disputed in good faith by the Company; (iii) that all other facilities necessary in connection with the Project have been completed and all costs and expenses incurred in connection therewith have been paid; (iv) that the Agency has good and valid leasehold interest pursuant to the Company Lease in

and to all property constituting part of the Facility and all property of the Facility is subject to the Company Lease and the Lease Agreement; (v) that, in accordance with all applicable laws, regulations, ordinances and guidelines, the Facility has been made ready for occupancy, use and operation for its intended purposes; (vi) the amount, if any, required (in the opinion of such Authorized Representative) for the payment of any remaining part of the costs of the Project; and (vii) the amount of any rebate to be paid to the federal government pursuant to the Tax Regulatory Agreement and the Indenture. Notwithstanding the foregoing, such certificate may state: (x) that it is given without prejudice to any rights of the Company against third parties which exist at the date of such certificate or which may subsequently come into being; (y) that it is given only for the purposes set forth in the Lease Agreement and the Indenture; and (z) that no Person other than the Agency, the Bond Insurer and the Trustee may benefit therefrom. Such certificate of the Authorized Representative of the Company shall be accompanied by: (A) a final unconditional certificate of occupancy or a temporary certificate of occupancy (subject only to conditions satisfactory to the Agency and the Directing Party), and any and all permissions, approvals, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility (including, without limitation, the Facility) for the purposes contemplated by the Lease Agreement; (B) proof that all real property taxes or payments in lieu thereof and assessments against the Facility Realty, if any, have been paid; (C) a certificate of an Authorized Representative of the Company that all costs of the Project have been paid in full, together with releases of mechanics' liens by all contractors and materialmen who supplied work, labor, services, materials or supplies in connection with the Project (or, to the extent that any such costs shall be the subject of a bona fide dispute, evidence to the Agency, the Directing Party and the Trustee that such costs have been appropriately bonded or that the Company shall have posted a surety or security at least equal to the amount of such costs); and (D) a final "as-built" survey of the Facility Realty certified to the Agency and an endorsement to the title insurance policies delivered pursuant to the Lease Agreement, reading in such survey to the Agency's policies.

Title Insurance

Prior to the delivery of the Series 2006 Bonds to the original purchaser(s) thereof, the Company will obtain: (i) an owner's policy of title insurance in an amount not less than \$1,000,000 insuring the Agency's leasehold interest in the Facility Realty against loss as a result of defects in the leasehold interest of the Agency; and (ii) a current survey of the Facility Realty certified to the Agency and the title companies issuing the title policies. Any proceeds of such owner's title insurance shall be paid to the Trustee for deposit in the Construction Fund and applied to remedy the defect in title. If not so capable of being applied or if any amounts remain after such application, the amounts in the Construction Fund shall be transferred to the Redemption Fund and used for an equivalent redemption of Bonds (to the nearest \$5,000 integral multiple).

Expenses Chargeable to the Company

The Company shall pay or cause to be paid all expenses or other costs incurred in connection with the Project including, but not limited to: (i) all charges incurred in connection with the preparation, delivery, filing, recording (if required) or effectuation of any instruments of conveyance or transfer required by the Lease Agreement, the Company Lease or the Indenture; (ii) any closing costs or costs relating to issuance of the Bonds other than those in clause (i) above; (iii)

all lawful claims which might or could if unpaid become a lien or charge on the Facility; (iv) all pre-closing and post-closing taxes, assessments or other governmental or utility charges or impositions relating to the Facility; (v) the Agency's administrative fee, closing compliance fee and annual servicing fee; (vi) all reasonable legal fees and expenses incurred by the Agency or the Trustee in connection with the foregoing items of costs related to the issuance of the Bonds; (vii) any other costs or expenses incurred by the Agency or any officer, member, agent, attorney, servant or employee thereof, in acquiring, leasing, constructing, renovating, equipping, furnishing, installing or otherwise carrying out the Project or in connection with the carrying out of the Agency's duties and obligations under the Lease Agreement or any other Project Document; and (viii) all fees, premiums and expenses of the Bond Insurer incurred in connection with the issuance by it of the Bond Insurance Policy.

Surety Bonds

To the extent required by the Finance Law, prior to executing any contract having a contract price of \$50,000 or more with any party for any "improvement" (as defined in the Finance Law) in connection with the Facility or the provision of any goods or services in connection therewith, and prior to authorizing any party to undertake such improvement or provide such goods or services without a contract, the Company shall deliver to the Agency a copy of the proposed contract along with a payment bond, as more fully described in the Lease Agreement.

Demise and Use of the Facility

Pursuant to the Lease Agreement, the Agency subleases to the Company, and the Company subleases from the Agency, the Facility, all for and during the term provided in the Lease Agreement and upon and subject to the terms and conditions therein set forth. Pursuant to the Lease Agreement, the Agency delivers to the Company, and the Company accepts sole and exclusive possession of, the Facility.

The Company shall at all times during the term of the Lease Agreement occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as a "civic facility" and a qualified "project" in accordance with the provisions of the Act and for the general purposes specified in the Recitals to the Lease Agreement. The Company shall not occupy, use or operate the Facility or allow the Facility or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or which may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto.

The Company further agrees that no part of the Facility shall be made available by the Company for any purpose which would cause the Agency's financing of the Project to constitute a violation of the First Amendment of the United States Constitution. In particular, the Company agrees that no part of the Facility shall be made available by the Company primarily for any sectarian instruction for the purposes of advancement of religion or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; and any proceeds of any sale, lease, taking by eminent domain of the Facility or other disposition thereof shall not be used for, or to provide a place for, such instruction, worship or

program. The provisions of the foregoing sentence shall, to the extent permitted and required by law, survive termination of the Lease Agreement.

Any provision of the Lease Agreement to the contrary notwithstanding, the Company shall be liable at all times for all risk, loss and damage with respect to the Facility.

Duration of Term

The term of the Lease Agreement shall commence on the Commencement Date and shall expire on January 1, 2042 (midnight, New York City time) or on such earlier date as the Lease Agreement may be terminated as provided therein.

Rental and Other Amounts Payable; Pledge of Agreement and Rents

The Company covenants to make rental payments which the Agency and the Company agree shall be paid in immediately available funds by the Company directly to the Trustee on the dates and in all of the amounts required to be made with respect to the Bonds or otherwise required under the Indenture.

The Company shall, simultaneously with the issuance and delivery of the Series 2006 Bonds, arrange for the delivery of the Bond Insurance Policy to the Trustee.

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

In addition to the rental payments described above, the Company shall pay to the Agency directly as additional rent, within ten (10) days of receipt of demand therefor, all fees, expenses, costs and other sums due the Agency under the Lease Agreement, the Indenture or any other document executed in connection with or collateral to the Lease Agreement.

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

The Company will make any and all payments required pursuant to the sections of the Lease Agreement with respect to the indemnification of certain parties by the Company and the payments of fees to certain parties by the Company, as more fully set forth therein.

Nature of Obligations of the Company Under the Lease Agreement

The obligation of the Company to pay the rent and all other payments provided for in the Lease Agreement and to perform and observe any and all of the covenants and agreements on its part contained in the Lease Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of

suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Trustee, the Bond Insurer or the Holder of any Bond and the obligation of the Company shall arise whether or not the Project has been completed as provided in the Lease Agreement. The Company will not suspend, discontinue or abate any such payment or terminate the Lease Agreement (other than such termination as is provided for under the Lease Agreement) for any cause whatsoever, and the Company waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender the Lease Agreement or any obligation of the Company under the Lease Agreement or the Facility or any part thereof or to any abatement, suspension, deferment, diminution or reduction in the rentals or other payments under the Lease Agreement.

Payment for Tendered Series 2006 Bonds

The Company agrees, as provided in the Indenture, to pay rent to the Trustee, for the account of the Agency, as lessor, equal to all amounts necessary for the purchase of Series 2006 Bonds pursuant to the Indenture and not deposited with the Trustee by the Remarketing Agent from the proceeds of the sale of such Bonds under the Indenture, or by the Liquidity Facility Provider or otherwise. Each such payment by the Company to the Trustee in accordance with this paragraph shall be in immediately available funds and paid to the Trustee as required by the Indenture.

The Company approves and agrees to be bound by each of the provisions of the Indenture including, but not limited to, those regarding the purchase, offer, sale and delivery of Series 2006 Bonds tendered for purchase thereunder, including particularly those with respect to: (i) the purchase of Daily Rate Bonds or Weekly Rate Bonds on Optional Tender Dates; (ii) the purchase of Bonds on Mandatory Tender Dates; and (iii) the Liquidity Facility and any Substitute Liquidity Facility, all as more fully set forth in the Indenture. The Company shall have all of the rights and obligations provided in the Indenture with respect to the Company in connection with such transactions and the appointment of the Trustee and the Remarketing Agent thereunder. The Agency shall have no obligation or responsibility with respect to the purchase of Series 2006 Bonds or any related arrangements, except that the Agency, at the expense of the Company, shall cooperate in the making of any such arrangements.

Maintenance, Alterations and Improvements

During the term of the Lease Agreement, the Company will: (i) keep the Facility in good and safe operating order and condition and preserve the same against waste, loss, damage and depreciation, ordinary wear and tear excepted; (ii) occupy, use and operate or cause to be occupied, used and operated the Facility in the manner for which it was designed and intended and contemplated by the Lease Agreement; (iii) make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) reasonably necessary to ensure that the security for the Bonds shall not be impaired; and (iv) not abandon the Facility. All replacements, renewals and repairs shall be equal in quality, class and value to the original work and be made and installed in compliance with the requirements of all governmental bodies. The Agency shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility, and the Company agrees to assume full responsibility therefor.

The Company shall have the right to make such alterations of or additions to the Facility or any part thereof from time to time as the Company in its discretion may determine to be desirable for its uses and purposes; provided, that: (i) the usefulness, structural integrity or operating efficiency of the Facility are not thereby impaired; (ii) such additions or alterations are effected with due diligence, in a good and workmanlike manner and in compliance with all applicable Legal Requirements; (iii) such additions or alterations are promptly and fully paid for by the Company in accordance with the terms of the applicable contract(s) therefor, and in order that the Facility shall at all times be free of any mortgage, lien, charge, encumbrance, security interest or claim other than Permitted Encumbrances; and (iv) such additions or alterations do not change the nature of the Facility so that it would not constitute a “civic facility” and a qualified “project” as defined in and as contemplated by the Act. All alterations of and additions to the Facility shall constitute a part of the Facility, subject to the Lease Agreement, the Company Lease and the Indenture, and the Company shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to convey leasehold interests to such property to the Agency and to subject such property to the Lease Agreement and the Company Lease, free and clear of all liens, charges, encumbrances, security interests or claims other than Permitted Encumbrances.

The Company has the right to install or permit to be installed at the Facility Realty the Company’s Property without subjecting such property to the Lease Agreement. The Agency shall not be responsible for any loss of or damage to the Company’s Property, and none of the Company’s Property shall be: (i) financed with the proceeds of the Bonds; or (ii) subject to any exemption or abatement solely on account of the Agency’s involvement in the Facility. The Company has the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Company’s Property.

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

Removal of Property of the Facility

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

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

(ii) if such Existing Facility Property is not to be substituted or replaced by other property but is instead to be sold, scrapped, traded-in or otherwise disposed of in an arms-length bona fide transaction for consideration in excess of \$50,000 (or such greater amount to which the Directing Party shall consent in writing), the Company shall pay to the Trustee for deposit in the

Redemption Fund, and thereby cause a redemption of Bonds to be effected in an amount (to the nearest \$5,000 integral multiple), equal to the amounts derived from such sale or scrapping, the trade-in value credit received or the proceeds received from such other disposition;

provided, however, that no such removal as set forth in subparagraph (i) or (ii) above shall be effected if: (w) such removal would reduce the fair market value of the Facility to below its fair market value immediately prior to such removal; (x) such removal would change the nature of the Facility so it would not constitute a “civic facility” and a qualified “project” as defined in and as contemplated by the Act; (y) such removal would impair the usefulness, structural integrity or operating efficiency of the Facility; or (z) if there shall exist and be continuing an Event of Default under the Lease Agreement. Any amounts received pursuant to subparagraph (ii) above which are not in excess of \$10,000 shall be retained by the Company.

The Company shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Agency a leasehold interest in any property installed or placed upon the Facility Realty pursuant to the provisions of the Lease Agreement and subjecting such substitute or replacement property to the Lease Agreement and upon written request of the Company, the Agency shall deliver to the Company appropriate documents releasing to the Company the Agency’s leasehold interest in any property removed from the Facility pursuant to the Lease Agreement. The Company agrees to pay all costs and expenses (including reasonable counsel fees and disbursements) incurred in subjecting to the Lease Agreement and the Company Lease of any property installed or placed on the Facility Realty as part of the Facility pursuant to this section of the Lease Agreement.

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

Operation of Facility

The Company will operate the Facility, or cause it to be operated, at all times during the term of the Lease Agreement as provided in the section above entitled “Demise and Use of the Facility” except, as appropriate and for such period as may be necessary, in the case of a Loss Event. Such operation shall be solely for the purpose described in the Lease Agreement and in accordance with the provisions of the Act. For the purpose of the Lease Agreement, the Company shall be deemed to have ceased to operate the Facility for the purposes described in the Lease Agreement if it: (i) materially alters the use of the Facility, in the Agency’s reasonable judgment, except as permitted under the Lease Agreement; (ii) closes the Facility other than for routine maintenance; or (iii) reduces the operations of the Facility to such an extent that, in the Agency’s reasonable judgment, the public purpose to be derived from the Project in accordance with the Lease Agreement has been substantially impaired. Any of the foregoing notwithstanding, the Company may use the Facility for some purpose other than that described in the Lease Agreement with the prior written consents of the Agency and the Directing Party but subject to the provisions of the Tax Regulatory Agreement, which consents may be withheld in the absolute discretion of the Agency or the Directing Party; and provided, that such proposed use constitutes a “civic facility” and a qualified “project” in accordance with the Agency’s policy and as defined under the Act.

Taxes, Assessments and Charges

The Company shall pay when the same shall become due all taxes and assessments, general and specific, if any, levied and assessed upon or against the Facility, the Lease Agreement, the Company Lease, any estate or interest of the Agency or the Company in the Facility, or the rentals under the Lease Agreement during the term of the Lease Agreement, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility, all of which are collectively referred to in the Lease Agreement as “Impositions”. The Agency shall promptly forward to the Company any notice, bill or other statement received by the Agency concerning any Imposition. The Company may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

None of the foregoing prevents the Company from contesting in good faith the validity, existence or applicability of any of the foregoing, subject, however, to the terms and conditions of the paragraph below entitled “Discharge of Liens”.

Insurance

At all times throughout the term of the Lease Agreement, including without limitation during any period of construction or reconstruction of the Facility, the Company shall maintain insurance, with insurance companies licensed to do business in the State, against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Company, including, without limitation: (i) to the extent not covered by the public liability insurance referred to below, Owners & Contractors Protective Liability Insurance for the benefit of the Company, the Agency and the Trustee in a minimum amount of \$5,000,000 aggregate coverage per occurrence for personal injury and property damage; (ii) extended coverage casualty insurance, with endorsements containing New York standard mortgagee and lender’s loss payable clauses, in an amount not less than the greater of: (A) one hundred percent (100%) of the actual replacement cost of the Facility; or (B) the principal amount of the Bonds. At the request of the Agency or the Trustee, the actual replacement cost shall be determined by a qualified insurance appraiser selected by the Company and approved by the Agency, at the Company’s expense; (iii) during any period of construction, renovation, improvement or reconstruction of the Facility, Builders’ All Risk Insurance written on “100% builders’ risk completed value, non-reporting form” including coverage therein for “completion and/or premises occupancy” during any period of construction or reconstruction of the Facility, and coverage for property damage insurance, all of which insurance shall include such specific coverage as more particularly set forth in the Lease Agreement at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the Company, the Agency or the Trustee from becoming a co-insurer of any loss under the insurance policies, but in any event in amounts equal to not less than the greater of: (x) one hundred percent (100%) of the actual replacement value of the Facility as determined by a qualified insurance appraiser or insurer (selected by the Company and approved by the Agency and the Trustee) not less often than once every year, at the expense of the Company; and (y) the principal amount of the Outstanding Bonds; any such insurance may provide that the insurer

is not liable to the extent of the first \$10,000 with the result that the Company is its own insurer to the extent of \$10,000 of such risks; (iv) public liability insurance in accordance with customary insurance practices for similar operations with respect to the Facility and the business thereby conducted in a minimum amount of \$10,000,000 per occurrence, which insurance: (1) will also provide coverage of the Company's obligations of indemnity as provided in the Lease Agreement; (2) may be effected under overall blanket or excess coverage policies of the Company or any Affiliate thereof; provided, however, that coverage of at least \$1,000,000 per occurrence, \$2,000,000 aggregate, is effected by a comprehensive liability insurance policy; and (3) shall not contain any provisions for a deductible amount or for risk retention in any amount by the Company; (v) Workers' compensation insurance, disability benefits insurance and such other forms of insurance which the Company or the Agency is required by law to provide covering loss resulting from injury, sickness, disability or death of the employees of the Company or any Affiliate of either thereof, or any contractor or subcontractor performing work with respect to the Facility; the Company shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by laws; (vi) flood insurance, if required; (vii) boiler and machine property damage insurance in respect of any steam and pressure boilers and similar apparatus, insuring risks normally insured against under boiler and machinery policies and in amounts and with deductibles customarily obtained for similar enterprises; and (viii) such other insurance in such amounts and against such insurable hazards as the Agency or the Trustee from time to time may reasonably require.

All insurance required pursuant to the Lease Agreement shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State and having a Best rating satisfactory to the Agency and the Directing Party.

Each of the policies or binders evidencing the insurance required to be obtained under the Lease Agreement shall: (i) designate (except in the case of Workers' compensation insurance) the Trustee and the Agency as additional insureds, as their respective interests may appear; (ii) provide that all insurance proceeds with respect to loss or damage to the property of the Facility be endorsed and made payable to the Trustee and shall name the Trustee as a loss payee under the standard lender's loss payable clause, which insurance proceeds shall be paid over to the Trustee and deposited in the Construction Fund; (iii) provide that there shall be no recourse against the Agency or the Trustee for the payment of premiums or commissions or (if such policies or binders provide for the payment thereof) additional premiums or assessments; (iv) provide that in respect of the respective interests of the Agency or the Trustee in such policies, the insurance shall not be invalidated by any action or inaction of the Company or any other Person and shall insure the Agency and the Trustee regardless of, and any losses shall be payable notwithstanding, any such action or inaction; (v) provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried by the Agency or the Trustee to the extent that such other insurance provides the Agency or the Trustee, as the case may be, with contingent and/or excess liability insurance with respect to its respective interest as such in the Facility; (vi) provide that if the insurers cancel such insurance for any reason whatsoever, including the insured's failure to pay any accrued premium, or the same is allowed to lapse or expire, or there be any reduction in amount, or any material change is made in the coverage, such cancellation, lapse, expiration, reduction or change shall not be effective as to the Agency or the Trustee until at least thirty (30)

days after receipt by the Agency and the Trustee, respectively, of written notice by such insurers of such cancellation, lapse, expiration, reduction or change; (vii) waive any right of subrogation of the insurers thereunder against any Person insured under such policy, and waive any right of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any Person insured under such policy; and (viii) contain such other terms and provisions as any owner or operator of facilities similar to the Facility would, in the prudent management of its properties, require to be contained in policies, binders or interim insurance contracts with respect to facilities similar to the Facility owned or operated by it.

The Net Proceeds of any insurance received with respect to any loss or damage to the property of the Facility shall be deposited in the Construction Fund and applied in accordance with the provisions of the Lease Agreement and the Indenture.

Concurrently with the original issuance of the Series 2006 Bonds, the Company shall deliver or cause to be delivered to the Agency and the Trustee the following documents evidencing compliance with the specific coverage requirements set forth in the Lease Agreement: (i) on or prior to the execution and delivery of the Lease Agreement (A) an insurance agent's certificate of coverage, and (B) certificate of liability insurance (Acord form 25-S), evidence of property insurance (Acord form 27), and certificates or other evidence of other required insurance; and (ii) as soon as practicable thereafter, duplicate copies of insurance policies. At least seven (7) Business Days prior to the expiration of any such policy, the Company shall furnish the Agency and the Trustee with evidence that such policy has been renewed or replaced or is no longer required by the Lease Agreement.

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

In the event of construction, reconstruction, improvement or renovation of any part of the Facility, the Company shall require its contractors and subcontractors, if any, to name the Agency as an additional insured on liability policies carried by such contractors or subcontractors with respect to their operations at the Facility or with respect to the Project.

Advances by Agency or Trustee

In the event the Company fails to make any payment or perform or observe any obligation required of it under the Lease Agreement, the Agency or the Trustee, after first notifying the Company of any such failure on its part, may (but shall not be obligated to), and without waiver of any of the rights of the Agency or the Trustee under the Lease Agreement, the Indenture or any other Project Document, make such payment or otherwise cure any failure by the Company to perform and observe its other obligations under the Lease Agreement. All amounts so advanced therefor by the Agency or the Trustee shall become an additional obligation of the Company to the Agency or the Trustee, as applicable, which amounts, together with interest thereon at the rate of eighteen percent (18%) per annum, from the date advanced, the Company will pay upon demand

therefor by the Agency or the Trustee, as the case may be. Any remedy vested in the Agency or the Trustee under the Lease Agreement for the collection of the rental payments or other amounts due under the Lease Agreement shall also be available to the Agency or the Trustee for the collection of all such amounts so advanced.

Compliance with Law

The Company will, throughout the term of the Lease Agreement and at its sole cost and expense, promptly observe and comply with all Legal Requirements, will observe and comply with all conditions, requirements, and schedules necessary to preserve and extend all rights, licenses, permits (including, without limitation, zoning variances, special exception and non-conforming uses), privileges, franchises and concessions, and will cause all notices required by Legal Requirements to be given. The Company will not, without the prior written consent of the Agency, the Directing Party and the Trustee, initiate, join in or consent to any private restrictive covenant, zoning ordinance, or other public or private restrictions, limiting or defining the uses which may be made of the Facility or any part thereof. The Company shall indemnify and hold harmless the Indemnified Parties from and against all loss, cost, liability and expense: (i) in any manner arising out of or related to any violation of or failure to comply with any Legal Requirement; or (ii) imposed upon the Company or any of the Indemnified Parties by any Legal Requirement; in case any action or proceedings is brought against any of the Indemnified Parties in respect of any Legal Requirement, the Company shall, upon notice from any of the Indemnified Parties, defend such action or proceeding by counsel reasonably satisfactory to the Indemnified Party.

The Company may contest in good faith the validity, existence or applicability of any of the foregoing; subject, however, to the terms and conditions set forth in the paragraph below entitled "Discharge of Liens".

Damage, Destruction and Condemnation

In the event that at any time during the term of the Lease Agreement the whole or part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement between the Agency and those authorized to exercise such right (with the consent of the Company), or if the temporary use of the Facility shall be so taken by condemnation or agreement (a "Loss Event"): (i) the Agency shall have no obligation to rebuild, replace, repair or restore the Facility; (ii) there shall be no abatement, postponement or reduction in the rent or other amounts payable by the Company under the Lease Agreement or any other Project Document (whether or not the Facility is replaced, restored, repaired or rebuilt); (iii) the Company will promptly give written notice of such Loss Event to the Agency, the Trustee and the Bond Insurer, generally describing the nature and extent thereof.

Upon the occurrence of a Loss Event, the Net Proceeds derived therefrom shall be paid to the Trustee and deposited in the Construction Fund and the Company shall either: (i) at its own cost and expense (except to the extent paid from the Net Proceeds deposited in the Construction Fund as provided in the Lease Agreement and the Indenture), promptly and diligently rebuild, replace, repair or restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, regardless of

whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the Company shall not by reason of payment of any such excess costs be entitled to any reimbursement from the Agency, the Bond Insurer, the Trustee or any Bondholder, nor shall the rent or other amounts payable by the Company under the Lease Agreement be abated, postponed or reduced; or (ii) if, to the extent and upon the conditions permitted to do so under the Indenture, exercise its option to make advance rental payments to redeem the Bonds in whole or in part.

Not later than ninety (90) days after the occurrence of a Loss Event, the Company shall advise the Agency, the Trustee and the Bond Insurer in writing of the action to be taken by the Company pursuant to the immediately preceding paragraph, a failure to so timely notify being deemed an election in favor of clause (i) in such immediately preceding paragraph to be exercised in accordance with the provisions thereof. If the Company shall elect to or shall otherwise be required to rebuild, replace, repair or restore the Facility as set forth in clause (i) above, the Trustee shall disburse the Net Proceeds from the Construction Fund in the manner set forth in the Indenture to pay or reimburse the Company, at the election of the Company, either as such work progresses or upon the completion thereof; provided, however, the amounts so disbursed by the Trustee to the Company shall not exceed the actual cost of such work. If, on the other hand, the Company shall, if permitted under the Lease Agreement and the Indenture, exercise its option pursuant to clause (ii) of the immediately preceding paragraph, the Trustee shall effect the redemption of Bonds under the Indenture.

All such rebuilding, replacements, repairs or restorations shall: (i) automatically be deemed a part of the Facility and subject to the Lease Agreement, the Company Lease and the Indenture; (ii) be in accordance with plans and specifications and cost estimates delivered to the Agency and the Trustee; (iii) not change the nature of the Facility as a “civic facility” and a qualified “project” as defined in and as contemplated by the Act; (iv) be preceded by the furnishing by the Company to the Agency and the Trustee of a labor and materials payment bond, or other security, satisfactory to the Agency and the Trustee; (v) be effected with due diligence in a good and workmanlike manner, in compliance with all applicable Legal Requirements and be promptly and fully paid for by the Company in accordance with the terms of the applicable contract(s) therefor; and (vi) if the estimated cost of such rebuilding, replacement, repair or restoration be in excess of \$250,000, be effected under the supervision of an independent engineer.

Pending the disbursement or transfer thereof, the Net Proceeds in the Construction Fund shall be applied and may be invested as provided in the Indenture.

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

If all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Company as contemplated by the Lease Agreement, the Company shall exercise its option to terminate the Lease Agreement, as provided therein, the Trustee shall transfer the Net Proceeds from the Construction Fund to the Redemption

Fund in order to effect the redemption in whole of the Bonds under the Indenture, and to the extent necessary, the Company shall pay to the Trustee an amount which, when added to any amounts then in the Redemption Fund (including the Net Proceeds transferred from the Construction Fund) and available for that purpose, shall be sufficient to retire and redeem the Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date and redemption premium, if any), and to pay the expenses of redemption, the fees and expenses of the Agency, the Bond Registrar, the Trustee, the Remarketing Agent, the Trustee, the Bond Insurer and the Paying Agent, together with all other amounts due under the Indenture, under the Lease Agreement and under each other Project Document, and such amount shall be applied, together with such amounts in such Redemption Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date. Upon such redemption or retirement of the Bonds, the amount of the Net Proceeds recovered shall be promptly paid over by the Trustee to the Company.

The Company shall be entitled to any insurance proceeds or condemnation award, compensation or damages attributable to the Company's Property.

To the knowledge of the Company, no condemnation or eminent domain proceeding has been commenced or threatened against any part of the Facility.

Restrictions on Company

The Series 2006 Bonds will be payable by the Agency as to principal, Purchase Price, interest and redemption premium, if any, solely out of the revenue derived from the leasing of the Facility, including all revenues and rental income derived from or in connection with the Facility and moneys received under the Lease Agreement. The Company agrees that at all times during the term of the Lease Agreement it will: (i) maintain its legal existence; (ii) continue to be a not-for-profit corporation constituting a Tax Exempt Organization, be subject to service of process in the State and either organized under the laws of the State, or, upon prior written notice to the Agency, the Trustee and the Bond Insurer, organized under the laws of any other state of the United States and duly qualified to do business in the State; (iii) not sell, transfer, pledge or otherwise encumber all or substantially all of the assets which constitute the Facility (except for Permitted Encumbrances and except in accordance with the provisions of the Lease Agreement); (iv) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets remaining after the execution and delivery of the Lease Agreement; (v) not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it; (vi) not transfer, assign or pledge all or any portion of its interest in and under the Lease Agreement, and (vii) except as set forth in the Lease Agreement, not purchase any of the Bonds. The Company further represents, covenants and agrees that it is and throughout the term of the Lease Agreement it will: (y) continue to be duly qualified to do business in the State, and that any legal entity succeeding to the rights of the Company under the Lease Agreement shall be and continue to be duly qualified to do business in the State; and (z) not constitute a Prohibited Person.

Hold Harmless Provisions

The Company shall at all times protect, defend (with counsel selected by the Agency) and hold the Agency, the Trustee, the Bond Insurer, the Trustee, the Remarketing Agent, the Bond

Registrar and the Paying Agent and their respective members, officers, directors, employees and agents (other than the Company) (collectively referred to in the Lease Agreement as the “Indemnified Parties”) harmless of, from and against any and all Claims arising upon or about the Facility (including, without limitation, the Facility) or resulting from, arising out of, or in any way connected with: (i) the financing of the costs of the Facility and the marketing, issuance, sale and remarketing of the Bonds for such purpose; (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, furnishing, installation or completion of the Project or any part thereof or the effecting of any work done in or about the Facility; (iii) any defects (whether latent or patent) in the Facility; (iv) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any portion thereof; (v) the Lease Agreement, the Company Lease, the Indenture or any other Project Document or other document or instrument delivered in connection with the Lease Agreement or any other such document or the enforcement of any of the terms or provisions of the Lease Agreement or thereof or the transactions contemplated by the Lease Agreement or thereby; (vi) any imposition arising from, burden imposed by, violation of, or failure to comply with any Legal Requirement; (vii) any damage or injury to the person or property of (A) the Company, or (B) any other Person or their respective officers, directors, officials, partners, members, employees, attorneys, agents or representatives, or persons under the control or supervision of the Company, or (C) any other Person who may be in or about the premises of the Facility; or (viii) any Claim commenced against an Indemnified Party, or other action or proceeding taken by an Indemnified Party, in any case with respect to any of the matters set forth in clauses (i) through (viii) above. Such indemnification as set forth above shall be binding upon the Company for any and all Claims set forth in the Lease Agreement and shall survive the termination of the Lease Agreement. No Indemnified Party shall be liable for any damage or injury to the person or property of the Company or its directors, officers, employees, agents or servants or persons under the control or supervision of the Company or any other Person who may be about the Facility, due to any act or negligence of any Person other than for the gross negligence or willful misconduct of such Indemnified Party.

The Company releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable for and agrees to indemnify and hold each Indemnified Party harmless against any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters set forth in the immediately preceding paragraph or at the direction of the Company with respect to any of such matters referred to therein. An Indemnified Party shall promptly notify the Company in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Company pursuant to the Lease Agreement; such notice shall be given in sufficient time to allow the Company to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a defense under this Lease Agreement nor in any way impair the obligations of the Company under the provisions thereof.

The indemnifications and protections set forth in the Lease Agreement shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

To effectuate the purposes of the foregoing indemnification provisions, the Company will provide for and insure, in the public liability policies required pursuant to the Lease Agreement,

not only its own liability in respect of the matters therein mentioned but also the liability pursuant to said indemnification provisions.

For the purposes of the Lease Agreement, the Company shall not be deemed an employee, agent or servant of the Agency or a person under the Agency's control or supervision.

The foregoing provisions of the Lease Agreement shall be in addition to any and all other obligations and liabilities the Company may have to any Indemnified Party in any other agreement or at common law, and shall survive the termination of the Lease Agreement.

Compensation and Expenses of Trustee, Bond Registrar, Trustee, Remarketing Agent, Paying Agent, Agency and Bond Insurer

The Company shall, to the extent not paid out of the proceeds of the Bonds as financing expenses, pay such fees to such parties as provided in the Lease Agreement.

Retention of Interest in Facility; Grant of Easements; Release of Certain Land

Neither the Agency nor the Company shall sell, assign, encumber (other than Permitted Encumbrances), convey or otherwise dispose of their respective interest in the Facility or any part thereof or interest therein during the term of the Lease Agreement, except as expressly set forth therein, without the prior written consent of the Trustee and any purported disposition without such consent shall be void.

The Agency will, however, at the written request of the Company, so long as there exists no Event of Default under the Lease Agreement, grant such rights of way or easements over, across, or under, the Facility Realty, or grant such permits or licenses in respect to the use thereof, free from the leasehold estate of the Company Lease and the Lease Agreement and the liens of the Indenture, as shall be necessary or convenient for the operation or use of the Facility, subject to certain conditions set forth in the Lease Agreement.; provided, that such leases, rights-of-way, easements, permits or licenses shall not adversely affect the use or operation of the Facility; and provided, further, that the Company shall be required to cause Bonds to be redeemed in the amount (to the nearest \$5,000 integral multiple) of any consideration received by the Company from the granting of said leases, rights of way, easements, permits or licenses. On or prior to such redemption of the Bonds, the Company shall cause all such consideration received by the Company to be promptly paid over to the Trustee for deposit in the Redemption Fund to effect such redemption of the Bonds. The Agency agrees, at the sole cost and expense of the Company, to execute and deliver and to cause and direct the Trustee to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the leasehold estate of the Company Lease and the Lease Agreement and the liens of the Indenture.

Notwithstanding any other provision of the Lease Agreement, so long as there exists no Event of Default under the Lease Agreement, the Company may from time to time request the release of and removal from the Company Lease and the Lease Agreement and the leasehold estate created by the Company Lease and the Lease Agreement of any unimproved part of the Facility

Realty (on which none of the improvements, including the buildings, structures, improvements, related facilities, major appurtenances, fixtures or other property comprising the Facility are situated); provided, that such release and removal will not adversely affect the use or operation of the Facility. Upon any such request by the Company, the Agency shall, at the sole cost and expense of the Company, execute and deliver and cause and direct the Trustee to execute and deliver any and all instruments necessary or appropriate to so release and remove such portion of the Facility Realty from the leasehold estates of the Company Lease and the Lease Agreement, subject to certain liens and encumbrances and the Permitted Encumbrances, as more specifically described in the Lease Agreement; provided, that, no such release shall be effected unless: (i) there shall be delivered to the Trustee a certificate of an independent engineer, dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the person signing such certificate, the portion of the Facility Realty and the release so proposed to be made is not needed for the operation of the Facility, will not adversely affect the use or operation of the Facility and will not impair the means of ingress thereto and egress therefrom; and (ii) there shall be delivered to the Trustee an amount of cash for deposit in the Redemption Fund, equal to the greatest of (A) the original cost of such portion of the Facility Realty so released, such cost to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the County, (B) the fair market value of such portion, such value to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the County, and (C) if such portion is released in connection with the sale of such portion, the amount received by the Company upon such sale, and the Company shall cause the Bonds to be redeemed in an amount (to the nearest \$5,000 integral multiple) equal to such deposit.

No conveyance or release effected under the provisions of the immediately preceding paragraph shall entitle the Company to any abatement or diminution of the rents payable under the Lease Agreement.

Company's Covenant as to Tax Exemption

The Company covenants with the Agency, with the Trustee and with each of the Holders of the Bonds, that it will comply with all of the terms, provisions and conditions set forth in the Tax Regulatory Agreement, including, without limitation, the making of any payments and filings required thereunder, all of which are incorporated by reference in the Lease Agreement as though fully set forth therein.

If any Bondholder receives from the Internal Revenue Service a notice of assessment and demand for payment with respect to interest on any Bond, an appeal may be taken by the Bondholder at the option of either the Bondholder or the Company. If such appeal is taken at the option of the Company (exercised in accordance with the procedures set forth in the definition of "Determination of Taxability" in Appendix A attached to the Indenture), all expenses of the appeal including counsel fees and expenses shall be paid by the Company, and the Company shall control the procedures and terms relating to such appeal, and the Bondholder and the Company shall cooperate and consult with each other in all matters pertaining to any such appeal which the Company has elected to take, except that no Bondholder shall be required to disclose or furnish any non-publicly disclosed information, including, without limitation, financial information and tax returns. Before the taking of any appeal which the Company has elected to take, however, the

Bondholder shall have the right to require the Company to pay the tax assessed and conduct the appeal as a contest for reimbursement.

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

Financial Statements; No-Default Certificates; Bond Insurer Reporting

The Company agrees to furnish to the Agency and the Bond Insurer and, upon request, the Trustee, those certain financial records and documents as are required under the Lease Agreement.

The Company shall deliver to the Agency, the Bond Insurer and the Trustee with each delivery of annual financial statements pursuant to the Lease Agreement: (i) a certificate of an Authorized Representative of the Company as to whether or not, as of the close of such preceding Fiscal Year of the Company, and at all times during such Fiscal Year, the Company was in compliance with all the provisions which relate to the Company in the Lease Agreement and in any other Project Document to which it shall be a party, and as to whether or not a Determination of Taxability has occurred, and if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default or Determination of Taxability, he shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default under the Lease Agreement, and any action proposed to be taken by the Company with respect thereto; and (ii) a certificate of an Authorized Representative of the Company that the insurance it maintains complies with the provisions of the Lease Agreement, that such insurance has been in full force and effect at all times during the preceding Fiscal Year of the Company, and that duplicate copies of all policies or certificates thereof have been filed with the Agency, the Bond Insurer and the Trustee and are in full force and effect. In addition, upon twenty (20) days' prior request by the Agency, the Bond Insurer or the Trustee, the Company will execute, acknowledge and deliver to the Agency, the Bond Insurer and the Trustee a certificate of an Authorized Representative of the Company either stating that to his knowledge no default or breach exists under the Lease Agreement or specifying each such default or breach of which he has knowledge.

The Company shall immediately notify the Agency, the Bond Insurer and the Trustee of the occurrence of any Event of Default or any event which with notice and/or lapse of time would constitute an Event of Default under any Project Document of which it has knowledge. Any notice required to be given pursuant to this paragraph shall be signed by an Authorized Representative of the Company and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Company shall state this fact on the notice.

The Company agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with generally accepted accounting principles, of all business and affairs of the Company.

The Company will permit the Bond Insurer to discuss the affairs, finances and accounts of the Company or information that the Bond Insurer may reasonably request regarding the security for the Series 2006 Bonds, and the obligations of the Company under the Lease Agreement and under the Project Documents with the appropriate officers of the Company, including, without limitation, remedial actions planned by the Company following notification of an operating deficit pursuant to the Lease Agreement. The Company will grant the Bond Insurer access to the Facility, all books and records (and to make copies thereof) relating to the Series 2006 Bonds and the Company on any Business Day upon reasonable prior notice.

The Bond Insurer shall have the right to direct an accounting of the Company's financial affairs at the Company's expense.

The Company agrees to provide the Bond Insurer with each of the following: (i) notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, or of any advance refunding of the Bonds, including the principal amount, maturities and CUSIP numbers thereof; (ii) notice of the downgrading by any rating agency of the Company's underlying public rating, or the underlying rating on the Bonds or any parity obligations, to "non-investment grade"; (iii) notice of any decline in value of the Company's unrestricted endowment funds by more than ten percent (10%) in the immediately preceding year; (iv) notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; and (v) such additional information as the Bond Insurer may reasonably request from time to time.

Discharge of Liens

The Company will not create or suffer to be created any lien, encumbrance or charge on any properties of the Agency (other than the Facility) or on any funds of the Agency applicable to or deriving from the Facility.

If any lien, encumbrance or charge is filed or asserted, or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such as liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims are in the Lease Agreement collectively called "Liens"), whether or not valid, is made against the Facility or any part thereof or the interest therein of the Agency, the Company or the Trustee or against any of the rentals or other amounts payable under the Lease Agreement or the interest of the Company under the Company Lease and the Lease Agreement other than Liens for Impositions not yet payable, Permitted Encumbrances or Liens being contested as permitted by the following paragraph, the Company forthwith upon receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice) shall give written notice thereof to the Agency and the Trustee and take all action (including the payment of money and/or the securing of a bond) at its own cost and expense as may be necessary or appropriate to obtain the discharge in full thereof and to remove or nullify the basis therefor within ten (10) days after imposition of any such Lien. Nothing contained in the Lease Agreement shall be construed as constituting the express or implied consent to or permission of the Agency for the performance of any labor or services or the furnishing of any materials that would give rise to any Lien against the Agency's interest in the Facility.

Provided, that the Lien has been discharged of record as required above, the Company may at its sole expense contest (after prior written notice to the Agency and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Lien, if: (i) such proceeding shall suspend the execution or enforcement of such Lien against the Facility or any part thereof or interest therein, or in the Lease Agreement of the Agency, the Company, the Trustee or against any of the rentals or other amounts payable under the Lease Agreement; (ii) neither the Facility nor any interest therein would be in any danger of being sold, forfeited or lost; (iii) neither the Company, the Agency nor the Trustee would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith; and (iv) the Company shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Trustee to protect the security intended to be offered by the Indenture and the other Project Documents.

Amounts Remaining in Funds

It is agreed by the parties to the Lease Agreement that any amounts remaining in the funds established pursuant to the Indenture upon the expiration or sooner or later termination of the term of the Lease Agreement as provided in the Lease Agreement, after payment in full of: (i) the Bonds (in accordance with the Indenture); (ii) the fees, charges and expenses of the Trustee, the Bond Insurer, the Trustee, the Remarketing Agent, the Bond Registrar, the Paying Agent and the Agency in accordance with the Indenture; (iii) all rents and all other amounts payable under the Lease Agreement; (iv) all amounts required to be rebated to the Federal government pursuant to the Tax Regulatory Agreement or the Indenture; and (v) all amounts required to be paid under any Project Document, shall have been so paid, shall belong to and be paid to the Company by the Trustee as overpayment of rents.

Non-Discrimination; Employment Information, Opportunities and Guidelines

The Company shall ensure and cause its Affiliates to ensure that all employees and applicants for employment at the Facility are afforded equal employment opportunity without discrimination.

At all times during the construction, maintenance and operation of the Facility, the Company shall not discriminate against any employee or applicant for employment because of race, color, creed, age, gender, sexual orientation or national origin. The Company shall use reasonable efforts to ensure that employees and applicants for employment with the Company, or any Affiliate thereof or any subtenant of the Facility, or any part thereof, or any contractor or subcontractor with respect to the Facility, are “treated” without regard to their race, color, creed, age, gender, sexual orientation, or national origin.

The Company shall, in all solicitations or advertisements for employees placed by or on behalf of the Company, state that all qualified applicants will be considered for employment without regard to race, color, creed, age, gender, sexual orientation or national origin.

The Company shall furnish to the Agency all information reasonably required by the Agency pursuant to this section and will cooperate with the Agency for the purposes of investigation to ascertain compliance therewith.

The Agency and the Company shall, from time to time, mutually agree upon goals for the employment, training, or employment and training of members of minority groups in connection with performing work with respect to the Facility; provided however, if the Agency and the Company are unable to reach such mutual agreement, the Agency and the Company shall cooperate to ensure compliance.

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

The Company authorizes any private or governmental entity, including, but not limited to, the New York State Department of Labor (the "DOL"), to release to the Agency or its successors and assigns (collectively, the "Information Recipients"), any and all employment information under its control and pertinent to the Company, or any Affiliate thereof and their respective employees at the Facility. In addition, upon the Agency's request, the Company shall provide to the Agency any Employment Information in the Company's possession which is pertinent to the Company or any Affiliate thereof and their respective employees at the Facility and which may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, or its successors and assigns, and/or the County, and/or as may be necessary to comply with all Legal Requirements; and, without limiting the foregoing, the Employment Information may be included: in (y) reports required of the Agency; and (z) any reports required by Legal Requirements. This authorization shall remain in effect throughout the term of the Lease Agreement.

Annually, by August 1 of each year, commencing on August 1, 2006, until the termination or expiration of the Lease Agreement, the Company shall submit to the Agency an employment report relating to the period commencing July 1 of the previous year and ending June 30 of the year of the obligation of the filing of such report, substantially in the form of Appendix A to the Lease Agreement, certified as to accuracy by an Authorized Representative of the Company, and shall attach thereto a copy of the Company's final payroll report evidencing the total number of employees at the Facility employed by the Company or any Affiliate thereof during such reporting period.

Redemption Under Certain Circumstances; Special Covenants

If the members of the Agency determine that the Company is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, in violation of applicable law or not as a “civic facility” and a qualified “project” in accordance with the Act and the Company fails to cure such noncompliance within ninety (90) days (or such longer period as may be established pursuant to the proviso to this sentence) of the receipt by the Company of written notice of such noncompliance from the Agency and a demand to cure such noncompliance (a copy of which notice shall be sent to the Bond Insurer and the Trustee), the Company covenants and agrees that it shall, on the immediately succeeding Interest Payment Date following the termination of such ninety (90) day (or longer) period, pay to the Trustee advance rentals in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of one hundred percent (100%) of the aggregate principal amount of the Outstanding Bonds together with interest accrued thereon to such Interest Payment Date; provided, however, that if such noncompliance cannot be cured within such period of ninety (90) days with diligence (and is capable of being cured) and the Company promptly commences the curing of such non-compliance and thereafter prosecutes the curing thereof with diligence and to the Agency’s reasonable satisfaction, such period of time within which the Company may cure such failure shall be extended for such additional period of time as may be necessary to cure the same with diligence and the Agency shall notify the Trustee and the Bond Insurer of any such extension.

If the Company fails to obtain or maintain the public liability insurance required under the Lease Agreement, and the Company fails to cure such noncompliance within fifteen (15) days of the receipt by the Company of written notice of such noncompliance from the Agency and a demand to cure such noncompliance (a copy of which notice shall be sent to the Bond Insurer and the Trustee), the Company covenants and agrees that it shall, on the immediately succeeding Interest Payment Date following the termination of such fifteen (15) day period, pay to the Trustee advance rentals in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of one hundred percent (100%) of the aggregate principal amount of the Outstanding Bonds together with interest accrued thereon to such Interest Payment Date. Notwithstanding the foregoing, the Agency agrees to reasonably cooperate with the Company, the Bond Insurer and the Trustee in restructuring the subject transaction so as to reduce or eliminate the need for such insurance.

The Agency shall give prior written notice to the Company, the Bond Insurer and the Trustee of the meeting at which the members of the Agency are to consider any such resolution(s), which notice shall be no less than five (5) Business Days prior to a meeting called to consider matters set forth in the two (2) immediately preceding paragraphs.

Upon the circumstances set forth in certain provisions of the Indenture, the Company shall pay or cause the payment of its lease rental obligation upon the circumstances and in the manner set forth in the Indenture.

Additional Bonds

No additional bonds may be issued pursuant to the Indenture or otherwise.

Current Facility Equipment Description

The Company covenants and agrees that throughout the term of the Lease Agreement, including upon any replacement, repair, restoration or reconstruction of the Facility pursuant to the Lease Agreement, it will cause the Description of Facility Equipment attached as Exhibit B to the Lease Agreement and the Indenture to be an accurate and complete description of all current items of Facility Equipment and sufficient, in the judgment of the Trustee, for the creation and perfection of a security interest in each such item of property under the New York State Uniform Commercial Code-Secured Transactions, as the same may be in effect from time to time. No item of machinery or equipment (other than the Company's Property) shall be delivered and installed at the Facility Realty as part of the Facility, unless in each case such item of machinery or equipment shall be accurately and sufficiently described in Exhibit B to the Lease Agreement and the Indenture, and the Company shall from time to time prepare supplements to such Appendices in compliance with the foregoing.

Right to Cure Agency Defaults

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

Preservation of Exempt Status

The Company represents and warrants that, as of the date of issuance of the Series 2006 Bonds: (i) it is an organization described in Section 501(c)(3) of the Code; (ii) it has received a ruling letter or determination from the United States Department of Treasury to that effect; (iii) such letter or determination has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of such letter or determination; (v) the facts and circumstances which form the basis of such letter of determination continue substantially to exist as represented to the United States Department of Treasury; (vi) it is not a "private foundation", as defined in Section 509 of the Code; and (vii) it is exempt from Federal income taxes under Section 501(a) of the Code and it is in compliance with the provisions of the Code necessary to maintain such status.

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

within its control to arise or continue, if such action or circumstances, or its expectation on the date of issue of the Bonds, would cause the Bonds to be “arbitrage bonds” under the Code or cause the interest paid by the Agency on the Bonds to be subject to Federal income tax in the hands of the Holders thereof; and (v) it shall use its best efforts to maintain the tax-exempt status of the Bonds.

The Company (or any related person, as defined in Section 144(a)(3) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase the Bonds in an amount related to the amount of the payments due from the Company under the Lease Agreement.

Securities Law Status

The Company represents that, as of the date of issuance of the Series 2006 Bonds, the Facility shall be operated: (i) exclusively for civic or charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of the Company shall inure to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Company agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this paragraph.

Right of Access to the Facility

The Company agrees that the Agency and its duly authorized agents shall have the right at all reasonable times to enter upon and to examine and inspect the Facility, subject to applicable laws. The Company further agrees that the Agency shall have such rights of access to the Facility as may be reasonably necessary to cause the proper maintenance of the Facility in the event of failure by the Company to perform its obligations under the Lease Agreement.

Bond Insurer Requirements

The Company agrees to comply with the requirements of the Bond Insurer as set forth in the Lease Agreement.

Events of Default

The following shall be “Events of Default” under the Lease Agreement, and the terms “Event of Default” or “default” shall mean, whenever they are used in the Lease Agreement, any one (1) or more of the following events:

(a) Failure of the Company to pay any rental: (i) that has become due to the Agency pursuant to the provisions of the Lease Agreement with respect to indemnification by the Company and payment by the Company of certain fees, and the continuation of such failure for a period of ten (10) days after the due date of such payment; or (ii) that has become due and payable pursuant to certain other provisions of the Lease Agreement;

(b) Failure of the Company to maintain the insurance coverage required by the Lease Agreement or failure of the Company to continuously operate, or cause the Facility to be operated, in accordance with the Lease Agreement;

(c) Failure of the Company to pay any amount (except the obligation to pay rent under the Lease Agreement that has become due and payable or to observe and perform any other covenant, condition or agreement on its part to be performed under the provisions of the sections above entitled “Taxes, Assessments and Charges” and “Insurance”, and continuance of such failure for a period of fifteen (15) days after receipt by the Company of written notice specifying such default from the Agency, the Bond Insurer, the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding;

(d) Failure of the Company to observe and perform any covenant, condition or agreement under the Lease Agreement on its part to be performed (except as set forth in paragraphs (a), (b), (c) or (g) of this section and: (i) continuance of such failure for a period of fifteen (15) days after receipt by the Company of written notice specifying the nature of such default from the Agency, the Bond Insurer, the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding; or (2) if by reason of the nature of such default the same can be remedied, but not within the said fifteen (15) days, the Company fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; provided, however, in no event shall the Company have more than thirty (30) additional days to cure the same;

(e) The Company shall: (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its assets; (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due; (iii) make a general assignment for the benefit of its creditors; (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect); (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code; (vii) take any action for the purpose of effecting any of the foregoing; (viii) be adjudicated a bankrupt or insolvent by any court; or (ix) fail to lift, within thirty (30) days of entry thereof, any execution, garnishment or attachment of such consequence as will impair the Company’s ability to carry out its obligations under the Lease Agreement;

(f) A proceeding or case shall be commenced, without the application or consent of the Company, in any court of competent jurisdiction, seeking: (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts; (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Company or of all or any substantial part of its assets; or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing against the Company shall be entered and continue unstayed and in effect, for a period of ninety (90) days; the terms “dissolution” or “liquidation” of the Company as used above shall not be construed to prohibit any action otherwise permitted under the Lease Agreement;

(g) Any representation or warranty made by or on behalf of the Company: (i) in the Application, commitment letter and related materials submitted to the Agency or the initial purchaser(s) of the Series 2006 Bonds for approval of the Project or its financing; or (ii) in the Lease Agreement or in any of the other Project Documents; or (iii) in the Letter of Representation and Indemnity Agreement; or (iv) in the Tax Regulatory Agreement; or (v) in any report, certificate, financial statement or other instrument furnished pursuant to the Lease Agreement or any of the foregoing, shall in any case prove to be false, misleading or incorrect in any material respect as of the date made;

(h) Failure by any party to the Environmental Compliance Agreement to timely satisfy any of such party's obligations thereunder, and: (i) continuation of such failure for a period of thirty (30) days after receipt by such party of written notice specifying the nature of such default from the Agency, the Bond Insurer, the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding; or (ii) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, such party fails to proceed with reasonable diligence to cure the same or fails to continue with reasonable diligence its efforts to cure the same; provided, however, in no event shall such party have more than thirty (30) additional days to cure the same;

(i) The Company shall conceal, remove or permit to be concealed or removed any part of its property, with intent to hinder, delay or defraud its creditors, or any one of them, or shall make or suffer a transfer of any of its property which is fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall make any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall suffer or permit, while insolvent, any creditor to obtain a lien upon any of its property through legal proceedings or distraint which is not vacated within ten (10) days from the date thereof;

(j) The imposition of a Lien on the Facility, or any part thereof, other than a Permitted Encumbrance;

(k) The removal of the Facility, or any portion thereof, outside the County, without the prior written consent of the Agency, other than in connection with a removal permitted under the Lease Agreement;

(l) Any loss by the Agency of its leasehold interest in the Facility;

(m) The Company or any Affiliate of the Company shall become a Prohibited Person;

(n) Any assignment of the Lease Agreement, in whole or in part, or any subletting of the Facility, or any portion thereof, in violation of the terms of the Lease Agreement; or

(o) An "Event of Default" shall occur under the Indenture or under any other Project Document.

Remedies on Default

Whenever any Event of Default shall have occurred and be continuing, the Agency, or the Trustee where so provided, may, take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in the Indenture, may cause all principal installments of rent payable under the Lease Agreement for the remainder the term of the Lease Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; provided, however, that if there shall occur any Event of Default under paragraphs (e) or (f) of the immediately preceding section entitled “Events of Default”, all principal installments of rent payable under the Lease Agreement for the remainder of the term of the Lease Agreement shall be immediately due and payable together with accrued interest thereon;

(b) The Agency, with the prior written consent of the Trustee (at the direction of the Directing Party), or the Trustee (at the direction of the Directing Party), may re-enter and take possession of the Facility without terminating the Lease Agreement, and sublease the Facility for the account of the Company, holding the Company liable for the difference in the rent and other amounts payable by the sublessee in such subletting, and the rents and other amounts payable by the Company under the Lease Agreement;

(c) The Agency, with the prior written consent of the Trustee (at the direction of the Directing Party), or the Trustee (at the direction of the Directing Party), may terminate the Lease Agreement, and exclude the Company from possession of the Facility, in which case the Lease Agreement and all of the estate, right, title and interest granted or vested in the Company pursuant to the Lease Agreement shall cease and terminate. No such termination of the Lease Agreement shall relieve the Company of its liability and obligations under the Lease Agreement and such liability and obligations shall survive any such termination;

(d) The Agency, with the prior written consent of the Trustee (at the direction of the Directing Party), or the Trustee (at the direction of the Directing Party) may take whatever action at law or in equity as may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Company under the Lease Agreement;

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

(f) In addition to any other rights or remedies granted to the Agency under the Lease Agreement, the Agency may enforce any of the Agency’s Reserved Rights without the consent of the Trustee, the Bond Insurer or any other Person, by an action for damages, injunction or specific performance; and

(g) The Agency, upon declaring an Event of Default with regard to either of the first two (2) paragraphs of the section above entitled “Redemption Under Certain Circumstances; Special Covenants” and upon ten (10) Business Days prior written notice to the Trustee and the Bond

Insurer, may terminate its leasehold interest in the Facility, subject to the liens of the Indenture, and the Company unconditionally agrees to accept such conveyance as follows: (i) such conveyance shall be by termination of lease and/or bill of sale and/or other appropriate instrument (with no express or implied warranties by the Agency); and (ii) the Company irrevocably designates the Agency as its attorney-in-fact for the purpose of causing a termination of such interest, together with any other documents in connection therewith, to be recorded, and to take such other and further actions reasonably necessary to complete the termination of the Agency's interest in the Facility.

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

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

Reletting of Facility

If the right of the Company to the occupancy, use and possession of the Facility shall be terminated in any way, the Agency, with the prior written consent of the Trustee (at the direction of the Directing Party) or the Trustee (at the direction of the Directing Party), may relet the same or any part thereof for the account and benefit of the Company for such rental terms to such Persons and for such period or periods as may be fixed and determined by the Agency after notice to and approval by the Trustee, but the Agency shall not unreasonably refuse to accept or receive any suitable occupant or tenant offered by the Company; provided, that such reletting shall not adversely affect the tax-exempt status of the Bonds. The Agency, the Trustee and the Bond Insurer shall not otherwise be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Company, and if a sufficient sum shall not be received from any reletting to satisfy the rental payments agreed to be made by the Company under the Lease Agreement, after paying the expenses of reletting and collection, then the Company agrees to pay and satisfy any such deficiency if, as and when the same exists; provided, however, any excess rentals from any such reletting shall be credited to any rental due or to become due by the Company.

Remedies Cumulative

The rights and remedies of the Agency, the Trustee or the Bond Insurer under the Lease Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency, the Trustee or the Bond Insurer allowed by law or in equity with respect to any default under the Lease Agreement. Failure by the Agency, the Trustee or the Bond Insurer to insist upon the strict performance of any of the covenants and agreements in the Lease Agreement set forth or to exercise any rights or remedies upon default by the Company under the Lease Agreement shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by the Company with all of the covenants and conditions of the Lease Agreement, or of

the rights to exercise any such rights or remedies, if such default by the Company be continued or repeated, or of the right to recover possession of the Facility by reason thereof.

Effect on Discontinuance of Proceedings

In case any proceeding taken by the Trustee or the Bond Insurer under the Indenture or the Lease Agreement or under any other Security Document on account of any Event of Default under the Lease Agreement or under the Indenture shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Insurer, then, and in every such case, the Agency, the Trustee, the Bond Insurer and the Holders of the Bonds shall be restored, respectively, to their former positions and rights under the Lease Agreement and thereunder, and all rights, remedies, powers and duties of the Trustee and the Bond Insurer shall continue as in effect prior to the commencement of such proceedings.

Agreement to Pay Attorneys' Fees and Expenses

In the event the Agency, the Trustee or the Bond Insurer should employ attorneys or incur other expenses for the collection of rentals or other amounts payable under the Lease Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Company contained in the Lease Agreement or in any other Security Document, the Company agrees that it will on demand therefor pay to the Agency, the Trustee or the Bond Insurer the reasonable fees and disbursements of such attorneys and such other expenses so incurred.

Options

The Company has the option to make advance rental payments for deposit in the Redemption Fund to effect the redemption in whole or in part of the Bonds, all in accordance with the terms of the Indenture; provided, however, that no partial redemption of the Bonds may be effected through advance rental payments under the Lease Agreement if there shall exist and be continuing an Event of Default. The Company shall exercise its option to make such advance rental payments by delivering a written notice of an Authorized Representative of the Company to the Trustee in accordance with the Indenture, with a copy to the Agency and the Bond Insurer, setting forth: (i) the amount of the advance rental payment; (ii) the principal amount of Bonds Outstanding requested to be redeemed with such advance rental payment (which principal amount shall be in such minimum amount or integral multiple of such amount as shall be permitted in the Indenture); and (iii) the date on which such principal amount of Bonds are to be redeemed. Such advance rental payment shall be paid to the Trustee in legal tender on or before the redemption date and shall be an amount which will be sufficient to pay the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Agency, the Bond Registrar, the Trustee, the Remarketing Agent, the Trustee, the Bond Insurer and the Paying Agent in connection with such redemption. In the event the Bonds are to be redeemed in whole or otherwise retired, the Company shall further pay on or before such redemption date, in legal tender, to the Agency, the Trustee, the Bond Insurer, the Trustee, the Remarketing Agent, the Bond Registrar and the Paying Agent, as the case may be, all fees and expenses owed such party or any other party entitled thereto under the Lease Agreement or the Indenture together with: (i) all other amounts due and payable under the Lease Agreement and the other Project Documents; and (ii) any amounts

required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement.

The Company shall have the option to terminate the Lease Agreement and the Company Lease commencing on that date upon which the Bonds may first optionally be redeemed in whole and on any date thereafter permitted therefor as provided in the Indenture.

The Company shall also have the option to terminate the Lease Agreement and the Company Lease on any date during the term of the Lease Agreement within ninety (90) days of the occurrence of any of the following events:

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

(ii) Title to, or the temporary use of, or the Agency's leasehold interest in, all or substantially all of the Facility shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in the Company being thereby prevented or likely to be prevented from carrying on its normal operation of the Facility for a period of one (1) year from the date of such taking or condemnation, as evidenced by an opinion of an independent engineer filed with the Agency and the Trustee; or

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

The Company, in terminating the Lease Agreement and the Company Lease pursuant to the occurrence of any of the three (3) events enumerated in the immediately preceding paragraph, shall comply with all of the requirements set forth with respect thereto under the Lease Agreement.

Upon the payment in full of the principal of and interest on the Outstanding Bonds (whether at maturity or earlier redemption), the Company shall be required to exercise its option to terminate the Lease Agreement and the Company Lease by: (i) delivering to the Agency prior written notice of an Authorized Representative of the Company no more than thirty (30) days after the payment in full of the Bonds of the exercise of such option, which notice shall set forth a requested closing date which shall be not later than sixty (60) days after the payment in full of the Bonds; and (ii) paying on such closing date an amount equal to the sum of one dollar, the fees and expenses of

the Agency, the Trustee, the Bond Insurer, the Trustee, the Remarketing Agent, the Bond Registrar and the Paying Agent and all other amounts due and payable under the Lease Agreement and the other Project Documents, together with any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement. Upon the written request of the Company, the Agency may approve the extension or waiver of any of the time periods set forth in this paragraph.

The Company shall not, at any time, assign or transfer its option to terminate the Lease Agreement and the Company Lease as contained in this section, separate and apart from a permitted assignment of the Lease Agreement as provided elsewhere in the Lease Agreement, without the prior written consent of the Agency, the Bond Insurer and the Trustee.

The exercise by the Company of its option to purchase the Facility and/or to terminate the Lease Agreement pursuant to this section shall constitute a “Recapture Event” for purposes of the Lease Agreement.

Termination on Exercise of Option

At the closing of any termination of the Agency’s interest in the Facility pursuant to the Lease Agreement, the Agency will, upon payment of the required sums, deliver or cause to be delivered to the Company documents terminating the Lease Agreement and the Company Lease. Concurrently with the delivery of such documents, there shall be delivered by the Agency to the Trustee any instructions or other instruments required by the Indenture to defease and pay the Bonds.

Upon such termination pursuant to this section, the Lease Agreement and all obligations of the Company under the Lease Agreement shall be terminated, except in respect of those certain obligations of the Company which shall survive such termination pursuant to the Lease Agreement.

Option to Purchase or Invite Tenders of Bonds

The Company shall have the option, at any time during the term of the Lease Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender offer to the Holders thereof. The Bonds so purchased by the Company or by any Affiliate shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase. The Agency shall at all times make available or cause to be made available to the Company its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known.

Termination of Agreement

After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with the Indenture, the Company shall terminate the Lease Agreement by paying the fees and expenses of the Agency, the Trustee, the Bond Insurer, the Trustee, the Remarketing Agent, the Bond Registrar and the Paying Agent and all other amounts due and payable under the Lease Agreement and the other Project Documents, together with any amounts required to

be rebated to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement, and by giving the Agency notice in writing of such termination, and thereupon such termination shall forthwith become effective; subject, however, to the survival of those certain obligations of the Company as provided in the Lease Agreement.

Recapture of Agency Benefits

It is understood and agreed by the parties to the Lease Agreement that the Agency is entering into the Lease Agreement in order to provide the Financial Assistance to the Company for the Project and to accomplish the purposes of the Act. In consideration therefor, the Company agrees that if there shall occur a Recapture Event (as described in the Lease Agreement), then the Company shall pay to the Agency as a return of public benefits conferred by the Agency, an amount as follows:

(i) one hundred percent (100%) of the Benefits (as defined below) if the Recapture Event occurs on or before the fifth (5th) anniversary of the Commencement Date;

(ii) eighty percent (80%) of the Benefits if the Recapture Event occurs after the fifth (5th) anniversary of the Commencement Date but on or before the sixth (6th) anniversary of the Commencement Date;

(iii) sixty percent (60%) of the Benefits if the Recapture Event occurs after the sixth (6th) anniversary of the Commencement Date but on or before the seventh (7th) anniversary of the Commencement Date;

(iv) forty percent (40%) of the Benefits if the Recapture Event occurs after the seventh (7th) anniversary of the Commencement Date but on or before the eighth (8th) anniversary of the Commencement Date;

(v) twenty percent (20%) of the Benefits if the Recapture Event occurs after the eighth (8th) anniversary of the Commencement Date but on or before the ninth (9th) anniversary of the Commencement Date;

(vi) ten percent (10%) of the Benefits if the Recapture Event occurs after the ninth (9th) anniversary of the Commencement Date but on or before the tenth (10th) anniversary of the Commencement Date; or

(vii) zero percent (0%) of the Benefits thereafter.

For purposes of the Lease Agreement, the term “Benefits” shall mean the Agency’s calculation of, collectively, all benefits derived from the Agency’s participation in the transactions contemplated by the Lease Agreement, including, but not limited to, interest cost savings, any exemption from real property transfer taxes and any exemption from mortgage recording taxes.

Indenture; Amendment

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

Assignment or Sublease

The Company shall not at any time assign or transfer the Lease Agreement, in whole or in part, nor shall the Company sublet the whole or any part of the Facility, without the prior written consent of the Agency, the Bond Insurer and the Trustee (which consents may be withheld by the Agency, the Bond Insurer or the Trustee in their sole and absolute discretion); provided, that if the Agency, the Bond Insurer and the Trustee consent to any such assignment, transfer or subletting: (i) the Company shall nevertheless remain liable to the Agency for the payment of all rent and for the full performance of all of the terms, covenants and conditions of the Lease Agreement and of any other Security Document to which it shall be a party; (ii) any assignee or transferee of the Company in whole of the Facility shall have assumed in writing and have agreed to keep and perform all of the terms of the Lease Agreement on the part of the Company to be kept and performed, shall be jointly and severally liable with the Company for the performance thereof, shall be subject to service of process in the State, and shall be qualified to do business in the State; (iii) the Company shall deliver to the Agency an Opinion of Counsel to the effect that such assignment, transfer or sublease shall not legally impair in any respect the obligations of the Company for the payment of all rentals nor for the full performance of all of the terms, covenants and conditions of the Lease Agreement or of any other Security Document to which the Company shall be a party, nor impair or limit in any respect the obligations of any obligor under any other Security Document; (iv) any assignee, transferee or sublessee shall utilize the Facility as a qualified “project” and “civic facility” within the meaning of the Act, consistent with the purposes set forth in the Recitals to the Lease Agreement and with the public purposes of the Agency; (v) such assignment, transfer or sublease shall not violate any provision of the Lease Agreement, the Indenture, the Tax Regulatory Agreement or any other Security Document; (vi) such assignment, transfer or sublease shall in no way diminish or impair the Company’s obligation to carry the insurance required under the Lease Agreement and the Company shall furnish written evidence satisfactory to the Agency and the Trustee that such insurance coverage shall in no manner be limited by reason of such assignment, transfer or sublease; (vii) each such assignment, transfer or sublease contains such other provisions as the Agency or the Trustee may reasonably require; and (viii) the Company shall deliver to the Agency an opinion of Bond Counsel to the effect that such assignment, transfer or sublease shall not cause the interest on the Bonds to be includable in gross income for Federal income tax purposes. The Company shall furnish or cause to be furnished to the Agency, the Bond Insurer and the Trustee a copy of any such assignment, transfer or sublease in substantially final form at least ten (10) days prior to the date of execution thereof.

Any consent by the Agency, the Bond Insurer or the Trustee to any act of assignment, transfer or sublease shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Company, or the successors or assigns

of the Company, to obtain from the Agency, the Bond Insurer and the Trustee consent to any other or subsequent assignment, transfer or sublease, or as modifying or limiting the rights of the Agency or the Trustee under the foregoing covenant by the Company.

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

Priority of Indenture

Pursuant to the Indenture, the Agency will pledge and assign the rentals and certain other moneys receivable under the Lease Agreement to the Trustee as security for payment of the principal or Redemption Price, if applicable, Purchase Price for, and interest on the Bonds. This Agreement shall be subject and subordinate to the Indenture and such lien, security interest, pledge and assignment thereunder.

Amendments

The Lease Agreement may be amended only with the concurring written consent of the Agency, the Bond Insurer and the Trustee given in accordance with the provisions of the Indenture and only if the Company shall assume in writing the obligations of such amended Agreement.

Inspection of Facility

The Company will permit the Trustee and the Bond Insurer, or their respective duly authorized agents, at all reasonable times upon written notice to enter upon the Facility and to examine and inspect the Facility and exercise their rights under the Lease Agreement, under the Indenture and under the other Security Documents with respect to the Facility. The Company will further permit the Agency, or its duly authorized agents, at all reasonable times to enter upon the Facility for the purpose of assuring that the Company is operating the Facility, or is causing the Facility to be operated, as a qualified "project" and "civic facility" under the Act, consistent with the purposes set forth in the Recitals to the Lease Agreement and with the public purposes of the Agency, and not for any purpose of assuring the proper maintenance or repair of the Facility as such latter obligation is and shall remain solely the obligation of the Company.

No Recourse; Special Obligation

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

All covenants, stipulations, promises, agreements and obligations of the Company contained in the Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Company, and not of any director, officer, employee or agent of the Company in his individual capacity, and no recourse shall be had for the payment of amounts due under the Lease Agreement against any director, officer, employee or agent of the Company or any natural person executing the Lease Agreement.

APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTY AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTY AGREEMENT

The following is a summary of certain provisions of the Guaranty Agreement. This summary is qualified in its entirety by reference to the Guaranty Agreement.

Obligations Guaranteed

(a) The Guarantor unconditionally guarantees to the Trustee for the benefit of the Bondowners from time to time of the Bonds and the Bond Insurer: (i) the full and prompt payment of the principal or Redemption Price of the Bonds and the indebtedness represented thereby, the redemption premium, if any, on, and Purchase Price of, the Bonds when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, by purchase, call for redemption or otherwise; and (ii) the full and prompt payment of interest on the Bonds when and as the same shall become due and payable (the payments in clauses (i) and (ii) are collectively referred to in the Guaranty Agreement as the “Obligations”). The Guarantor further irrevocably and unconditionally agrees that upon any default in any of the Obligations, the Guarantor will promptly pay the same without deduction by reason of any set-off, defense or counterclaim of the Guarantor. All payments by the Guarantor shall be paid in lawful money of the United States of America. Each and every default in any of the Obligations shall give rise to a separate cause of action under the Guaranty Agreement, and separate suits may be brought thereunder as each cause of action arises.

(b) The Guarantor further agrees that the Guaranty Agreement constitutes an absolute, unconditional, present and continuing guarantee of payment and not of collection, and waives any right to require that any resort be had by the Trustee, the Bondowners or the Bond Insurer to: (i) any security held by or for the benefit of the Bondowners or the Bond Insurer for any of the Obligations; (ii) the Trustee’s or any Bondholder’s or the Bond Insurer’s rights against any other Person; or (iii) any other right or remedy available to the Trustee or any Bondowner or the Bond Insurer by contract, applicable law or otherwise. The obligations of the Guarantor under the Guaranty Agreement are direct, unconditional and completely independent of the obligations of any other Person, and a separate cause of action or separate causes of action may be brought and prosecuted against the Guarantor without the necessity of joining the Agency or any other party or previously proceeding with or exhausting any other remedy against any other Person who might have become liable for any of the Obligations or of realizing upon any security held by or for the benefit of the Bondowners or the Bond Insurer.

(c) Reference is made to the Indenture which provides that, subject to certain conditions, the Indenture may be discharged prior to the date on which all of the Bonds have become due and payable if there shall be deposited with the Trustee moneys and/or Defeasance Obligations in an amount sufficient to pay the entire principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to the maturity or redemption thereof. If any lien, encumbrance or charge based on any claim of any kind (including, without limitation, any claim for income, franchise or other taxes, whether Federal, state or otherwise but excluding any claim against any Bondowner) shall be asserted or filed against any moneys so deposited with the Trustee (or the income therefrom) so as to:

(1) interfere with the due application by the Trustee of such moneys to the payment of the Bonds pursuant to the applicable provisions of the Indenture; or

(2) subject the Bondowners or the Bond Insurer to any obligation to refund any moneys applied to payment of the Bonds,

then the Guarantor promptly will take, or cause the taking of, such action (including, but not limited to, the payment of money) as may be necessary to prevent, or to nullify the cause or result of, such interference or such obligation, as the case may be.

The discharge of the lien and pledge of the Indenture prior to the date on which all Bonds have become due and payable shall not release the Guarantor from its obligations under the Guaranty Agreement.

Obligations Unconditional

The obligations of the Guarantor under the Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the Obligations shall have been paid in full or provided for, and all costs, Trustee's fees and commissions and expenses and the Bond Insurer's fees and expenses, if any, referred to in the Guaranty Agreement shall have been paid in full, and such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Guarantor:

(a) the invalidity, irregularity, illegality or unenforceability of, or any defect in, any of the Security Documents, the Bonds or any collateral security for any thereof, including, without limitation, the failure to perfect or to continue the perfection of security interests in or liens upon any collateral security or loss or change in priority of any such security interests or liens;

(b) any present or future law or order of any government (de jure or de facto) or of any agency thereof purporting to reduce, amend or otherwise affect the Bonds or any other obligation of the Agency or any other obligor or to vary any terms of payment;

(c) any claim of immunity on behalf of the Agency or any other obligor or with respect to any property of the Agency or any other obligor;

(d) the compromise, settlement, release, extension, indulgence, change, modification or termination of any or all of the obligations, covenants or agreements of any obligor under any of the Security Documents;

(e) the failure to give notice to any obligor under any of the Security Documents of the occurrence of any default or Event of Default under the terms and provisions of any of the Security Documents (except as may be specifically provided in any such Security Document);

(f) the actual or purported assignment, subleasing or mortgaging of all or any part of the interest of the Agency or the Guarantor in the Lease Agreement or the Facility, or any part thereof, or any failure of title or leasehold interest with respect to the Agency's or the Guarantor's respective interests in, the Facility;

(g) the actual or purported assignment of any of the obligations, covenants and agreements contained in the Guaranty Agreement or in any other Security Document;

(h) the waiver of the payment, performance or observance by the Agency or the Guarantor or any other obligor under any of the Security Documents of any of the obligations, conditions, covenants or agreements of any or all of them contained in any such Security Document;

(i) the receipt and acceptance by the Trustee, the Bond Insurer or the Agency of notes, checks or other instruments for the payment of money made by the Guarantor or any other obligor under any of the Security Documents and any extensions and renewals thereof;

(j) the extension of the time for payment of the principal of, redemption premium, if any, Purchase Price, or interest on the Bonds or any other amounts that are due or may become due under any of the Security Documents, or of the time for performance of any other obligations, covenants or agreements under or arising out of the Bonds or any of the Security Documents or any extension or renewal thereof;

(k) the modification or amendment (whether material or otherwise) of any duty, obligation, covenant or agreement set forth in the Bonds or in any of the Security Documents;

(l) the taking of or the omission to take any action referred to in the Bonds or in any of the Security Documents;

(m) any failure, omission, delay or lack on the part of the Agency, the Bond Insurer, the Trustee or any other Person to enforce, assert or exercise any right, power or remedy conferred on the Agency, the Bond Insurer, the Trustee or such other Person pursuant to the Guaranty Agreement or in any of the Security Documents or any other act or acts on the part of the Agency, the Bond Insurer, the Trustee or the Bondowners from time to time of the Bonds;

(n) the voluntary or involuntary liquidation, dissolution, merger, consolidation, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Guarantor, the Agency or any other obligor under any of the Security Documents or any or all of the assets of any of them, or any allegation or contest of the validity of the Guaranty Agreement or any other Security Document in any such proceeding; the Guarantor agrees that the Guaranty Agreement shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if such proceedings had not been instituted; and it is the intent and purpose of the Guaranty Agreement that the Guarantor waives all rights and benefits which might accrue thereto by reason of any such proceedings;

(o) to the extent permitted by law, the release or discharge of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in the Guaranty Agreement by operation of law;

(p) the default or failure of the Guarantor fully to perform any of its obligations set forth in the Guaranty Agreement;

(q) any release or impairment of the security pledged under the Indenture or under any other Security Document;

(r) the release, substitution or replacement in accordance with the terms of the Lease Agreement of any property subject thereto or any redelivery, repossession, surrender or destruction of any such property, in whole or in part;

(s) any limitation on the liability or obligations of the Trustee, the Bond Insurer, the Agency, the Guarantor or any other obligor under any of the Security Documents, or any termination, cancellation, frustration, invalidity or unenforceability, in whole or in part, of the Lease Agreement or the Indenture or any other Security Document or any term thereof, or the Bonds;

(t) any failure of the Agency, the Bond Insurer or the Trustee to mitigate damages resulting from any default by any obligor under any of the Security Documents;

(u) the merger or consolidation of any obligor under any of the Security Documents into or with any other Person, or any sale, lease or transfer of any or all of the assets of any such obligor to any Person;

(v) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor (other than performance by the Guarantor of its obligations under the Guaranty Agreement);

(w) the failure of the Bond Insurer to make payments when due under the Bond Insurance Policy; or

(x) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, which might otherwise constitute a defense to the Guarantor's obligations under the Guaranty Agreement.

No Waiver or Set-Off

No act of commission or omission of any kind or at any time upon the part of the Agency, the Bond Insurer or the Trustee in respect of any matter whatsoever shall in any way impair the rights of the Trustee to enforce any right, power or benefit under the Guaranty Agreement and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Guarantor of its obligations under the Guaranty Agreement), which the Guarantor or any other obligor under any of the Security Documents has or may have against the Agency, the Bond Insurer or the Trustee shall be available under the Guaranty Agreement to the Guarantor.

Events of Default

An “Event of Default” under the Guaranty Agreement shall exist if any of the following occurs and is continuing:

(a) the Guarantor defaults in any of the Obligations and such default continues for more than five (5) Business Days after written notice has been given to the Guarantor by the Trustee;

(b) the Guarantor fails to observe and perform any covenant, condition or agreement (other than such referred to in paragraph (a) above) and: (i) continuance of such default or failure for more than fifteen (15) days after written notice of such default or failure has been given to the Guarantor by the Trustee; or (ii) if by reason of the nature of such default or failure the same can be remedied, but not within the said fifteen (15) days, the Guarantor fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same;

(c) any warranty, representation or other statement made or given by or on behalf of the Guarantor to the Agency, the Bond Insurer, the Trustee or the initial purchaser of the Bonds contained in the Guaranty Agreement or in any of the other Security Documents is false, misleading or incorrect in any material respect as of the date made;

(d) the Guarantor shall: (i) apply for or consent to the appointment of or the taking of possession by a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its assets; (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due; (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the federal Bankruptcy Code (as now or hereafter in effect); (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code; (vii) take any action for the purpose of effecting any of the foregoing; (viii) be adjudicated a bankrupt or insolvent by any court; or (ix) fail to lift, within thirty (30) days of entry thereof, any execution, garnishment or attachment of such consequence as will impair the Guarantor’s ability to carry out its obligations under the Guaranty Agreement;

(e) a proceeding or case shall be commenced, without the application or consent of the Guarantor, in any court of competent jurisdiction, seeking: (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts: (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Guarantor or of all or any substantial part of its assets: or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing against the Guarantor shall be entered and continue unstayed and in effect, for a period of ninety (90) days; the terms “dissolution” or “liquidation” of the Guarantor as used above shall not be construed to prohibit any action otherwise permitted under the Guaranty Agreement; or

(f) an Event of Default under the Indenture or under any other Security Document shall occur and be continuing.

Upon an Event of Default, the Trustee shall have the right to proceed first and directly against the Guarantor under the Guaranty Agreement without proceeding (subject only to certain other provisions thereof) against or exhausting any other remedies which it may have and without resorting to any security held by the Trustee or by any obligor under any of the Security Documents. All moneys recovered by the Trustee pursuant to the Guaranty Agreement shall be deposited and used and applied in accordance with the applicable provisions of the Indenture.

The Trustee shall be under no obligation to institute any suit or to take any remedial action under the Guaranty Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under the Guaranty Agreement, until it shall be indemnified to its satisfaction against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements) not due to its gross negligence or willful misconduct.

Benefit and Enforcement

The Guaranty Agreement is entered into by the Guarantor for the benefit of the Trustee, the Agency, the Bondowners from time to time of the Bonds and the Bond Insurer in its capacity as insurer pursuant to the Bond Insurance Policy, all of whom shall be entitled in the same manner as set forth in the Indenture to enforce performance and observance of the Guaranty Agreement to the same extent as if all were parties signatory thereto.

Survival of Obligations Guaranteed

If the Trustee receives any payment on account of the Obligations, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be transferred, disgorged or repaid to a trustee, receiver, assignee for the benefit of creditors or any other party under the federal Bankruptcy Code (as now or

hereafter in effect), any state or federal law or common law or equitable doctrine or for any other reason whatsoever, then to the extent of any sum not finally retained by the Trustee, the Guaranty Agreement shall remain in full force and effect until the Guarantor shall have made payment to the Trustee of such sum, which payment shall be due on demand. If the Trustee chooses to contest any such matter, the Guarantor agrees to indemnify and hold harmless the Trustee with respect to all costs (including court costs and attorneys' fees and disbursements) of such litigation.

Waiver of Rights of Trustee

No payment under the Guaranty Agreement by the Guarantor shall entitle the Guarantor by subrogation to the rights of the Trustee to any payment by any other obligor or out of the property of any other obligor, except after payment and performance in full of the Obligations. The Guarantor waives any benefit of, or any right to participation in, any security whatsoever now or hereafter held by the Trustee.

Release

Upon the payment and satisfaction of all Obligations and, if applicable, upon payment of the reasonable costs, fees, commissions and expenses required under the Guaranty Agreement, the Trustee shall, upon the request of the Guarantor and with notice to the Agency, release in writing the Guarantor from its obligations under the Guaranty Agreement except as otherwise provided therein.

Right of Set-Off

The Guarantor grants to the Trustee, the Bond Insurer and each Bondholder for the equal and ratable benefit of all Bondholders a lien and right to set-off for all of its liabilities and obligations under the Guaranty Agreement against all the deposits, credits and property of the Guarantor and any collateral of the Guarantor now or hereafter in the possession, under the control or in transit to the Trustee, the Bond Insurer and/or any Bondholder, and agrees that the same may be applied against such liabilities and obligations then due, at any time after an Event of Default has occurred.

Acts of the Trustee

All rights, remedies, approvals, consents and other discretionary action on the part of the Trustee under the Guaranty Agreement, including the extent to which the same can be exercised as between the Trustee and the Bond Insurer, shall be subject to the terms of the Indenture, and may be taken by the Trustee, either at the direction of the Bond Insurer or acting independently, as provided pursuant to, and in accordance with, the terms of the Indenture.

No Recourse to the Guarantor's Directors, Officers, Employees and Agents

All covenants, stipulations, promises, agreements and obligations of the Guarantor contained in the Guaranty Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Guarantor, and not of any director, officer, employee or agent of the Guarantor in his, her or its individual capacity, and no recourse shall be had for the payment of amounts due under the Guaranty Agreement against any director, officer, employee or agent of the Guarantor or any natural person executing the Guaranty Agreement.

APPENDIX H

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

**Municipal Bond
 New Issue Insurance Policy**

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number: _____ **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.
President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

**Mandatory New York State
Amendatory Endorsement
To Financial Guaranty Insurance Company
Insurance Policy**

Policy Number: _____ **Control Number:** 0010001

The insurance provided by this Policy is not covered by the New York Property/Casualty Insurance Security Fund (New York Insurance Code, Article 76).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

**Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent**



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

**Mandatory New York State
 Amendatory Endorsement
 To Financial Guaranty Insurance Company
 Insurance Policy**

Policy Number:

Control Number: 0010001

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number: _____ **Control Number:** 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the _____ [Conduit Originator] (as such term is defined in the bond documentation).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

APPENDIX I
ARS PROVISIONS

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ARS PROVISIONS

Definitions

In addition to the words and terms elsewhere defined in this Official Statement, the following words and terms as used in this Appendix I and elsewhere in this Official Statement have the following meanings with respect to Series 2006 Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent:

“Agent Member” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“All Hold Rate” means, as of any Auction Date, 55% of the Index in effect on such Auction Date for any Series 2006 Bonds the interest on which is not includable in gross income of the Holder of such Bond for federal income tax purposes and 90% of the Index in effect on such Auction Date for any Series 2006 Bonds the interest on which is includable in gross income of the Holder of such Bond for federal income tax purposes.

“ARS” means the Series 2006 Bonds while they bear interest at the ARS Rate.

“ARS Conversion Date” means with respect to Series 2006 Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an Auction Rate Period and begin to bear interest at the ARS Rate.

“ARS Rate” means the rate of interest to be borne by the Series 2006 Bonds during each Auction Period determined in accordance with the Indenture as summarized under the heading “Determination of ARS Rate” of this Appendix; provided, however, in no event may the ARS Rate exceed the Maximum Interest Rate.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the auctioneer appointed in accordance with the provisions of the Indenture and as found in this Appendix I under the caption “Auction Agent” and shall initially be The Bank of New York.

“Auction Agreement” means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Appendix I with respect to the Series 2006 Bonds while bearing interest at the ARS Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means (a) if the Series 2006 Bonds are in a daily Auction Period, each Business Day, (b) if the Series 2006 Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and (c) if the Series 2006 Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Series 2006 Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to the Series 2006 Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Series 2006 Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Series 2006 Bonds; and provided, further, that if the Series 2006 Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Series 2006 Bonds and (y) the Business Day next preceding the final maturity date for the Series 2006 Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions,

one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Series 2006 Bonds is July 3, 2006.

“Auction Period” means with respect to each Series 2006 Bonds:

- (a) a Flexible Auction Period;
- (b) with respect to Series 2006 Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;
- (c) with respect to Series 2006 Bonds in a seven-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);
- (d) with respect to Series 2006 Bonds in a 28-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 28 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 28 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 28 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);
- (e) with respect to Series 2006 Bonds in a 35-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 35 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 35 days beginning on a

Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 35 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(f) with respect to Series 2006 Bonds in a three-month mode, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) with respect to Series 2006 Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding December 31 or June 30;

provided, however, that

(a) if there is a conversion of Series 2006 Bonds with Auctions generally conducted on Fridays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(b) if there is a conversion of Series 2006 Bonds with Auctions generally conducted on Mondays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(c) if there is a conversion of Series 2006 Bonds with Auctions generally conducted on Tuesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of

conversion, and (iii) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(d) if there is a conversion of Series 2006 Bonds with Auctions generally conducted on Wednesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion; and

(e) if there is a conversion of Series 2006 Bonds with Auctions generally conducted on Thursdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35 day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate because Sufficient Clearing Bids do not exist, the Auction Period will automatically change to a seven-day Auction Period. "Auction Procedures" means the procedures for conducting Auctions for Series 2006 Bonds during an Auction Rate Period set forth in this Appendix I.

"Auction Rate" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Series 2006 Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series 2006 Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series 2006 Bonds.

"Auction Rate Period" means after the Initial Period any period of time commencing on the day following the Initial Period and ending on a Variable Rate Conversion Date, a Flexible Rate Conversion Date or a Fixed Rate Conversion Date.

"Authorized Denominations" means \$25,000 and integral multiples thereof so long as the Series 2006 Bonds bear interest at the ARS Rate, notwithstanding anything else in this Indenture to the contrary.

"Available Bonds" means on each Auction Date, the aggregate principal amount of Series 2006 Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) under the heading "Orders by Existing and Potential Owners" of this Appendix I.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Appendix I, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company with the consent of the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Appendix, as such agreement may from time to time be amended or supplemented.

“Broker-Dealer Deadline” means the internal deadline established by each Broker-Dealer after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer. Initially, the Broker-Dealer Deadline shall be 11:45 a.m. New York City time for any Auction in an Auction Period other than a daily Auction Period and 10:30 a.m. New York City time for any Auction in a daily Auction Period. Any Broker-Dealer may change the times referred to in the prior sentence as they relate to such Broker-Dealer by giving notice to the Auction Agent. Notwithstanding the foregoing, the Broker-Dealer Deadline is implemented for the benefit of the Broker-Dealers and may be waived by any individual Broker-Dealer in any particular circumstance in the sole discretion of such Broker-Dealer.

“Business Day” in addition to any other definition of “Business Day” included in this Indenture while Series 2006 Bonds bear interest at the ARS Rate, the term Business Day shall not include days on which the Auction Agent or any Broker-Dealer are not open for business.

“Conversion Date” means the date on which any of the Series 2006 Bonds begin to bear interest at a Fixed Interest Rate, a Variable Interest Rate or a Flexible Interest Rate.

“Existing Owner” means a Person who is listed as the beneficial owner of Series 2006 Bonds in the records of the Auction Agent; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

“Flexible Auction Period” means with respect to Series 2006 Bonds, (a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of Series 2006 Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of Series 2006 Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of Series 2006 Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of Series 2006 Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of Series 2006 Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or (b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series 2006 Bonds.

“Hold Order” has the meaning specified in subsection (a) of under the heading “Orders by Existing and Potential Owners” of this Appendix I.

“Index” shall have the meaning specified under the heading “Index” of this Appendix I.

“Initial Period” means the period from the Closing Date to but not including July 5, 2006.

“Interest Payment Date” with respect to Series 2006 Bonds bearing interest at ARS Rates, means, notwithstanding anything else in this Indenture to the contrary, July 5, 2006 for the Series 2006 Bonds and thereafter

(a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each January 1 and July 1, and on the Business Day immediately following such Flexible Auction Period, and (f) the Maturity Date.

“LIBOR,” on any date of determination for any Auction Period, means the offered rate for deposits in U.S. dollars for a one-month period which appears on the Bloomberg BTMM US at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market (the “calculation date”).

“Maximum Interest Rate” means the Maximum Rate, as defined in the Lease.

“Order” means a Hold Order, Bid or Sell Order.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Series 2006 Bonds in addition to the Series 2006 Bonds currently owned by such Person, if any.

“Principal Office” means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Agency, the Trustee and each Broker-Dealer.

“Securities Depository” means notwithstanding anything else in this Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Agency which agrees to follow the procedures required to be followed by such securities depository in connection with the Series 2006 Bonds.

“Sell Order” has the meaning specified in subsection (a) under the heading “Orders by Existing and Potential Owners” of this Appendix I.

“Submission Deadline” means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

“Submitted Bid” has the meaning specified in subsection (b) under the heading “Determination of ARS Rate” of this Appendix I.

“Submitted Hold Order” has the meaning specified in subsection (b) under the heading “Determination of ARS Rate” of this Appendix I.

“Submitted Order” has the meaning specified in subsection (b) under the heading “Determination of ARS Rate” of this Appendix I.

“Submitted Sell Order” has the meaning specified in subsection (b) under the heading “Determination of ARS Rate” of this Appendix I.

“Sufficient Clearing Bids” means an Auction for which the aggregate principal amount of Series 2006 Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Interest Rate is not less than the aggregate principal amount of Series 2006 Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Interest Rate.

“Variable Rate” means any or all of the Daily Rate, Weekly Rate, Flexible Rate and/or Term Rate.

“Winning Bid Rate” means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the ARS Rate would cause the aggregate principal amount of Series 2006 Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

Auction Procedures

Orders by Existing Owners and Potential Owners.

(a) Prior to the Broker-Dealer Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Series 2006 Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Series 2006 Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Series 2006 Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Series 2006 Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Series 2006 Bonds, if any, which each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a “Hold Order,” an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a “Bid,” and an Order containing the information referred to in clause (i)(C) above is herein referred to as a “Sell Order.”

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Series 2006 Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Series 2006 Bonds to be determined as described in subsection (a)(v) under the heading “Allocation of Series 2006 Bonds” hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Series 2006 Bonds to be determined as described in subsection (b)(iv) under the heading “Allocation of Series 2006 Bonds” hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Series 2006 Bonds specified in such Sell Order;

or

(B) such principal amount or a lesser principal amount of Series 2006 Bonds as described in subsection (b)(iv) under the heading “Allocation of Series 2006 Bonds” hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Series 2006 Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Series 2006 Bonds as described in subsection (a)(vi) under the heading “Allocation of Series 2006 Bonds” hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Series 2006 Bonds to be held, purchased or sold in a principal amount which is not \$25,000 or an integral multiple thereof shall be rounded down to the nearest \$25,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to Series 2006 Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of Series 2006 Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline all Orders shall be irrevocable.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, through the Auction Agent’s auction processing system or by such other method as shall be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, if requested, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Series 2006 Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Series 2006 Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Series 2006 Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Series 2006 Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Series 2006 Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Series 2006 Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Series 2006 Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Series 2006 Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Series 2006 Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of Series 2006 Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Series 2006 Bonds of such Series held by such Existing Owner over the principal amount of the Series 2006 Bonds of such Series subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Series 2006 Bonds held by such Existing Owner over the principal amount of Series 2006 Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Series 2006 Bonds held by such Existing Owner over the principal amount of Series 2006 Bonds of such Series held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Series 2006 Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of Series 2006 Bonds equal to the excess of the principal amount of Series 2006 Bonds held by such Existing Owner over the sum of the principal amount of the Series 2006 Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Series 2006 Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Series 2006 Bonds specified therein.

(f) Neither the Agency, the Company, the Trustee nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of ARS Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone or other electronic communication acceptable to the parties of the All Hold Rate and the Index.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above the Auction Agent shall advise the Trustee by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Trustee shall promptly notify Securities Depository of such Auction Rate.

(d) In the event the Auction Agent shall fail to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the ARS Rate for the new Auction Period shall be the same as the ARS Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the ARS Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended.

Notwithstanding the foregoing, no ARS Rate shall be extended for more than 35 days. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, the ARS Rate shall be the Maximum Rate.

(e) In the event of a failed conversion to a Flexible Auction Period or a Fixed Rate Period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the

Auction on the Auction Date for the first new Auction Period, the ARS Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(f) If the Series 2006 Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the ARS Rate shall be the Maximum Rate.

Allocation of Series 2006 Bonds

(a) In the event of Sufficient Clearing Bids for Series 2006 Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2006 Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Series 2006 Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2006 Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series 2006 Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2006 Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Series 2006 Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Series 2006 Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Series 2006 Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Outstanding Series 2006 Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Series 2006 Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series 2006 Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Series 2006 Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Series 2006 Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Series 2006 Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Outstanding Series 2006 Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for Series 2006 Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2006 Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2006 Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series 2006 Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Series 2006 Bonds obtained by multiplying (A) the aggregate principal amount of Series 2006 Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Outstanding Series 2006 Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Outstanding Series 2006 Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Series 2006 Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Series 2006 Bonds which is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Series 2006 Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Series 2006 Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Series 2006 Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than \$25,000 in principal amount of Series 2006 Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Series 2006 Bonds for purchase among Potential Owners so that the principal amount of ARS purchased on such Auction Date by any Potential Owner shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Potential Owners not purchasing Series 2006 Bonds on such Auction Date.

Notice of ARS Rate

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following:

(i) the ARS Rate determined on such Auction Date for the succeeding Auction Period;

- (ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;
- (iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Series 2006 Bonds, if any, to be sold by such Existing Owner;
- (iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Series 2006 Bonds, if any, to be purchased by such Potential Owner;
- (v) if the aggregate principal amount of the Series 2006 Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Series 2006 Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Series 2006 Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and
- (vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series 2006 Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the ARS Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Series 2006 Bonds to be purchased pursuant to such Bid (including, with respect to the Series 2006 Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Series 2006 Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Series 2006 Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

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(a) The Index on any Auction Date with respect to Series 2006 Bonds in any Auction Period of 35 days or less shall be LIBOR. The Index with respect to Series 2006 Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Corporation and the Issuer. For the purpose of this section an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

(b) If for any reason on any Auction Date the Index shall not be determined as hereinabove provided in this section, the Index shall be the Index for the Auction Period ending on such Auction Date.

(c) The determination of the Index as provided herein shall be conclusive and binding upon the Company, the Agency, the Bond Insurer, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Series 2006 Bonds.

Miscellaneous Provisions Regarding Auctions

(a) In this Appendix I, each reference to the purchase, sale or holding of Series 2006 Bonds shall refer to beneficial interests in Series 2006 Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Trust Indenture and the definitions contained therein and described in this Appendix, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Interest Rate, ARS Rate and Auction Rate, may be amended pursuant to the Trust Indenture by obtaining the consent of the Bond Insurer and the owners of all affected Outstanding Series 2006 Bonds bearing interest at the ARS Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Series 2006 Bonds as required by the Trust Indenture, (i) the ARS Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Company and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Series 2006 Bonds or any exemption from federal income tax to which the interest on the Series 2006 Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Outstanding Series 2006 Bonds bearing interest at ARS Rate.

(c) If the Securities Depository notifies the Agency that it is unwilling or unable to continue as registered owner of the Series 2006 Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Agency within 90 days after the Issuer receives notice or becomes aware of such condition, as the case may be, the Agency shall execute and the Trustee shall authenticate and deliver certificates representing the Series 2006 Bond. Such Series 2006 Bonds shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Agency and the Trustee.

During an Auction Rate Period, so long as the ownership of the Series 2006 Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of Series 2006 Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Series 2006 Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Series 2006 Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Series 2006 Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date

(a) Changes in Auction Period. (i) During any Auction Rate Period, the Company, with the consent of the Agency, may, from time to time on the last Interest Payment Date of any Auction Period, change the length of the Auction Period with respect to all of the Series 2006 Bonds among daily, seven-days, 28-days, 35-days, three months, six months and a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Series 2006 Bonds. The Company shall initiate the change in the length of the Auction Period by giving written notice to the Agency, the Trustee, the Bond Insurer, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Series 2006 Bonds in an Auction Rate Period.

(iii) The change in the length of the Auction Period shall not be allowed unless Sufficient Clearing Bids existed at the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Agency consenting to the change in the length of the Auction Period specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Series 2006 Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Auction Rate for the next Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, at the direction of the Company, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Series 2006 Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency, the Company, the Broker-Dealers and the Securities Depository.

Auction Rate at Maximum Rate

(a) If the Auction Rate on the Bonds shall be at the Maximum Rate or the Maximum Interest Rate for a period of the greater of 35 days or five auction periods, not to exceed 70 days, the Company agrees to take all steps necessary to ensure that the Auction Rate does not exceed the interest rate payable on similar securities (taking into the account the interest period and enhanced/insured rating of the Bonds).

(b) If the Auction Rate on the Bonds shall be the Maximum Rate or the Maximum Interest Rate for a period of the greater of 70 days or ten auction periods, not to exceed 105 days, the Company, if so directed by the Bond Insurer, agrees to convert or cause to be converted, all Bonds to a Fixed Rate or, with the approval of the Bond Insurer, any other interest rate mode, in each case at the lowest interest rate that will permit the Remarketing Agent to sell all the Bonds on the conversion date at a price equal to 100% of the principal amount thereof plus accrued interest thereon.

If an Event of Default shall have occurred and be continuing under the Indenture or the Company fails to cause a conversion of the Bonds to another interest rate mode as required by this section, the Bond Insurer may, in its discretion, direct the conversion of the bonds to a Fixed Rate or any other interest rate mode.

Auction Agent

Auction Agent

(a) The Auction Agent shall be appointed by the Agency at the written direction of the Company, to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Agency and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Agency and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Series 2006 Bonds with the same rights as if such entity were not the Auction Agent.

Qualifications of Auction Agent; Resignation; Removal

The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least ninety (90) days notice to the Company, the Agency, the Bond Insurer and the Trustee. The Auction Agent may be removed at any time by the Company by written notice, delivered to the Auction Agent, the Agency, the Bond Insurer and the Trustee. Upon any such resignation or removal, the Trustee at the direction of the Company, shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Series 2006 Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the Trustee. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to the Company, the Agency and the Trustee even if a successor Auction Agent has not been appointed.

APPENDIX J

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Cold Spring Harbor Laboratory (the “Laboratory”) and The Bank of New York (the “Trustee”), in connection with the issuance of \$55,000,000 Civic Facility Revenue Bonds (Cold Spring Harbor Laboratory Project), Series 2006 (the “Bonds”) of the Nassau County Industrial Development Agency (the “Agency”). The Bonds are being issued pursuant to a Trust Indenture, dated as of June 1, 2006, between the Agency and the Trustee (the “Indenture”). The Laboratory and the Agency have entered into a Lease Agreement that has been assigned by the Agency to the Trustee for purposes of enforcement. The Laboratory and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Laboratory and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Laboratory and the Trustee acknowledge that the Agency has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Laboratory pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Central Post Office” means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the SEC as an intermediary through which obligated persons may, in compliance with the Rule, make filings required by this Disclosure Agreement.

“Disclosure Representative” shall mean the Comptroller of the Laboratory or his or her designee, or such other person as the Laboratory shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Laboratory and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as the same may be amended from time to time (“1934 Act”).

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B hereto.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New York.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Laboratory shall, or shall cause the Dissemination Agent to, not later than July 30 in each year, commencing July 30, 2007, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Laboratory may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Laboratory’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Laboratory shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Laboratory and the Dissemination Agent to determine if the Laboratory is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Laboratory, the Agency and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Laboratory's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Laboratory for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Laboratory's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement dated June 21, 2006 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and
2. financial and operating data of the type included in the Official Statement, which shall include information as described in Appendix A attached thereto relating to the following: data of the type set forth under the headings "Investments," "Liabilities," "Operating Information," "Grants & Contracts-Five Year History," "Favorable Trends," and "Consolidated Statement of Activities" together with such narrative explanation, as may be necessary to avoid misunderstanding, and to assist the reader in understanding the presentation of financial and operating data concerning the Laboratory and in judging the financial and operating condition of the Laboratory.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Laboratory shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;

6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Laboratory promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Laboratory obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Laboratory shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Laboratory has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Laboratory shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Laboratory determines that the Listed Event would not be material under applicable federal securities laws, the Laboratory shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Laboratory to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with each National Repository or the MSRB and the State Repository with a copy to the Laboratory. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Laboratory's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Laboratory's obligations under the Lease Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Laboratory and the original Laboratory shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Laboratory shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f). The Agency's obligations under this Disclosure Agreement may also be temporarily suspended

during any period that the Bonds are in a Variable Rate Interest Mode, in authorized denominations of \$100,000 and any integral multiple in excess thereof, with tender options at durations of not more than nine months.

SECTION 7. Dissemination Agent. The Laboratory may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Laboratory pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Laboratory shall be the Dissemination Agent. The initial Dissemination Agent shall be the Laboratory.

SECTION 8. Central Post Office. The Laboratory reserves the right to make any filing with a National Repository which is required by this Disclosure Agreement by submitting such filing information to the Central Post Office.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Laboratory and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Laboratory) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Laboratory shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Laboratory. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) 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.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Laboratory from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Laboratory chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Laboratory shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Laboratory or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Laboratory or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Lease Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Laboratory or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Laboratory agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Laboratory under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Laboratory: Cold Spring Harbor Laboratory
One Bungtown Road,
Cold Spring Harbor, New York 11724
Attention: W. Dillaway Ayres
Telephone: 516-367-6853; Facsimile: 516-367-6830

To the Trustee: The Bank of New York
 101 Barclay Street, Floor 21W
 New York, New York 10286
 Attention: Cynthia Chaney, Vice President
 Telephone: 212-815-5763; Facsimile: 212-815-5595

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Laboratory, the Trustee, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: June __, 2006

COLD SPRING HARBOR LABORATORY

By: _____

Name:

Title:

THE BANK OF NEW YORK, as Trustee

By: _____

Name:

Title:

EXHIBIT A
NOTICE TO REPOSITORIES REGARDING
FINANCIAL INFORMATION

Name of Issuer: Nassau County Industrial Development Agency
Name of Bond Issue: \$55,000,000 Civic Facility Revenue Bonds (Cold Spring Harbor
Laboratory Project), Series 2006
Name of Borrower: Cold Spring Harbor Laboratory
Date of Issuance: June __, 2006

NOTICE IS HEREBY GIVEN that the Laboratory has not yet provided Annual Financial Information with respect to the above-named Bonds. The Laboratory anticipates that the Annual Financial Information will be filed by _____.

Dated: _____

THE BANK OF NEW YORK
on behalf of COLD SPRING HARBOR
LABORATORY

EXHIBIT B

List of Nationally Recognized Municipal Securities Information Repositories at the time of execution and delivery of the Disclosure Agreement

This list may change from time to time. The Disclosure Agreement requires that information and notices be provided to each Repository. This list should be checked for changes each time information or notice is to be provided. A current list may be obtained from the Securities and Exchange Commission over the Internet at <http://www.sec.gov/info/municipal/nrmsir.htm>.

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com
Website: <http://www.bloomberg.com/markets/rates/municontacts.html>

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com
Website: <http://www.dpcdata.com>

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@Interactivedata.com
Website: <http://www.ftid.com>

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com
Website: http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html

The address of the Municipal Securities Rulemaking Board is:

c/o CDINET
1900 Duke St., Suite 600
Alexandria, VA 22314
Phone: (703) 797-6600
Fax: (703) 683-1930

The website for the Central Post Office is:
www.DisclosureUSA.org

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