

MEMORANDUM

September 18, 2009

TO : BOARD OF SCHOOL DIRECTORS

FROM : THOMAS K. WASHINGTON, ASSISTANT BOARD SECRETARY

SUBJECT : REGULAR MONTHLY MEETING – September 21, 2009

The Regular Meeting of the Board of School Directors of the Bethlehem Area School District for September will be held on *Monday, September 21, 2009, at 7:00 p.m. in the Auditorium of East Hills Middle School, 2005 Chester Road, Bethlehem, PA 18017*. The agenda is attached.

TKW:acv

Att.

pc: Dr. Lewis

BETHLEHEM AREA SCHOOL DISTRICT
Bethlehem, Pennsylvania

MISSION STATEMENT

The Bethlehem Area School District, in partnership with the home and community, is committed to providing a safe and supportive environment in which each student will attain the knowledge, skills, and attitudes necessary to become a productive citizen and lifelong learner in our technologically demanding and culturally diverse society.

A G E N D A
REGULAR MEETING – September 21, 2009

1. Roll Call
2. Pledge of Allegiance
3. Silent Meditation
4. Instructional Report
Hanover Elementary School
Michael Metarko, Principal
5. Special Presentation on Refinancing
Jens Damgaard and Scott Shearer
6. Courtesy of the Floor to Visitors (30 minutes allowed)
7. Reports of Student Representatives
Introduction of 2009-2010 Student Representatives
8. Approval of Minutes
April 6, 2009 – Special Board Meeting
April 22, 2009 – Public Budget Hearing
9. Approval of Committee Minutes
June 8, 2009 – Board Finance Committee Meeting
September 14, 2009 – Board Curriculum Committee Meeting
September 14, 2009 – Board Human Resources Committee Meeting
10. Financial Report/Payment of Bills
11. President's Communication/Special Meetings
12. Superintendent's Report/Federal Program Update
13. Unfinished Business
14. Recommendations of the Administration
15. Reports of Committees
16. New and Miscellaneous Business
17. Courtesy of the Floor to Visitors (30 minutes allowed)
18. Adjournment

TABLE OF CONTENTS
Recommendations of the Administration

September 21, 2009
Page

Item

1.	Resolution Urging the Pennsylvania General Assembly to Approve a 2009-2010 State Budget that Maintains the Commonwealth's Commitment to Adequate and Equitable Basic Education Funding	1
2.	Transportation Schedule for the 2009-2010 School Year	2
3.	Student Discipline - #0949114 and #1003608 – Adjudications	3
4.	Title III – Part A of No Child Left Behind	4
5.	Student Trip Requests	5
6.	Resignations	6-8
7.	Leaves of Absence	9-10
8.	Nominations for Appointment	11-25
9.	Reassignments	26-27
10.	Professional Employee Status for Teachers	28-29
11.	Approval of Instructional Meet and Discuss Group: Act 93 Proposed Agreement	30
12.	Memorandum of Understanding Regarding the SPARK Program	31
13.	Memorandums of Understanding Regarding Teacher Aides	32
14.	Approval of the General Obligation Note, Series A of 2009, to Refund the General Obligation Bonds Series of 2005	33
15.	Bid Award – Bids Opened September 9, 2009 – Deicing Salt and Antiskid Materials	34
16.	Bid Award – Bids Opened September 9, 2009 – Fuel Oil – Number 2	35
17.	Bid Award – Bids Opened September 9, 2009 – Snow Removal	36
18.	Bid Award – Bids Opened September 14, 2009 – Xerographic Paper - White	37
19.	Treasurer's Report	38
20.	Monthly Bills	39
21.	Budget Information	40

1. ***Resolution Urging the Pennsylvania General Assembly to Approve a 2009-2010 State Budget that Maintains the Commonwealth's Commitment to Adequate and Equitable Basic Education Funding***

RECOMMENDATION:

That the Board of School Directors approves the attached Resolution.

BETHLEHEM AREA SCHOOL DISTRICT
Northampton and Lehigh Counties, Pennsylvania

RESOLUTION

**OF THE BOARD OF SCHOOL DIRECTORS OF THE BETHLEHEM
AREA SCHOOL DISTRICT, NORTHAMPTON AND LEHIGH
COUNTIES, PENNSYLVANIA, ADOPTING AND APPROVING A
RESOLUTION URGING THE PENNSYLVANIA GENERAL ASSEMBLY
TO APPROVE A 2009-2010 STATE BUDGET THAT MAINTAINS THE
COMMONWEALTH'S COMMITMENT TO ADEQUATE AND
EQUITABLE BASIC EDUCATION FUNDING.**

WHEREAS, emerging from the national recession requires that Pennsylvania make smart choices today that improve the ability of our students to compete in the high-skills global economy and avoid local property tax hikes that will hurt families and senior citizens who are experiencing tough economic times, and that; and

WHEREAS, the American Recovery and Reinvestment Act provides Pennsylvania with significant resources to invest in basic education to accelerate academic improvement, stop program cuts and eliminations, and prevent staff layoffs that would otherwise occur as local revenue has fallen; and

WHEREAS, the Bethlehem Area School District met its mandate to pass a budget on time and approved its budget for the 2009-2010 fiscal year on June 22, 2009; and

WHEREAS, because the Pennsylvania General Assembly did not pass a state budget before June 30, school districts had to estimate the amount of state funding that they would receive; and

WHEREAS, the Bethlehem Area School District School District presumed that the Pennsylvania General Assembly would appropriate at least \$300 million for school districts in the basic education subsidy since that is what Governor Rendell first proposed in February, and for more than two decades, the funding level proposed by the Governor in February has been a minimum funding level that school districts receive in the state budget; and

WHEREAS, several budget proposals reduced funding for valuable educational programs – in addition to the basic education subsidy – and including the Accountability Block Grant program, Dual Enrollment, charter school reimbursement, and Pre-K Counts; and

WHEREAS, the Bethlehem Area School District has been forced to eliminate the following:

- a. Eliminate the position of Human Resources Director
- b. Close the Career Academy
- c. Eliminate a .5 secretarial position in the Special Education Department
- d. Eliminate SPARK transportation at an estimated reduction of \$80,000
- e. Reduce the reading positions by six (6) positions in the Reading Recovery Program, and reorganize reading support from one to one, to three to one, five to one, or greater ratio
- f. Discontinue the Instructional Support Team (IST) program
- g. Eliminate one (1) Home School Visitor in the Special Education Department
- h. Reduce the elementary guidance position ratios by eliminating six (6) positions
- i. Eliminate the district-wide math support
- j. Close the Regional Academic Standards Academy

because the basic education subsidy is not increased by at least \$300 million using stimulus dollars; and

WHEREAS, the Bethlehem Area School District has taken proactive cost-cutting measures to reduce expenses by \$2.68 million, after the Board of School Directors adopted its final budget; and

WHEREAS, rolling-back state funding for basic education will create a fiscal crisis for school districts and that impact will be felt in the years to come by students and property taxpayers; and

WHEREAS, rolling-back state funding for basic education and using stimulus dollars to level fund basic education would mean that Pennsylvania abandons its first basic education funding formula in almost two decades and essentially abandons the principles of adequacy and equity; and

WHEREAS, the U.S. Secretary of Education Arne Duncan has indicated that Pennsylvania will jeopardize its competitive position to gain access to the 'Race to the Top' discretionary grants dollars if the Commonwealth "disproportionately reduced its education budget and/or" if Pennsylvania does "nothing more than backfill budget holes" with stimulus funds; and

BE IT RESOLVED, that the Bethlehem Area School District calls on the General Assembly to enact a 2009-2010 budget that does all of the following:

Increases basic education funding by at least \$300 million so school districts can:

- Meet Year 2 funding targets;
- Keep Pennsylvania on track for real education reform by maintaining the commitment to the basic education funding formula; and
- Maintain the state's investment in public education by not rolling-back state funds in the basic education subsidy.

FURTHER RESOLVED, that a copy of this resolution be submitted to all local newspapers and television stations, to the Bethlehem Area School District's elected Senators and Representatives in the General Assembly, the members of the Conference Committee on House Bill 1416, and to the Governor of Pennsylvania.

DULY ADOPTED AND APPROVED, this 21st day of September 2009 by the Board of School Directors of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania, in lawful session duly assembled.

BETHLEHEM AREA SCHOOL DISTRICT
Northampton and Lehigh Counties, Pennsylvania

By: _____
President of the Board of School Directors

ATTEST:

Secretary of the Board of School Directors

(SEAL)

2. *Transportation Schedule for the 2009–2010 School Year*

INFORMATION:

The student transportation schedule for the 2009–2010 school year has been completed. This schedule provides service to public and nonpublic students who are eligible for transportation.

RECOMMENDATION:

That the Board of School Directors approves the student transportation schedule for the 2009–2010 school year.

3. *Student Discipline - #0949114 and #1003608 – Adjudications*

INFORMATION:

The Board of School Directors of the Bethlehem Area School District has received and reviewed the following information regarding misconduct by two students in violation of District Policy 233.

RECOMMENDATION:

That the Board of School Directors adopts the proposed adjudication relating to Student Numbers 0949114 and 1003608.

4. *Title III – Part A of No Child Left Behind*

INFORMATION:

The Pennsylvania Department of Education has called for grant proposals for the 2009-2010 School Year, Title III – Part A, Section 1111(b)(1) under the No Child Left Behind law. Title III is a program that provides sub-grants from the state educational agency (PDE) to local education agencies (LEAs) to improve the education of limited English proficient (LEP) students by assisting them to learn English and meet challenging State academic content and student academic achievement standards.

RECOMMENDATION:

That the administration be authorized to submit to the Pennsylvania Department of Education a grant application requesting \$296,807 to supplement the educational programs for limited English proficient and immigrant students.

5. *Student Trip Requests***RECOMMENDATION:**

That the following overnight student trips for students and staff be approved:

September 30-October 2, 2009

(30 Northeast Middle School Students)

Boys-Dream Catchers Wilderness Expedition

Kunkletown, Pennsylvania

\$702.96

\$402.96-Secondary School Transportation

\$300.00-Substitute Cost

October 7-9, 2009

(21 Northeast Middle School Students)

Girls-Dream Catchers Wilderness Expedition

Kunkletown, Pennsylvania

702.96

\$402.96-Secondary School Transportation

\$300.00-Substitute Cost

October 14-16, 2009

(56 Nitschmann Middle School Students)

Sequoia Camping Trip

Whitehaven, Pennsylvania

1,229.91

\$629.91-Secondary School Transportation

\$600.00-Substitute Cost

6. *Resignations*

RECOMMENDATION:

Instructional

1. NAME: **Atkinson, Shannon**
 ASSIGNMENT: Nitschmann, Special Education Teacher
 REASON: Personal
 EFFECTIVE: November 14, 2009

2. NAME: **Galle, Robert Terrence**
 ASSIGNMENT: Home and School Visitor
 REASON: Retirement
 EFFECTIVE: September 29, 2009

3. NAME: **Wenner, Jonathan**
 ASSIGNMENT: Freedom, Social Studies Teacher
 REASON: Personal
 EFFECTIVE: September 22, 2009

6. *Resignations***RECOMMENDATION:*****Noninstructional***

1. NAME: **Ellis, Joann**
 ASSIGNMENT: Education Center, Business Office, 0-3
 Secretary/Clerk, 12 months
 REASON: Retirement
 EFFECTIVE: February 2, 2010

2. NAME: **Evans, Janelle**
 ASSIGNMENT: Child Care, Assistant Center Supervisor
 REASON: Personal
 EFFECTIVE: September 9, 2009

3. NAME: **Fenstermacher, Bonita**
 ASSIGNMENT: ASPIRE Coordinator
 REASON: Retirement
 EFFECTIVE: September 28, 2009

4. NAME: **Rodriguez, Kimberly**
 ASSIGNMENT: Regional Academic Standards Academy,
 Family Development Specialist
 REASON: Personal
 EFFECTIVE: September 22, 2009

5. NAME: **Smith, Lee Ann**
 ASSIGNMENT: Governor Wolf, General Kitchen Help
 REASON: Personal
 EFFECTIVE: June 5, 2009

6. *Resignations***RECOMMENDATION:*****Miscellaneous***

1. NAME: **Deater, Anthony**
 ASSIGNMENT: Freedom, (.7) Permanent Day-to-Day
 Substitute
 REASON: Personal
 EFFECTIVE: September 22, 2009

2. NAME: **Propsner, Janet**
 ASSIGNMENT: Bus Driver
 REASON: Retirement
 EFFECTIVE: February 5, 2010

3. NAME: **Warnke, Joan**
 ASSIGNMENT: Bus Monitor
 REASON: Retirement
 EFFECTIVE: September 7, 2009

7. *Leaves of Absence*

RECOMMENDATION:

Instructional

1. NAME: **Packo, Kathleen**
ADDRESS: Bethlehem
ASSIGNMENT: Farmersville, Grade 3 Teacher
REASON: Family Medical Leave of Absence
EFFECTIVE: August 24, 2009, intermittently, until the end of the day on August 24, 2010

7. *Leaves of Absence*

RECOMMENDATION:

Noninstructional

- | | | |
|----|-------------|---|
| 1. | NAME: | Novak, Mary |
| | ADDRESS: | Bethlehem |
| | ASSIGNMENT: | Freedom, Teacher Assistant |
| | REASON: | Family Medical Leave of Absence |
| | EFFECTIVE: | Continuing from January 29, 2009, intermittently,
until the end of the day on January 29, 2010 |

8. *Nominations for Appointment*

RECOMMENDATION:

Instructional

- | | | |
|----|------------------|---|
| 1. | NAME: | Ruhf, Thomas |
| | ADDRESS: | Bethlehem |
| | COLLEGE, DEGREE: | Moravian College, B.A. |
| | ASSIGNMENT: | Freedom, (.3) Social Studies Teacher |
| | EXPERIENCE: | 1 year, Bethlehem |
| | STATUS: | Long-term Substitute |
| | SALARY: | \$12,330, prorated (Bachelor's, Step 2) |
| | EFFECTIVE: | September 22, 2009, terminating at the end of the 2009-2010 school year, or upon the return of K. Sobrinski |

8. *Nominations for Appointment*

RECOMMENDATION:

Noninstructional

- | | | |
|----|-------------|--|
| 1. | NAME: | Rodriguez, Kimberly |
| | ADDRESS: | Allentown |
| | ASSIGNMENT: | Maintenance, Readiness and Emergency Management
for Schools (REMS) Project Director |
| | SALARY: | \$40,724, prorated (Noninstructional Meet and Discuss,
Category F, Step 1) |
| | EFFECTIVE: | September 22, 2009 |

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous

1.	Coaches			
	<i>Freedom High School</i>			
	Football			
	Assistant Coach	Bednarik, Adam (.5)	New	\$2,531.50
	Girls Basketball			
	Assistant Coach	Saeger, Jessica	Continuing	4,770.00
	Girls Soccer			
	Assistant Coach	Gosling, Sarah	New	3,291.00
	Swimming			
	Head Coach	Glaser, Barbara (.5)	New	3,018.00
	Assistant Coach	Glaser, Barbara (.5)	Continuing	2,310.50
	<i>Broughal Middle School</i>			
	Football			
	Assistant Coach	Iannello, Joseph (.5)	New	1,012.50
	Intramurals			
	Supervisor	Snell, Sarah		3,464.00
2.	Department Chairpersons			
	<i>Freedom High School</i>			
	Business	Jordan, Diane		3,182.00
	Fine and Practical Arts	Moran, Michael		3,182.00
	Foreign Language	Baylis, Cynthia		2,816.00
	Health/Physical Education	Callahan, Bryan		2,816.00
	Language Arts	Ziegler, George		2,816.00
	Mathematics	Young, Jeffrey		3,182.00
	Science	Baltz, Eric		3,182.00
	Social Studies	Roman, Donna		2,816.00
	Special Education	Calvo, Maureen		3,182.00

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous (continued)

2. **Department Chairpersons (continued)**

Liberty High School

Business	Martucci, Gregory	\$3,182.00
Fine and Practical Arts	Long, Kevin	3,182.00
Foreign Language	Norwood, Samuel	2,816.00
Health/Physical Education	Karam, Joseph	2,816.00
Language Arts	Chickey, Natalie	3,182.00
Mathematics	Frank, Judson	3,182.00
Science	Guarriello, Beth	2,816.00
Social Studies	Markovich, Anthony	3,182.00
Special Education	Irvine, Joan	3,182.00

District

English Acquisition	Donnelly, Samuella	3,182.00
Health Services	Halkins, Kathleen	3,182.00

3. **Extracurricular Activity Advisors**

William Penn Elementary School

Newspaper	Frank, James Eric	357.00
Safety Patrol	DeRaymond, Jonathan	357.00
School Store	Sevart, Beth	357.00
Student Council	Sevart, Beth	357.00

Broughal Middle School

Band Director	Gross, Maryann	2,395.00
Drama Group	Trostle, Jodi	266.00
Majorettes	Mohap, Jacqueline	266.00
Mathcounts	Baker, Linda	357.00
Newspaper	Lasso, Jennifer (.5)	313.50
	Trostle, Jodi (.5)	266.00
Stagecrew	Gross, Maryann (.5)	178.50
	Zellner, Stacy (.5)	178.50
Treasurer	Check, Joanne	1,572.00
Vocal Group	Sakelarides, Erin	357.00

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous (continued)

3. **Extracurricular Activity Advisors (continued)**

East Hills Middle School

Band Director	Dehner, Chelsea	\$2,137.00
Drama Group	Klenk, Jennifer (.5)	133.00
	Terefenko, Christy (.5)	161.00
Majorettes	Hillegass, Heather	322.00
Mathcounts	Novatnak, Nadine	322.00
Newspaper	Augello, Stephanie	717.00
Stage Crew	Marek, Deborah	322.00
Treasurer	Stelmak, LeeAnn	1,572.00
Vocal Group	Cunningham, Mark (.5)	178.50
	Hillegass, Heather (.3)	107.33
	Quelet, Keith (.3)	119.00
	Terefenko, Christy (.3)	107.33
	Volpato, Jennifer (.5)	178.50

Nitschmann Middle School

Band Director	Zettlemoyer, Daniel	2,395.00
Drama Group	Hriniak, Sarah	357.00
Majorettes	Hriniak, Sarah	357.00
Mathcounts	Shay, Erin	266.00
Stage Crew	Hess, Jeremy	266.00
	Sodl, David	266.00
Treasurer	DeStasio, Jennifer	1,572.00
Vocal Group	deVries, Linda	357.00
	Wascura, Robert	357.00

Northeast Middle School

Band Director	Rupnik, Brian	2,395.00
Majorettes	Nguyen, Lisa	357.00
Newspaper/Yearbook	Vermillion, Heidi	627.00
Stage Crew	Beck, David	357.00
Treasurer	Dodson, Ann	1,572.00
Vocal Group - Chorus	Parker, Denise	357.00
Vocal Group – NE Singers	Parker, Denise	357.00

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous (continued)

3. **Extracurricular Activity Advisors (continued)**

Freedom High School

Band – Stage/Jazz	Moran, Michael	\$ 588.00
Campus Shop	Bloszinsky, Brad (.5)	178.50
	Jordan, Diane (.5)	178.50
Choir – Hand Bell	Hubbard, Michelle	357.00
Choir – Les Chanteurs	Hubbard, Michelle	588.00
Class Advisor – Freshman	O'Connor, Amy	497.00
	Ott, Jamie	497.00
Class Advisor – Junior	Chabot, Sandra	788.00
	Marmaros, Anna	739.00
Class Advisor – Senior	Guerra, Nicolette	1,007.00
	Pfizenmayer, Lisa	1,007.00
Class Advisor – Sophomore	Saeger, Jessica	532.00
	Zehner, Amber	532.00
Director of Extracurricular Activities	Safranek, William (.5)	675.00
	Stellato, Joseph (.5)	675.00
Drama Presentation – Fall	Wescoe, Jennifer	1,733.00
Drama Presentation – Spring	Wescoe, Jennifer	1,733.00
Freedom Forum Newspaper	Erdman, Karla	2,474.00
Mathematics Team	Young, Jeffrey	2,293.00
National Honor Society	Roman, Donna (.5)	178.50
	Wallaesa, John (.5)	178.50
Pen and Ink Magazine	Kaczmarek, Kathryn	1,572.00
Scholastic Scrimmage	Evans, Michael	2,293.00
Science Olympiad	Bothwell, Jamie	357.00
Spring Musical – Instrumental	Moran, Michael	588.00
Student Council	Harakal, Charles	902.00
Technical Theatre Crew	Wescoe, Jennifer	1,007.00
Theatre Company	Wescoe, Jennifer	357.00
Treasurer	Madouse, Ronald	1,903.00
Yearbook	Dolak, Chad	2,917.00

Liberty High School

Cauldron - Yearbook	Gilliard, Lisa	2,917.00
Chess Team	Ambrose, David	357.00
Class Advisor – Freshman	Barlok, Sara	497.00
	Venanzi, Michael	497.00

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous (continued)

3. **Extracurricular Activity Advisors (continued)**

Liberty High School

Class Advisor – Junior	Langmayer, Alicia	\$ 788.00
	Rohn, Virginia	788.00
Class Advisor – Senior	Flanley, Catherine	1,007.00
	Terry, Daniel	1,007.00
Class Advisor – Sophomore	Booser, Elizabeth	588.00
	Cleffi, Michael	532.00
Class Play – Fall	Danilovicz, Judith	1,733.00
Class Play – Spring	Danilovicz, Judith	1,733.00
DECA	Spang, Joseph (.5)	178.50
	Spang, Kristin (.5)	178.50
French Club	McKernan, Cecile	357.00
FBLA	Bittner, Shaughn	344.00
German Club	Booser, Elizabeth	357.00
Junior NAACP	Buck, Randy (.5)	161.00
	Whitaker, Wayne (.5)	161.00
Key Club	Reitz, Tara	357.00
Latino Leadership	Marrero, Antonio (.3)	119.00
	Vazquez, Elizabeth (.3)	119.00
	Vazquez, Kristin (.3)	111.33
Liberty Life	Corrigan, Michael	2,917.00
Mathematics Team	Hoffman, Mark	2,293.00
National Honor Society	Guariello, Beth (.5)	178.50
	Hoffman, Mark (.5)	178.50
PJAS	Leeson, Maureen	334.00
Scholastic Scrimmage	Ambrose, David	2,293.00
Science Olympiad	Leeson, Maureen	334.00
Spanish Club	Freeh, Anne	357.00
Stage Band	MacGill, Gregory	588.00
Stage Crew	Makary, Ross	1,007.00
Student Government	Prodes, Jane	1,007.00
SADD	Prodes, Jane	357.00
Video Production Club	Bittner, Shaughn	334.00
Vocal Group	Justice, Gayle	588.00
Young Writer	Bozzone, Barry	1,793.00

8. *Nominations for Appointment***RECOMMENDATION:*****Miscellaneous (continued)***

4. **Game Director**
 Freedom High School
 Kirchner, Brian
 SALARY: \$25.96 per hour
5. **High School Night School Program**
 Facilitator
 Wagner, Michael
 SALARY: \$3,000.00

Teachers

Dectis, Nicholas	Reitz, Adam
Muller, Michael	Sterner, Amanda
Patti, Joshua	Sierra, Trinidad

Substitute Teachers

Barlok, Sara	McDonald, Sherri
Baret, Rebecca	Michal, Erin
Booser, Elizabeth	Patti, Nichole
Cleffi, Michael	Skelly, Anne
D’Emilio, Christopher	Venanzi, Michael
Giannantonio, Amy	

SALARY: \$32.04 per hour

Monitor

Snyder, Susan
SALARY: \$10.95 per hour
EFFECTIVE: September 22, 2009, until the end of the day on January 21, 2010

6. **Job Training/Work Experience**
 Code: 10-1200-151-000-3517-00001
 That the exceptional students listed on the confidential page be approved for the work experience program.

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous (continued)

7. **Lifeskills/Academic Maintenance Program (L/AMP)**

Substitute Teacher

Knepp, Shauna

SALARY: \$32.04 per hour

Monitor

Ford, Ronnell

SALARY: \$9.82 per hour

8. **Permanent Day-to-Day Substitutes**

Fountain Hill Elementary School

Wills, Thomas

Northeast Middle School

Klose, Connie

Freedom High School

Ruhf, Thomas (.7)

Liberty High School

Truby, John

SALARY: \$100.00 per day

EFFECTIVE: September 28, 2009 until the end of the day on May 14, 2010

9. **Saturday Detention Proctors**

Freedom High School

Amici, Nancy

Baltz, Eric

Baylis, Cynthia

Bryant, Julianne

Chabot, Sandra

Collazo-Strockyj, Sonia

Dees, Teresa

Dunstan, Michael

Erdman, Karla

Evans, Michael

George, Crystal

Guerrera, Nicolette

Halper, Jamie

Laughlin, Paula

Lechner, Cathy

Martinez, Louis

Muller, Michael

Muth, Diane

O'Connor, Amy

Ott, Jamie

Pfizenmayer, Lisa

Pretopapa, Alesha

Rex, Kristen

Roscher, Alexandra

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous (continued)

9. **Saturday Detention Proctors (continued)**

Freedom High School

Roscher, Gerald

Zehner, Amber

Sivick, Charles

Ziegler, George

Wallaesa, John

Liberty High School

Bozzone, Barry

Hrycyszyn, Marlice

Dectis, Nicholas

Jones, Kevin

Giannantonio, Amy

Swift, Donna

SALARY: \$32.04 per hour

10. **Summer Band**

Freedom High School

Assistant Band Director

Lynn, Andrew

50 hours

SALARY: \$32.04 per hour

11. **Support Teacher Induction Program**

Inductee

School

Support Teacher

Cleffi, Jessica

Liberty

Irvine, Joan

Davis, Kayla

Liberty

Sipos, Anne

Deater, Anthony

Freedom

Roman, Donna

Devine, Katie

Freedom

Kolb, Jay

Garcia, Daniel

Freemansburg

Miller, Heather

Hummel, Kyle

Freemansburg/

Facchiano, Susan

Thomas Jefferson

Hynes, Erica

Liberty

Wallaesa, Lynann

Ianello, Joseph

Freedom

Weber, Craig

Laudenslager, Katie

Freedom

Muller, Michael

Lynn, Andrew

Freedom

Moran, Michael

Maldonado, Candy

Freemansburg

Connors, Amy

McCauley, Justin

Liberty

Yelovich, Ned

Mohap, Jacqueline

Broughal

Kutz, Gina

O'Connor, Amy

Freedom

George, Crystal

Patti, Nicole

Liberty

Zweifel, Marietta

Pazzaglia, Kristen

Broughal

Figueroa, Anthony

Pfingstl, Danielle

Liberty

Chickey, Natalie

Randall, Lynn

District-wide

Gorbos, Rita-Ellen

8. *Nominations for Appointment*

RECOMMENDATION:

Miscellaneous (continued)

12. **Support Teacher Induction Program (continued)**

<u>Inductee</u>	<u>School</u>	<u>Support Teacher</u>
Scala, Francesca	Northeast	Schaffrick, Rebecca
Sitaras, John	Northeast	Bellman, Christopher
Sutton, Patrick	Liberty	Fritchman, Scott
Thomas, Sandra	Broughal	McKeown, Denise
Trycinski, Emily	East Hills	Ferry, Shannon
Vazquez, Thomas	Freedom	Wallaesa, John
Wilmore, Karen	Broughal	Cirucci, Lori
Yanney, Erica	Liberty	Justice, Gayle
SUPPORT TEACHER SALARY: \$604.00		

13. **Team Leaders**

Broughal Middle School

Academic

3 person	Pitsilos, Heidi	\$1,052.00
	Schomaker, Timothy	1,052.00
	Voorhees, Karen	1,052.00
5 person	Cirucci, Lori	1,349.00
	DiSipio, Anthony	1,349.00
	Hatch, Eric	1,349.00

Related Arts

5 person	Carr, Jane	657.00
10 person	McKellin, Janice	912.00

East Hills Middle School

Academic

2 person	Carpenter, Adam	912.00
	Cunningham, Mark	912.00
	Peters, Karl	912.00
	Tate, Gerald	912.00
3 person	Burkhardt, Amanda	1,052.00
	Godiska, Sharon	1,052.00
	Kreidler, Elizabeth	1,052.00
	Zambo-Cavey, Kristin	1,052.00
4 person	Dando, Timothy	1,206.00
	John, George	1,206.00
	Stelmak, LeeAnn	1,206.00

8. *Nominations for Appointment***RECOMMENDATION:***Miscellaneous (continued)***14. Team Leaders (continued)*****East Hills Middle School***

5 person	Arner, Michael	\$1,349.00
	Kruk, Christine	1,349.00

Related Arts

9 person	Marek, Deborah	897.00
10 person	Ferry, Shannon	912.00
	Jackson, Joanne	912.00
	Steger, Kathleen	912.00

Nitschmann Middle School**Academic**

2 person	Rodenbach, Scott	912.00
	Sommer, Samantha	912.00
3 person	Amato, Rick	1,052.00
	Fritzinger, Joseph	1,052.00
	Hackman, Dana	1,052.00
	Schultz, Stephanie	1,052.00
5 person	Glueck, Lawrence	1,349.00
	Miller, Laurette	1,349.00
	O'Connell, Michael	1,349.00
	Whitehouse, Courtney	1,349.00

Related Arts

10 person	Ellis, Flara	912.00
	Franzo, Laurie	912.00

Northeast Middle School**Academic**

2 person	Gallagher, Pamela	912.00
	Korcienski, James	912.00
	Piccirillo, Carolee	912.00
	Smisko, Rose Ann	912.00
3 person	Dodson, Ann	1,052.00
	Patterson, John Brian	1,052.00

8. *Nominations for Appointment***RECOMMENDATION:*****Miscellaneous (continued)*****15. Team Leaders (continued)*****Northeast Middle School***

4 person	Fleck, Barbara	\$1,206.00
	Jeffress, Karen	1,206.00
	Shive, Linda	1,206.00
	Vanderstel, Elisa	1,206.00
5 person	Bellman, Christopher	1,349.00
Related Arts		
10 person	Auker, Mary	912.00
	Parker, Denise	912.00

16. Webmaster***Middle Prep Literacy Academy*****Schachter, Carole****SALARY: \$604.00**

8. *Nominations for Appointment***RECOMMENDATION:*****Substitutes******Instructional***

Adams, Jessica
Bethlehem

Nork, Amy
Bethlehem

Cavanaugh, Julianne
Milford, New Jersey

Paly, Elizabeth
Whitehall

Drake, Angela
Hellertown

Reybitz, Sandra
Bethlehem

Engelbrecht, Liza
Bethlehem

Roxandich, Maddie
Bethlehem

Fitzpatrick, Tracy
Bethlehem

Scheller, Joseph
Bethlehem

Glase, Robert
Macungie

Stofko, Tiffany
Bethlehem

Hummel, Christen
Bath

Strepp, Ashley
Nazareth

Kleckner, Tara
Allentown

Stout, Kyle
Nazareth

Lewis, Megan
Bethlehem

Williams, Ashley
Nazareth

Miller, Stephanie
Easton

Wills, Thomas
Wind Gap

Nagy, Julie
Bethlehem

8. *Nominations for Appointment***RECOMMENDATION:*****Substitutes******Noninstructional***

Bartholomew, Kenneth, III
Bethlehem

Mahoski, Michael
Bethlehem

Dupre, Welby
Bethlehem

Micelli, Debra
Bethlehem

Fenstermacher, Bonita
Bethlehem

Morgan, Donna
Bethlehem

Ford, Daniel
Bethlehem

Moussa, Eblisam
Bethlehem

Garza, Yvonne
Bethlehem

Sudnik, Christopher
Bethlehem

Kaur, Baljinder
Bethlehem

Williams, James A.
Catasauqua

9. *Reassignments***RECOMMENDATION:*****Administrative***

1. NAME: **Agretto, Richard**
 ASSIGNMENT: Director of Special Education
 FROM: \$128,515
 TO: \$133,656
 EFFECTIVE: July 1, 2009

2. NAME: **Donaher, Dean**
 ASSIGNMENT: Director of Student Services
 FROM: \$111,918
 TO: \$115,276
 EFFECTIVE: July 1, 2009

9. *Reassignments***RECOMMENDATION:*****Instructional***

1. NAME: **Deater, Anthony**
 FROM: Freedom, (.3) Social Studies Teacher
 TO: Freedom, 1.0 Social Studies Teacher
 STATUS: (.3) Temporary Professional Employee
 (.7) Long-term Substitute
 SALARY: \$41,100, prorated (Bachelor's, Step 2)
 EFFECTIVE: September, 22, 2009, with the Long-term Substitute
 position terminating at the end of the 2009-2010
 school year, or upon the return of K. Sobrinski

2. NAME: **Vazquez, Thomas**
 ASSIGNMENT Freedom, Social Studies Teacher
 FROM: Long-term Substitute
 TO: Temporary Professional Employee
 SALARY: \$41,100 (Bachelor's, Step 2)
 EFFECTIVE: September, 22, 2009

10. *Professional Employee Status for Teachers***RECOMMENDATION:**

That the following teachers, who have completed the probationary period as defined by the Commonwealth of Pennsylvania and are properly certified, be granted a Professional Employee Contract in accordance with the State Laws of Pennsylvania:

EFFECTIVE: February 28, 2009

Lopez, Melissa	Miller Heights, Special Education Teacher
Wenner, Jonathan	Freedom, Social Studies Teacher

EFFECTIVE: April 4, 2009

Adelsberger, Tammy	Liberty, Guidance Counselor
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EFFECTIVE: April 25, 2009

Carrasco, Tricia	SPARK, Prekindergarten Teacher
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EFFECTIVE: August 23, 2009

Adams, Kelly	Asa Packer, Grade 2 Teacher
Amici, Nancy	Freedom, Family Consumer Science Teacher
Antes, Douglas	Hanover/Spring Garden Instrumental Music Teacher
Bachman, Michael	Freedom, Business Teacher
Beller, Rebecca	William Penn, Grade 3 Teacher
Bevilacqua, Danielle	Fountain Hill, Grade 3 Teacher
Davis, Rebekah	Liberty, Librarian
Diaz, Jessenia	Lincoln, Grade 3 Teacher
Dunne-Porter, Melissa	Clearview, Kindergarten Teacher
Fontanez, Eric	Clearview, Grade 2 Teacher
Gavronski, John	Northeast, Grade 8 Science Teacher
Golden, Denise	James Buchanan, Special Education Teacher
Gosling, Sarah	James Buchanan, Grade 3 Teacher
Hetrick, Jessica	Marvine, Grade 1 Teacher
Hriniak, Sarah	Nitschmann, Grade 7 Teacher
Landino, Richard	Northeast, Grade 8 Science Teacher
Loeb, Karen	Clearview, Grade 1 Teacher
Mitchell, Renee	Nitschmann, Grade 6 Teacher
Mosley, Angela	Fountain Hill, Vocal Music Teacher
Newton, Lekiesha	Clearview, Guidance Counselor
Peters, Diane	Asa Packer, Grade 4 Teacher
Piker, Erin	Fountain Hill, Special Education Teacher
Scholl, Christina	Lincoln, Grade 1 Teacher
Sergent, Nishida	Hanover, Grade 1 Teacher
Shellaway, Mark	Calypso, Grade 4 Teacher

10. *Professional Employee Status for Teachers***RECOMMENDATION:**

EFFECTIVE: August 23, 2009 (continued)

Statile, Jessica	Governor Wolf, Special Education Teacher
Taylor, Christine	Fountain Hill, Grade 1 Teacher
Terry, Daniel	Liberty, Social Studies Teacher
Terry, Megan	Fountain Hill, Grade 1 Teacher
Toonder, Scott	Marvine, Literacy Teacher
VanBlargen, Connie	District-wide, English as a Second Language Teacher
Vincent, Elizabeth	East Hills, Grade 8 Mathematics Teacher
Wastler, Amy	Calypso, Grade 1 Teacher
Williams, Gemena	Fountain Hill, Grade 4 Teacher
Williams, Ryan	Fountain Hill, Grade 4 Teacher
Yeastedt, Nicole	Liberty, English Teacher
Zehner, Amber	Freedom, Science Teacher
Zelko-Mease, Kara	Fountain Hill, Grade 2 Teacher
Ziegler, Jenna	James Buchanan, Grade 5 Teacher

EFFECTIVE: September 1, 2009

Bilotti, Christopher	Freedom, Mathematics Teacher
Vanderstel, Elisa	Northeast, Grade 7 Mathematics Teacher

EFFECTIVE: September 11, 2009

Schmitt, Karen	Governor Wolf/William Penn, Librarian
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EFFECTIVE: September 20, 2009

Herbst, Christine	Liberty, Science Teacher
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11. *Approval of the Instructional Meet and Discuss Group: Act 93 Proposed Agreement***INFORMATION:**

At an Executive Session held on September 8, 2009, the Board of School Directors reviewed and gave consensus to move the proposal of the Instructional Meet and Discuss Group, Act 93 to the agenda for September 21, 2009. In order to help alleviate some of the district's current financial stress, this association is willing to offer the concessions listed below with the stated understandings as well:

1. Increase of current agreement's terms and conditions through the year 2013 with the following salary concessions and adjustments:
 - 2009 – Give back any percentage increase from the performance based compensation plan. Also note that currently all Administrator and Supervisory members have an option of forfeiting their raise to the Bethlehem Area School District Foundation.
 - 2010 – Zero (0) percent increase to base salary, maintenance of current salary schedule years of service.
 - 2011 – One (1) percent increase to base salary schedule.
 - 2012 – CPI increase or percentage of new monies in the teacher's contract allowed, whichever is greater.
 - 2013 – CPI increase or percentage of new monies in the teacher's contract allowed, whichever is greater.
2. Conditions include the removal of the pages 17 and 18 of the current agreement. (Appendix A).
3. Conditions also include the continuance of all other provisions and benefits provided for under current July 1, 2007 to June 30, 2010, Statement of Benefits for Instructional Meet and Discuss for the period July 1, 2010 to June 30, 2014.

RECOMMENDATION:

That the Board of School Directors approves the above concessions offered by the Association of Bethlehem School Administrators.

12. *Memorandum of Understanding Regarding the SPARK Program*

INFORMATION:

The attached Memorandum of Understanding regarding a matter related to the SPARK Program was reviewed with the board at the Board Human Resources Committee on September 14, 2009.

RECOMMENDATION:

That the attached Memorandum of Understanding between the Board of School Directors and the Bethlehem Education Association be approved as presented.

**MEMORANDUM OF AGREEMENT
BETWEEN
BETHLEHEM AREA SCHOOL DISTRICT BOARD OF
DIRECTORS AND
BETHLEHEM EDUCATION ASSOCIATION**

WHEREAS, The Board of Directors of the Bethlehem Area School District (Board) and the Bethlehem Education Association (Association) have entered into a Collective Bargaining Agreement and,

WHEREAS, The parties wish to clarify a matter relating to the SPARK program,

THEREFORE, Be it resolved that the parties agree to the following exception:

1. Each SPARK teacher will be scheduled a minimum of five (5) preparation periods within one week, with a duration no less than 45 minutes each, preferably no more than one each day. This 45 minute period may be scheduled when students are not in the building.
2. Each SPARK teacher will be scheduled two 20 minute Unassigned Periods each week, with no less than 40 minutes each week. This 40 minutes may be scheduled in the following ways:
 - a. One 40 minute period
 - b. Two 20 minute periods attached to a preparation period or lunch
 - c. Two 20 minute periods unattached to a preparation period or lunch
 - d. A combination of (b) or (c) above
3. Except as listed above, all other articles of the Collective Bargaining Agreement, as well as the school district calendar, shall remain in full force and effect.

In WITNESS WHEREOF, The parties hereto have caused their names to be subscribed by their duly authorized officers and representatives this 22nd day September of 2009.

BETHLEHEM AREA SCHOOL
DISTRICT

BETHLEHEM EDUCATION
ASSOCIATION

WITNESS:

WITNESS:

13. *Memorandums of Understanding Regarding Teacher Aides*

INFORMATION:

The attached Memorandums of Understanding regarding establishment of procedures regarding Teacher Aides for inclement weather and pay differential was reviewed with the board in Executive Session on August 17, 2009.

RECOMMENDATION:

That the attached Memorandums of Understanding between the Board of School Directors and the Bethlehem Education Association be approved as follows:

- a. Memorandum of Understanding Regarding Teacher Aides – Inclement Weather
- b. Memorandum of Understanding Regarding Teacher Aides – Pay Differential

MEMORANDUM OF UNDERSTANDING
Bethlehem Area School District and the
Bethlehem Area Teachers' Aide Education Support Personnel Association

This Memorandum of Understanding between the Bethlehem Area School District ("School District") and the Bethlehem Area Teachers' Aide Educational Support Personnel Association ("Association") is entered into in accordance with the provisions of the Collective Bargaining Agreement.

I. Joint Statement of Concern:

**THE PURPOSE OF THIS MEMORANDUM IS TO ESTABLISH
PROCEDURES REGARDING AIDE WORK ON INCLEMENT WEATHER
DELAY DAYS.**

II. Obligations

A. District Obligations:

1. With respect to one (1) event regarding the Grievant, as identified in the Grievance, she shall receive two (2) hours salary for working during a snow delayed school opening day.

B. Association Obligations:

- 1 The Association shall agree and ensure that all time worked by aides when the schools are delayed or closed may only be done so with PRIOR approval from supervisory building administration.

III. General Provisions

- A. This memorandum is not intended to and does not create any contractual rights or obligations with respect to the signatory agencies or any other parties.
- B. This memorandum may be amended, expanded, or modified any time upon the written consent of the parties. In any event, however, this Memorandum must be reviewed and re-executed in accordance with legal requirements.
- C. In the event of changes in state or federal law that necessitate changes to this memorandum, the School District and the Association shall collaborate to promptly change this memorandum to ensure compliance by the School District and the Association with state and federal requirements.
- D. The School District and the Association will actively work to resolve any differences in interpretation of this memorandum or in fulfilling the terms thereof.

The parties hereby acknowledge the foregoing as the terms and conditions of their understanding.

Loretta M. Leeson,
School Board President
Bethlehem Area School District

Date

Mary Long, President
Bethlehem Area Teachers' Aide ESPA

Date

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MEMORANDUM OF UNDERSTANDING
Bethlehem Area School District and the
Bethlehem Area Teachers' Aide Education Support Personnel Association

This Memorandum of Understanding between the Bethlehem Area School District ("School District") and the Bethlehem Area Teachers' Aide Educational Support Personnel Association ("Association") is entered into in accordance with the provisions of the Collective Bargaining Agreement.

I. Joint Statement of Concern:

**THE PURPOSE OF THIS MEMORANDUM IS TO ESTABLISH
PROCEDURES REGARDING A PAY DIFFERENTIAL FOR EMPLOYEES
WITH NURSING OR OTHER ANCILLARY DEGREES OR
CERTIFICATIONS AS PER ARTICLE XV OF THE PARTIES'
COLLECTIVE BARGAINING AGREEMENT.**

II. Obligations

A. District Obligations:

1. With respect to the single grievant identified by the Association in its grievance for the pay differential, the District will "grandfather" the grievant who will receive the fifty-cent pay differential backdated from January 1, 2007 to February 9, 2009.

B. Association Obligations:

1. The Association waives any pay differential for grievant after February 9, 2009.
2. The Association hereby agrees that any other employees holding degrees must work within the appropriate job classification in order to receive a pay differential. Under Article XV, Educational Pay Differential, any other individual must be working in the discipline or area where the certification is required and/or is desirous to be qualified to complete the functions of the job description. Thus, where other employees have nursing or other additional degrees, but such certification is not relevant to their job description, they will not fall within the Collective Bargaining Agreement pay differential status.

III. General Provisions

- A. This memorandum is not intended to and does not create any contractual rights or obligations with respect to the signatory agencies or any other parties.

- B. This memorandum may be amended, expanded, or modified any time upon the written consent of the parties. In any event, however, this Memorandum must be reviewed and re-executed in accordance with legal requirements.
- C. In the event of changes in state or federal law that necessitate changes to this memorandum, the School District and the Association shall collaborate to promptly change this memorandum to ensure compliance by the School District and the Association with state and federal requirements.
- D. The School District and the Association will actively work to resolve any differences in interpretation of this memorandum or in fulfilling the terms thereof.

The parties hereby acknowledge the foregoing as the terms and conditions of their understanding.

Loretta M. Leeson,
School Board President
Bethlehem Area School District

Date

Mary Long, President
Bethlehem Area Teachers' Aide ESPA

Date

14. *Approval of the General Obligation Note, Series A of 2009, to Refund the General Obligation Bonds Series of 2005*

INFORMATION:

The financial plan developed by Public Financial Management calls for refunding the Bond Series of 2005 variable rate bonds with a combination of fixed and variable rate issues.

RECOMMENDATION:

That the Board of School Directors approves the attached resolutions with the added option of using Wells Fargo for the Letter of Credit should RBC not be secured.



MEMORANDUM

TO: Bethlehem Area School District **DATE:** September 16, 2009

FROM: Jens H. Damgaard

RE: Bethlehem Area School District - Tax-Exempt Financing of Swap Termination Payment

This memorandum addresses a federal tax question associated with the proposed issuance of one or more series of fixed rate general obligation bonds (the "Refunding Bonds"), by the Bethlehem Area School District (the "District") for the purpose of refunding a portion of the District's variable rate General Obligation Bonds (Weekly Rate), Series of 2005 (the "2005 Bonds") and partially terminating a "fixed-payor swap" entered into between the District and Morgan Stanley on December 23, 2003 (as amended on November 18, 2004, being referred to as the "Fixed Payor Swap" or the "Swap") relating to the 2005 Bonds being refunded.

Specifically, this memorandum addresses whether the costs associated with the partial termination of the Fixed Payor Swap may be financed on a tax-exempt basis from proceeds of the Refunding Bonds.

Swap termination payments may be financed on a tax-exempt basis if the swap satisfies the requirements under the Internal Revenue Code of 1986, as amended (the Code), for a "qualified hedge." Each of the requirements for a "qualified hedge" are set forth below, together with an application of each requirement to the Fixed Payor Swap:

- The hedge is entered into primarily to modify the issuer's risk of interest rate changes with respect to a bond;

The Resolutions of the District dated December 8, 2003 and November 18, 2004, should satisfy this requirement wherein it is declared that District was entering into the Fixed Payor Swap "in order to hedge against future increases in long-term, fixed-interest rates."

- The hedge does not contain a significant investment element (an expected return). A significant investment element will be present if the contract requires any non-periodic payment;

All of the payments due under the Fixed Payor Swap are periodic in nature, matched to the payment dates on the 2005 Bonds, with the exception of initial fees that were paid to the Swap Advisor, Swap Structuring Advisor and Special Counsel, which were described in the Interest Rate Management Plan approved by Resolution of the District dated December 8, 2003, and itemized in the confirmations for the original Fixed Payor Swap and at the time of the amendment. Such up-front payments will be backed out of the amounts otherwise paid by the District under the Swap, thereby reducing the yield of the 2005 Bonds for arbitrage rebate purposes.

- The hedge provider must not be a related party;

The School District and Morgan Stanley are not related parties within the meaning of the Code.

- The hedge must cover, in whole or in part, all of one or more groups of substantially identical bonds in the issue;

The 2005 Bonds were defined to be the "Related Bonds" under the terms of the Confirmations dated December 23, 2003 and the amendment November 18, 2004.

- The hedge is primarily interest based;

(A) requires the hedged bonds to be variable rate debt instrument as described in 1.1275-5 or a tax-exempt obligation described in 1.1275-4(d)(2)(i.e. must satisfy all of the requirements of a variable rate debt instrument under 1.1275-5, but can have ratios less than .65, can have multiple fixed rates, can have one or more caps, floors that are fixed as of the issue date, interest not compounded or paid annually)

(B) requires the index on the hedged bonds and the index on the hedge to be substantially the same

When it prior to entering into the Fixed Payor Swap in December, 2003, the District had a received a report of the Public Resource Advisory Group that the index known as BMA (now SIFMA), which is an accepted proxy for the interest rates payable on the District's variable rate bonds, averaged 67.7 % of 1-month LIBOR from July 15, 1989 to April 2, 2003. The Fixed Payor Swap was amended on November 18, 2004 to reduce fluctuations in the historical relationship between LIBOR and BMA occurring at that time.

- The payments received by the issuer from the hedge provider under the hedge must correspond closely in time to either the specific payments being hedged or the payments required to be made;

The payment dates are the same (the first day of the month).

- The payments are reasonably expected to be made from the same source of funds that, absent the hedge, would be reasonably expected to be used to pay principal and interest on the hedged bonds;

Both payments are from the District's general revenues.

- The hedge must be identified by the actual issuer on its books and records maintained for the hedged bonds not later than 3 days after the date on which the issuer and the hedge provider enter into the hedge; and

The resolution authorizing the 2005 Bonds and the interest rate management plan prepared for the amendment appear to contemplate the Swap transaction. The December 23, 2003 and the November 18, 2004 Swap Confirmations identify the 2005 Bonds as the related Debt.

- The existence of the hedge must be noted on the first form (Form 8038-G) relating to the issue of which the hedge bonds are a part that is filed with the IRS on or after the date on which the hedge is identified as set forth above.

The IRS Form 8038-G that was delivered at the time of issuance of the 2005 Bonds did not have the "qualified hedge box" checked. An amended 8038-G was recently filed with the IRS in connection with the 2005 Bonds checking the appropriate box.

- For hedges entered into before the hedged bonds are issued, the identification above also must specify the reasonably expected governmental purpose, issue price, maturity and issue date of the hedged bond, the manner in which interest is expected to be calculated on the hedged bond and whether the issuer expects to terminate the hedge or leave the hedge in place upon issuance of the hedged bonds;

The Resolutions authorizing the Confirmations, together with the executed Confirmations and original interest rate management plan, appear to address these requirements (i.e. the purpose (capital projects), issue price (\$55,000,000), maturity (1/1/2030), issue date (1/5/2005), interest method (remarketing agent), and intent to leave the hedge in place upon issuance of the hedged bonds (IRMP schedules)).

In summary, the Fixed Payor Swap can be construed to satisfy the "qualified hedge" requirements, but not without construing all relevant documents to determine this intent. This could require the District to make a factual argument supporting this position if challenged.

**BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania**

RESOLUTION

OF THE BOARD OF SCHOOL DIRECTORS OF BETHLEHEM AREA SCHOOL DISTRICT AUTHORIZING AND SECURING THE ISSUANCE OF ITS GENERAL OBLIGATION NOTE, SERIES A OF 2009, IN THE AGGREGATE PRINCIPAL AMOUNT OF THIRTY-FIVE MILLION DOLLARS (\$35,000,000), PURSUANT TO THE PENNSYLVANIA LOCAL GOVERNMENT UNIT DEBT ACT, TO CURRENTLY REFUND A PORTION OF THE SCHOOL DISTRICT'S GENERAL OBLIGATION BONDS, SERIES OF 2005, AND PAY RELATED EXPENSES; ACCEPTING A NOTE PURCHASE AGREEMENT FROM THE BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY TO PURCHASE THE 2009A NOTE; SETTING FORTH THE TERMS AND SUBSTANTIAL FORM OF THE 2009A NOTE AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THIS SCHOOL DISTRICT IN SUPPORT OF THE 2009A NOTE; APPOINTING A PAYING AGENT AND A SINKING FUND DEPOSITORY; DIRECTING APPROPRIATE OFFICERS AND AGENTS OF THIS SCHOOL DISTRICT TO TAKE ACTIONS AND SIGN DOCUMENTS, INCLUDING A LOAN AGREEMENT, IN CONNECTION WITH THE ISSUANCE OF THE 2009A NOTE; AND CONTAINING RELATED PROVISIONS.

WHEREAS, Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania (the "School District"), is a school district of the Commonwealth of Pennsylvania (the "Commonwealth") and is governed by its Board of School Directors (the "Board"); and

WHEREAS, The School Board, by its resolution adopted on December 8, 2003 (the "2003 Parameters Debt Resolution"), incurred nonelectoral debt and recited the parameters of

two future series of general obligation bonds for various capital projects to be undertaken by the School District over a period of several years; and

WHEREAS, The Department of Community and Economic Development (the “Department”) of the Commonwealth approved the debt proceedings of the School District under the 2003 Parameters Debt Resolution, by its Certificate of Approval No. GOB-15387, dated December 30, 2003; and

WHEREAS, On January 5, 2005, the School District issued its General Obligation Bonds (Weekly Mode), Series of 2005, in the aggregate principal amount of \$55,000,000 (the “2005 Bonds”), pursuant to the 2003 Parameters Debt Resolution; and

WHEREAS, The School District has determined to undertake the following: (1) currently refund and redeem a portion of the 2005 Bonds, as described in a refunding report (the “Refunding Report”) attached hereto as **Exhibit A**, prepared for this School District by Public Financial Management Inc. (the “Financial Advisor”), as financial advisor to this School District, and (2) pay related costs, fees and expenses (collectively, the “Refunding Project”), by issuing its General Obligation Note, Series A of 2009, in the principal amount of \$35,000,000 (the “2009A Note”) to the Bethlehem Area School District Authority (“BASDA”); and

WHEREAS, BASDA shall issue and reissue its School Revenue Bonds (the “BASDA Bonds”), including such BASDA Bonds refunding prior series thereof, in aggregate principal amounts sufficient to lend the School District the funds required for the Refunding Project; and

WHEREAS, The School District will repay BASDA for such loan by making the payments due under the 2009A Note, which are assigned as security for the BASDA Bonds, and

the payments due under the terms of a Loan Agreement (the “2009A Loan Agreement”), between the School District and BASDA, the substantial form of which is attached hereto as **Exhibit B**, and made a part hereof; and

WHEREAS, The Board has determined that: (1) a private sale of the 2009A Note by negotiation is in the best financial interest of the School District, and (2) the 2009A Note should be offered for sale at a price of not less than 100% of the principal amount thereof, together with accrued interest from the date of the 2009A Note to the date of delivery thereof; and

WHEREAS, A Note Purchase Agreement (the “Proposal”) to purchase the 2009A Note has been submitted to the School District by or on behalf of BASDA; and

WHEREAS, The Board desires to accept the Proposal, substantially in the form presented, to award the 2009A Note to BASDA pursuant to the Proposal and the 2009A Loan Agreement, at private sale by negotiation, and to incur nonelectoral debt in the maximum principal amount of Thirty-five Million Dollars (\$35,000,000), in connection with the Refunding Project, and pursuant to the Debt Act.

NOW, THEREFORE, BE IT RESOLVED, by the Board of School Directors of Bethlehem Area School District, as follows:

SECTION 1. The School District hereby authorizes and secures the issuance of nonelectoral debt to be evidenced by the 2009A Note, as a general obligation note of the School District, pursuant to this Resolution and in accordance with the Debt Act, to provide funds to undertake the Refunding Project. The substantial form of the 2009A Note is attached to the 2009A Loan Agreement, and is a part of **Exhibit B**.

SECTION 2. The realistic, remaining useful lives of the capital facilities originally financed by the 2005 Bonds vary between a useful life of at least five (5) years and an useful life of at least twenty-five (25) years, with the principal amounts due under the 2009A Note equal to the separate cost of each project being retired prior to the end of such remaining useful life. The refunding of the 2005 Bonds is permitted by 53 Pa.C.S. §8241(b)(1) (reducing total debt service over the life of the series). Repayment of the principal of the 2009A Note will begin within two years from the date the 2009A Note is issued.

SECTION 3. The Board accepts the Proposal of the Authority, as approved or ratified by BASDA, at a purchase price of \$35,000,000 (100% of principal amount), together with accrued interest from the date of the 2009A Note to the date of delivery thereof.

SECTION 4. The principal of the 2009A Note shall be payable in the annual amounts by fiscal year not exceeding those illustrated in the schedules included in **Exhibit C** attached hereto and made a part hereof. Under circumstances described in the 2009A Loan Agreement, and in documents related to the BASDA Bonds, the payments due under the 2009A Note may be accelerated in accordance with the terms of the BASDA Bonds, as illustrated in the schedules included in Exhibit C. The maximum interest rate payable on the 2009A Note shall not exceed 15%, except in the event the BASDA Bonds bear interest at the Bank Bond Rate (as defined in the 2009A Loan Agreement) in which event the interest rate payable on the 2009A Note shall not exceed 25%. Schedules illustrating the payments due on the 2009A Note at such maximum rates are included in **Exhibit C**.

SECTION 5. The 2009A Note shall be subject to optional and mandatory redemption on the dates and under terms described in the form of the 2009A Note and in the 2009A Loan Agreement.

SECTION 6. Manufacturers and Traders Trust Company (the “Paying Agent”), having a corporate trust office in Harrisburg, Pennsylvania, is appointed to serve as the paying agent for the 2009A Note.

SECTION 7. The 2009A Note shall be executed on behalf of the School District by the President or Vice President of the Board, and attested by the Secretary or Assistant Secretary of the Board, who shall also affix the official seal of the School District on the 2009A Note.

SECTION 8. The School District covenants to and with BASDA or other registered owner, from time to time, of the 2009A Note, that the School District: (i) shall include the amount of the debt service, for each fiscal year of the School District in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from the Sinking Fund (hereinafter defined) or any other of its revenues or funds the principal of the 2009A Note and the interest thereon at the dates and place and in the manner stated therein, according to the true intent and meaning thereof. For such budgeting, appropriation and payment, the School District pledges, irrevocably, its full faith, credit and taxing power. As provided in the Debt Act, the foregoing covenant of the School District shall be enforceable specifically.

SECTION 9. There is created by the School District, pursuant to the Debt Act, one or more sinking funds for the 2009A Note (collectively, the “Sinking Fund”), which shall be

administered in accordance with the Debt Act. The Paying Agent shall serve as the sinking fund depository in connection with the Sinking Fund.

The School District covenants to make payments out of the Sinking Fund, or out of any other of its revenues or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations under the 2009A Note when due. Officers and agents of the School District are directed to contract with the Paying Agent for its services as sinking fund depository for the 2009A Note

SECTION 10. The President or Vice President and the Secretary or Assistant Secretary of the Board of the School District, which shall include their duly qualified successors in office, are authorized and directed, as required by the Debt Act: (a) to prepare, to certify, and to file the debt statement of the School District; (b) to prepare and to file the application with the Department, together with a complete and accurate transcript of the proceedings relating to the incurring of nonelectoral debt represented by the 2009A Note; (c) to prepare and to file any statements or certificates which are necessary to qualify all or any portion of nonelectoral debt or lease rental debt of the School District, which is subject to exclusion as self-liquidating or subsidized debt, for exclusion from the appropriate debt limit; (d) to prepare and to file an appropriate borrowing base certificate of the School District; (e) to pay or cause to be paid to the Department all proper filing fees in connection with the foregoing; and (f) to take other required, necessary or appropriate action.

SECTION 11. The debt to be incurred hereby, together with any other outstanding indebtedness of the School District, is not in excess of any applicable limitation imposed by the Debt Act upon the incurring of debt by the School District.

SECTION 12. The officers and agents of the School District are authorized to deliver the 2009A Note, after execution and attestation thereof, to BASDA, as provided in the 2009A Loan Agreement, after the Department has certified its approval pursuant to the Debt Act or at such time when the filing authorized to be submitted to the Department shall be deemed to have been approved pursuant to the Debt Act.

SECTION 13. The officers and agents of the School District are authorized to approve and to authorize the payment by the Paying Agent, from proceeds of the 2009A Note or from other funds of the School District available for the purpose, of the costs and expenses of issuance of the 2009A Note against delivery of invoices therefor, substantially in the amounts illustrated in the schedules presented to the Board at this meeting.

SECTION 14. The School District shall enter into the 2009A Loan Agreement, including any changes thereto in the final form thereof executed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Board of this School, their execution thereof to constitute conclusive evidence of such approval.

SECTION 15. The School District hereby directs the redemption of the 2005 Bonds within 90 days of the issuance date of the 2009A Note, in accordance with the rights and privileges reserved to the School District in the 2005 Bonds.

SECTION 16. In the event any provision, section, sentence, clause, or part of this Resolution shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause, or part of this Resolution, it being the intent of the School District that such remainder shall be and shall remain in full force and effect.

SECTION 17. The Secretary of the Board of this School District is hereby authorized and directed to execute and to submit to the Pennsylvania Department of Education, promptly following settlement for the 2009A Note, the appropriate application and other documents and information necessary to obtain stated reimbursement with respect to the debt service on the 2009A Note (including the filing of appropriate PLANCON Parts, as applicable).

SECTION 18. All resolutions or parts of resolutions, insofar as the same shall be inconsistent herewith, shall be and the same expressly are repealed.

SECTION 19. This Resolution shall be effective in accordance with the Debt Act.

DULY ADOPTED, by the Board of School Directors of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania, in lawful session duly assembled, this 21st day of September, 2009.

BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania

By: _____
(Vice) President of the Board of
School Directors

ATTEST:

(Assistant) Secretary of the Board of
School Directors

(SEAL)

EXHIBIT A
REFUNDING REPORT



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101

717-232-2723
717-232-8610 FAX
www.pfm.com

Bethlehem Area School District

Financial Analysis

September 21, 2009

Presented by:

Scott Shearer
Senior Managing Consultant

Ann Arbor, Arlington, Atlanta, Austin, Boston, Charlotte, Chicago, Cleveland, Des Moines, Fargo, Ft. Myers, Frisco,
Harrisburg, Long Island, Los Angeles, Malvern, Memphis, Miami, Milwaukee, Minneapolis, New York,
Newport Beach, Oakland, Orlando, Philadelphia, Pittsburgh, Phoenix, Princeton, San Francisco, Seattle, St. Louis

BETHLEHEM AREA SCHOOL DISTRICT
ILLUSTRATION OF BORROWING OPTION

Assumptions:

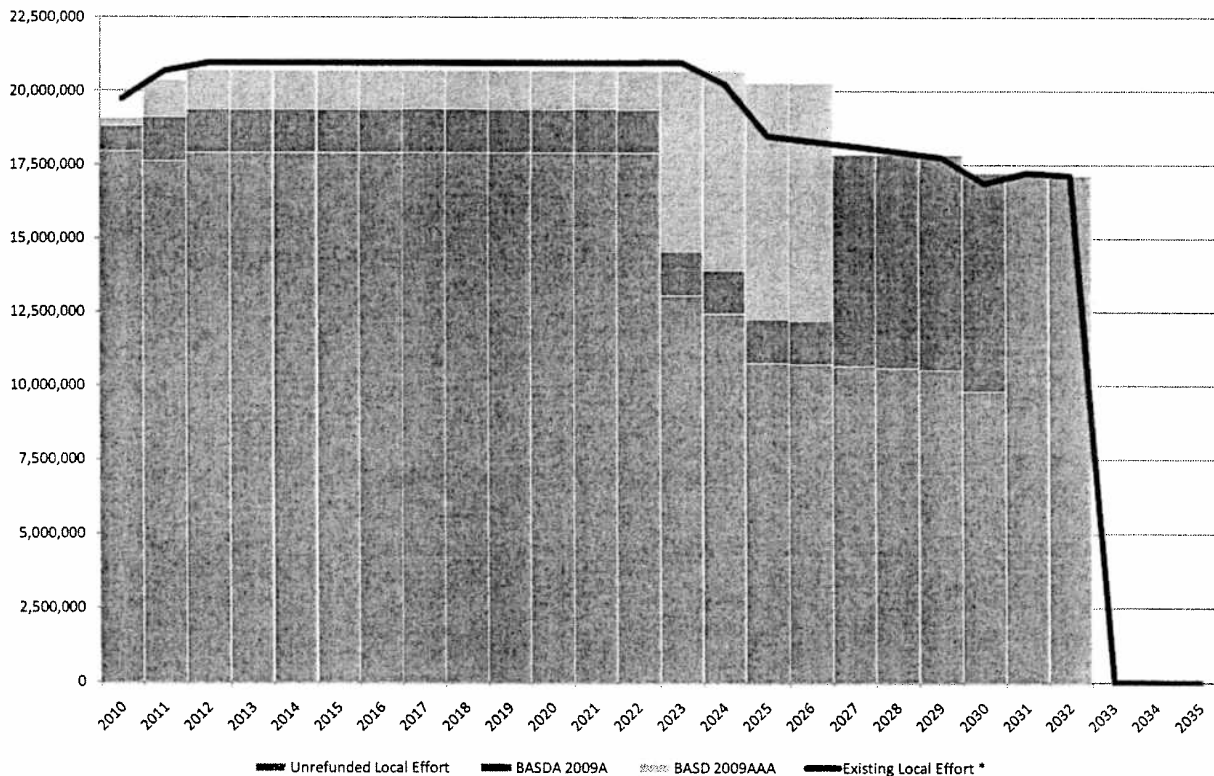
- (1) Refund Series of 2005, currently outstanding in the amount of \$54,980,000
- (2) Issue \$30,455,000 through a new variable rate demand bond to refund a portion of the 2005 bonds
- (3) Refund remaining portion and pay paritail swap termination, estimated at \$3,715,000 with 2009 AAA Bonds, estimated at \$29,595,000

LOCAL EFFORT ANALYSIS

1	2	3	4	5	6	7	8
			\$30,455,000 BASDA 2009A Local Effort	\$29,595,000 BASD 2009AAA Local Effort			
Fiscal Year Ending	Existing Local Effort *	Unrefunded Local Effort			Total Local Effort	Local Effort Difference	PV Difference at 5.00%
6/30/2010	19,742,023	17,952,936	872,026	267,512	19,092,474	(649,549)	(642,989)
6/30/2011	20,694,078	17,630,322	1,491,676	1,284,372	20,406,370	(287,709)	(271,079)
6/30/2012	20,973,927	17,910,448	1,491,432	1,306,201	20,708,081	(265,846)	(238,411)
6/30/2013	20,967,196	17,903,995	1,491,187	1,314,270	20,709,453	(257,743)	(220,006)
6/30/2014	20,970,662	17,907,740	1,490,943	1,308,831	20,707,515	(263,148)	(213,796)
6/30/2015	20,972,784	17,910,140	1,490,699	1,307,812	20,708,651	(264,133)	(204,256)
6/30/2016	20,968,520	17,906,154	1,490,455	1,311,102	20,707,711	(260,809)	(191,967)
6/30/2017	20,979,335	17,917,248	1,490,210	1,300,997	20,708,455	(270,880)	(189,773)
6/30/2018	20,979,994	17,918,185	1,489,966	1,299,931	20,708,082	(271,912)	(181,317)
6/30/2019	20,976,393	17,914,863	1,489,722	1,303,204	20,707,788	(268,605)	(170,481)
6/30/2020	20,977,013	17,915,761	1,489,478	1,301,856	20,707,095	(269,919)	(163,060)
6/30/2021	20,977,899	17,916,924	1,489,233	1,304,857	20,711,015	(266,864)	(153,457)
6/30/2022	20,967,784	17,907,088	1,488,989	1,312,005	20,708,082	(259,702)	(142,133)
6/30/2023	20,991,106	13,072,069	1,488,745	6,147,546	20,708,360	(282,745)	(147,288)
6/30/2024	20,255,832	12,437,467	1,488,501	6,781,149	20,707,117	451,285	223,756
6/30/2025	18,479,772	10,772,946	1,488,256	8,030,648	20,291,850	1,812,078	855,170
6/30/2026	18,317,046	10,724,584	1,488,012	8,076,691	20,289,287	1,972,241	885,906
6/30/2027	18,140,077	10,669,800	7,189,384		17,859,184	(280,893)	(120,094)
6/30/2028	17,956,612	10,608,577	7,252,015		17,860,592	(96,020)	(39,075)
6/30/2029	17,761,020	10,544,716	7,316,486		17,861,202	100,182	38,804
6/30/2030	16,894,441	9,815,755	7,431,418		17,247,174	352,732	130,041
6/30/2031	17,246,656	17,246,656			17,246,656	0	0
6/30/2032	17,147,914	17,147,914			17,147,914	0	0
6/30/2033							
6/30/2034							
6/30/2035							
Totals	454,338,085	355,652,290	53,898,833	44,958,984	454,510,107	172,022	(1,155,505)

* For Series of 2005, assumes fiscal year swap mismatch of 80 bps as well as related fixed payor swap rate and admin

LOCAL EFFORT ILLUSTRATION



**BETHLEHEM AREA
SCHOOL DISTRICT
AUTHORITY**

**SCHOOL REVENUE
BONDS (BETHLEHEM
AREA SCHOOL
DISTRICT REFUNDING
PROJECT)**

SERIES A OF 2009

BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2005 BONDS

1	2	3	4	5	6	7
<u>Principal Payment Date</u>	<u>Principal</u>	<u>Estimated Rate (1)</u>	<u>Remaining Fiscal Year Interest (2)</u>	<u>Remaining Fiscal Year Debt Service</u>	<u>State Aid (3)</u>	<u>Local Effort</u>
1/1/2010	5,000	6.000	1,924,175.00	1,929,175.00	140,087.92	1,789,087.08
1/1/2011	5,000	6.000	3,298,375.00	3,303,375.00	239,618.12	3,063,756.88
1/1/2012	5,000	6.000	3,298,075.00	3,303,075.00	239,596.40	3,063,478.60
1/1/2013	5,000	6.000	3,297,775.00	3,302,775.00	239,574.67	3,063,200.33
1/1/2014	5,000	6.000	3,297,475.00	3,302,475.00	239,552.94	3,062,922.06
1/1/2015	5,000	6.000	3,297,175.00	3,302,175.00	239,531.21	3,062,643.79
1/1/2016	5,000	6.000	3,296,875.00	3,301,875.00	239,509.48	3,062,365.52
1/1/2017	5,000	6.000	3,296,575.00	3,301,575.00	239,487.75	3,062,087.25
1/1/2018	5,000	6.000	3,296,275.00	3,301,275.00	239,466.03	3,061,808.97
1/1/2019	5,000	6.000	3,295,975.00	3,300,975.00	239,444.30	3,061,530.70
1/1/2020	5,000	6.000	3,295,675.00	3,300,675.00	239,422.57	3,061,252.43
1/1/2021	5,000	6.000	3,295,375.00	3,300,375.00	239,400.84	3,060,974.16
1/1/2022	5,000	6.000	3,295,075.00	3,300,075.00	239,379.11	3,060,695.89
1/1/2023	5,845,000	6.000	3,148,775.00	8,993,775.00	1,074,738.94	7,919,036.06
1/1/2024	6,115,000	6.000	2,791,325.00	8,906,325.00	1,087,960.62	7,818,364.38
1/1/2025	6,390,000	6.000	2,417,550.00	8,807,550.00	1,100,724.20	7,706,825.80
1/1/2026	6,680,000	6.000	2,026,900.00	8,706,900.00	1,114,438.39	7,592,461.61
1/1/2027	6,980,000	6.000	1,618,600.00	8,598,600.00	1,128,322.79	7,470,277.21
1/1/2028	7,300,000	6.000	1,191,800.00	8,491,800.00	1,143,764.38	7,348,035.62
1/1/2029	7,630,000	6.000	745,550.00	8,375,550.00	1,159,245.81	7,216,304.19
1/1/2030	7,975,000	6.000	279,125.00	8,254,125.00	1,175,438.85	7,078,686.15
TOTALS	54,980,000		55,704,500.00	110,684,500.00	11,998,705.33	98,685,794.67

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin
(2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09
(3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only
(4) This does not reflect the related CMS Swap

BETHLEHEM AREA SCHOOL DISTRICT

SERIES OF 2005 BONDS

AMOUNT TO BE REFUNDED BY NEW VARIABLE RATE BOND ISSUE

1	2	3	4	5	6	7
<u>Principal Payment Date</u>	<u>Principal</u>	<u>Estimated Rate (1)</u>	<u>Remaining Fiscal Year Interest (2)</u>	<u>Remaining Fiscal Year Debt Service</u>	<u>State Aid (3)</u>	<u>Local Effort</u>
1/1/2010			1,045,975.00	1,045,975.00	75,757.61	970,217.39
1/1/2011			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2012			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2013			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2014			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2015			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2016			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2017			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2018			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2019			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2020			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2021			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2022			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2023			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2024			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2025			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2026			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2027	6,980,000	6.000	1,618,600.00	8,598,600.00	1,128,322.79	7,470,277.21
1/1/2028	7,300,000	6.000	1,191,800.00	8,491,800.00	1,143,764.38	7,348,035.62
1/1/2029	7,630,000	6.000	745,550.00	8,375,550.00	1,159,245.81	7,216,304.19
1/1/2030	7,975,000	6.000	279,125.00	8,254,125.00	1,175,438.85	7,078,686.15
TOTALS	29,885,000		33,570,650.00	63,455,650.00	6,760,452.33	56,695,197.67

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin
(2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09
(3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only
(4) This does not reflect the related CMS Swap

BETHLEHEM AREA SCHOOL DISTRICT**SERIES OF 2005 BONDS****AMOUNT REMAINING AFTER PARTIAL REFUNDING**

1	2	3	4	5	6	7
<u>Principal Payment Date</u>	<u>Principal</u>	<u>Estimated Rate (1)</u>	<u>Remaining Fiscal Year Interest (2)</u>	<u>Remaining Fiscal Year Debt Service</u>	<u>State Aid (3)</u>	<u>Local Effort</u>
1/1/2010	5,000	6.000	878,200.00	883,200.00	64,330.32	818,869.68
1/1/2011	5,000	6.000	1,505,275.00	1,510,275.00	109,747.94	1,400,527.06
1/1/2012	5,000	6.000	1,504,975.00	1,509,975.00	109,726.22	1,400,248.78
1/1/2013	5,000	6.000	1,504,675.00	1,509,675.00	109,704.49	1,399,970.51
1/1/2014	5,000	6.000	1,504,375.00	1,509,375.00	109,682.76	1,399,692.24
1/1/2015	5,000	6.000	1,504,075.00	1,509,075.00	109,661.03	1,399,413.97
1/1/2016	5,000	6.000	1,503,775.00	1,508,775.00	109,639.30	1,399,135.70
1/1/2017	5,000	6.000	1,503,475.00	1,508,475.00	109,617.57	1,398,857.43
1/1/2018	5,000	6.000	1,503,175.00	1,508,175.00	109,595.85	1,398,579.15
1/1/2019	5,000	6.000	1,502,875.00	1,507,875.00	109,574.12	1,398,300.88
1/1/2020	5,000	6.000	1,502,575.00	1,507,575.00	109,552.39	1,398,022.61
1/1/2021	5,000	6.000	1,502,275.00	1,507,275.00	109,530.66	1,397,744.34
1/1/2022	5,000	6.000	1,501,975.00	1,506,975.00	109,508.93	1,397,466.07
1/1/2023	5,845,000	6.000	1,355,675.00	7,200,675.00	944,868.76	6,255,806.24
1/1/2024	6,115,000	6.000	998,225.00	7,113,225.00	958,090.44	6,155,134.56
1/1/2025	6,390,000	6.000	624,450.00	7,014,450.00	970,854.02	6,043,595.98
1/1/2026	6,680,000	6.000	233,800.00	6,913,800.00	984,568.21	5,929,231.79
1/1/2027			0.00			
1/1/2028			0.00			
1/1/2029			0.00			
1/1/2030			0.00			
TOTALS	25,095,000		22,133,850.00	47,228,850.00	5,238,253.00	41,990,597.00

PE% 30.84% Estimated

CARF% 46.97%

(1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin

(2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09

(3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only

(4) This does not reflect the related CMS Swap

<p>BETHLEHEM AREA SCHOOL DISTRICT</p> <p>AMOUNT TO PREPAY BONDS</p>
--

	1	2	3	4
<u>Date</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Required</u>	
11/1/2009	29,885,000.00	0.00	29,885,000.00	
TOTALS	29,885,000.00	0.00	29,885,000.00	

(1) Assumes District makes regularly scheduled 11/1/2009 monthly payment

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
SCHOOL REVENUE BONDS (BETHLEHEM AREA SCHOOL DISTRICT REFUNDING
PROJECT)
SERIES A OF 2009
REFUNDS A PORTION OF THE 2005 BONDS

Dated: 11/1/2009
Settlement: 11/1/2009

1	2	3	4	5	6	7	8	9
Principal Payment Date	Principal	Estimated Rate (1)	Proposed Fiscal Year Interest	Proposed Debt Service	Less: State Aid (2)	Proposed Local Effort	Existing Local Effort	Local Effort Difference
1/1/2010	5,000	5.450	968,101.67	973,101.67	101,075.81	872,025.86	970,217.39	(98,191.54)
1/1/2011	5,000	5.450	1,659,411.46	1,664,411.46	172,735.63	1,491,675.83	1,663,229.82	(171,553.99)
1/1/2012	5,000	5.450	1,659,138.96	1,664,138.96	172,707.39	1,491,431.57	1,663,229.82	(171,798.25)
1/1/2013	5,000	5.450	1,658,866.46	1,663,866.46	172,679.14	1,491,187.32	1,663,229.82	(172,042.50)
1/1/2014	5,000	5.450	1,658,593.96	1,663,593.96	172,650.89	1,490,943.07	1,663,229.82	(172,286.75)
1/1/2015	5,000	5.450	1,658,321.46	1,663,321.46	172,622.65	1,490,698.81	1,663,229.82	(172,531.01)
1/1/2016	5,000	5.450	1,658,048.96	1,663,048.96	172,594.40	1,490,454.56	1,663,229.82	(172,775.26)
1/1/2017	5,000	5.450	1,657,776.46	1,662,776.46	172,566.15	1,490,210.31	1,663,229.82	(173,019.51)
1/1/2018	5,000	5.450	1,657,503.96	1,662,503.96	172,537.91	1,489,966.05	1,663,229.82	(173,263.77)
1/1/2019	5,000	5.450	1,657,231.46	1,662,231.46	172,509.66	1,489,721.80	1,663,229.82	(173,508.02)
1/1/2020	5,000	5.450	1,656,958.96	1,661,958.96	172,481.41	1,489,477.55	1,663,229.82	(173,752.27)
1/1/2021	5,000	5.450	1,656,686.46	1,661,686.46	172,453.16	1,489,233.29	1,663,229.82	(173,996.53)
1/1/2022	5,000	5.450	1,656,413.96	1,661,413.96	172,424.92	1,488,989.04	1,663,229.82	(174,240.78)
1/1/2023	5,000	5.450	1,656,141.46	1,661,141.46	172,396.67	1,488,744.79	1,663,229.82	(174,485.03)
1/1/2024	5,000	5.450	1,655,868.96	1,660,868.96	172,368.42	1,488,500.53	1,663,229.82	(174,729.29)
1/1/2025	5,000	5.450	1,655,596.46	1,660,596.46	172,340.18	1,488,256.28	1,663,229.82	(174,973.54)
1/1/2026	5,000	5.450	1,655,323.96	1,660,323.96	172,311.93	1,488,012.03	1,663,229.82	(175,217.79)
1/1/2027	6,835,000	5.450	1,499,953.54	8,334,953.54	1,145,569.46	7,189,384.08	7,470,277.21	(280,893.13)
1/1/2028	7,310,000	5.450	1,116,659.58	8,426,659.58	1,174,644.31	7,252,015.27	7,348,035.62	(96,020.35)
1/1/2029	7,815,000	5.450	706,796.88	8,521,796.88	1,205,310.76	7,316,486.11	7,216,304.19	100,181.93
1/1/2030	8,410,000	5.450	267,367.92	8,677,367.92	1,245,949.42	7,431,418.49	7,078,686.15	352,732.34
1/1/2031		5.450	0.00					
1/1/2032		5.450	0.00					
TOTALS	30,455,000		31,076,762.92	61,531,762.92	7,632,930.28	53,898,832.63	56,695,197.67	(2,796,365.04)

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 5.450% includes Fixed Swap Rate of 3.900%, 1.300% Estimated LOC fee, .080% Remarketing fee and .170% misc. fee
(2) For these purposes, assumes state reimbursement on 3.900%
(3) This does not reflect the related CMS Swap

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
SCHOOL REVENUE BONDS (BETHLEHEM AREA SCHOOL DISTRICT REFUNDING
PROJECT)
SERIES A OF 2009

COMPOSITION OF THE ISSUE

Sources:

Note Proceeds		30,455,000.00
	Total	30,455,000.00

Uses:

Amount to Prepay Portion of 2005 Bonds	29,885,000.00	
Underwriter's Discount	167,502.50	Estimated
LOC Commitment Fee	225,000.00	Estimated
LOC Bank Counsel	20,000.00	Estimated
Bond Counsel	29,000.00	Estimated
Solicitor	14,500.00	Estimated
Financial Advisor	29,000.00	Estimated
Credit Rating	25,000.00	Estimated
Disclosure Counsel	5,000.00	Estimated
Trustee	4,000.00	Estimated
Financial Printing & Word Processing	5,000.00	Estimated
Redemption Agent	2,000.00	Estimated
Miscellaneous Expenses/Rounding	43,997.50	
	Total	30,455,000.00

Dated: 11/1/2009

Settlement: 11/1/2009

**BETHLEHEM AREA
SCHOOL DISTRICT**

**GENERAL
OBLIGATION BONDS**

SERIES AAA OF 2009

BETHLEHEM AREA SCHOOL DISTRICT SERIES OF 2005 BONDS REMAINING AFTER PARTIAL REFUNDING
--

1	2	3	4	5	6	7
<u>Principal Payment Date</u>	<u>Principal</u>	<u>Estimated Rate (1)</u>	<u>Remaining Fiscal Year Interest (2)</u>	<u>Remaining Fiscal Year Debt Service</u>	<u>State Aid (3)</u>	<u>Local Effort</u>
1/1/2010	5,000	6.000	878,200.00	883,200.00	64,330.32	818,869.68
1/1/2011	5,000	6.000	1,505,275.00	1,510,275.00	109,747.94	1,400,527.06
1/1/2012	5,000	6.000	1,504,975.00	1,509,975.00	109,726.22	1,400,248.78
1/1/2013	5,000	6.000	1,504,675.00	1,509,675.00	109,704.49	1,399,970.51
1/1/2014	5,000	6.000	1,504,375.00	1,509,375.00	109,682.76	1,399,692.24
1/1/2015	5,000	6.000	1,504,075.00	1,509,075.00	109,661.03	1,399,413.97
1/1/2016	5,000	6.000	1,503,775.00	1,508,775.00	109,639.30	1,399,135.70
1/1/2017	5,000	6.000	1,503,475.00	1,508,475.00	109,617.57	1,398,857.43
1/1/2018	5,000	6.000	1,503,175.00	1,508,175.00	109,595.85	1,398,579.15
1/1/2019	5,000	6.000	1,502,875.00	1,507,875.00	109,574.12	1,398,300.88
1/1/2020	5,000	6.000	1,502,575.00	1,507,575.00	109,552.39	1,398,022.61
1/1/2021	5,000	6.000	1,502,275.00	1,507,275.00	109,530.66	1,397,744.34
1/1/2022	5,000	6.000	1,501,975.00	1,506,975.00	109,508.93	1,397,466.07
1/1/2023	5,845,000	6.000	1,355,675.00	7,200,675.00	944,868.76	6,255,806.24
1/1/2024	6,115,000	6.000	998,225.00	7,113,225.00	958,090.44	6,155,134.56
1/1/2025	6,390,000	6.000	624,450.00	7,014,450.00	970,854.02	6,043,595.98
1/1/2026	6,680,000	6.000	233,800.00	6,913,800.00	984,568.21	5,929,231.79
1/1/2027			0.00			
1/1/2028			0.00			
1/1/2029			0.00			
1/1/2030			0.00			
TOTALS	25,095,000		22,133,850.00	47,228,850.00	5,238,253.00	41,990,597.00

PE% 30.84% Estimated
 CARF% 46.97%

- (1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin
- (2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09
- (3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only
- (4) This does not reflect the related CMS Swap

<p>BETHLEHEM AREA SCHOOL DISTRICT AMOUNT TO PREPAY BONDS</p>

	1	2	3	4
<u>Date</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Required</u>	
11/1/2009	25,095,000.00	0.00	25,095,000.00	
TOTALS	25,095,000.00	0.00	25,095,000.00	

(1) Assumes District makes regularly scheduled 11/1/2009 monthly payment

BETHLEHEM AREA SCHOOL DISTRICT

SERIES AAA OF 2009

REFUNDS THE SERIES OF 2005 BONDS & PAYS PARTIAL SWAP TERMINATION

SETTLE

11/1/2009

DATED

11/1/2009

1	2	3	4	5	6	7	8	9
<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>	<u>State Aid</u>	<u>Proposed Local Effort</u>
1/15/2010	5,000	2.000	2.000	299,970.72	304,970.72	304,970.72	37,458.50	267,512.22
7/15/2010				729,608.50	729,608.50			
1/15/2011	5,000	2.300	2.300	729,608.50	734,608.50	1,464,217.00	179,844.72	1,284,372.28
7/15/2011				729,551.00	729,551.00			
1/15/2012	30,000	2.670	2.670	729,551.00	759,551.00	1,489,102.00	182,901.26	1,306,200.74
7/15/2012				729,150.50	729,150.50			
1/15/2013	40,000	3.000	3.000	729,150.50	769,150.50	1,498,301.00	184,031.14	1,314,269.86
7/15/2013				728,550.50	728,550.50			
1/15/2014	35,000	3.320	3.320	728,550.50	763,550.50	1,492,101.00	183,269.62	1,308,831.38
7/15/2014				727,969.50	727,969.50			
1/15/2015	35,000	3.570	3.570	727,969.50	762,969.50	1,490,939.00	183,126.89	1,307,812.11
7/15/2015				727,344.75	727,344.75			
1/15/2016	40,000	3.800	3.800	727,344.75	767,344.75	1,494,689.50	183,587.55	1,311,101.95
7/15/2016				726,584.75	726,584.75			
1/15/2017	30,000	4.050	4.050	726,584.75	756,584.75	1,483,169.50	182,172.59	1,300,996.91
7/15/2017				725,977.25	725,977.25			
1/15/2018	30,000	4.230	4.230	725,977.25	755,977.25	1,481,954.50	182,023.36	1,299,931.14
7/15/2018				725,342.75	725,342.75			
1/15/2019	35,000	4.390	4.390	725,342.75	760,342.75	1,485,685.50	182,481.62	1,303,203.88
7/15/2019				724,574.50	724,574.50			
1/15/2020	35,000	4.510	4.510	724,574.50	759,574.50	1,484,149.00	182,292.90	1,301,856.10
7/15/2020				723,785.25	723,785.25			
1/15/2021	40,000	4.630	4.630	723,785.25	763,785.25	1,487,570.50	182,713.15	1,304,857.35
7/15/2021				722,859.25	722,859.25			
1/15/2022	50,000	4.720	4.720	722,859.25	772,859.25	1,495,718.50	183,713.94	1,312,004.56
7/15/2022				721,679.25	721,679.25			
1/15/2023	5,565,000	4.810	4.810	721,679.25	6,286,679.25	7,008,358.50	860,812.50	6,147,546.00
7/15/2023				587,841.00	587,841.00			
1/15/2024	6,555,000	4.890	4.890	587,841.00	7,142,841.00	7,730,682.00	949,533.00	6,781,149.00
7/15/2024				427,571.25	427,571.25			
1/15/2025	8,300,000	4.970	4.970	427,571.25	8,727,571.25	9,155,142.50	1,124,494.57	8,030,647.93
7/15/2025				221,316.25	221,316.25			
1/15/2026	8,765,000	5.050	5.050	221,316.25	8,986,316.25	9,207,632.50	1,130,941.73	8,076,690.77
7/15/2026				0.00	0.00			
1/15/2027				0.00	0.00			
7/15/2027				0.00	0.00			
1/15/2028				0.00	0.00			
7/15/2028				0.00	0.00			
1/15/2029				0.00	0.00			
7/15/2029				0.00	0.00			
1/15/2030				0.00	0.00			
7/15/2030				0.00	0.00			
1/15/2031				0.00	0.00			
7/15/2031				0.00	0.00			
1/15/2032				0.00	0.00			
TOTALS	29,595,000			21,659,383.22	51,254,383.22	51,254,383.22	6,295,399.06	44,958,984.15

PE% 26.15% (Recalculated)

CARF% 46.97%

Public Financial Management, Inc.

BETHLEHEM AREA SCHOOL DISTRICT SERIES AAA OF 2009 Composition of the Issue

SOURCES:

Bonds	29,595,000.00	
Accrued Interest	<u>0.00</u>	
Total	29,595,000.00	

USES:

Estimated Amount to Prepay 2005 Bonds	25,095,000.00	Estimate
Estimated Swap Termination Amount	3,715,000.00	Estimate
Underwriter's Discount	162,772.50	Estimate
Bond Insurance	512,543.83	Estimate
Original Issue Discount/(Premium)	0.00	Estimate
Bond Counsel	20,000.00	Estimate
Solicitor	10,000.00	Estimate
Financial Advisor	20,000.00	Estimate
Credit Rating	12,000.00	Estimate
Financial Printing & Word Processing	5,000.00	Estimate
Paying Agent	2,000.00	Estimate
Redemption Agent	1,000.00	Estimate
Miscellaneous Expenses/Rounding	<u>39,683.67</u>	
Total	29,595,000.00	

Note: Assumes proportionate share of the swap is terminated, remaining portion transferred to new variable rate deal

Dated Date 11/1/2009

Settlement Date 11/1/2009

Yield of the Issue	5.113297
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EXHIBIT B

2009A LOAN AGREEMENT, INCLUDING FORM OF 2009A NOTE

LOAN AGREEMENT

Between

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY

and

BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania

Dated as of
November 1, 2009

Relating to

\$35,000,000 Maximum Principal Amount of
BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
School Revenue Bonds

TABLE OF CONTENTS

SECTION I DEFINITIONS	3
SECTION 1.1 DEFINITIONS	3
SECTION 1.2 INTERPRETATION	5
SECTION 1.3 CAPTIONS; HEADINGS AND TABLE OF CONTENTS.....	5
SECTION II REPRESENTATIONS	6
SECTION 2.1 REPRESENTATIONS AND FINDINGS OF ISSUER.....	6
SECTION 2.2 REPRESENTATIONS AND WARRANTIES OF SCHOOL DISTRICT	6
SECTION 2.3 NATURE OF AGREEMENT	7
SECTION 2.4 AUTHORITY IS CONDUIT ISSUER; SCHOOL DISTRICT IS REAL PARTY IN INTEREST; COVENANT NOT TO SUE	7
SECTION III DEVELOPMENT AND FINANCING OF REFUNDING PROJECT; ISSUANCE OF BONDS	9
SECTION 3.1 ISSUANCE OF BONDS; APPLICATION OF PROCEEDS	9
SECTION 3.2 SCHOOL DISTRICT REQUIRED TO PAY COSTS IN EVENT PROCEEDS INSUFFICIENT.....	9
SECTION 3.3 INVESTMENT AND USE OF FUND MONEYS	9
SECTION 3.4 REBATE	10
SECTION IV LOAN BY ISSUER; LOAN PAYMENTS; OTHER PAYMENTS.....	11
SECTION 4.1 LOAN BY ISSUER.....	11
SECTION 4.2 LOAN PAYMENTS; BASE LOAN PAYMENTS.....	11
SECTION 4.3 PAYMENTS TO REDEEM BONDS	12
SECTION 4.4 ADDITIONAL PAYMENTS.....	12
SECTION 4.5 OBLIGATIONS UNCONDITIONAL	13
SECTION 4.6 ASSIGNMENT OF ISSUER'S RIGHTS; CONSENT OF TRUSTEE	13
SECTION 4.7 GENERAL OBLIGATION OF SCHOOL DISTRICT	14
SECTION 4.8 LIQUIDITY FACILITY	14
ARTICLE V ADDITIONAL COVENANTS OF SCHOOL DISTRICT	15
SECTION 5.1 COMPLIANCE WITH LAWS.....	15
SECTION 5.2 FINANCIAL STATEMENTS; BOOKS AND RECORDS	15
SECTION 5.3 INSURANCE	15
SECTION 5.4 LITIGATION NOTICE.....	15
SECTION 5.5 INDEMNIFICATION	15
SECTION 5.6 TAX COVENANTS OF SCHOOL DISTRICT AND ISSUER.....	17
SECTION 5.7 FURTHER TAX COVENANTS OF SCHOOL DISTRICT.....	17
ARTICLE VI REDEMPTION OF BONDS	18
SECTION 6.1 OPTIONAL REDEMPTION	18
SECTION 6.2 MANDATORY REDEMPTION	18
SECTION 6.3 ACTIONS BY ISSUER.....	18
ARTICLE VII EVENTS OF DEFAULT AND REMEDIES.....	19
SECTION 7.1 EVENTS OF DEFAULT	19
SECTION 7.2 REMEDIES ON DEFAULT	19
SECTION 7.3 REMEDIES NOT EXCLUSIVE	20
SECTION 7.4 NO WAIVER.....	21
SECTION 7.5 NOTICE OF DEFAULT	21
ARTICLE VIII MISCELLANEOUS.....	22
SECTION 8.1 TERM OF AGREEMENT	22
SECTION 8.2 NOTICES	22

SECTION 8.3	LIMITATION OF LIABILITY; NO PERSONAL LIABILITY	23
SECTION 8.4	BINDING EFFECT	23
SECTION 8.5	AMENDMENTS	24
SECTION 8.6	COUNTERPARTS	24
SECTION 8.7	SEVERABILITY	24
SECTION 8.8	GOVERNING LAW	24
SECTION 8.9	ASSIGNMENT	24
SECTION 8.10	AMOUNT REMAINING IN FUNDS	25
SECTION 8.11	HEADINGS	25
SECTION 8.12	SURVIVAL OF COVENANTS; CONDITIONS AND REPRESENTATIONS	25
SECTION 8.13	TERMINATION OF THE FIXED PAYER SWAP	25

THIS LOAN AGREEMENT ("Agreement") is dated as of November 1, 2009 between the BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY (the "Issuer"), a public instrumentality of the Commonwealth of Pennsylvania and the BETHLEHEM AREA SCHOOL DISTRICT (the "School District"), a political subdivision of the Commonwealth of Pennsylvania organized and existing under the Public School Code of 1949, as amended, and constituting a "local government unit" within the meaning and intent of the Pennsylvania Local Government Unit Debt Act, as amended (the "Debt Act").

WITNESSETH THAT:

A. The Issuer is organized under the Municipality Authorities Act, being the Act of the Commonwealth of Pennsylvania (the "Commonwealth") (53 PA Cons. Stat. Ch. 56, § 5601 et seq.) (as amended, the "Authorities Act"), and in furtherance of the public purposes thereof, is empowered to lend funds to school districts to finance and refinance school district projects, including the Refunding Project described below.

B. The Issuer, at the request and for the benefit of the School District, has determined, pursuant to a resolution adopted on September 21, 2009, to issue \$35,000,000 maximum principal amount of its School Revenue Bonds, in one or more series, from time to time, with appropriate designations (the "Bonds"), pursuant to a Trust Indenture (the "Indenture") dated as of November 1, 2009 between the Issuer and Manufacturers and Traders Trust Company, as trustee (the "Trustee"), for the purpose of providing funds (the "Refunding Project") to currently refund and retire a portion of the General Obligation Bonds (Weekly Rate Mode), Series of 2005 (the "2005 Bonds"), in the original aggregate principal amount of \$55,000,000, of the School District and, further, the Issuer, at the request of the Issuer, has become the obligor on the remaining Fixed Payer Swap, as hereinafter described, and as may be amended or supplemented, from time to time, and similar swap transactions secured under the Debt Act, relating to the 2005 Bonds, and now the Bonds.

C. The Issuer has determined, at the request and for the benefit of the School District, to assume the School District's obligations under the ISDA Master Agreement dated December 23, 2003, as supplemented by the Schedule thereto between the School District and Morgan Stanley Capital Services Inc. (the "Counterparty") (collectively, together with an amended Confirmation dated as of November 1, 2009 (the "Confirmation"), being referred to herein as the "Fixed Payer Swap"), which will enable the School District to manage interest rate risk relating to the Bonds.

D. The Fixed Payer Swap will require that the Issuer make payments of interest at a fixed rate to the Counterparty based on a notional amount equal to the outstanding principal amount of the 2005 Bonds, in exchange for floating payments to be made by the Counterparty to the Issuer based on the same notional amount, as more fully set forth in the Confirmation.

E. The Issuer, at the request and for the benefit of the School District, has entered into this Agreement in order to (1) loan the School District funds to enable the School District to finance the Refunding Project, (2) cause the repayment of such loan by the School District in amounts sufficient to pay, when due, the principal of, premium, if any, and interest,

which interest includes all net amounts due under the Fixed Payer Swap (including termination payments due thereunder as provided by the Debt Act), on the Bonds, (3) cause the payment by the School District of all amounts due under any applicable Liquidity Facility or in connection with any applicable Insurance Policy, and (4) cause the payment by the School District of all costs, expenses and liabilities which may be incurred by the Issuer in connection with any of the foregoing.

F. To evidence certain of its obligations under this Agreement, the School District will issue its General Obligation Note, Series A of 2009, in the maximum principal amount of \$35,000,000 (the "Note"), pursuant to the Debt Act, in favor of the Issuer.

G. Under the terms of the Indenture, the Issuer will assign its rights and benefits under this Agreement and the Note (other than the Unassigned Issuer's Rights (defined herein)), without recourse, to the Trustee as security for the Issuer's obligations: (i) under any and all Bonds, (ii) under the Fixed Payer Swap and other swap transactions relating to the Bonds, and (iii) in connection with any applicable Insurance Policy and Liquidity Facility, as and to the extent provided herein.

H. The issuance and sale of the Bonds and the execution and delivery of this Agreement have been duly and validly authorized in all respects in accordance with applicable law by resolutions duly adopted by the Issuer and the School District.

NOW, THEREFORE, in consideration of the foregoing and intending to be legally bound, the Issuer and the School District hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions.

In this Agreement, terms defined in the recitals hereof have the meanings set forth therein, terms defined in the Indenture and not otherwise defined herein have the meanings given to them in the Indenture and the following terms shall have the meanings specified in this Article, unless the context otherwise requires:

“Additional Payments” means the amounts required to be paid by the School District pursuant to Section 4.4 hereof.

“Authorized Representative” means, with respect to the Issuer, each person at the time designated to act on behalf of the Issuer by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Secretary or Assistant Secretary, and, with respect to the School District, initially any officer of the School District, or each person at the time designated to act on behalf of the School District by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the School District by an officer.

“Bank” means a bank or other financial entity that is acceptable to the applicable Bond Insurer, and its successors and assigns in that capacity under a Liquidity Facility, their successors and assigns. If a Liquidity Facility is issued by more than one bank or financial institution, notices required to be given to a Bank may be given to the bank or financial institution under such Liquidity Facility appointed to act as agent for all such banks or financial institutions.

“Base Loan Payment” means (i) the principal of, premium (if any), and interest on any and all Bonds (including any Bank Bonds at the Bank Bonds Rate, as those phrases are defined in the Indenture) whether upon maturity, redemption or acceleration and (ii) the net Periodic Payments payable by the Issuer under the Fixed Payer Swap, which Periodic Payments for purposes of this Agreement shall constitute interest on the Bonds and the Note.

“Bond Insurer” means the issuer of an Insurance Policy or any successor thereto or assignee thereof and any provider of an Alternate Bond Insurance Policy as provided in Section 13.05 of the Indenture.

“Bond Purchase Contract” means an agreement of an underwriter or lender to purchase or place any of the Bonds.

“Costs” means costs of the Refunding Project permitted under the Debt Act, including, but not limited to, the following:

- (a) Amounts required to finance the Refunding Project, including the redemption of the 2005 Bonds, and fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds,

including without limitation bond discount, printing expense, legal fees, recording fees and the initial fees and expenses of the Trustee, the Issuer, a Remarketing Agent and a Bank; and

(b) any other costs permitted to be financed or refinanced under the Debt Act.

“DCED” means the Pennsylvania Department of Community and Economic Development.

“Debt Service” means, for any period, the interest on, and, if applicable, the principal of and, premium, if any, on the Bonds for that period whether such principal is due at maturity (in the absence of an adequate refunding of any Bonds with other Bonds under the Indenture) or upon acceleration or redemption together with the Periodic Payments due from the Issuer under the Fixed Payer Swap.

“Event of Default” means any of the events described as an Event of Default in Section 7.1 hereof.

“Insurance Policy” means an Insurance Policy issued by a Bond Insurer guaranteeing payment of the scheduled principal and interest on the Bonds when due.

“Liquidity Facility” means any Standby Bond Purchase Agreement, Letter of Credit or similar agreement, acceptable to applicable Bond Insurer, contemplated by the terms of the Indenture.

“Loan” means the loan by the Issuer to the School District of the proceeds of the Bonds pursuant to Section 4.1 hereof.

“Loan Payments” means Base Loan Payments and Additional Payments required to be paid by the School District pursuant to Article IV hereof.

“Note” means the School District’s General Obligation Note, Series A of 2009 executed and delivered substantially in the Form attached hereto as Exhibit A.

“Periodic Payments” means any regularly scheduled payments payable by the Issuer (net of payments receivable by the Issuer) under the Fixed Payer Swap which shall be paid by the School District hereunder on behalf of the Issuer, which for purposes of this Agreement shall constitute interest on the Bonds and the Note.

“Remarketing Agent” means any Person selected by the School District and meeting the qualifications of and designated from time to time to act as Remarketing Agent under Section 9.15 of the Indenture.

“Resolution” means the resolution of the Issuer adopted on September 21, 2009, approving and authorizing, among other things, the Bonds, the Indenture, this Agreement and its assumption of the Fixed Payer Swap by the Issuer.

“School District’s Agreements” means this Agreement, the Note, the payment obligations under the Fixed Payer Swap, any applicable Bond Purchase Contract, any applicable Liquidity Facility and any applicable Insurance Policy.

“Unassigned Issuer’s Rights” means all of the rights of the Issuer to receive Additional Payments constituting fees and expenses under Section 4.4(a) hereof, to be held harmless and indemnified under Section 5.5 hereof, to be reimbursed for attorney’s fees and expenses under Section 7.2 hereof, and to give or withhold consent to or approval of amendments, modifications, termination or assignment of this Agreement pursuant to Section 8.8 hereof.

All other capitalized terms used but not otherwise defined in this Agreement shall have the meanings ascribed to them in the Indenture.

SECTION 1.2 Interpretation.

In this Agreement, unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa, the terms “hereof”, “hereby”, “herein”, “hereto”, “hereunder” and similar terms refer to this entire Agreement, and the term “hereafter” means after and the term “heretofore” means before the date hereof, and words of any gender include the correlative words of the other genders. In this Agreement, unless otherwise indicated, all references to particular Articles, Sections, subsections or paragraphs are references to the Articles, Sections, subsections or paragraphs of this Agreement. Defined terms herein or in the Indenture relating to Persons include their respective successors and assigns whether or not so expressed in the particular definition.

SECTION 1.3 Captions; Headings and Table of Contents.

The captions, headings and table of contents in this Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections or paragraphs hereof.

ARTICLE II

REPRESENTATIONS

SECTION 2.1 Representations and Findings of Issuer.

The Issuer hereby confirms its findings and represents that:

(a) The Issuer is a public body corporate and politic established pursuant to the laws of the Commonwealth, including the Authorities Act. Under the Authorities Act, the Issuer has the power to enter into the Indenture, the Fixed Payer Swap, this Agreement and other related documentation required to carry out its obligations hereunder and to issue the Bonds to finance the Refunding Project.

(b) By adoption of the Resolution, the Issuer has, at the request and for the benefit of the School District, duly authorized the execution and delivery of the Indenture, the Bonds, the Fixed Payer Swap (by assumption), this Agreement, Bond Purchase Contracts, and other related documentation and performance of its obligations hereunder. Simultaneously with the execution and delivery of this Agreement, the Issuer has duly executed and delivered the Indenture and assumed the Fixed Payer Swap, and has duly authorized the issuance of, and has duly executed and delivered, the Bonds under the terms and conditions set forth in this Agreement.

(c) Based solely on representations and information furnished to the Issuer by or on behalf of the School District, the Issuer has found that (i) the School District is an eligible beneficiary of financing provided by the Issuer pursuant to the Authorities Act, and (ii) the purpose of the Refunding Project is permitted by the Authorities Act and the Debt Act.

(d) Except as otherwise permitted by this Agreement, the Issuer covenants that it has not and will not pledge the income and revenues derived from this Agreement, other than the pledge thereof made under the Indenture to secure (i) the Bonds and related obligations of the School District, (ii) the Periodic Payments to be made to the Counterparty under the Fixed Payer Swap, (iii) to a Bond Insurer under an Insurance Policy, and (iv) to a Bank under a Liquidity Facility.

SECTION 2.2 Representations and Warranties of School District.

The School District represents and warrants that:

(a) The School District is a local government unit and has full power and authority to execute, deliver and perform its obligations under the School District's Agreements and to enter into and carry out the transactions contemplated thereby.

(b) The School District's Agreements have been duly authorized and this Agreement, the Note, and the Bond Purchase Contracts constitute valid and binding obligations of the School District enforceable against the School District in accordance with their terms. To the best of the School District's knowledge after due inquiry and investigation, the execution, delivery and performance of the School District's Agreements by the School District do not, or

will not, violate any provision of law applicable to the School District or any agreement or instrument to which the School District is a party or by which it or any of its properties is bound.

(c) The Refunding Project is authorized by the Debt Act, which will promote the purposes of and be in all respects in compliance with, the Debt Act, and the School District has satisfied all requirements necessary under the Debt Act to undertake the Refunding Project.

(d) The information to be furnished by the School District and used by the Issuer in preparing the tax certificate and information return pursuant to the Internal Revenue Code of 1986, as amended (the "Code") shall be in all respects accurate and complete as of the Issue Date.

(e) The payments due under the Note, if not timely paid by the School District, are eligible to be withheld from appropriations of funds due to the School District from the Commonwealth of Pennsylvania pursuant to the intercept program described in 24 P.S. §6-333 and be paid directly to the sinking fund depository for deposit in the Debt Service Fund which is the sinking fund for the Note.

SECTION 2.3 Nature of Agreement.

This Agreement does not constitute a general obligation of the Issuer or any of its officers, members or employees and recourse on this Agreement may only be had against the proceeds of the Bonds, the payments received by the Issuer under the Fixed Payer Swap and any amounts to be paid by the School District hereunder, and the Issuer is not in any way liable for this Agreement nor for any portion hereof or interest or other charges in connection herewith remaining unpaid after liquidation of any collateral given as security for this Agreement. This Agreement shall not constitute an obligation or a pledge of the general credit or taxing power of the Commonwealth or of any other municipality or authority organized and existing under the laws of the Commonwealth, except for the School District. No recourse shall be had on any obligation, covenant or agreement in this Agreement against any past, present or future incorporator, officer, director, employee or agent as such of the Issuer or any director or officer, agent or employee of the School District, either directly or indirectly, under any rule of law, statute or constitution or by the enforcement of any assessment or penalty or otherwise and all such liability of any such incorporators, officers, directors, employees, agents or counsel, as such is hereby expressly waived and released as a condition of and in consideration for the Issuer's participation in the financing and the execution and delivery of this Agreement by the parties. The Issuer has no taxing power.

SECTION 2.4 Authority is Conduit Issuer; School District is Real Party in Interest; Covenant Not to Sue.

(a) The School District hereby expressly acknowledges that the Issuer is a conduit issuer and that all of the right, title and interest of the Issuer in and to this Agreement, but not the obligations of the Issuer, are to be assigned on a first priority basis to the Trustee (except for Unassigned Issuer's Rights), naming the Trustee, its true and lawful attorney for and in its name to enforce the terms and conditions of this Agreement. Notwithstanding any other provision contained herein, the School District hereby expressly agrees, acknowledges and

covenants that the effect of this Agreement and the Note is that the School District shall duly and punctually perform or cause to be performed each and every obligation of the Issuer under and pursuant to the Indenture, the Bonds and the Fixed Payer Swap.

(b) The School District covenants and agrees that it shall neither sue the Issuer, counsel to the Issuer or any of its board members, officers, agents or employees, past, present or future, for any claim, loss, demand, action or nonaction based upon this financing (except for an action based upon gross negligence) nor ever raise as a defense in any proceedings whatsoever that the Issuer is the true party in interest. Notwithstanding the provisions of the foregoing sentence, the School District shall be entitled to (i) bring an action of specific performance against the Issuer to compel any action required to be taken by the Issuer hereunder or an action to enjoin the Issuer from performing any action prohibited hereunder or under any other documents, by this instrument or any other agreement executed and delivered in connection with the assumption of the Fixed Payer Swap or the issuance of the Bonds, but no such action shall in any way impose pecuniary liability upon the Issuer, counsel to the Issuer or any of its board members, officers, agents or employees, and (ii) join the issuer in any litigation if such joinder is necessary to pursue any of the School District's rights, provided that prior to such joinder, the School District shall post such security as the Issuer may reasonably require to protect further the Issuer from loss, including but not limited to reasonable attorney's fees. Subject to the rights of a Bond Insurer, the Issuer will follow the directions of the School District in connection with actions required or permitted to be taken by the Issuer under the Fixed Payer Swap, including, but not limited to, the exercise of optional termination rights.

ARTICLE III

DEVELOPMENT AND FINANCING OF REFUNDING PROJECT; ISSUANCE OF BONDS

SECTION 3.1 Issuance of Bonds; Application of Proceeds.

To provide funds to make the Loan for the purpose of paying Costs, the Issuer will issue the Bonds, at the request and for the benefit of the School District. The Bonds will be issued pursuant to the Indenture and will bear interest, mature and be subject to redemption all as set forth therein. The School District hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered. Subject to and upon compliance with the applicable provisions of the Indenture, the Interest Rate Mode of the Bonds may be converted, as described in the Indenture, or outstanding Bonds may be reissued, remarketed or refunded by other Bonds secured by the Indenture, at the written direction of the School District or as otherwise provided in the Indenture. Any and all fees and expenses in connection with any such conversion or refunding shall be paid by the School District.

The proceeds from the sale of the Bonds shall be loaned to the School District pursuant to Section 4.1 hereof and, at the direction of the School District, such proceeds shall be paid over to the Trustee to be used for the payment of the costs of issuing the Bonds and for the payment of costs of the Refunding Project.

SECTION 3.2 School District Required to Pay Costs in Event Proceeds Insufficient.

If money available to the School District from the proceeds of the Bonds are not sufficient to pay the Costs in full, the School District shall pay the shortfall or cause the same to be paid from other sources. The School District shall not be entitled to any abatement, diminution or postponement of the Loan Payments as a result of such payment. The Issuer shall not be responsible for any Costs or any of the costs, fees, expenses and liabilities in connection with the issuance of the Bonds or the Fixed Payer Swap, the execution or delivery of a Liquidity Facility, an Insurance Policy or any related documents, instruments or agreements.

SECTION 3.3 Investment and Use of Fund Money.

At the oral (promptly confirmed in writing) or written request of an Authorized Representative of the School District, any money held as part of the Settlement Fund (as defined in the Indenture) and the other funds and accounts established under the Indenture shall be invested or reinvested by the Trustee in Eligible Investments (as defined in the Indenture). The Issuer and the School District each hereby covenants that it will restrict investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Bonds, so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

SECTION 3.4 Rebate.

The School District agrees to engage a Financial Consultant (as defined in the Indenture) if required to determine the Rebate Amount, to timely make such payments as are required of the School District under Section 5.06 of the Indenture, to make all computations of the Rebate Amount in accordance with Section 148 of the Code, and to otherwise comply with requirements of Section 5.06 of the Indenture applicable to the School District. The obligation of the School District to make such payments shall remain in effect and be binding upon the School District notwithstanding the release and discharge of the Indenture.

ARTICLE IV

LOAN BY ISSUER; LOAN PAYMENTS; OTHER PAYMENTS

SECTION 4.1 Loan by Issuer.

Upon the terms and conditions of this Agreement and at the request and direction of the School District, the Issuer will make the Loan to the School District on the Issue Date in a principal amount equal to the proceeds of the Bonds. The Loan shall be deemed fully advanced upon deposit of the proceeds of the Bonds in the Settlement Fund pursuant to Section 2.01 of the Indenture.

SECTION 4.2 Loan Payments; Base Loan Payments.

The School District agrees to pay to the Issuer or its assignee the Base Loan Payments in installments which, as to amounts, correspond to the payments of the principal, premium (if any) and interest due on the Bonds, and the Periodic Payments owed by the Issuer to the Counterparty. Such payments shall be made by the School District on or before noon of the third Business Day prior to the day on which corresponding payments of the Bonds are due under the Indenture or the day funds are required to be delivered to the Trustee to effect the purchase of Bonds tendered for optional or mandatory purchase pursuant to Article IV of the Indenture or the day Periodic Payments are due under the Fixed Payer Swap.

Such Base Loan Payments and other payment obligations shall be reduced to the extent that other money are available under the Indenture for such payments by the Trustee and a credit in respect thereof has been granted pursuant to the terms of the Indenture. It is the intention of the Issuer and the School District that, notwithstanding any other provision of this Agreement, the Trustee, as assignee of the Issuer, shall receive funds from or on behalf of the School District at such times and in such amounts as will enable the Issuer to meet all of its obligations under the Bonds, the Indenture, the Fixed Payer Swap, any applicable Liquidity Facility, any applicable Remarketing Agreement and any other related documents, agreements or instruments including any such obligations (exclusive of the Unassigned Issuer's Rights) surviving the payment of the Bonds, the Indenture, the Fixed Payer Swap, such Liquidity Facility, such Remarketing Agreement or any other related document, instrument or agreement. Accordingly, so long as an Insurance Policy is in full force and effect, the School District shall pay all Base Loan Payments specified in clause (i) of its definition, and cause all Base Loan Payments specified in (ii) of its definition to be made, by noon at least three Business Days prior to the applicable Interest Payment Date. In addition, if there is any deficiency in amounts required to be deposited in the Rebate Fund or paid to the United States pursuant to Section 5.06 of the Indenture, the School District shall immediately, upon notice from the Trustee, pay such amount to the Trustee for deposit to the Rebate Fund. Notwithstanding the foregoing provision, in the event that the School District delivers to the Trustee an Officer's Certificate accompanied by an opinion of Bond Counsel addressed to the Trustee to the effect that all or a portion of such payment to the United States of America pursuant to Section 5.06 of the Indenture or deposit to the Rebate Fund is not required to be made, such payment or a portion thereof need not be made.

SECTION 4.3 Payments to Redeem Bonds.

(a) Optional and Mandatory Redemption. Whenever the Bonds are subject to optional redemption, the School District may deliver or cause to be delivered Base Loan Payments to the Trustee in addition to the scheduled Base Loan Payments required to be made under Section 4.2 and direct the Trustee to use the Base Loan Payments so delivered for the purpose of calling Bonds for optional redemption in accordance with the applicable provisions of the Indenture and redeeming such Bonds at the redemption price stated in the Indenture; provided, however, that while the Fixed Payer Swap is in effect, there shall be no optional prepayment of the Note unless provision has been made to terminate or transfer the Fixed Payer Swap or otherwise reduce or assign the notional amount of the Fixed Payer Swap in proportion to the optional prepayment of the Note and the corresponding Bonds. Such Base Loan Payments shall be held and applied as provided in the Indenture and delivery thereof shall not operate to abate or postpone Loan Payments otherwise becoming due or to alter or suspend any other obligations of the School District under this Agreement. Whenever the Bonds are subject to optional redemption pursuant to the Indenture, the Issuer will, but only upon written request of the School District, direct the Trustee to call the same for redemption as provided in the Indenture. Whenever the Bonds are subject to mandatory redemption pursuant to the Indenture, the School District will cooperate with the Issuer and the Trustee in effecting such redemption. In the event of any optional or mandatory redemption of the Bonds, the School District will pay or cause to be paid on or before the date of redemption an amount equal to the applicable redemption price as a prepayment of that portion of the Base Loan Payments corresponding to the principal of the Bonds to be redeemed, together with applicable premium (if any) and interest accrued to the date of redemption.

(b) Special Mandatory Redemption. The Note shall be subject to acceleration of Base Loan Payments to provide for the redemption and payment of the Bonds in part, at the redemption price, on the dates and in the principal amounts as set forth in the Indenture for the mandatory sinking fund requirements with respect to the Bonds.

SECTION 4.4 Additional Payments.

The School District shall promptly and timely pay as Additional Payments hereunder: (a) to the Issuer and/or Holder of a Bond, upon the execution of this Agreement any and all reasonable costs and expenses (including legal fees and expenses) incurred or to be paid by or on behalf of the Issuer in connection with the issuance and delivery of the Bonds and the execution and delivery of this Agreement, the Fixed Payer Swap, the Indenture, any applicable Liquidity Facility, any applicable Remarketing Agreement, any applicable Bond Purchase Contract, or any other related document, instrument or agreement or otherwise related to actions taken by the Issuer under this Agreement, any applicable Insurance Commitment, any applicable Bond Purchase Contract, any applicable Liquidity Facility, any applicable Remarketing Agreement, the Fixed Payer Swap (except with respect to Periodic Payments which are within the definition of Base Loan Payments) or the Indenture, the Bonds or any other related document, instrument or agreement or any amendment thereof, supplement thereto or waiver or consent thereunder so long as the Bonds are Outstanding; (b) to a Remarketing Agent, the reasonable fees and expenses of a Remarketing Agent under the Indenture and applicable Remarketing Agreement for services rendered in connection with the Bonds; (c) to the Trustee,

the reasonable fees, charges and expenses of the Trustee and its agents for acting as such under the Indenture and under this Agreement; (d) to a Bond Insurer, the amounts required to be paid, if any, by the Issuer in connection with an Insurance Policy and the applicable Insurance Commitment; (e) to a Bank, any amounts due and owing under a Liquidity Facility; and (f) to the Counterparty and/or a Bond Insurer (as insurer of the Fixed Payer Swap, if applicable), any additional amounts due and owing under the Fixed Payer Swap, with the priority described in the Debt Act, and any fees, costs and expenses incurred by reason of the enforcement and protection of the Counterparty's rights thereunder in connection with the execution and delivery of the Fixed Payer Swap and any and all other amounts due and owing thereunder (including without limitation, termination payments) or in connection with the Bonds.

SECTION 4.5 Obligations Unconditional.

The obligations of the School District to promptly and timely make all Loan Payments and any payments required under Sections 4.2, 4.3, 4.4 and 5.5 shall be absolute and unconditional, and the School District shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including without limitation any defense, set-off, recoupment or counterclaim which the School District may have or assert against the Issuer, the Trustee, any Bondholder specifically identified in the Indenture, the Counterparty (other than with respect to any netting provisions contained in the Fixed Payer Swap), a Remarketing Agent, a Bank, a Bond Insurer or any other Person, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that the payments required of the School District hereunder will be paid promptly and timely in full when due without any delay or diminution whatsoever. Base Loan Payments required to be paid by or on behalf of the School District hereunder shall be received by the Issuer or the Trustee as net of any other Revenues available under the terms of the Indenture on the date when a Base Loan Payment is due and the School District agrees to pay or cause to be paid all charges against, or which will diminish, such net sums.

SECTION 4.6 Assignment of Issuer's Rights; Consent of Trustee.

To secure the payment of the School District's obligations to the Issuer hereunder, the Issuer is pledging and assigning, without recourse, to the Trustee all the Issuer's rights in, to and under this Agreement (except for Unassigned Issuer's Rights), the Funds and Accounts (defined in the Indenture), Revenues (defined in the Indenture) and the other property comprising the Trust Estate. The School District consents to such pledge and assignment and agrees to timely and promptly make or cause to be made Loan Payments directly to the Trustee without defense or set-off by reason of any dispute between the School District and the Trustee. Whenever the School District is required to obtain the consent of the Issuer hereunder (which consent shall not be unreasonably withheld), the School District shall also obtain the consent of the Trustee in accordance with the terms of the Indenture, and, if necessary, the consent of a Bond Insurer in accordance with the terms of an Insurance Policy; provided that, except as otherwise expressly stipulated herein or in the Indenture, the School District shall not be required to obtain the Trustee's consent with respect to the Unassigned Issuer's Rights.

SECTION 4.7 General Obligation of the School District.

This Agreement, including the obligation to make all Loan Payments hereunder, is a general obligation of the School District secured by the full faith, credit and taxing power of the School District, as evidenced by the Note in accordance with the terms thereof and of the Debt Act, and such pledge is specifically enforceable under the Debt Act pursuant to the approval of proceedings filed by the School District with DCED, for the incurrence of debt with respect to the Note and pursuant to proceedings filed with the Department under Section 8284 of the Debt Act with respect to the Fixed Payer Swap. To secure the Base Loan Payments, and any other payments hereunder or obligations to a Holder of a Bond, a Bank, the Counterparty and a Bond Insurer with respect thereto, as provided by the Debt Act, the Issuer is pledging and assigning, without recourse, to the Trustee all the Issuer's rights in, to and under the Note. The School District covenants and agrees that it shall: (i) include the Base Loan Payments due hereunder and under the Note for each fiscal year in which such payments are payable in its budget for that year; (ii) appropriate such amounts from its general revenues for such Base Loan Payments; and (iii) duly and punctually pay or cause to be paid from its sinking fund or any other of its funds or revenues such Base Loan Payments.

SECTION 4.8 Liquidity Facility.

If a Liquidity Facility then in effect is scheduled to terminate or expire or if the events described in Section 6.02(b)(ii) of the Indenture have occurred, the School District hereby agrees to take all such action required to provide for the delivery of an Alternate Liquidity Facility under Section 6.02(b) of the Indenture.

ARTICLE V

ADDITIONAL COVENANTS OF SCHOOL DISTRICT

SECTION 5.1 Compliance with Laws.

The School District shall comply with all applicable requirements of federal, state and local laws and the regulations, rules and orders of any federal, state or local agency, board, commission or court having jurisdiction over its facilities or the operation thereof, including without limitation applicable zoning, planning, building and environmental laws, regulations, rules and orders; provided that the School District shall be deemed in compliance with this Section so long as it is contesting in good faith any such requirement by appropriate legal proceedings.

SECTION 5.2 Financial Statements; Books and Records.

The School District shall prepare or have prepared such financial statements and reports in such form as are reasonably required by the Counterparty, a Bond Insurer or a Bank, and shall keep true and proper books of records and accounts in which full and correct entries are made of all its business transactions. Copies of annual audited financial statements shall be provided to the Trustee if the School District is so requested, and such books of records and accounts shall be made available for inspection upon reasonable notice during normal business hours upon request by the Issuer, the Trustee and their respective agents.

SECTION 5.3 Insurance.

The School District shall at its own cost and expense obtain or cause to be obtained insurance policies against such risks, and in such amounts, as are customarily insured against by school districts in the Commonwealth and shall pay, as the same become due and payable, all premiums in respect thereof.

SECTION 5.4 Litigation Notice.

The School District shall give the Trustee, the Counterparty, a Remarketing Agent, a Bond Insurer and a Bank prompt written notice of any action, suit or proceeding pending or to its knowledge threatened against it at law or in equity, or before any governmental instrumentality or agency, which, if adversely determined, would materially impair the right or ability of the School District to carry on its affairs or would materially and adversely affect its business, operations, properties, assets or financial condition.

SECTION 5.5 Indemnification.

The School District will pay, reimburse, indemnify and hold harmless, to the extent authorized by law, the Issuer, a Bank (but only to the extent provided in the applicable Liquidity Facility), the Trustee, any Bondholder, the Counterparty and any applicable Bond Insurer (each, an "Indemnified Party") and each member, director, officer, employee, attorney and agent of each Indemnified Party for and against any and all claims, losses, damages or liabilities (including the costs and expenses of defending against any such claims) to which each

Indemnified Party or any member, director, officer, employee or agent of each Indemnified Party may become subject, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise directly or indirectly out of and which are not the result of negligence or bad faith on the part of any of the foregoing (a) any loss or damage to property or injury to or death of or loss by any Person, that may be occasioned by any cause whatsoever pertaining to any buildings or facilities of the School District; (b) any breach or default on the part of the School District in the performance of any covenant or agreement of the School District under any of the School District's Agreements or any related document, or arising from any act or failure to act by the School District or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, the execution and delivery of the School District's Agreements or the provision by the School District of any information or certification furnished in connection therewith concerning the Bonds, this Agreement, the Refunding Project or the School District (including, without limitation, any information furnished by the School District for inclusion in any certification made by the Issuer or for inclusion in, or as a basis for preparation of, the information statements furnished by the Issuer and any information or certification obtained from the School District) to assure the exclusion of the interest on the Bonds from the gross income of the Holders for federal income tax purposes; (d) the School District's failure to comply with any requirements of this Agreement pertaining to compliance with the Code under Sections 5.6 and 5.7; (e) any failure by the School District to comply with the provisions of the Debt Act; and (f) any claim, action or proceeding brought with respect to any matter set forth in clause (a), (b), (c), (d) or (e) above.

The School District will pay, reimburse, indemnify and hold harmless, to the extent authorized by law, each Indemnified Party for and against all liabilities, claims, costs and expenses incurred by or on behalf of each Indemnified Party and without negligence or bad faith on the part of each Indemnified Party on account of any action taken or omitted to be taken by each Indemnified Party in accordance with the terms of this Agreement, the Bonds, an Insurance Policy, a Liquidity Facility, a Remarketing Agreement, the Fixed Payer Swap or the Indenture or any action taken at the request of or with the consent of the School District, including reasonable counsel fees and expenses and the other reasonable costs and expenses incurred by each Indemnified Party in defending themselves against any such claims.

In case any action or proceeding is brought against any Indemnified Party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give written notice of that action or proceeding to the School District, and the School District upon receipt of that notice shall have the obligation (to the extent that the indemnity set forth above applies) and the right to assume the defense of the action or proceeding; provided that failure of a party to give that notice shall not relieve the School District from any of its obligations under this Section unless (and then only to the extent) that failure prejudices the defense of the action or proceeding by the School District. At its own expense, an Indemnified Party may employ separate counsel and participate in the defense. The School District shall not be liable for any settlement made without its consent, which shall not be unreasonably withheld, conditioned or delayed.

The indemnification set forth above is intended to and shall (i) include the indemnification of all affected directors, officers, agents, counsel and employees of each

Indemnified Party, and (ii) be enforceable by each Indemnified Party to the full extent permitted by law.

This Section 5.5 shall survive the termination of this Agreement, the Indenture, the Fixed Payer Swap, an Insurance Policy, a Liquidity Facility, a Remarketing Agreement and the payment or defeasance of the Note and the Bonds and the removal or resignation of the Trustee for any reason.

SECTION 5.6 Tax Covenants of School District and Issuer.

The School District covenants and represents that it will at all times do and perform all acts and things necessary or desirable and within its reasonable control in order to assure that interest paid on the Bonds shall not be includable in the gross income of any Holder for federal income tax purposes. The School District also covenants and represents that it shall not take or omit to take, or permit to be taken on its behalf, any actions which, if taken or omitted, would adversely affect the excludability from the gross income of the Holders of interest paid on the Bonds for federal income tax purposes. The Issuer and the School District mutually covenant for the benefit of the Holders that they will not use the proceeds of the Bonds, any money derived, directly or indirectly, from the use or investment thereof or any other money on deposit in any fund or account maintained in respect of the Bonds (whether such money were derived from the proceeds of the sale of the Bonds or from other sources) in a manner which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code or would otherwise violate Section 7.08 of the Indenture.

At no time will any funds constituting gross proceeds (as defined in Section 148 of the Code) of the Bonds be used by the Issuer or the School District to acquire investments at other than fair market value within the meaning of the applicable Treasury Regulations pertaining to, or in any other fashion that would constitute failure of compliance with, Section 148 of the Code. Investments or deposits in certificates of deposit or pursuant to investment contracts shall not be made by the Issuer or the School District without compliance, at or prior to such investment or deposit, with the requirements of Treasury Regulations Section 1.148-5(d)(6)(ii) and (iii), respectively, or with any successor provisions thereto.

SECTION 5.7 Further Tax Covenants of School District.

The School District acknowledges having received and reviewed the Indenture and the Fixed Payer Swap, and is familiar with the provisions of the foregoing documents and agrees to perform all duties imposed upon it by the Indenture, this Agreement, the Fixed Payer Swap and by the Code to preserve the exclusion of the interest payable on the Bonds from federal income taxation; and the School District approves the tax certificate in connection with the issuance of the Bonds. Insofar as the Indenture, the Fixed Payer Swap or the tax certificate contain certain obligations or make representations or covenants by, or to be performed by, the School District, as to the expenditure or use of Bond proceeds, investment restrictions, the amount of outstanding tax exempt obligations issued for the benefit of the School District or related parties, and otherwise, or impose duties and responsibilities upon the School District, they are specifically incorporated herein by reference.

ARTICLE VI

REDEMPTION OF BONDS

SECTION 6.1 Optional Redemption.

Provided no Event of Default shall have occurred and be continuing and the conditions of Section 4.3 are met, at any time and from time to time, the School District may deliver or cause to be delivered Loan Payments to the Trustee in addition to the scheduled Loan Payments required to be made under Section 4.2 hereof and direct the Trustee in writing to use the Loan Payments so delivered for the purpose of calling Bonds for optional redemption in accordance with the applicable provisions of the Indenture, if any, and redeeming such Bonds at the redemption price stated in the Indenture. Such Loan Payments shall be held and applied as provided in Section 5.02 of the Indenture and delivery thereof shall not operate to abate or postpone Loan Payments otherwise becoming due or to alter or suspend any other obligations of the School District under this Agreement. Whenever the Bonds are subject to optional redemption pursuant to the Indenture, the Issuer will, but only upon written direction of the School District, direct the Trustee in writing to call the same for redemption as provided in the Indenture.

SECTION 6.2 Mandatory Redemption.

The School District shall deliver or cause to be delivered to the Trustee the money needed to redeem the Bonds in accordance with the mandatory redemption provisions, if any, set forth in the Bonds and the Indenture. Whenever the Bonds are subject to mandatory redemption pursuant to the Indenture, the School District will cooperate with the Issuer and the Trustee in effecting such redemption.

SECTION 6.3 Actions by Issuer.

So long as the School District shall be in compliance with all of its obligations and duties hereunder, at the request of the School District or the Trustee, the Issuer shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1 Events of Default.

Each of the following shall be an Event of Default:

(a) Failure by the School District to make or cause to be made any Loan Payment on or prior to the date on which such payment is due and payable;

(b) Failure by the School District to observe and perform any other agreement, term or condition contained in this Agreement and continuation of such failure for a period of 30 days after notice thereof shall have been given to the School District by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, such failure shall not constitute an Event of Default so long as the School District institutes curative action within the applicable period and diligently pursues such action to completion, and such failure shall not constitute an Event of Default under any circumstances without the prior written consent of the applicable Bond Insurer; provided, however that such cure period shall not exceed 90 days unless the applicable Bond Insurer consents to a longer cure period;

(c) For any reason the Bonds are declared due and payable by acceleration accordance with the Indenture.

SECTION 7.2 Remedies on Default.

(a) Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(1) If acceleration of the principal amount of the Bonds prior to maturity has been declared pursuant to Section 8.03 of the Indenture, the Trustee shall declare all Loan Payments to be immediately due and payable, whereupon the same shall become immediately due and payable; and

(2) The Issuer, the Insurer and the Trustee (as holder of the Note and assignee of this Agreement) may pursue any and all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under this Agreement and the Note, or to enforce the performance and observance of any other obligation or agreement of the School District under this Agreement and the Note.

(3) Anything in this Agreement to the contrary notwithstanding, so long as principal and interest on the Bonds is being paid in full, including upon a remarketing or reissuance contemplated by the Indenture (as supplemented in the case of a refunding of outstanding Bonds with Additional Bonds) upon the occurrence of a failure to pay all or any portion of the Periodic Payments under the Fixed Payer Swap, the Counterparty shall have the right to and be entitled to direct the Trustee, as the holder

of the Note, to take all actions authorized by law under this Agreement and the Indenture to collect such sums, except for the right to accelerate the principal of the Note.

(b) The School District covenants that, in case it shall fail to pay or cause to be paid any Loan Payments as and when the same shall become due and payable whether at maturity, upon redemption or by acceleration or otherwise, then, upon demand of the Trustee or the Issuer, the School District will pay to the Trustee the whole amount that then shall have become due and payable hereunder; and, in addition thereto, such further amounts as shall be sufficient to cover the costs and expenses of collection, including, but not limited to, a reasonable compensation to the Trustee, its agents and counsel, and any reasonable expenses incurred by the Trustee and the Issuer, their agents and counsel. In case the School District shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid.

(c) Notwithstanding the foregoing, the Trustee or the Issuer, as the case may be, shall not be obligated to take any step which in its opinion will or might cause it to expend money or otherwise incur liability unless and until a satisfactory indemnity bond or other satisfactory indemnity has been furnished to the Trustee or the Issuer at no cost or expense to the Trustee or the Issuer. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Debt Service collected pursuant to action taken under this Section shall be paid into the Debt Service Fund and applied in accordance with the provisions of the Indenture or, if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Article XI of the Indenture for transfers of remaining amounts in the Debt Service Fund.

The provisions of this Section are subject to the further limitation that the annulment by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to this Agreement; provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

SECTION 7.3 Remedies Not Exclusive.

No remedy conferred upon or reserved to the Issuer or the Trustee (as the holder of the Note and assignee of this Agreement), by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, and the Indenture existing at law or in equity, now or hereafter. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer and the Trustee (as assignee of Lie Note and assignee of this Agreement) to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

SECTION 7.4 No Waiver.

No failure by the Issuer, the Counterparty, the Trustee or Bond Insurer, to insist upon the strict performance by the School District of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the School District to observe or comply with any provision hereof.

The Issuer and the Trustee may waive any Event of Default hereunder only with the prior written consent of the applicable Bond Insurer.

SECTION 7.5 Notice of Default.

The School District shall notify the Trustee, the Issuer, a Bond Insurer, the Counterparty, a Bank or other party specified in the Indenture, in writing immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1 Term of Agreement.

This Agreement shall be and remain in full force and effect from the date hereof until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture (including in accordance with Section 11.1 thereof), and all other sums payable by the Issuer under the Indenture, the Fixed Payer Swap, a Remarketing Agreement or a Liquidity Facility, and the School District under this Agreement, shall have been paid, except for obligations of the School District under Section 5.5 hereof, which shall survive any termination of this Agreement.

SECTION 8.2 Notices.

(a) Notices to a Bond Insurer.

In addition to any other notices required under this Agreement (i) a Bond Insurer shall be provided all information required by the applicable Insurance Commitment, and (ii) Wachovia Bank, as that phrase is defined and under conditions described in the Indenture, shall be provided the notices hereunder in the manner described in the Indenture.

(b) All notices, certificates, requests or other communications hereunder shall be in writing and shall be deemed to be sufficiently given when sent and received by express delivery service or by registered or certified mail, postage prepaid, and addressed as follows:

- | | |
|------------------------------------|--|
| (1) If to the Issuer: | Bethlehem Area School District Authority
1516 Sycamore Street
Bethlehem, PA 181017
Attention: Superintendent of the School District |
| (2) If to the Trustee: | Manufacturers and Traders Trust Company
213 Market Street, 2 nd Floor
Harrisburg, PA 17101
Attention: Corporate Trust Department |
| (3) If to the School District: | Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017
Attention: Superintendent |
| (4) If to the Counterparty: | Morgan Stanley Capital Services Inc.

New York, NY
Attention: Municipal Operations
Telephone: (410) 534-1436
Fax: (410) 522-5487 |

Such parties, by written notice given hereunder to the Persons listed above, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

SECTION 8.3 Limitation of Liability; No Personal Liability.

In the exercise of the powers of the Issuer, the Trustee or a Remarketing Agent hereunder or under the Indenture, including without limitation the application of money and the investment of funds, neither the Issuer, the Trustee, a Remarketing Agent nor their members, directors, officers, employees or agents shall be accountable to the School District for any action taken or omitted by any of them in good faith and with the belief that it is authorized or within the discretion or rights or powers conferred unless such acts or omissions are made with gross negligence or in bad faith. The Issuer, the Trustee, a Remarketing Agent and their members, directors, officers, employees and agents shall be protected in acting upon any paper or document believed to be genuine, and any of them may conclusively rely and be free from liability for acting or not acting upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. All covenants, obligations and agreements of the Issuer contained in this Agreement or the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, director, officer, agent or employee of the Issuer, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Agreement or the Indenture.

SECTION 8.4 Binding Effect.

This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the School District and their respective successors and assigns; provided that this Agreement may not be assigned by the School District (except in compliance with Section 8.9 hereof) and may not be assigned by the Issuer except to the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Base Loan Payments and Additional Payments herein. This Agreement may be enforced only by the parties, their assignees and others who may, by law, stand in their respective places. In addition, the Counterparty, any Remarketing Agent, any Bond Insurer and any Bank are hereby explicitly recognized as third party beneficiaries of this Agreement to the extent of their respective interests herein.

SECTION 8.5 Amendments.

Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and unless and until all conditions provided for in the Indenture for release of the Indenture having been met and all amounts due to the Counterparty under the Fixed Payer Swap have been paid, and all amounts due to a Bank under a Liquidity Facility have been paid, this Agreement may not be effectively amended, modified or terminated except by an instrument in writing signed by the School District and the Issuer, and consented to in writing by the Trustee, if such amendment would materially adversely affect the interest of the Holders, a Bank and Bond Insurer in accordance with the provisions of Article X of the Indenture, and, to the extent provided in the Fixed Payer Swap, also by the Counterparty.

SECTION 8.6 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same instrument.

SECTION 8.7 Severability.

If any provision of this Agreement is determined by a court to be invalid or unenforceable, such determination shall not affect any other provision hereof, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. Such invalidity or enforceability shall not affect any valid and enforceable application thereof, and each such provision shall be deemed to be effective, operative and entered into in the manner and to the full extent permitted by applicable law.

SECTION 8.8 Governing Law.

This Agreement shall be deemed to be a contract made under the laws of the Commonwealth and for all purposes shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

SECTION 8.9 Assignment.

The School District shall not assign this Agreement or any interest of the School District herein, either in whole or in part except as set forth below. No such assignment may occur unless the following conditions are fulfilled: (i) the assignee assumes in writing all of the obligations of the School District hereunder; (ii) in the opinion of counsel satisfactory to the Trustee neither the validity nor the enforceability of this Agreement shall be adversely affected by such assignment; (iii) such assignment shall not, in the opinion of Bond Counsel, have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on the Bonds; (iv) consent by the Issuer, which consent shall not be unreasonably withheld; (v) if an Insurance Policy is in effect, the prior written consent of the applicable Bond Insurer, (vi) if a Liquidity Facility is in effect, prior written consent of a Bank, (vii) while the 2009 Bond is outstanding, prior written consent of Wachovia Bank, as such phrases are defined in the Indenture, and (viii) if the Fixed Payer Swap is in effect, the prior written consent by the Counterparty. Subject to the foregoing, the terms "Issuer", "School District", "Bond Insurer",

“Bank”, “Counterparty”, “Trustee” and “Remarketing Agent” shall, where the context requires, include the respective successors and assigns of such persons.

SECTION 8.10 Amount Remaining in Funds.

It is agreed by the parties that any amounts remaining under the Indenture, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the payment in full of all obligations of the Issuer and the School District under the Fixed Payer Swap, any rebate obligation, and of the reasonable fees, charges and expenses of the Trustee, a Bank, the Counterparty, a Bond Insurer and the Issuer in accordance with the Indenture, shall, upon discharge of the Indenture pursuant to Article XI thereof, be paid by the Trustee to the School District.

SECTION 8.11 Headings.

The captions or headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provision hereof.

SECTION 8.12 Survival of Covenants; Conditions and Representations.

All covenants, duties, obligations, conditions and representations of the School District contained herein that, by nature, implied or expressly involve performance in any particular manner after the termination of this Agreement or that cannot be ascertained to have been performed until after termination of this Agreement shall survive said termination. Without intending to limit the generality of the foregoing, the School District’s covenants to make Additional Payments and to indemnify the Issuer and the Trustee, as set forth in Sections 4.4 and 5.5 hereof, shall survive any termination of this Agreement.

SECTION 8.13 Termination of the Fixed Payer Swap.

If the Fixed Payer Swap is terminated pursuant to its terms, then any and all amounts received by the Issuer from the Counterparty as a result of such termination shall be immediately paid to, or at the direction of, the School District.

IN WITNESS WHEREOF, the Issuer and the School District, intending to be legally bound, have caused this Agreement to be duly executed in their respective names, all as of the date first above written.

[SEAL]
Attest:

BETHLEHEM AREA SCHOOL
DISTRICT AUTHORITY

Secretary

By: _____
Chairman

[SEAL]

Attest:

BETHLEHEM AREA SCHOOL
DISTRICT, Northampton and Lehigh
Counties, Pennsylvania

Secretary

By: _____
President, Board of School Directors

EXHIBIT A

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA

BETHLEHEM AREA SCHOOL DISTRICT
(NORTHAMPTON AND LEHIGH COUNTIES, PENNSYLVANIA)
GENERAL OBLIGATION NOTE, SERIES A OF 2009

Final Maturity Date: January 1, 2030

Date of Initial Delivery: November 1, 2009

Registered Owner: BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY

Maximum Principal Amount: \$35,000,000.00

BETHLEHEM AREA SCHOOL DISTRICT, located in Northampton and Lehigh Counties, Pennsylvania (the "School District"), a school district duly organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), for value received, promises to pay to the Registered Owner specified above or its registered assigns, the principal amount specified above on the Maturity Date specified above, unless this Note is called for earlier redemption and the payment of the redemption price adequately provided for, and to pay interest thereon as described herein. Principal of and interest on this Note shall be payable in such amounts and at such times so as to provide for the full and timely payment by the Bethlehem Area School District Authority (the "Issuer") of the principal of (whether at maturity or upon mandatory redemption or acceleration or otherwise) and interest, which interest includes all amounts required to be paid by the Issuer to the Counterparty (as defined in the hereinafter mentioned Loan Agreement) under the Fixed Payer Swap (as defined in the Loan Agreement), on School Revenue Bonds which may be issued, reissued and remarketed by the Issuer pursuant to the Loan Agreement (the "Bonds"), including while all or any portion of the Bonds are owned by or pledged to a Liquidity Provider (as hereinafter defined) ("Bank Bonds"), and all other Base Loan Payments payable pursuant to the Loan Agreement (hereinafter defined), after giving effect to any and all payments received by the Issuer or Manufacturers and Traders Trust Company (the "Trustee") as trustee under the Trust Indenture, dated as of November 1, 2009, with the Issuer, and on deposit in the Debt Service Fund (including the sinking fund established under the Resolution) to pay the Bonds, as such terms are defined in the Loan Agreement hereinafter mentioned. Any other provision of this Note or of the Loan Agreement to the contrary notwithstanding, the maximum rate of interest payable on the outstanding principal balance of this Note shall be fifteen percent (15%), per annum (or such lower rate as set forth in the Bonds) for so long as the Bonds are Outstanding; provided however that if any Bonds in the Weekly Mode (as defined in the Indenture) become Bank Bonds, in accordance with the terms of the Indenture and any applicable Liquidity Facility, the maximum rate of interest payable on the outstanding principal balance of this Note shall be twenty-five percent (25.0%), per annum.

PAYMENT TERMS

The principal of and redemption premium, if any, payable upon maturity or any earlier redemption or prepayment of this Note are payable upon presentation and surrender of this Note to the Registered Owner or, at its direction, to the Trustee at its address set forth in the Loan Agreement, or its successor as paying agent and sinking fund depository with respect to this Note (the "Paying Agent"), at its designated corporate trust office, which may be designated by the Paying Agent from time to time and written notice of which shall be sent by the Paying Agent to the Registered Owner of this Note by first class United States mail. The principal and redemption price of and interest on this Note are payable from funds deposited in the sinking fund established under the Resolution and contemplated by the Indenture, in lawful money of the United States of America.

GENERAL PROVISIONS

This Note evidences the obligation of the School District to repay the loan to be made by the Issuer to the School District under the Loan Agreement, dated as of November 1, 2009, by and between the Issuer, as lender, and the School District, as borrower (the "Loan Agreement"). All initially capitalized terms used herein and not defined shall have the meaning set forth in the Loan Agreement, unless otherwise required by the rules of grammar or context.

This Note is issued pursuant to a resolution duly adopted by the Board of School Directors of the School District on September 21, 2009, (the "Resolution"), and is issued in accordance with the provisions of the Pennsylvania Local Government Unit Debt Act, as amended (the "Debt Act"). The issuance of this Note by the School District and the incurrence of the indebtedness evidenced by this Note have been approved, as required by the Debt Act, by the Department of Community and Economic Development of the Commonwealth. The School District has covenanted in the Loan Agreement and hereby covenants with the holder of this Note that it shall (i) include the amount of Base Loan Payments payable for each fiscal year in which such payments are payable in its budget for that year, (ii) appropriate such amounts from its general revenues for the payment of such Base Loan Payments, and (iii) duly and punctually pay or cause to be paid from its sinking fund or any other of its revenues or funds the principal of and the interest on this Note at the dates and places and in the manner stated in this Note, according to the true intent and meaning hereof. For such budgeting, appropriation and payment, the School District has pledged, and does hereby pledge, its full faith, credit and taxing power. This covenant is specifically enforceable; subject, however, as to the enforceability of remedies, to any applicable bankruptcy, insolvency, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally. Nothing in this paragraph should be construed to give the School District any taxing power not granted by another provision of law.

Upon execution and delivery of the Indenture on the Issue Date, the Indenture shall provide that the Issuer has assigned to the Trustee the Issuer's right, title and interest in and to the Loan Agreement (except the Unassigned Issuer's Rights as defined therein) and this Note, Furthermore, upon the effective date of issuance, reissuance or change in the Rate Mode on the Bonds in or to the Weekly Mode, the School District shall cause to be delivered to the Trustee a

Liquidity Facility (as defined in the Loan Agreement) to provide liquidity with respect to the Bonds upon optional or mandatory tender as more fully described in the Indenture.

No recourse under or upon any obligation, covenant, acceptance or agreement contained in the Loan Agreement, or upon this Note or under any judgment obtained against the School District or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any school director or officer, as such, past, present, or future, of the School District, whether directly or through the School District, or otherwise, for the payment for or to the School District or any receiver thereof, or for or to any holder of this Note, or otherwise, of any sum that may be due and unpaid by the School District upon this Note. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such school director or officer, as such, to respond by reason of any Debt Act or omission on his or her part, or otherwise, for, directly or indirectly, the payment for or to the School District or any receiver thereof, or for or to the owner or any holder of this Note, or otherwise, of any sum that may remain due and unpaid upon this Note, shall be deemed to be and is hereby expressly waived and released as a condition of and consideration for the execution and delivery of the Loan Agreement and the issuance of this Note.

PREPAYMENT

This Note shall be subject to prepayment prior to its stated maturity, pursuant to notice mailed to the Registered Owner by the Paying Agent, via first class United States Mail, at least 30 days, (15 days in the case of a prepayment relating to Bonds bearing interest in the Weekly Mode) prior to the stated redemption date, or such lesser notice as shall be acceptable to the Paying Agent and permits adequate notice to the holders of the Bonds under their terms, as follows:

Maturity and Mandatory Sinking Fund Prepayment. Subject to earlier payments due upon maturity or redemption described in the applicable Bonds, this Note shall be subject to maturity or mandatory prepayment, in part, at a redemption price or 100% of the principal amount paid, on the dates and in the principal amounts set forth in the attached Schedule A. This Note shall be subject to acceleration or mandatory prepayment, to the extent of Outstanding Bonds that are Bank Bonds, in accordance with any special mandatory redemption provisions of such Bank Bonds set forth in such Liquidity Facility.

Optional Redemption. This Note shall be subject to optional prepayment (from funds other than those deposited in accordance with the mandatory sinking fund requirements under the Loan Agreement), on the dates and at a redemption price applicable to the Bonds, upon the direction of the School District described in the Indenture; *provided, however*, that while the Fixed Payer Swap is in effect, there shall be no optional redemption of the Bonds unless provision has been made to terminate or transfer the Fixed Payer Swap or otherwise to reduce the notional amount of the Fixed Payer Swap in proportion to the amount of the optional redemption.

REGISTRATION AND TRANSFER

The School District and any Paying Agent may deem and treat the Person in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or prepayment price hereof and interest hereon and for all other purposes, regardless of whether this Note shall be overdue, and the School District and any Paying Agent shall not be affected by any notice to the contrary. Any Paying Agent shall register the transfer of ownership of this Note upon the registration books maintained by it on behalf of the School District upon surrender of this Note to such Paying Agent, accompanied by a written instrument or instruments of assignment in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of this Note or his or its attorney-in-fact or legal representative.

MISCELLANEOUS

It is certified and recited that (i) there have been performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by the School District or to have happened (A) precedent to and in the issuing of the Note in order to make it a legal, valid and binding obligation of the School District, and (B) precedent to and in the execution and delivery of the Loan Agreement in order to make it a legal, valid and binding obligation of the School District; (ii) the full amount of the Loan evidenced by the Note has been received by the School District; and (iii) the Note does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, the School District has caused this Note to be executed in its name by the President of the Board of School Directors, and its seal to be affixed hereto and signed by the Secretary of the Board of School Directors in attestation thereof, all as of November 1, 2009.

BETHLEHEM AREA SCHOOL DISTRICT
Northampton and Lehigh Counties, Pennsylvania

By: _____
President of the Board of School
Directors

ATTEST:

Secretary of the Board
of School Directors

(SEAL)

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto
_____ the
within Note and irrevocably constitutes and appoints attorney to transfer that Note on the books
kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature Guaranteed:

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or any change whatever.

Principal Amortization Schedule
(subject to the terms of the applicable Bonds, the
Indenture and the Resolution)

<u>Redemption Date</u>	<u>Redemption Amount</u>
------------------------	--------------------------

EXHIBIT C

**MAXIMUM SCHEDULED PAYMENT OBLIGATIONS UNDER (1) THE MAXIMUM
INTEREST RATE ON THE 2009A NOTE (15%), (2) THE MAXIMUM INTEREST RATE
AT THE BANK BOND RATE (25%) AND (3) A “TERM OUT” LOAN SCHEDULE AT
THE BANK BOND RATE (25%)**

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
SCHOOL REVENUE BONDS (BETHLEHEM AREA
SCHOOL DISTRICT REFUNDING PROJECT)
SERIES A OF 2009

Dated: 11/1/2009
Settlement: 11/1/2009

MAX PARAMETERS

1	2	3	4	5
Principal <u>Payment Date</u>	<u>Principal</u>	Max <u>Rate (1)</u>	Proposed Fiscal Year <u>Interest</u>	Proposed Debt <u>Service</u>
1/1/2010	20,000	15.000	3,061,250.00	3,081,250.00
1/1/2011	20,000	15.000	5,245,750.00	5,265,750.00
1/1/2012	20,000	15.000	5,242,750.00	5,262,750.00
1/1/2013	20,000	15.000	5,239,750.00	5,259,750.00
1/1/2014	20,000	15.000	5,236,750.00	5,256,750.00
1/1/2015	20,000	15.000	5,233,750.00	5,253,750.00
1/1/2016	20,000	15.000	5,230,750.00	5,250,750.00
1/1/2017	20,000	15.000	5,227,750.00	5,247,750.00
1/1/2018	20,000	15.000	5,224,750.00	5,244,750.00
1/1/2019	20,000	15.000	5,221,750.00	5,241,750.00
1/1/2020	20,000	15.000	5,218,750.00	5,238,750.00
1/1/2021	20,000	15.000	5,215,750.00	5,235,750.00
1/1/2022	20,000	15.000	5,212,750.00	5,232,750.00
1/1/2023	20,000	15.000	5,209,750.00	5,229,750.00
1/1/2024	20,000	15.000	5,206,750.00	5,226,750.00
1/1/2025	20,000	15.000	5,203,750.00	5,223,750.00
1/1/2026	20,000	15.000	5,200,750.00	5,220,750.00
1/1/2027	7,910,000	15.000	4,704,625.00	12,614,625.00
1/1/2028	8,370,000	15.000	3,489,375.00	11,859,375.00
1/1/2029	8,865,000	15.000	2,202,937.50	11,067,937.50
1/1/2030	9,515,000	15.000	832,562.50	10,347,562.50
TOTALS	35,000,000		97,862,750.00	132,862,750.00

(1) Assumes max rate of 15.00%

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
SCHOOL REVENUE BONDS (BETHLEHEM AREA
SCHOOL DISTRICT REFUNDING PROJECT)
SERIES A OF 2009

Dated: 11/1/2009
Settlement: 11/1/2009

MAX PARAMETERS

1	2	3	4	5
Principal Payment Date	Principal	Max Rate (1)	Proposed Fiscal Year Interest	Proposed Debt Service
1/1/2010	20,000	25.000	5,102,083.33	5,122,083.33
1/1/2011	20,000	25.000	8,742,916.67	8,762,916.67
1/1/2012	20,000	25.000	8,737,916.67	8,757,916.67
1/1/2013	20,000	25.000	8,732,916.67	8,752,916.67
1/1/2014	20,000	25.000	8,727,916.67	8,747,916.67
1/1/2015	20,000	25.000	8,722,916.67	8,742,916.67
1/1/2016	20,000	25.000	8,717,916.67	8,737,916.67
1/1/2017	20,000	25.000	8,712,916.67	8,732,916.67
1/1/2018	20,000	25.000	8,707,916.67	8,727,916.67
1/1/2019	20,000	25.000	8,702,916.67	8,722,916.67
1/1/2020	20,000	25.000	8,697,916.67	8,717,916.67
1/1/2021	20,000	25.000	8,692,916.67	8,712,916.67
1/1/2022	20,000	25.000	8,687,916.67	8,707,916.67
1/1/2023	20,000	25.000	8,682,916.67	8,702,916.67
1/1/2024	20,000	25.000	8,677,916.67	8,697,916.67
1/1/2025	20,000	25.000	8,672,916.67	8,692,916.67
1/1/2026	20,000	25.000	8,667,916.67	8,687,916.67
1/1/2027	7,910,000	25.000	7,841,041.67	15,751,041.67
1/1/2028	8,370,000	25.000	5,815,625.00	14,185,625.00
1/1/2029	8,865,000	25.000	3,671,562.50	12,536,562.50
1/1/2030	9,515,000	25.000	1,387,604.17	10,902,604.17
TOTALS	35,000,000		163,104,583.33	198,104,583.33

(1) Assumes max rate of 25.00%

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITYSCHOOL REVENUE BONDS (BETHLEHEM AREA SCHOOL DISTRICT REFUNDING PROJECT)
SERIES A OF 2009

TERM LOAN START DATE : 11/1/2009

1 2 3 4 5 6

3 YEAR TERM OUT SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Max Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Fiscal Year Debt Service</u>
2/1/2010	2,916,667	25.000	2,187,500.00	5,104,166.67	
5/1/2010	2,916,667	25.000	2,005,208.33	4,921,875.00	
8/1/2010	2,916,667	25.000	1,822,916.67	4,739,583.33	
11/1/2010	2,916,667	25.000	1,640,625.00	4,557,291.67	19,322,916.67
2/1/2011	2,916,667	25.000	1,458,333.33	4,375,000.00	
5/1/2011	2,916,667	25.000	1,276,041.67	4,192,708.33	
8/1/2011	2,916,667	25.000	1,093,750.00	4,010,416.67	
11/1/2011	2,916,667	25.000	911,458.33	3,828,125.00	16,406,250.00
2/1/2012	2,916,667	25.000	729,166.67	3,645,833.33	
5/1/2012	2,916,667	25.000	546,875.00	3,463,541.67	
8/1/2012	2,916,667	25.000	364,583.33	3,281,250.00	
11/1/2012	2,916,667	25.000	182,291.67	3,098,958.33	13,489,583.33
TOTALS	35,000,000		14,218,750.00	49,218,750.00	49,218,750.00

* Illustrates maximum rates payable to liquidity provider on bonds tendered and not remarketed (bank bonds).

CERTIFICATE

I, the undersigned, (Assistant) Secretary of the Board of School Directors of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania (the "School District"), certify that: the foregoing is a true and correct copy of a Resolution that duly was adopted by affirmative vote of a majority of all members of the Board of School Directors of the School District at a meeting duly held on the 21st day of September, 2009, said Resolution duly has been recorded in the minute book of the Board of School Directors of the School District; a notice with respect to the intent to adopt said Resolution has been published as required by law; said Resolution was available for inspection by any interested citizen requesting the same in accordance with the requirements of the School District Debt Act of the Commonwealth of Pennsylvania and such notice; and said Resolution has not been amended, altered, modified, or repealed as of the date of this Certificate.

I further certify that the Board of School Directors of the School District met the advance notice and public comment requirements of the Sunshine Act, as amended, by advertising the time and place of said meeting, by posting prominently a notice of said meeting at the principal office of the School District or at the public building in which said meeting was held, and by providing a reasonable opportunity for public comment at said meeting, all in accordance with said Act.

I further certify that: the total number of members of the Board of School Directors of the School District is nine (9); the vote of members of the Board of School Directors of the School District upon said Resolution was called and duly was recorded upon the minutes of said meeting; and members of the Board of School Directors of the School District voted upon said Resolution in the following manner:

Loretta M. Leeson	-
Judith A. Dexter	-
Rosario S. Amato	-
Michele Cann	-
Irene Follweiler	-
Craig T. Haytmanek	-
Charlene A. Koch	-
Eugene C. McKeon	-
Benjamin M. Tenaglia, III	-

IN WITNESS WHEREOF, I set my hand and affix the official seal of the School District, this 21st day of September, 2009.

(Assistant) Secretary of the Board of
School Directors

(SEAL)

**BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania**

RESOLUTION

OF THE BOARD OF SCHOOL DIRECTORS OF BETHLEHEM AREA SCHOOL DISTRICT APPROVING THE AMENDMENT AND TRANSFER OF TWO QUALIFIED INTEREST RATE MANAGEMENT AGREEMENTS (INTEREST RATE SWAP AGREEMENTS) ORIGINALLY UNDERTAKEN IN CONNECTION WITH THE GENERAL OBLIGATION BONDS, SERIES OF 2005, OF THE SCHOOL DISTRICT, TO REFER TO THE RELEVANT PORTION OF THE PROPOSED SCHOOL REVENUE BONDS TO BE ISSUED BY BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY AND THE RELATED GENERAL OBLIGATION NOTE, SERIES A OF 2009 TO BE ISSUED BY THE SCHOOL DISTRICT TO SUCH AUTHORITY; SETTING FORTH THE SUBSTANTIAL FORM OF SAID AMENDMENT TO THE SWAP AGREEMENTS AND A RELATED NOVATION AGREEMENT; APPROVING A NEW INTEREST RATE MANAGEMENT PLAN AND RELATED MAXIMUM PAYMENT SCHEDULES FOR SUCH SWAP AGREEMENTS AND RELATED BONDS; AND AUTHORIZING APPROPRIATE OFFICERS AND AGENTS OF THE SCHOOL DISTRICT TO TAKE RELATED ACTIONS.

WHEREAS, The Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania (the “School District”) is a political subdivision of the Commonwealth of Pennsylvania (the “Commonwealth”), is governed by its Board of School Directors (the “Board”), and is a “Local Government Unit,” within the meaning of the Local Government Unit Debt Act of the Commonwealth, 53 Pa. C.S. Chs. 80-82 (the “Debt Act”); and

WHEREAS, The School Board, by its resolution adopted on December 8, 2003 (the “2003 Parameters Debt Resolution”), incurred nonelectoral debt and recited the parameters of two future series of general obligation bonds for various capital projects to be undertaken by the School District over a period of several years; and

WHEREAS, The Department of Community and Economic Development (the “Department”) of the Commonwealth approved the debt proceedings of the School District under the 2003 Parameters Debt Resolution, by its Certificate of Approval No. GOB-15387, dated December 30, 2003; and

WHEREAS, The School District entered into a Qualified Interest Rate Management Agreement (“QIRMA”), as that phrase is defined in the Debt Act, dated December 23, 2003, with Morgan Stanley Capital Services Inc. (“Morgan Stanley”), under the terms of which the School District, beginning on January 5, 2005, would be obligated to pay a fixed rate of interest and Morgan Stanley would be obligated to pay a variable rate of interest until January 1, 2030, on the \$55,000,000 notional amount of bonds of the School District authorized under the 2003 Parameters Debt Resolution (the “Fixed Payer Swap”); and

WHEREAS, The Fixed Payer Swap was amended on November 18, 2004, to change the formula for the variable rate payments by Morgan Stanley; and

WHEREAS, The School District issued on January 5, 2005, its General Obligation Bonds (Weekly Mode), Series of 2005, in the original aggregate principal amount of \$55,000,000 (the “2005 Bonds”), pursuant to the 2003 Parameters Debt Resolution, as variable rate demand bonds of the School District; and

WHEREAS, Under the Fixed Payer Swap, as amended, the School District beginning on January 5, 2005, began paying Morgan Stanley a fixed rate of 3.90% on a notional amount equal to the principal outstanding on the 2005 Bonds, and Morgan Stanley began paying the School District a variable rate equal to 60% of one month LIBOR plus 0.345%, on the same notional amount, until the final maturity date of all outstanding 2005 Bonds; and

WHEREAS, On May 9, 2005, the School District adopted a Resolution approving an Interest Rate Management Plan, and the terms of another QIRMA with Morgan Stanley, under which the School District would pay Morgan Stanley a variable rate of interest based on the Bond Market Association Municipal Swap Index, and Morgan Stanley would pay the School District a different variable rate of interest based on 68% of one month LIBOR, in each case on a notional amount equal to the principal outstanding on the 2005 Bonds, over a term not to exceed the final maturity date of all outstanding 2005 Bonds (the "Basis Swap"); and

WHEREAS, On May 16, 2005, the School District entered into the Basis Swap; and

WHEREAS, On June 26, 2006, the School District adopted a resolution approving a modified Interest Rate Management Plan, and converting the Basis Swap into a constant maturity swap under which, beginning January 1, 2008, the School District would pay Morgan Stanley a variable rate of interest based on the Bond Market Association Municipal Swap Index, and Morgan Stanley would pay the School District a different variable rate of interest based on 66.9% of ten year LIBOR (the "Constant Maturity Swap"), in each case on a notional amount equal to the

principal outstanding on the 2005 Bonds, over a term not to exceed the final maturity date of all outstanding 2005 Bonds; and

WHEREAS, On June 27, 2006, the School District converted and replaced the Basis Swap with the Constant Maturity Swap; and

WHEREAS, By separate action this date, the School District has incurred nonelectoral indebtedness to be represented by fixed rate, general obligation bonds (the “2009AAA Fixed Rate Bonds”) to refund and retire a portion of the outstanding 2005 Bonds, and terminate that notional amount of the Fixed Payer Swap which relates to the 2005 Bonds so retired; and

WHEREAS, The Bethlehem Area School District Authority (“BASDA”) is a municipality authority organized by the School District under the Pennsylvania Municipality Authorities Act; and

WHEREAS, The School District has requested BASDA to refund and retire the remaining portion of the 2005 Bonds not refunded by the Fixed Rate Bonds, by issuing a series of variable rate demand bonds (the “BASDA Bonds”), to be issued under and secured by a Trust Indenture between BASDA and the trustee appointed for the BASDA Bonds; and

WHEREAS, this School District, with the consent of the BASDA Board, desires to transfer the remaining Fixed Payer Swap, and reassign the annual notional amounts thereon to corresponding principal payments due on the BASDA Bonds; and

WHEREAS, The School District intends to make payments to or for the benefit of BASDA under a Loan Agreement (the “2009A Loan Agreement”) and under a General Obligation Note, Series A of 2009 (the “2009A Note”), to be issued by the School District pursuant to separate

action this date, which payments will include (1) the principal and interest due on the BASDA Bonds (including Bank Bonds described in the 2009A Loan Agreement), (2) any payments due under the Fixed Payer Swap, (3) other costs and expenses due under the 2009A Note in connection with the BASDA Bonds and the 2009A Loan Agreement; and

WHEREAS, this School District desires to transfer the Constant Maturity Swap to corresponding principal amounts of the School District's 2009AAA Fixed Rate Bonds and the 2009A Note, in lieu of the 2005 Bonds (all of which will be retired); and

WHEREAS, The Board of the School District desires to approve and adopt a new Interest Rate Management Plan (the "2009 IRMP"), prepared by Public Financial Management Inc., an Independent Financial Advisor as defined by the Debt Act (the "Financial Advisor"), which will replace previous IRMPs for the Fixed Payer Swap and the Constant Maturity Swap (collectively, the "Swaps"), in light of the issuance of the BASDA Bonds, the 2009A Note and the 2009A Fixed Rate Bonds, and the refunding of the 2005 Bonds, and approve amendments to the Swaps to reflect the foregoing; and

WHEREAS, The Board of the School District desires to take all other necessary action to authorize and approve the amendments of the Swaps, and to execute and deliver such documents as may be necessary to implement the intent and purpose of this Resolution; and

WHEREAS, This Resolution shall be deemed to amend and supplement the 2003 Parameters Debt Resolution, as amended, the Resolutions authorizing the Fixed Payor Swap and Constant Maturity Swap, and any amendments thereto, and any other resolutions of the School District relevant to the subject matter hereof.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED, by the Board of the School District, as follows:

SECTION 1. The Board authorizes and directs the transfer of all of its obligations and duties under the Constant Maturity Swap to corresponding principal amounts of the 2009A Fixed Rate Bonds and the 2009A Note, and authorizes the execution by the President or Vice President and the Secretary or Assistant Secretary of this School District of confirmations, agreement or other documents related thereto, which shall be in such form as is acceptable to such officers of this School District, following consultation with the Solicitor and Bond Counsel to this School District.

SECTION 2. The Board authorizes and directs the transfer of all of its obligations and duties under remaining Fixed Payer Swap to BASDA and authorizes the execution by the President or Vice President and the Secretary or Assistant Secretary of this School District of any confirmations, novation or release agreement related thereto, which shall be in such form as is acceptable to such officers of this School District, following consultation with the Solicitor and Bond Counsel to this School District.

SECTION 3. The Board hereby requests BASDA, in accordance with the 2009A Note Resolution, to issue the BASDA Bonds in accordance with the financing plan of this School District described in the 2009 IRMP, and to accept the transfer of the Fixed Payer Swap from this School District. The Board reaffirms the School District's obligations under the 2009A Loan Agreement and the 2009A Note, including providing for and securing the payment of the principal and interest on the BASDA Bonds and the payments under the Fixed Payer Swap.

SECTION 4. The Board hereby approves the 2009 IRMP attached hereto as Appendix A, which shall replace previous IRMPs of the School District in respect of the Fixed Payer Swap and the Constant Maturity Swap.

SECTION 5. The Board of the School District approves an amendment to the Fixed Payer Swap, by amending the language of the Confirmation to name BASDA as the counterparty to Morgan Stanley thereunder, to name the BASDA Bonds as the “Related Bonds,” to revise the “Notional Amount” to equal the principal amount of the BASDA Bonds and to revise Schedule I thereto to match the amortization of the BASDA Bonds. The Confirmation to the Fixed Payer Swap shall be substantially in the form attached hereto as Appendix B, together with the above approved amendments.

SECTION 6. The Board of the School District approves an amendment to the Constant Maturity Swap, by amending the language of the Confirmation to name the 2009A Fixed Rate Bonds and the 2009A Note as the “Related Bonds” thereunder. This School District shall remain a party to the Constant Maturity Swap. The amended Confirmation to the Constant Maturity Swap shall be substantially in the form attached hereto as Appendix C, together with the above approved amendments.

SECTION 7. The Board of the School District requests that BASDA enter into appropriate agreements with the School District to eliminate the School District as a direct party under the Fixed Payer Swap, and the School District recognizes the assumption by BASDA of all such obligations.

SECTION 8. The maximum annual payment obligations of the School District, with respect to the 2009A Fixed Rate Bonds and the 2009A Note, and on each of the Swaps, which shall be payable by the School District, if and as necessary, are set forth in the 2009 IRMP which is attached hereto and made part hereof. As contemplated by Section 8284 of the Act, the maximum interest rate payable: (i) on the 2009A Note is 15.0%, except as provided in the 2009A Loan Agreement for the Bank Bonds rate which is 25.0%, (ii) on the Fixed Payer Swap is 3.900%, and (iii) on the Constant Maturity Swap is 25.0%, on a cumulative basis. The 2003 Parameters Debt Resolution, as well as the resolutions approving the Swaps, shall be deemed to be amended to be consistent with this Section.

SECTION 9. BASDA is requested to adopt the 2009 IRMP and to enter into said amendments to the Fixed Payer Swaps, with such insertions, omissions and variations as the School District's Financial Advisor may recommend and approve, consistent with this Resolution, the execution of the Confirmation by the President or Vice President of the Board of the School District to constitute conclusive evidence of such approval.

SECTION 10. Officers and agents of the School District shall file appropriate proceedings regarding the amendment to the Swaps with the Department of Community and Economic Development, as may be required by the Debt Act.

SECTION 11. The prior advertisement of a public notice of intent to adopt this Resolution in one or more newspapers of general circulation in the School District is hereby ratified and confirmed, and the advertisement of a public notice of the adoption of this Resolution within 15 days following its adoption, as required by the Debt Act, is hereby authorized and directed. Proper

officers of the School District are hereby authorized and directed to arrange for the advertisement of such notices or to authorize and direct the Bond Counsel of the School District to make such arrangements.

SECTION 12. Officers and agents of the School District are authorized and directed to take all other required, necessary and/or appropriate action, or to authorize all other required, necessary or appropriate action to be taken, by or on behalf of the School District, to assure the prompt issuance of the BASDA Bonds, the redemption of the 2005 Bonds, and the related amendments to the Swaps.

SECTION 13. Officers and agents of BASDA are directed to take all other required, necessary and/or appropriate action, or to authorize all other required necessary or appropriate action to be taken, to implement the intent and purpose of this Resolution.

SECTION 14. Any reference in this Resolution to officers of the School District shall mean the member of the Board or employee of the School District customarily responsible for such action, and shall be deemed to refer to his or her duly qualified successor in office, if applicable.

SECTION 15. This Resolution shall be effective for all purposes immediately upon its adoption.

SECTION 16. In the event any provision, section, sentence, clause or part of this Resolution shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Resolution, it being the intent of the School District that such remainder shall be and shall remain in full force and effect.

SECTION 17. Any Resolutions or parts of Resolutions, insofar as the same shall be inconsistent herewith, are repealed. The remaining portions of such Resolutions consistent herewith are ratified and confirmed.

DULY ENACTED, by the Board of the Bethlehem Area School District, in lawful session duly assembled, this 21st day of September, 2009.

**BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania**

By: _____
(Vice) President

ATTEST:

Secretary

(SEAL)

APPENDIX A

2009 INTEREST RATE MANAGEMENT PLAN

APPENDIX B

**AMENDED CONFIRMATION TO FIXED PAYER SWAP
AND RELATED ISDA MASTER AGREEMENT,
CREDIT SUPPORT ANNEX AND SCHEDULE**

Date:	November 18, 2004		
To:	Bethlehem Area School District	From:	Morgan Stanley Capital Services Inc.
Attn:	Stanley Majewski	Contact:	Municipal Derivatives Support
Fax:	610-861-8107	Fax:	212-507-5885
Tel:	610-861-0500	Tel:	914-225-0211

Re: Interest Rate Swap MSCS Ref. No. AUC32

THIS AMENDED AND RESTATED CONFIRMATION SUPERSEDES ANY PRIOR CONFIRMATION OF THIS TRANSACTION. THE CHANGES TO THE TRANSACTION CONTEMPLATED BY THIS AMENDED AND RESTATED CONFIRMATION SHALL BE EFFECTIVE AS OF NOVEMBER 18, 2004.

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement below.

The definitions and provisions contained in the 2000 ISDA Definitions and the 1992 ISDA U.S. Municipal Counterparty Definitions (each as published by the International Swaps and Derivatives Association, Inc.) (the "Definitions") are incorporated into this **Amended and Restated** Confirmation. In the event of any inconsistency between the Definitions and this **Amended and Restated** Confirmation, this **Amended and Restated** Confirmation will govern.

1. This **Amended and Restated** Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of December 8, 2003, as amended and supplemented from time to time (the "Agreement") between you and us. All provisions contained in the Agreement govern this **Amended and Restated** Confirmation except as expressly modified below. The term of this Transaction is set forth in part 2 of this **Amended and Restated** Confirmation, which is not later than the scheduled final maturity date of the bonds, notes or lease rental debt to which it relates.

2. The terms of the particular Transaction to which this **Amended and Restated** Confirmation relates are as follows:

Party A:	Morgan Stanley Capital Services Inc.
Party B:	Bethlehem Area School District
Trade Date:	December 23, 2003
Notional Amount:	USD 55,000,000 amortizing according to Schedule 1
Effective Date:	January 5, 2005
Termination Date:	January 1, 2030
Fixed Amounts:	
Fixed Rate Payer:	Party B

Fixed Rate Payer Payment Dates:	The first calendar day of each month, commencing on February 1, 2005, up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Fixed Rate Payer Period End Dates:	The first calendar day of each month, commencing on February 1, 2005, up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Fixed Rate:	3.90%
Fixed Rate Day Count Fraction:	30/360
Maximum Party B Rate	Not Applicable
<u>Floating Amounts:</u>	
Floating Rate Payer:	Party A
Floating Rate Payer Payment Dates:	The first calendar day of each month, commencing on February 1, 2005, up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate Payer Period End Dates:	The first calendar day of each month, commencing on February 1, 2005, up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate Option:	60% (sixty percent) of USD-LIBOR-BBA, provided that the words "on the day that is two London Banking Days preceding that Reset Date" contained in the definitions of USD-LIBOR-BBA and USD-LIBOR-Reference Banks in Section 7.1 of the Definitions shall be replaced with "on the first day preceding that Floating Rate Reset Date that is both a London Banking Day and a Business Day".
Maturity:	One month
Spread:	0.345% (34.5 basis points)
Floating Rate Day Count Fraction:	Actual/Actual
Floating Rate Reset Dates:	The Effective Date and thereafter each Thursday during each Calculation Period up to and including the Termination Date subject to adjustment in accordance with the Modified Following Business Day Convention.
Compounding:	Inapplicable
Method of Averaging:	Weighted

Business Days: New York

Related Bonds: \$55,000,000 Bethlehem Area School District General Obligation Bonds, Series 2005

Calculation Agent: Party A

3. Account Details:

Payments to Party A: Citibank, New York
ABA No. 021 000 089
For: Morgan Stanley Capital Services Inc.
Account No. 4072 4601

Payments to Party B: Wachovia Bank
ABA #03120-1467
Commonwealth of PA/INVEST
Account # 21000-1714-4860
Further credit: BETHLEHEM AREA SCHOOL DISTRICT
Account #08-120481002-001
Pool 001

Party A Operations Contact: Jean Barnum
Tel: 212-761-4662
Fax: 410-534-1426

4. Fees. At the direction of Party B, upon execution of the prior confirmation for this Transaction Party A paid to (i) Arthurs, Lestrangle & Company, Inc. ("Arthurs Lestrangle") a swap advisor fee equal to the present value of three (3) basis points and (ii) Access Financial Markets ("Access") a structuring agent fee equal to the present value of two (2) basis points, each on the average notional balance to the final maturity of this Transaction discounted to the Effective Date at the Fixed Rate for services provided to Party B in connection with this Transaction. These fees are reflected in, and have increased, the Fixed Rate payable by Party B hereunder.

Party B hereby further directs Party A, upon execution of this Amended and Restated Confirmation, to pay to (i) Arthurs Lestrangle a swap advisor fee equal to the present value of one and one-quarter (1.25) basis points on the average notional balance to the final maturity of this Transaction discounted to the Effective Date at the Fixed Rate, (ii) Access a structuring agent fee equal to the present value of one and one-quarter (1.25) basis points on the average notional balance to the final maturity of this Transaction discounted to the Effective Date at the Fixed Rate, (iii) Sweet Stevens Tucker & Katz LLP a solicitor fee of USD 10,000 and (iv) Hartman Underhill & Brubaker LLP a swap counsel fee of USD 21,500, each for services provided to Party B in connection with this Transaction. These fees related to the amendment and restatement are reflected in, and have decreased, the Floating Rate payable by Party A hereunder.

5. Early Termination Option. Party B has the option to terminate this Transaction, in whole but not in part, (provided that no Event of Default, Potential Event of Default or Termination Event has occurred) by providing (i) at least five (5) Business Days' prior written notice to Party A of its election to terminate this Transaction and (ii) evidence reasonably satisfactory to Party A that any and all amounts owed to Party A in connection with such early termination shall be paid on the due date thereof. Such termination shall constitute an Additional Termination Event under Section 6(e) of the Agreement with Party B as the sole Affected Party, and this Transaction as the sole Affected Transaction. In the event of such termination, the Calculation Agent shall determine the amount owed in connection with such termination using its commercially reasonable judgment. If Party B disputes such calculation, the Calculation Agent shall seek bids from Reference Market-makers consistent with the provisions of Section 6 of the Agreement.

6. Additional Termination Event. The following shall constitute an Additional Termination Event:

A petition for declaratory order or complaint is filed pursuant to Section 8211 of the Pennsylvania Local Government Unit Debt Act, as amended, and either: (i) a Certificate of Disapproval is issued by the Department of Community and Economic Development with respect to the Related Bonds, or (ii) (a) a Certificate of Approval pursuant to Section 8204 is not received by December 30, 2003, and (b) a no merit opinion with respect to such petition for declaratory order or complaint is not issued by counsel to the Counterparty within 30 days of the date hereof. For the purpose of the foregoing Termination Event, the Affected Party shall be Party B and the Transaction evidenced by this **Amended and Restated** Confirmation shall be the Affected Transaction.



Municipal Capital Markets

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUC32 by executing this **Amended and Restated** Confirmation and returning it to us promptly.

We are delighted to have entered into this Transaction with you and look forward to serving you further in the future.

Best Regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED as of the date first written:

BETHLEHEM AREA SCHOOL DISTRICT

By: _____
Name:
Title:

gan Stanley

Municipal Capital Markets

confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUC 32 by
this Confirmation and returning it to us promptly.

delighted to have entered into this Transaction with you and look forward to serving you further in the

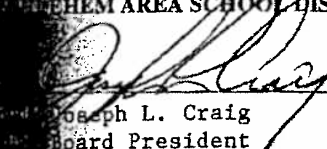
Regards,

STANLEY CAPITAL SERVICES INC.


FABRICE PILATO
Authorized Signatory

ACKNOWLEDGED AND AGREED as of the date first written:

PEPPER HEM AREA SCHOOL DISTRICT


Joseph L. Craig
Board President

SCHEDULE 1
to Amended and Restated Confirmation, dated November 18, 2004,
between Morgan Stanley Capital Services Inc.
and Bethlehem Area School District

MSCS Ref. No. AUC32

<u>FROM (and including)</u>	<u>TO (but excluding)</u>	<u>NOTIONAL AMOUNT</u>
Effective Date	January 1, 2006	USD 55,000,000
January 1, 2006	January 1, 2007	54,995,000
January 1, 2007	January 1, 2008	54,990,000
January 1, 2008	January 1, 2009	54,985,000
January 1, 2009	January 1, 2010	54,980,000
January 1, 2010	January 1, 2011	54,975,000
January 1, 2011	January 1, 2012	54,970,000
January 1, 2012	January 1, 2013	54,965,000
January 1, 2013	January 1, 2014	54,960,000
January 1, 2014	January 1, 2015	54,955,000
January 1, 2015	January 1, 2016	54,950,000
January 1, 2016	January 1, 2017	54,945,000
January 1, 2017	January 1, 2018	54,940,000
January 1, 2018	January 1, 2019	54,935,000
January 1, 2019	January 1, 2020	54,930,000
January 1, 2020	January 1, 2021	54,925,000
January 1, 2021	January 1, 2022	54,920,000
January 1, 2022	January 1, 2023	54,915,000
January 1, 2023	January 1, 2024	49,070,000
January 1, 2024	January 1, 2025	42,955,000
January 1, 2025	January 1, 2026	36,565,000
January 1, 2026	January 1, 2027	29,885,000
January 1, 2027	January 1, 2028	22,905,000
January 1, 2028	January 1, 2029	15,605,000
January 1, 2029	Termination Date	7,975,000

(Local Currency—Single Jurisdiction)



International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of December 8, 2003

**MORGAN STANLEY CAPITAL
SERVICES INC.**

and **BETHLEHEM AREA SCHOOL
DISTRICT**

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:

1. Interpretation

(a) **Definitions.** The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purposes of the relevant Transaction.

(c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable: —

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:—

(a) **Basic Representations**

(i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

- (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
 - (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).
 - (b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.
 - (c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.
 - (d) **Accuracy of Specified information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.
- 4. Agreements**
- Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—
- (a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.
 - (b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.
 - (c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. Events of Default and Termination Events

- (a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:—
 - (i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;
 - (ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed

by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) ***Credit Support Default.***

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) ***Misrepresentation.*** A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) ***Default under Specified Transaction.*** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) ***Cross Default.*** If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) ***Bankruptcy.*** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its

winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: —

- (1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or
- (2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

- (1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or
- (2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Credit Event Upon Merger.** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) **Additional Termination Event.** If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) **Right to Terminate. If: —**

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) **Effect of Designation.**

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:—

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) **First Method and Loss.** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) **Second Method and Market Quotation.** If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) **Second Method and Loss.** If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative

number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) **Termination Events.** If the Early Termination Date results from a Termination Event:—

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties:—

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) *Adjustment for Bankruptcy.* In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) *Pre-Estimate.* The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

(a) a party may make such a transfer of this Agreement pursuant to a consolidation amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void

8. Miscellaneous

- (a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
- (b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
- (c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.
- (d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.
- (e) **Counterparts and Confirmations.**
- (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
 - (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.
- (f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.
- (g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. Notices

- (a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—
- (i) if in writing and delivered in person or by courier, on the date it is delivered;
 - (ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably: —

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement:—

"**Additional Termination Event**" has the meaning specified in Section 5(b).

"**Affected Party**" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:—

- (a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;
- (b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;
- (c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and
- (d) in all other cases, the Termination Rate.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iii).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"law" includes any treaty, law, rule or regulation and "**lawful**" and "**unlawful**" will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain

resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under

this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of:—

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Event" means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined

by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

**MORGAN STANLEY CAPITAL
SERVICES INC.**

**BETHLEHEM AREA SCHOOL
DISTRICT**

By: Nina C. Simmons
Name:
Title: NINA C. SIMMONS
Date: VICE PRESIDENT

By: Joseph L. Craig
Name: Joseph L. Craig
Title: Board President
Date: January 12, 2004

(Bilateral Form)

(ISDA Agreements Subject to New York Law Only)

ISDA®

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA MASTER AGREEMENT

dated as of December 8, 2003

between

MORGAN STANLEY CAPITAL SERVICES INC.
("Party A")

and

BETHLEHEM AREA SCHOOL DISTRICT
("Party B")

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:—

Paragraph 1. Interpretation

(a) *Definitions and Inconsistency.* Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) *Secured Party and Pledgor.* All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Delivery Amount**" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

"**Credit Support Amount**" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) *Substitutions.*

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

Paragraph 6. Holding and Using Posted Collateral

- (a) **Care of Posted Collateral.** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.
- (b) **Eligibility to Hold Posted Collateral; Custodians.**
- (i) **General.** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.
 - (ii) **Failure to Satisfy Conditions.** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.
 - (iii) **Liability.** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.
- (c) **Use of Posted Collateral.** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:
- (i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and
 - (ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.
- For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.
- (d) **Distributions and Interest Amount.**
- (i) **Distributions.** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) **Interest Amount.** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;
- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or
- (iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) **Secured Party's Rights and Remedies.** If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

- (i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;
- (iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and
- (iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) **Pledgor's Rights and Remedies.** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

- (i) the Pledgor may exercise all rights and remedies available to a Pledgor under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;
- (iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and
- (iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:
 - (A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and
 - (B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) **Deficiencies and Excess Proceeds.** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) **Final Returns.** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

- (i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;
- (ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;
- (iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and
- (iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

- (a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.
- (b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).
- (c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

- (a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obliged to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that the Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.
- (b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.
- (c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).
- (d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.
- (e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.
- (f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 12. Definitions

As used in this Annex:—

"Cash" means the lawful currency of the United States of America.

"Credit Support Amount" has the meaning specified in Paragraph 3.

"Custodian" has the meaning specified in Paragraphs 6(b)(i) and 13.

"Delivery Amount" has the meaning specified in Paragraph 3(a).

"Disputing Party" has the meaning specified in Paragraph 5.

"Distributions" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"Eligible Collateral" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Eligible Credit Support" means Eligible Collateral and Other Eligible Support.

"Exposure" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" means the rate specified in Paragraph 13.

"Local Business Day", unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Notification Time" has the meaning specified in Paragraph 13.

"Obligations" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"Other Eligible Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Other Posted Support" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"Pledgor" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"Posted Collateral" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"Posted Credit Support" means Posted Collateral and Other Posted Support.

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 5; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"Resolution Time" has the meaning specified in Paragraph 13.

"Return Amount" has the meaning specified in Paragraph 3(b).

"Secured Party" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"Specified Condition" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"Substitute Credit Support" has the meaning specified in Paragraph 4(d)(i).

"Substitution Date" has the meaning specified in Paragraph 4(d)(ii).

"Threshold" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Transfer" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"Valuation Agent" has the meaning specified in Paragraph 13.

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 13.

"Valuation Percentage" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"Valuation Time" has the meaning specified in Paragraph 13.

"Value" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

- (i) Eligible Collateral or Posted Collateral that is:
 - (A) Cash, the amount thereof; and
 - (B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;
- (ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and
- (iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

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Paragraph 13. Elections and Variables

(a) **Security Interest for "Obligations".** The term "**Obligations**" as used in this Annex includes the following additional obligations with respect to Party A and Party B: None.

(b) **Credit Support Obligations.**

(i) **"Delivery Amount", "Return Amount" and "Credit Support Amount"** each has the meaning specified in Paragraph 3.

(ii) **Eligible Collateral.** The following items will qualify as "**Eligible Collateral**" for Party A:

		<u>Valuation Percentage</u>
(A)	Cash	100%
(B)	Treasury Securities and Agency Notes having a remaining maturity of:	
	Not more than 1 year	99%
	More than 1 year but not more than 10 years	98%
	More than 10 years	96%
(C)	Agency Notes having a remaining maturity of:	
	Not more than 1 year	98%
	More than 1 year but not more than 10 years	97%
	More than 10 years	95%
(D)	Any other item agreed upon in writing from time to time by the parties	As agreed by the parties

(iii) **Other Eligible Support:** Not applicable.

(iv) **Thresholds.**

(A) **"Independent Amount"** means, with respect to a party, at any time the aggregate of any Independent Amounts specified with respect to such party in the Confirmations of all Transactions outstanding at that time.

(B) **"Threshold" and "Minimum Transfer Amount"** respectively mean:

(i) with respect to Party A, at any time the amount specified in the table below under the relevant heading opposite whatever is the lower of the ratings at that time assigned by Standard & Poor's Ratings Group ("S&P") and Moody's Investors Services, Inc. ("Moody's") to the senior, unsecured, unenhanced debt of Morgan Stanley ("MS"), provided that (a) if the senior, unsecured, unenhanced debt of MS is rated by only one of S&P or Moody's, the Threshold and the Minimum Transfer Amount with respect to Party A will be the amount specified in the table below under the relevant heading opposite that rating and (b) if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing, the Threshold and the Minimum Transfer Amount with respect to Party A shall each be zero, or

- (ii) with respect to Party B, Threshold shall be infinite and Minimum Transfer Amount shall mean \$100,000, provided that if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing, the Minimum Transfer Amount with respect to Party B shall be zero.

Ratings Table

Moody's	S&P	Threshold	Minimum Transfer Amount
Baa2 and above	BBB and above	Infinite	USD 1,000,000
Baa3 and below or unrated (if previously rated) by S&P and Moody's	BBB- and below or unrated (if previously rated) by S&P and Moody's	Zero	USD 100,000

- (C) **Rounding.** The Delivery Amount and the Return Amount will not be rounded up or down.

(c) **Valuation and Timing.**

- (i) **"Valuation Agent"** means for purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3, and, for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable.
- (ii) **"Valuation Date"** means each New York Banking Day (as defined in the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA")) without regard to any amendment after the date hereof) (the "ISDA Definitions").
- (iii) **"Valuation Time"** means the close of business in New York on the New York Banking Day before the Valuation Date or date of calculation, as applicable, or any time on the Valuation Date or date of calculation, as applicable; *provided* that the calculations of Value and Exposure will be made as of approximately the same time on the same date.
- (iv) **"Notification Time"** means 10:00 a.m., New York time, on a Local Business Day.
- (v) **"Transfer Timing"** Paragraph 4(b) is amended by (A) deleting the word "next" in the third line thereof and replacing it with the word "same"; and (B) deleting the words "second Local Business Day thereafter" in the fifth line thereof and replacing them with the words "next Local Business Day".
- (d) **Conditions Precedent and Secured Party's Rights and Remedies.** For the purposes of Paragraph 8(a), each Termination Event will constitute a Specified Condition with respect to a Pledgor, if the Pledgor fails to pay when due any amount payable by it in connection with an Early Termination Date designated in connection with that Termination Event. For all other purposes of this Annex, each Additional Termination Event will be a Specified Condition with respect to the relevant party.
- (e) **Substitution.**
- (i) **"Substitution Date"** has the meaning specified in Paragraph 4(d)(ii).
- (ii) **Consent.** The Pledgor need not obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d).
- (f) **Dispute Resolution.**

- (i) **"Resolution Time"** means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.
- (ii) **Value.** For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support or of any Transfer of Eligible Credit Support or Posted Credit Support, as the case may be, will be calculated by the Valuation Agent in accordance with standard market practice using third party sources (such as, by way of example only, Bloomberg or Reuters) where available.

- (iii) **Alternative.** Paragraph 5 is amended by substituting the following for subclauses (1) and (2):

"(1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day (X) that the Transfer otherwise would have been due if no dispute had existed in the case of (I) above, or (Y) following the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will transfer the undisputed amount to the other party not later than the close of business on the Local Business Day (X) that the Transfer otherwise would have been due if no dispute had existed in the case of (I) above, or (Y) following the date of Transfer in the case of (II) above,"

(g) **Holding and Using Posted Collateral.**

- (i) **Eligibility to Hold Posted Collateral; Custodians.** Party B and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:
 - (A) Party B is not a Defaulting Party.
 - (B) Posted Collateral may be held only in the following jurisdictions: the United States of America.

Initially, the Custodian for Party B is [PLEASE PROVIDE].

- (ii) **Use of Posted Collateral.** The provisions of Paragraph 6(c) will apply.

(h) **Distributions and Interest Amount.**

- (i) **"Interest Rate".** The "Interest Rate" will be, with respect to Eligible Collateral in the form of Cash, for any day, USD-LIBOR-BBA, with a designated maturity of one month.
- (ii) **Transfer of Interest Amount.** The Transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of cash in the relevant currency is Transferred to the Pledgor pursuant to Paragraph 3(b).
- (iii) **Alternative to Interest Amount.** The provisions of Paragraph 6(d)(ii) will apply.

- (i) **Additional Representation(s).** Each of Party A and Party B represents that it is not a U.S. bank or thrift institution subject to the Federal Deposit Insurance Act as amended (including amendments effected by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989).

- (j) **Other Eligible Support and Other Posted Support.** "Value" and "Transfer" with respect to Other Eligible Support and Other Posted Support each means: Not applicable.

(k) **Demands and Notices**

All demands, specifications and notices to Party A under this Annex will be made to:

Morgan Stanley Capital Services Inc.
1585 Broadway
3rd Fl. - FID Controllers
New York, NY 10036
Attn: FID Collateral Manager
Phone: 212-761-0877
Fax: 212-507-4949
email: nyfidcoll@morganstanley.com

and all demands, specifications and notices to Party B under this Annex will be made to:

[PLEASE PROVIDE]

provided that any demand, specification or notice may be made by telephone ("Telephone Notice") between employees of each party if such Telephone Notice is confirmed by a subsequent written instruction (which may be delivered via facsimile or email) by the close of business on the same day that such Telephone Notice is given.

(l) **Addresses for Transfers.**

Party A:

Cash: CITIBANK, New York

ABA No.: 021 000 089

Account No.: 4072 - 4601

Treasury Securities

and Agency Notes: Bank of New York, New York/Morgan Stanley & Co. Incorporated

ABA No.: 021000018

Party B: [PLEASE PROVIDE TO EXPEDITE ANY DELIVERY/RETURN OF ELIGIBLE
COLLATERAL]

(m) **Other Provisions.**

(i) Notwithstanding any other provision in this Agreement to the contrary, no full or partial failure to exercise and no delay in exercising, on the part of Party A or Party B, any right, remedy, power or privilege permitted hereunder shall operate in any way as a waiver thereof by such party, including without limitation any failure to exercise or any delay in exercising to any or to the full extent of such party's rights with respect to transfer timing pursuant to Paragraph 4 (b), regardless of the frequency of such failure or delay.

(ii) In all cases, in order to facilitate calculation of the Delivery Amount and the Return Amount for a particular Valuation Date in accordance with Paragraph 3 of this Annex:

(A) Eligible Collateral;

(B) Exposure; and

(C) Posted Collateral

shall each be expressed in US Dollars. If any of these items are expressed in a currency other than US Dollars, then they shall be converted into US Dollar amounts at the spot exchange rate determined by the Valuation Agent on that Valuation Date.

- (iii) **Form of Annex.** The parties hereby agree that the text of the body of this Annex is intended to be the printed form of 1994 ISDA Credit Support Annex (Bilateral Form – ISDA Agreements Subject to New York Law Only version) as published and copyrighted by the International Swaps and Derivatives Association, Inc.

(n) **One-Way Collateral Obligations**

- (i) Paragraph 1(b) of this Annex is hereby deleted in its entirety and replaced with the following:

(b) **Secured Party and Pledgor.** All references in this Annex to the “Secured Party” will be to Party B and all corresponding references to the “Pledgor” will be to Party A.

- (ii) The definition of “Pledgor” in Paragraph 12 of this Annex is amended by deleting the phrase “either party” and replacing it with “Party A”. The definition of “Secured Party” in Paragraph 12 of this Annex is amended by deleting the phrase “either party” and replacing it with “Party B”.

- (iii) Paragraph 2 of this Annex is hereby deleted in its entirety and replaced with the following:

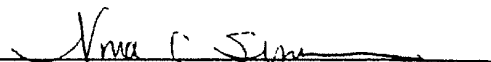
The Pledgor hereby pledges to the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

(o) **Additional Definitions**

- (i) **“Agency Notes”** means negotiable senior debt obligations which are fully guaranteed as to both principal and interest by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, but excluding (i) interest only and principal only securities and (ii) Collateralized Mortgage Obligations, Real Estate Mortgage Investment Conduits and similar derivative securities.
- (ii) **“Treasury Securities”** means U.S. Dollar-denominated senior debt securities of the United States of America issued by the U.S. Treasury Department and backed by the full faith and credit of the United States of America.

IN WITNESS WHEREOF, the parties have executed this Credit Support Annex by their duly authorized officers as of the date hereof.

**MORGAN STANLEY CAPITAL SERVICES
INC.**

By: 

Name:

Title: NINA C. SIMMONS
VICE PRESIDENT

BETHLEHEM AREA SCHOOL DISTRICT

By: 

Name: Joseph L. Craig

Title: Board President

EXECUTION COPY

**SCHEDULE
TO THE
MASTER AGREEMENT
dated as of December 8, 2003
between
MORGAN STANLEY CAPITAL SERVICES INC.
("Party A")
and
BETHLEHEM AREA SCHOOL DISTRICT
("Party B")**

Part 1. Termination Provisions

- (a) **"Specified Entity"** means in relation to Party A for the purpose of:-

Section 5(a)(v), Affiliates
Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(ii), None Specified

and in relation to Party B for the purpose of:-

Section 5(a)(v), None Specified
Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(ii), None Specified

- (b) **"Specified Transaction"** means, in lieu of the meaning specified in Section 12, any contract or transaction, including an agreement with respect thereto (whether or not documented under or effected pursuant to a master agreement) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party).
- (c) **"Cross Default"** applies to Party A and Party B. Section 5(a)(vi) will apply to Party A and will apply to Party B, provided that, with respect to any Specified Indebtedness that is not capable of being declared due and payable as a result of the occurrence or existence of a default, event of default or other similar condition or event (however described) under the agreement or instrument relating to such Specified Indebtedness, the words "which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable" shall be deleted from clause (1) of such Section 5(a)(vi) and the words "and the bondholders or trustee are permitted to exercise any remedies under the agreements and instruments" shall be added in its place.
- (d) **"Specified Indebtedness"** has the meaning specified in Section 12.

(e) **"Threshold Amount"** means: (i) with respect to Party A, U.S. \$10,000,000; and (ii) with respect to Party B, \$10,000,000.

(f) **Bankruptcy.** Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:--

"(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B) in the case of a Government Entity, any Credit Support Provider of such Government Entity or any applicable Specified Entity of such Government Entity, (I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced by it or by any legislative or regulatory body with competent jurisdiction over it, or proposed for consideration by a member of its board or of any legislative or regulatory body with jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;".

(g) **Merger Without Assumption.** Section 5(a)(viii) of this Agreement is hereby amended to read in its entirety as follows:--

"(viii) *Merger Without Assumption.* The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if such party is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, such party, any Credit Support Provider of such party or any applicable Specified Entity) and, at the time of such consolidation, amalgamation, merger, transfer, or succession:--

(1) the resulting, surviving, transferee or successor entity fails to assume all the obligations of such party, such Credit Support Provider or such Specified Entity under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement;

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement; or"

(3) In the case of a Government Entity, the sources of payment for the obligations of such Government Entity as set forth in the Schedule are no longer available for the satisfaction of such resulting, surviving, transferee or successor entity's obligations to the other party hereto.

(h) **"Credit Event Upon Merger"** applies to Party A and Party B. Section 5(b)(ii) is hereby deleted in its entirety and replaced by the following:

"(ii) Credit Event Upon Merger. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, another entity, or another entity transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, X (or, without limiting the foregoing, if X is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, X (or any applicable Specified Entity)), and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of X or the resulting, surviving, transferee, or successor entity (which will be the Affected Party) will result in a Termination Event under Part 1(k) hereof; or"

- (i) The "**Automatic Early Termination**" provisions of Section 6(a) will not apply to Party A and will not apply to Party B; *provided*, however, where the Event of Default is specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8) and is governed by a system of law which does not permit termination to take place upon or after the occurrence of the relevant Event of Default in accordance with the terms of this Agreement, then the Automatic Early Termination provisions of Section 6(a) will apply to Party A and Party B.

In addition to, and notwithstanding anything to the contrary in the preceding sentence, if an Early Termination Date occurs under Section 6(a) as a result of Automatic Early Termination, the Defaulting Party hereby agrees to reimburse the Non-defaulting Party on demand against all loss or damage that the Non-defaulting Party may sustain or incur (including in relation to terminating, liquidating, obtaining or reestablishing any hedge or related position to the extent not already taken into account in the calculation performed under Section 6(e)) in respect of each Transaction as a result of movements in relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data between the Early Termination Date and the Local Business Day upon which the Non-defaulting Party first becomes aware that the Early Termination Date has occurred under Section 6(a) provided however, that if the Non-defaulting Party determines that any such movements have actually resulted in a net, after tax, gain for the Non-defaulting Party then the Non-defaulting Party agrees to pay to the Defaulting Party the sum of such gain, subject to any rights the Non-defaulting party may have under the Agreement or otherwise.

- (j) **Payments on Early Termination.** "**Market Quotation**" and "**Second Method**" will apply for the purpose of Section 6(e) of this Agreement.
- (k) **Additional Termination Event** will apply. The following shall constitute an Additional Termination Event with respect to Party A and Party B:

- (i) with respect to Party A, the Credit Rating of Party A shall cease to be at least "Baa3" from Moody's or "BBB-" from S&P, or Party A's Credit Support Provider shall cease to have a Credit Rating from Moody's or S&P or any of such ratings is

withdrawn or suspended for a reason other than that Party A's Credit Support Provider has elected, with the prior written consent of Party B, not to maintain a rating from such rating agencies;

(ii) with respect to Party B, the Credit Rating of Party B, shall cease to be at least "Baa1" from Moody's or "BBB+" from S&P, or Party B shall cease to have a Credit Rating from Moody's or S&P or any of such ratings is withdrawn or suspended for a reason other than that Party B has elected, with the prior written consent of Party A, not to maintain a rating from such rating agencies; *provided, however*, that such event will not constitute an Additional Termination Event if within 30 days following the occurrence of such event, Party B delivers a swap insurance policy, letter of credit or other form of guaranty of its obligations with respect to all Transactions in form and substance and issued or otherwise provided by an entity acceptable to Party A in its sole discretion;

(iii) with respect to Party B, if on a Reset Date applicable to Party B, the rate payable by Party B under the terms of a Confirmation would exceed the Maximum Party B Rate identified in such Confirmation but for the limitation of such rate to the Maximum Party B Rate and such event is continuing; and

(iv) With respect to Party B, if a payment by Party B for a Transaction has been reduced pursuant to Part 4(f) hereof.

For the purpose of Termination Event (i) above, the Affected Party shall be Party A and for purposes of Termination Events (ii), (iii) and (iv) above, the Affected Party shall be Party B. For the purpose of Termination Events (i) and (ii) above, all Transactions shall be Affected Transactions. For the purpose of Termination Events (iii) and (iv) above, only the Transaction for which such event occurs shall be the Affected Transaction.

- (l) **Mandatory Termination upon Redemption or Prior Retirement of Related Bonds.** Upon the date of a redemption or an early retirement of all or a portion of the Related Bonds (other than as a result of a mandatory sinking fund redemption thereof), the Affected Transaction shall be terminated in whole or in part such that the remaining Notional Amount of such Transaction after termination will not exceed the principal amount of the Related Bonds outstanding after such redemption or early retirement. The schedule, if any, providing for the reduction of the Notional Amount for the Affected Transaction shall be revised to match the revised amortization schedule, if any, of the Related Bonds. Party B shall be the sole Affected Party. In the event of such termination, the Calculation Agent shall determine the amount owed in connection with such termination using its commercially reasonable judgment. If Party B disputes such calculation, the Calculation Agent shall seek bids from Reference Market-makers consistent with the provisions of Section 6 of the Agreement.

Part 2. Agreement to Deliver Documents

For the purpose of Section 4, each party agrees to deliver the following documents, as applicable:-

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
Party A and Party B	Either (1) a signature booklet containing secretary's certificate and resolutions ("authorizing resolutions") authorizing the party to enter into derivatives transactions of the type contemplated by the parties or (2) a secretary's certificate, authorizing resolutions and incumbency certificate, in either case, for such party and any Credit Support Provider of such party reasonably satisfactory in form and substance to the other party.	The earlier of the fifth Business Day after the Trade Date of the first Transaction or upon execution of this Agreement and as deemed necessary for any further documentation.	Yes
Party A	A written opinion of legal counsel to Party A and its Credit Support Provider in the forms attached hereto as Exhibits A-1, A-2 and A-3	Upon execution of this Agreement and upon the execution of each Confirmation	No

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
Party B	A written opinion of legal counsel to Party B (and any Credit Support Provider) reasonably satisfactory in form and substance to Party A	Upon execution of this Agreement and upon the execution of each Confirmation	No
Party A and Party B	A duly executed copy of the Credit Support Documents specified in Part 3 of this Schedule	Upon the execution of this Agreement	No
Party A and Party B	A copy of the annual report of such party (in the case of Party A, in respect of Morgan Stanley) containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized.	As soon as practicable after the execution of this Agreement and also within 120 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal years while there are any obligations outstanding under this Agreement.	Yes
Party B	Copies or, where available, certified copies of: (1) the charter and enabling statutes (or comparable legislation) creating Party B and any Credit Support Provider of Party B and authorizing Party B and any Credit Support Provider of Party B to enter into this Agreement and any Credit Support Document, the exhibits, supplements, and attachments hereto, the documents incorporated by reference herein, and the Confirmations hereunder; (2) any constituent instruments of Party B and any	Upon execution of this Agreement and as deemed necessary for further documentation	Yes

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
	Credit Support Provider of Party B, rules, regulations, investment policies, guidelines, resolutions, ordinances, or provisions affecting the authority of Party B or such Credit Support Provider of Party B to enter into this Agreement, any Credit Support Document, the exhibits, supplements, and attachments hereto, the documents incorporated by reference herein, and the Confirmations hereunder, and the performance of its obligations hereunder and thereunder; and (3) amendments to any of the foregoing.		

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
Party B	All documents evidencing the necessary authorizations, determinations and approvals for the offering, sale and issuance of the Related Bonds	On the Effective Date of any Transaction hereunder	Yes
Party B	Certificate of Approval of the Department of Community and Economic Development with respect to the applicable Related Bonds	On the Effective Date of any Transaction hereunder	Yes
Party B	A certified copy of Party B's Interest Rate Management Plan	Upon execution of this Agreement and any Confirmation hereunder	Yes
Party B	Certificate of an independent financial advisor stating that the financial terms of this Agreement are fair and reasonable to Party B, pursuant to section 8281(e)(4) of the Authorizing Law.	Upon execution of this Agreement and any Confirmation hereunder	Yes
Party A and Party B	Such other documents as the other party may reasonably request	Upon request	No

Part 3. Miscellaneous

(a) **Addresses for Notices.** For the purpose of Section 10(a):-

(i) Address for notices or communications to Party A:-

MORGAN STANLEY CAPITAL SERVICES INC.
Transaction Management Group
1585 Broadway
New York, New York 10036-8293
Attention: CHIEF LEGAL OFFICER
Fax No: 212 507 4622

(ii) Address for notices or communications to Party B:-

Address: Bethlehem Area School District
1516 Sycamore Street
Bethlehem, PA 18017-6099
Attention: Stanley J Majewski, Jr.,
Secretary and Director of Business Affairs
Facsimile No.: 610-861-8107
Telephone No.: 610-861-0500

- (b) **Notices.** Section 10(a) is amended by adding in the third line thereof after the phrase "messaging system" and before the ")" the words, "provided, however, any such notice or other communication may be given by facsimile transmission if telex is unavailable, no telex number is supplied to the party providing notice, or if answer back confirmation is not received from the party to whom the telex is sent."
- (c) **Calculation Agent** means Party A (i) unless otherwise specified in a Confirmation in relation to the relevant Transaction, in which case the Calculation Agent shall be as specified in such Confirmation, or (ii) an Event of Default has occurred and is continuing with respect to which Party A is the Defaulting Party, in which case Party B may designate a Calculation Agent other than Party A, which designee shall qualify as a Reference Market-maker hereunder.
- (d) **Credit Support Document** means with respect to each of Party A and Party B, the Credit Support Annex dated as of the date hereof (the provisions of which are incorporated by reference herein) and, with respect to Party A, the guarantee of Morgan Stanley in the form attached hereto as Exhibit B.
- (e) **Credit Support Provider** means in relation to Party A: Morgan Stanley.
Credit Support Provider means in relation to Party B: Not Applicable.
- (f) **Governing Law; Jurisdiction.** This Agreement, each Credit Support Document and each Confirmation will be governed by and construed in accordance with (i) the laws of the State with respect to the power of Party B to enter into such agreements, the authorization thereof by Party B and the enforcement of the particular remedies provided in the Authorizing Law, and in all other respects (ii) the laws of the State of New York. The parties hereby agree to submit to jurisdiction in the Federal District Courts located in the appropriate district of the State with respect to any Proceedings.
- (g) **Waiver of Jury Trial.** EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDINGS RELATING TO THIS AGREEMENT OR ANY CREDIT SUPPORT DOCUMENT.
- (h) **Netting of Payments.** Clause (ii) of Section 2(c) will not apply to any amounts payable with respect to Transactions from the date of this Agreement.
- (i) **"Affiliate"** will have the meaning specified in Section 12, but excludes Morgan Stanley Derivative Products Inc.

- (j) **Form of Agreement.** The parties hereby agree that the text of the body of the Agreement is intended to be the printed form of 1992 ISDA Master Agreement (Local Currency-Single Jurisdiction) as published and copyrighted by the International Swaps and Derivatives Association, Inc.

Part 4. Other Provisions

- (a) **Deferral of Payments and Deliveries in Connection with Illegality and Incipient Illegality; Interest on Deferred Payments.** Section 2(a)(iii) is hereby amended to read in its entirety as follows:

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default, Illegality, Potential Event of Default or Incipient Illegality with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

- (b) **Representations.**

- (i) The introductory clause of Section 3 of this Agreement is hereby amended to read in its entirety as follows:

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(a), at all times until the termination of this Agreement) that:-

- (ii) Section 3(a)(ii) of this Agreement is hereby amended to read in its entirety as follows:

Powers. It has the power (in the case of a Government Entity, pursuant to the Authorizing Law) to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party, and has taken all necessary action and made all necessary determinations and findings to authorize such execution, delivery and performance;”.

- (iii) Section 3(b) of this Agreement is hereby amended to read in its entirety as follows:”(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Incipient Illegality (in the case of a Government Entity) or Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.”

- (iv) For purposes of Section 3, the following shall be added, immediately following paragraph (d) thereof:

(e) **Eligible Contract Participant.**

Party A is an "eligible contract participant" as defined in Section 1a(12) of the Commodity Exchange Act (7 U.S.C. 1a), as amended by the Commodity Futures Modernization Act of 2000.

Party B (i) is a political subdivision of the Commonwealth of Pennsylvania, (ii) is acting for its own account hereunder and (iii) owns and invests on a discretionary basis \$25,000,000 or more in investments.

- (f) This Agreement has been subject to individual negotiation by such party.
- (g) It has entered into this Agreement (including each Transaction evidenced hereby) in conjunction with its line of business (including financial intermediation services) or the financing of its business.
- (h) It is entering into this Agreement, any Credit Support Document to which it is a party, each Transaction and any other documentation relating to this Agreement or any Transaction as principal (and not as agent or in any other capacity, fiduciary or otherwise).
- (i) Each party acknowledges that, pursuant to the terms of this Agreement (including, without limitation, Section 6(e) hereof), it may owe a payment to the other party upon the designation of an Early Termination Date hereunder, even in the event such Early Termination Date is the result of an Event of Default with respect to such other party.
- (j) It is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) relief by way of injunction, order for specific performance or for recovery of property, (iii) attachment of its assets (whether before or after judgment) or (iv) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject, except for tort claims to which state statutes do apply. Party B hereby agrees that to the extent it may be entitled to claim such immunity in the context of contractual obligations under this Agreement in the future, it will not, to the extent permitted by law, assert any such immunity.
- (k) **ERISA Representation.** It continuously represents that it is not (i) an employee benefit plan (hereinafter an "ERISA Plan"), as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), subject to Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, (ii) a person acting on behalf of an ERISA Plan with respect to this Transaction, or (iii) a person the assets of whom constitute assets of an ERISA Plan. It will provide notice to the other party in the event that it is aware that it is

in breach of any aspect of this representation or is aware that with the passing of time, giving of notice or expiry of any applicable grace period it will breach this representation.

- (c) **Additional Representations of Party B.** Party B hereby further represents to Party A (which representations will be deemed to be repeated by Party B at all times until the termination of this Agreement) that:
- (i) This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for the purposes of managing its borrowings or investments and not for purposes of speculation.
 - (ii) Any Transaction entered into pursuant to this Agreement together with any transactions that Party B has or may enter into with Party A and/or with any or all other parties does not and will not violate or exceed any limits or restrictions contained in any authorizations, approvals or resolutions of the board of directors or other authorized body of Party B.
 - (iii) The execution and delivery by Party B of this Agreement, each Confirmation and any other documentation relating hereto, and the performance of Party B of its obligations hereunder and thereunder, are in furtherance, and not in violation, of the municipal purposes for which Party B is organized pursuant to the laws of the relevant state.
 - (iv) This Agreement and the Transaction executed on or about the date hereof do not constitute, and each additional Transaction will not constitute, any kind of investment by Party B that is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which Party B (or any of its officials in their respective capacities as such) or its property is subject.
 - (v) No person, firm, corporation, entity, or association has the authority to liquidate, borrow, encumber or otherwise utilize the assets of Party B.
 - (vi) Party B is a political subdivision of the Commonwealth of Pennsylvania duly created under the Pennsylvania School Code of 1949, as amended, or an instrumentality of either of the foregoing.
 - (vii) Party B is subject to the jurisdiction of the Pennsylvania Courts of Common Pleas and a Federal District Court located in Pennsylvania.
 - (viii) Party B determines that this agreement is a "qualified interest rate management agreement", as such term is defined in the Authorizing Law and has determined that this Agreement is in its best financial interest.
 - (ix) This Agreement complies with all conditions, requirements and limitations of the Authorizing Law.

- (x) The Related Bonds have been duly authorized in compliance with the terms of the Authorizing Law.
- (xi) Party B will not give a priority as to payment or security for any termination payments relating to other interest rate management agreements superior to the priority of payment provided for under this Agreement for termination payments without the prior written consent of Party A.
- (d) **Credit Support Default.** Subparagraph (3) of Section 5(a)(iii) is hereby amended by adding the phrase "(or such action is taken by any person or entity appointed or empowered to operate or act on its behalf)" after the word "Document" in the second line thereof.
- (e) **Source and Security of Payments.** Party B's obligations hereunder are a general obligation of Party B payable from Party B's general revenues, equally and ratably payable and secured with its obligations to make payments under the Related Bonds. Such general obligation has been authorized and approved by Party B's adoption of its Swap Resolution. Party B hereby covenants that it: (i) shall include the amount of such periodic scheduled payments for each fiscal year in which such sums may become payable in its budget for that fiscal year, (ii) shall include the amount of any termination payments due in its budget for the fiscal year immediately succeeding the fiscal year in which the termination occurred; (iii) shall appropriate such amounts from its general revenues to the payment of such periodic scheduled amounts; and (iv) shall duly and punctually pay or cause to be paid the periodic scheduled amounts at the dates and places and in the manner stated in this Agreement according to the true intent and meaning thereof and for such proper budgeting, appropriation, and payment of periodic scheduled payments, the full faith, credit and taxing power of Party B is hereby irrevocably pledged.

Party B will promptly notify Party A if Party B shall fail to include the amount of such periodic scheduled payments for each fiscal year in which such sums may become payable in its budget for that fiscal year.

Notwithstanding anything to the contrary herein, Party A and Party B hereby agree that periodic scheduled payments and debt service due on the Related Bonds, is superior in right and priority of payment to Settlement Amounts due hereunder. If Party B fails to make scheduled payments hereunder in a timely manner, Party B acknowledges that Party A may recover such amounts through the interception of Pennsylvania appropriations due to Party B in accordance with Section 8283 of the Authorizing Law.
- (f) **Party B Net Payments Limitation.** Notwithstanding the terms of any Confirmation, the amount payable by Party B under any Transaction on any Payment Date shall be reduced by an amount equal to the amount by which the Party B Net Payments exceeds the outstanding principal amount of the Related Bonds multiplied by the Maximum Party B Rate.
- (g) **Notice of Incipient Illegality.** If an Incipient Illegality occurs, the Government Entity will, promptly upon becoming aware of it, notify the other party, specifying the nature of

that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require.

- (h) **Export of Defaults.** The occurrence or designation of an Early Termination Date on account of an Event of Default or Termination Event with respect to a party hereto ("X") (where X is the Defaulting Party or sole Affected Party) shall constitute a material breach and event of default (howsoever described) under all transactions between X and the other party ("Y") or any Affiliate of Y (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) (together, the "Other Transactions"), whereupon Y or any Affiliate of Y shall have the right to terminate, liquidate and otherwise close out any such Other Transactions (and X shall be liable for any damages suffered by Y and any Affiliate of Y as a result thereof).
- (i) **Setoff.**
- (i) In addition to any rights of set-off a party may have as a matter of law or otherwise, upon the occurrence of an Event of Default with respect to Party ("X") hereof (or a provision analogous thereto) or a Termination Event where X is the sole Affected Party, the other party ("Y") shall have the right (but shall not be obliged) without prior notice to X or any other person to set off any obligation of X owing to Y or any Affiliate of Y (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) against any obligations of Y or any Affiliate of Y owing to X (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation).
- (ii) For the purpose of cross-currency set off, Y may convert any obligation to another currency at a market rate determined by Y.
- (iii) If any obligation is unascertained, Y may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.
- (iv) Nothing in this paragraph will have the effect of creating a charge or other security interest. This paragraph shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).
- (j) **Single Relationship.** The parties and their Affiliates intend that all Transactions and all other obligations (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) shall be treated as mutual and part of a single, indivisible contractual and business relationship.

- (k) **Confirmations.** Party A will deliver to Party B a Confirmation relating to each Transaction.
- (l) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):-
- (i) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.
 - (ii) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
 - (iii) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.
- (m) **Additional Definitions.** As used in this Schedule, the following terms shall have the following meanings:
- "Authorizing Law"** means Act 23 of the 2003 laws of the Commonwealth of Pennsylvania.
- "Related Bonds"** means the indebtedness of Party B designated as such in the applicable Confirmation.
- "Credit Rating"** means (i) with respect to Party A, the long term, senior, unsecured, unenhanced debt rating assigned by Moody's or S&P to Party A's Credit Support Provider, and (ii) with respect to Party B, the highest of any public rating by Moody's or S&P of any of the (A) the unenhanced, long-term general obligation bonds or other indebtedness of Party B and (B) the unenhanced, long-term general obligations bonds of the State.
- "Government Entity"** means Party B.
- "Incipient Illegality"** means (a) the enactment by any legislative body with competent jurisdiction over a Government Entity of legislation which, if adopted as law, would

render unlawful (i) the performance by such Government Entity of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by such Government Entity with any other material provision of this Agreement relating to such Transaction or (ii) the performance by a Government Entity or a Specified Entity of such Government Entity of any contingent or other obligation which the Government Entity (or such Specified Entity) has under any Credit Support Document relating to such Transaction, (b) any assertion in any proceeding, forum or action by a Government Entity, in respect of such Government Entity or in respect of any entity located or organized under the laws of the state in which such Government Entity is located to the effect that performance under this Agreement or similar agreements is unlawful or (c) the occurrence with respect to a Government Entity or any Specified Entity of such Government Entity of any event that constitutes an Illegality.

“Party B Net Payments” means, for each Transaction, on each Payment Date, an amount calculated by the Calculation Agent equal to (A) the periodic scheduled payments paid by Party B during the period beginning on the first day of Party B’s fiscal year in which such Payment Date falls to but excluding such Payment Date (the “Fiscal Period”) multiplied by a factor equal to 365 (366 in a leap year) divided by the number of days in the Fiscal Period (the “Annual Factor”), plus (B) the amount of interest that that has accrued on the Related Bonds during the Fiscal Period multiplied by the Annual Factor.

“Moody’s” means Moody’s Investors Services, Inc.

“State” means the Commonwealth of Pennsylvania.

“Swap Resolution” means the resolution adopted by Party B authorizing Party B to enter into the applicable Transaction.

“S&P” means Standard & Poor’s Ratings Group.

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

**MORGAN STANLEY CAPITAL
SERVICES INC.**

By: Nina C. Simmons
Name:
Title: NINA C. SIMMONS
VICE PRESIDENT

BETHLEHEM AREA SCHOOL DISTRICT

By: Joseph L. Craig
Name: Joseph L. Craig
Title: Board President

APPENDIX C

AMENDED CONFIRMATION TO CONSTANT MATURITY SWAP

Morgan Stanley

Municipal Capital Markets

Date:	May 16, 2005		<u>Revised as of June 27, 2006</u>
To:	Bethlehem Area School District	From:	Morgan Stanley Capital Services Inc.
Attn:	Stanley Majewski	Contact:	NY Deriv Client Services
Fax:	610-861-8107	Fax:	646-202-9134
Tel:	610-861-0500	Tel:	212-761-2996
		Email:	Municonfirms_In@morganstanley.com

THIS CONFIRMATION AMENDS AND RESTATES IN ITS ENTIRETY THE PREVIOUS CONFIRMATION FOR THIS TRANSACTION. THE CHANGES CONTEMPLATED BY THIS AMENDED AND RESTATED CONFIRMATION SHALL BE EFFECTIVE AS OF JUNE 27, 2006.

Re: Interest Rate Swap MSCS Ref. No. AUD43

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement below.

The definitions and provisions contained in the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) (the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of December 8, 2003, as amended and supplemented from time to time (the "Agreement") between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Party A:	Morgan Stanley Capital Services Inc.
Party B:	Bethlehem Area School District
Trade Date:	May 16, 2005
Notional Amount:	USD 55,000,000 amortizing according to Schedule 1
Effective Date:	May 18, 2005
Termination Date:	January 1, 2030
Related Bonds:	Bethlehem Area School District, Pennsylvania \$55,000,000 original aggregate principal amount General Obligation Bonds, Series of 2005 (DCED Approval GOB-15387)

Floating Amounts 1:

Floating Rate 1 Payer:	Party B
Floating Rate 1 Payer Payment Dates:	The first calendar day of each month, commencing on June 1, 2005, up to and including the Termination Date, subject to



Municipal Capital Markets

	adjustment in accordance with the Following Business Day Convention.
Floating Rate 1 Payer Period End Dates:	The first calendar day of each month, commencing on June 1, 2005, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Floating Rate 1 Option:	USD-BMA Municipal Swap Index, up to, but not exceeding, the Maximum Party B Rate.
Maximum Party B Rate:	25% per annum
Floating Rate 1 Reset Dates:	The Effective Date, and thereafter weekly, every Thursday (or any other day specified by The Bond Market Association), or if any Thursday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day.
Floating Rate 1 Day Count Fraction:	Actual/Actual
Floating Rate 1 Method of Averaging:	Weighted
Maximum Party B Payments:	The maximum aggregate payment to be made by Party B in any fiscal year for (i) net periodic scheduled payments (not including termination payments) due pursuant to this Transaction and (ii) the interest on the Related Bonds, shall not exceed 25% of the weighted average Notional Amount in any fiscal year
Floating Amounts 2:	
Floating Rate 2 Payer:	Party A
Floating Rate 2 Payer Payment Dates:	The first calendar day of each month, commencing on June 1, 2005, up to and including December 1, 2007, subject to adjustment in accordance with the Following Business Day Convention.
Floating Rate 2 Payer Period End Dates:	The first calendar day of each month, commencing on June 1, 2005, up to and including December 1, 2007, subject to adjustment in accordance with the Following Business Day Convention.
Floating Rate 2 Option:	Sixty-eight percent (68%) times USD-LIBOR-BBA; provided that the words "on the day that is two London Banking Days preceding that Reset Date" contained in the definitions of USD-LIBOR-BBA and USD-LIBOR-Reference Banks in Section 7.1 of the Definitions shall be replaced with "on the first day preceding that Floating Rate Reset Date that is a London Banking Day."
Floating Rate 2 Designated Maturity:	One month
Spread:	Plus 0.42%
Floating Rate 2 Reset Dates:	Each Thursday, subject to adjustment in accordance with the Following Business Day Convention.

Morgan Stanley

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Floating Rate 2 Day Count Fraction: Actual/360

Floating Amounts 3:

Floating Rate 3 Payer: Party A

Floating Rate 3 Payer Payment Dates: The first calendar day of each month, commencing on January 1, 2008, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate 3 Payer Period End Dates: The first calendar day of each month, commencing on January 1, 2008, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate 3 Option: 66.9% (sixty-six spot nine percent) of USD-ISDA-Swap Rate, provided that the words "on the day that is two U.S. Government Securities Business Days preceding that Reset Date" contained in the definitions of USD-ISDA-Swap Rate and USD-CMS-Reference Banks in Section 7.1 of the Definitions shall be replaced with "on the first day preceding that Floating Rate 3 Reset Date that is a U.S. Government Securities Business Day"

Floating Rate 3 Designated Maturity: Ten (10) years

Spread: None

Floating Rate 3 Reset Dates: For the initial Calculation Period, November 29, 2007 and thereafter each Thursday during the Calculation Period up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate 3 Day Count Fraction: Actual/360

Floating Rate 3 Method of Averaging: Weighted

Compounding: Inapplicable

Business Days: New York

Calculation Agent: Party A

Morgan Stanley

Municipal Capital Markets

3. Account Details.

Payments to Party A:

As per Standard Settlement Instructions

Payments to Party B:

Wachovia Bank
ABA #03120-1467
Commonwealth of PA/INVEST
Account # 21000-1714-4860
Further credit: BETHLEHEM AREA SCHOOL DISTRICT
Account #08-120481002-001
Pool 001

Party A Operations Contact:

Municipal Operations
Tel: 410-534-1436
Fax: 410-522-5487
E-mail: MuniOperations@MorganStanley.com

Party B Operations Contact:

Stanley Majewski
Tel: 610-861-0500
Fax: 610-861-8107

4. **Swap Fees.** Party B hereby directs Party A, on the Effective Date, to pay to (i) Arthurs, Lestrangle & Company, Inc. a swap advisor fee of \$295,000, (ii) Hartman Underhill & Brubaker LLP a special swap counsel fee of \$25,000, (iii) Sweet Stevens Tucker & Katz LLP a solicitor fee of \$12,500 and (iv) Access Financial Markets a structuring agent fee of \$295,000, each for services provided to Party B in connection with this Transaction. These fees are reflected in, and have decreased, the Floating Amounts 2 paid by Party A hereunder.

Party B hereby directs Party A, on June 27, 2006, to pay to (i) Arthurs, Lestrangle & Company, Inc. a swap advisor fee of \$175,000, (ii) Stevens & Lee a special swap counsel fee of \$11,600, (iii) Sweet Stevens Tucker & Katz LLP a solicitor fee of \$5,000 and (iv) Access Financial Markets a structuring agent fee of \$175,000, each for services provided to Party B in connection with this Transaction. These fees are reflected in, and have decreased, the Floating Amounts 3 paid by Party A hereunder.

5. **Optional Early Termination.** Party B has the option to terminate this Transaction, in whole or in part, (provided that no Event of Default, Potential Event of Default or Termination Event has occurred) by providing (i) at least five (5) New York Business Days prior written notice to Party A of its election to terminate this Transaction and (ii) evidence reasonably satisfactory to Party A that any and all amounts owed to Party A in connection with such early termination shall be paid on the due date thereof (the effective date of such optional early termination, hereinafter the "Optional Early Termination Date"); provided, however, that the option to designate an Optional Early Termination Date under this Paragraph 5 shall not prevent either party from designating an Early Termination Date in accordance with the provisions of Section 6 of this Agreement (as a result of the occurrence of an Event of Default or Termination Event), to be effective on any date prior to the Optional Early Termination Date designated hereunder. Such termination shall constitute an Additional Termination Event under Section 6(e) of the Agreement with Party B as the sole Affected Party, and this Transaction as the sole Affected Transaction. In the event of such termination, Party A shall determine the amount owed in connection with such termination using its commercially reasonable judgment. If Party B disagrees with such calculation, Party A shall seek actionable bids from Reference Market-makers consistent with the provisions of Section 6 of the Agreement. If Party A disagrees with such calculation, this Transaction shall not be unwound; but, Party B may assign this Transaction to any of the Reference Market-makers who provided a quote.

Morgan Stanley

Municipal Capital Markets

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUD43 by executing this Confirmation and returning it to us promptly.

We are delighted to have entered into this Transaction with you and look forward to serving you further in the future.

Best regards,

MORGAN STANLEY CAPITAL SERVICES INC.



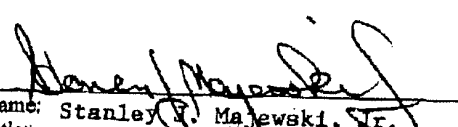
BY: _____

Name: David N. Moore
Title: Vice President

ACKNOWLEDGED AND AGREED as of the date first written:

BETHLEHEM AREA SCHOOL DISTRICT

By: _____



Name: Stanley P. Majewski, Jr.
Title: Assistant to the Superintendent for
Finance and Administration



Municipal Capital Markets

SCHEDULE 1
to Confirmation (MSCS Ref. No. AUD43),
dated May 16, 2005,
between Morgan Stanley Capital Services Inc.
and Bethlehem Area School District

Amortizations shall occur on the Floating Rate Payer Period End Date
corresponding to each related date, below.

FROM (and including)	TO (but excluding)	NOTIONAL AMOUNT
Effective Date	1-Jan-2006	USD 55,000,000
1-Jan-2006	1-Jan-2007	54,995,000
1-Jan-2007	1-Jan-2008	54,990,000
1-Jan-2008	1-Jan-2009	54,985,000
1-Jan-2009	1-Jan-2010	54,980,000
1-Jan-2010	1-Jan-2011	54,975,000
1-Jan-2011	1-Jan-2012	54,970,000
1-Jan-2012	1-Jan-2013	54,965,000
1-Jan-2013	1-Jan-2014	54,960,000
1-Jan-2014	1-Jan-2015	54,955,000
1-Jan-2015	1-Jan-2016	54,950,000
1-Jan-2016	1-Jan-2017	54,945,000
1-Jan-2017	1-Jan-2018	54,940,000
1-Jan-2018	1-Jan-2019	54,935,000
1-Jan-2019	1-Jan-2020	54,930,000
1-Jan-2020	1-Jan-2021	54,925,000
1-Jan-2021	1-Jan-2022	54,920,000
1-Jan-2022	1-Jan-2023	54,915,000
1-Jan-2023	1-Jan-2024	49,070,000
1-Jan-2024	1-Jan-2025	42,955,000
1-Jan-2025	1-Jan-2026	36,565,000
1-Jan-2026	1-Jan-2027	29,885,000
1-Jan-2027	1-Jan-2028	22,905,000
1-Jan-2028	1-Jan-2029	15,605,000
1-Jan-2029	Termination Date	7,975,000

CERTIFICATE

I, the undersigned, (Assistant) Secretary of the Board of School Directors of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania (the "School District"), certify that: the foregoing is a true and correct copy of a Resolution that duly was adopted by affirmative vote of a majority of all members of the Board of School Directors of the School District at a meeting duly held on the 21st day of September, 2009, said Resolution duly has been recorded in the minute book of the Board of School Directors of the School District; a notice with respect to the intent to adopt said Resolution has been published as required by law; said Resolution was available for inspection by any interested citizen requesting the same in accordance with the requirements of the School District Debt Act of the Commonwealth of Pennsylvania and such notice; and said Resolution has not been amended, altered, modified, or repealed as of the date of this Certificate.

I further certify that the Board of School Directors of the School District met the advance notice and public comment requirements of the Sunshine Act, as amended, by advertising the time and place of said meeting, by posting prominently a notice of said meeting at the principal office of the School District or at the public building in which said meeting was held, and by providing a reasonable opportunity for public comment at said meeting, all in accordance with said Act.

I further certify that: the total number of members of the Board of School Directors of the School District is nine (9); the vote of members of the Board of School Directors of the School District upon said Resolution was called and duly was recorded upon the minutes of said meeting; and members of the Board of School Directors of the School District voted upon said Resolution in the following manner:

Loretta M. Leeson	-
Judith A. Dexter	-
Rosario S. Amato	-
Michele Cann	-
Irene Follweiler	-
Craig T. Haytmanek	-
Charlene A. Koch	-
Eugene C. McKeon	-
Benjamin M. Tenaglia, III	-

IN WITNESS WHEREOF, I set my hand and affix the official seal of the School District, this 21st day of September, 2009.

(SEAL)

(Assistant) Secretary of the Board of
School Directors

**Bethlehem Area School District
Northampton and Lehigh Counties, Pennsylvania
September 21, 2009 Interest Rate Management Plan**

OVERVIEW OF CURRENT TRANSACTIONS

In accordance with the requirements of the Local Government Unit Debt Act, 53 Pa. C.S. Chs 80-82 ("Debt Act") this document constitutes the latest Interest Rate Management Plan (the "Plan" or the "IRMP") of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania ("School District"). This Plan replaces previous interest rate management plans adopted by the School District. This Plan has been prepared by PFM Asset Management, LLC ("Financial Advisor"), a firm which satisfies the requirements for an "independent financial advisor" as that phrase is defined in the Debt Act. The Financial Advisor was not involved with the review or preparation of any of the School District's previously adopted Interest Rate Management Plans with the exception of the version adopted on March 16, 2009.

The School District entered into an "interest rate management agreement" ("IRMA"), as defined in the Debt Act, with Morgan Stanley Capital Services Inc. ("Morgan Stanley"). The 2005 Fixed Payer Swap and the 2005 CMS are described in Schedule 2 below (collectively, the "2005 Swaps") were intended by the School District to manage interest rates and costs associated with the \$55,000,000 Variable Rate Demand Revenue Bonds, Series of 2005 (the "2005 Bonds"). As of this date, the 2005 Swaps both have an outstanding notional amount of \$54,980,000.

The School District intends to refund and retire the 2005 Bonds with two series of debt as follows:

A General Obligation Note, Series A of 2009 (the "2009A Note"), will be issued to the Bethlehem Area School District Authority ("BASDA"), incorporated by the School District. At the same time, on or about November 1, 2009, BASDA will concurrently refund and retire a portion of the 2005 Bonds (estimated to be the 2027-2030 maturities) from the proceeds of BASDA's \$35,000,000 School Revenue Bond, Series A of 2009 (the "2009A BASDA Bonds"), to be underwritten by RBC Capital Markets for resale to the public. The 2009A BASDA Bonds bears interest in the "Floating Rate Mode" which will be reset by RBC Capital Markets described in the Trust Indenture (the "Indenture"), to be dated as of November 1, 2009 between BASDA and Manufacturers and Traders Trust Company, as trustee.

When the respective portions of the 2005 Bonds are redeemed by the 2009A BASDA Bonds, the respective portion of 2005 Fixed Payer Swap and the 2005 CMS will become associated with the 2009A Bonds. The sum of the debt service and expenses on the 2009A Bonds and the periodic payments due on the 2005 Fixed Payer Swap determines the annual amounts of the debt service payable by the School District under the 2009A Note. The 2005 CMS will continue to be paid or received directly by the School District. Any termination payments due under the 2005 Fixed Payer Swap and the 2005 CMS would be subordinate in payment to the debt service and periodic payments, as described in the Debt Act.

On or about November 1, 2009, the School District will also issue its fixed rate, General Obligation Bonds, Series AAA of 2009, in the maximum principal amount of \$34,995,000 (the "2009AAA Bonds"), to refund and retire the remaining portion of the 2005 Bonds (estimated to be the 2010-2026 maturities). A portion of the proceeds of the 2009AAA Bonds will also be used to pay the termination payment required to terminate a portion of the 2005 Fixed Payer Swap related to the 2010-2026 maturities of the 2005 Bonds, as permitted by the Debt Act. Following the issuance of the fixed rate 2009AAA Bonds, the refunding of the floating rate 2005 Bonds and the termination of the respective portion of the 2005 Fixed Payer Swap, the risks outlined below (and previous IRMAs) associated with those transactions will end.

I. Debt Outstanding and Proposed New Debt

9/21/2009 Board Meeting

The School District had total direct debt outstanding of \$296,705,000 as of September 21, 2009. Schedules of currently outstanding debt issues, expected annual debt service and, for variable-rate debt, estimated and maximum annual debt service is shown in Schedule 1A and 1B, attached hereto and incorporated herein by this reference.

II. Swaps Outstanding

The School District will continue to be obligated under seven IRMAs following the conclusion of the transactions described above. They are described in Schedule 2.

III. Swap Fees Paid or Payable

The amounts of all consulting, advisory, brokerage or similar fees payable directly by the District, or by BASDA, Morgan Stanley or any other party in connection with the reassignment of the 2005 Swaps to the 2009A Bonds, and the termination of the respective portion of the 2005 Fixed Payer Swap, are listed on Schedule 3.

IV. Scheduled Periodic Payments

Schedules of estimated and maximum periodic scheduled annual payments to be paid by the School District directly or through BASDA, following the current transactions, are shown in Schedules 4A, 4B, 4C, and 4D attached hereto and incorporated herein by this reference.

V. Risk Analysis – 2005 Swaps

Schedule 5A contains a summary of the risks inherent to the 2005 Fixed Payer, paid by or through the School District. Schedules 5B, 5C, and 5D illustrate various scenarios for termination and tax risk, respectively.

Schedule 5E contains a summary of the risks inherent to the 2005 CMS. Schedules 5F and 5G attached hereto and incorporated herein by this reference; review various scenarios for termination and tax risk, respectively.

Schedules of estimated and maximum net payments of debt service and scheduled periodic net payments are also shown in Schedule 6A, 6B, 6C, 6D, 6E, 6F, 6G, and 6H attached hereto and incorporated herein by this reference.

As of September 21, 2009, the School District had total variable rate debt outstanding of \$150,920,000 (50.87% of total outstanding principal).

VI. Risk Analysis – IRMAs Outstanding

As set forth on Schedule 2, the School District will have seven IRMAs remaining after the current transactions are consummated. For the purposes of the Risk Analysis, the schedules illustrating the applicable risk scenarios, are as follows:

- | | |
|----------------------------|--|
| • 2003 Swaption: | Schedules 7A, 7B, 7C, and 7D |
| • 2005 Fixed Payer Swap: | Schedules 5A, 5B, 5C, and 5D |
| • 2005 CMS: | Schedules 5E, 5F, and 5G |
| • 2007 Fixed Payer Swap | Schedules 8A, 8B, 8C, 8D, 8E, 8F, 8G, and 8H |
| • 2007 CMS | Schedules 9A, 9B, 9C, 9D, 9E, 9F, and 9G |
| • 2007-2 Fixed Payer Swap: | Schedules 10A, 10B, 10C, 10D, 10E and 10F |
| • 2007-2 CMS: | Schedules 11A, 11B, 11C, 11D, and 11E |

VII. Monitoring of 2005 Swaps

9/21/2009 Board Meeting

The Debt Act requires the School District to monitor risks and market (termination) values associated with its remaining IRMAs.

A written report providing the status of all interest rate swap agreements entered into by the School District will be prepared by or on behalf of the School District and provided to the Business Manager of the School District at least on an annual basis (or other basis, if so directed by the Business Manager and/or the Board of Directors).

Schedule 1A
Current Estimated Debt Service, Outstanding Bonds

Debt Service Requirements										
1	2	3	4	5	6	7	8	9	10	
Fiscal Year Ended	G.O. Bonds Series A of 2001	G.O. Bonds Series A of 2007	Fixed Rate			Variable Rate (with Fixed Payor Swap)			Total Debt Service	
			G.O. Bonds Series A of 2009	G.O. Bonds Series AA of 2009	G.O. Bonds Series B of 2009	G.O. Bonds Series of 2005 (1)	G.O. Bonds Series of 2007 (2)	G.O. Notes Series of 2009 (3)		
6/30/2010	631,943	8,245,875	4,436,150	554,604	838,786	2,588,948	2,449,213	1,278,875	21,024,393	
6/30/2011	626,943	8,245,625	4,413,431	580,400	839,169	2,973,538	2,448,991	1,891,625	22,019,721	
6/30/2012	631,350	8,245,000	4,719,431	580,400	840,569	2,973,268	2,552,992	1,889,375	22,432,384	
6/30/2013	629,543	8,248,125	4,717,231	580,400	836,819	2,972,998	2,698,673	1,887,125	22,570,913	
6/30/2014	606,693	8,814,625	4,185,519	580,400	837,075	2,972,728	2,698,428	1,884,875	22,580,342	
6/30/2015	603,640	8,817,875	4,187,106	580,400	840,338	2,972,458	2,698,183	1,882,625	22,582,624	
6/30/2016	599,505	8,820,625	4,189,931	580,400	836,819	2,972,188	2,697,938	1,880,375	22,577,780	
6/30/2017	994,035	1,060,875	11,495,331	580,400	841,526	2,971,918	2,697,693	1,878,125	22,519,903	
6/30/2018	1,043,615		12,502,456	580,400	839,434	2,971,648	2,697,448	1,875,875	22,510,875	
6/30/2019	1,038,015		9,562,581	3,523,400	840,439	2,971,378	2,697,203	1,873,625	22,506,640	
6/30/2020			7,309,956	6,748,200	839,369	2,971,108	2,696,958	1,871,375	22,436,965	
6/30/2021			8,955,081	5,105,000	841,294	2,970,838	2,696,713	1,869,125	22,438,050	
6/30/2022			14,056,525		836,575	2,970,568	2,696,468	1,866,875	22,427,010	
6/30/2023			2,411,544		839,869	8,678,898	5,674,156	5,114,813	22,719,279	
6/30/2024			1,775,122		826,006	8,627,193	5,662,093	5,090,013	21,980,426	
6/30/2025					805,769	8,565,795	5,652,965	5,074,025	20,098,554	
6/30/2026					794,000	8,504,210	5,646,284	5,051,513	19,996,006	
6/30/2027					780,419	8,436,740	5,641,558	5,022,475	19,881,192	
6/30/2028					765,419	8,372,620	5,628,502	4,996,688	19,763,228	
6/30/2029					753,834	8,300,995	5,621,810	4,959,038	19,635,677	
6/30/2030						8,226,213	5,615,849	4,929,300	18,771,361	
6/30/2031							13,779,853	4,897,025	18,676,878	
6/30/2032							13,752,159	4,861,988	18,614,147	
6/30/2033										
6/30/2034										
6/30/2035										
Totals	7,405,280	60,498,625	98,917,397	20,574,404	16,473,525	105,966,240	107,102,129	73,826,750	490,764,350	

(1) Interest Rate assumed at 3.900% + 30 bps ongoing admin (through 1/1/2010 and then 150 bps ongoing)

(2) Interest Rate assumed at 4.145% + 30 bps ongoing admin (through 1/1/2012 and then 100 bps ongoing)

(3) The 2009 Note was issued as a 2 year bank loan with Wachovia with a forward purchase agreement. For these purposes, assumes an estimated amortization with a 4.50% interest rate

Schedule 1B
Current Maximum Debt Service, Outstanding Bonds

Debt Service Requirements									
1	2	3	4	5	6	7	8	9	10
Fiscal Year Ended	G.O. Bonds Series A of 2001	G.O. Bonds Series A of 2007	G.O. Bonds Series A of 2009	G.O. Bonds Series AA of 2009	G.O. Bonds Series B of 2009	Fixed Rate			
						G.O. Bonds Series A of 2009	G.O. Bonds Series AA of 2009	G.O. Bonds Series B of 2009	Total Debt Service
6/30/2010	631,943	8,245,875	4,436,150	554,604	838,786	13,749,479	13,751,979	8,242,500	50,451,316
6/30/2011	626,943	8,245,625	4,413,431	580,400	839,169	13,748,229	13,750,729	12,327,500	54,532,026
6/30/2012	631,350	8,245,000	4,719,431	580,400	840,569	13,746,979	13,749,479	12,312,500	54,825,708
6/30/2013	629,543	8,248,125	4,717,231	580,400	836,819	13,745,729	13,748,229	12,297,500	54,803,576
6/30/2014	606,693	8,814,625	4,185,519	580,400	837,075	13,744,479	13,746,979	12,282,500	54,798,270
6/30/2015	603,640	8,817,875	4,187,106	580,400	840,338	13,743,229	13,745,729	12,267,500	54,785,817
6/30/2016	599,505	8,820,625	4,189,931	580,400	836,819	13,741,979	13,744,479	12,252,500	54,766,238
6/30/2017	994,035	1,060,875	11,495,331	580,400	841,526	13,740,729	13,743,229	12,237,500	54,693,626
6/30/2018	1,043,615		12,502,456	580,400	839,434	13,739,479	13,741,979	12,222,500	54,669,863
6/30/2019	1,038,015		9,562,581	3,523,400	840,439	13,738,229	13,740,729	12,207,500	54,650,893
6/30/2020			7,309,956	6,748,200	839,369	13,736,979	13,739,479	12,192,500	54,566,483
6/30/2021			8,955,081	5,105,000	841,294	13,735,729	13,738,229	12,177,500	54,552,833
6/30/2022			14,056,525		836,575	13,734,479	13,736,979	12,162,500	54,527,058
6/30/2023			2,411,544		839,869	18,964,896	16,459,063	14,973,750	53,649,121
6/30/2024			1,775,122		826,006	17,745,521	15,823,229	14,071,750	50,241,628
6/30/2025					805,769	16,463,125	15,161,354	13,143,500	45,573,748
6/30/2026					794,000	15,125,417	14,470,938	12,171,750	42,562,104
6/30/2027					780,419	13,724,167	13,749,479	11,156,500	39,410,565
6/30/2028					765,419	12,265,833	12,985,521	10,106,250	36,123,023
6/30/2029					753,834	10,736,458	12,192,500	9,005,250	32,688,043
6/30/2030						9,138,021	11,362,188	7,872,000	28,372,208
6/30/2031							17,963,333	6,693,500	24,656,833
6/30/2032							15,319,792	5,468,250	20,788,042
6/30/2033									
6/30/2034									
6/30/2035									
Totals	7,405,280	60,498,625	98,917,397	20,574,404	16,473,525	292,809,167	324,165,625	259,845,000	1,080,689,023

(1) Interest Rate assumed at max rate of 25.000%

(2) Interest Rate assumed at max rate of 30.000%

Schedule 2 Outstanding Qualified Interest Rate Management Agreements

See discussion above for some definitions used in this Schedule 2.

“2003 Fixed Payer Swap” Terminated on May 1, 2009.

“2003 Swaption” On December 18, 2003, the School District entered into this fixed to floating rate IRMA (commonly known as a Swaption), with Morgan Stanley, under which Morgan Stanley has the option to require the School District begin making payments to Morgan Stanley based on SIFMA, while Morgan Stanley would pay to the School District a fixed rate of 3.28%. The 2003 Swaption was intended to manage interest rates or costs on the School District's General Obligation Bonds, Series A of 2007 (the “2007A Bonds”). Morgan Stanley may exercise the 2003 Swaption every March 1 and September 1 (Bermuda Style Option) through a termination date of September 1, 2016. Morgan Stanley has not yet exercised the 2003 Swaption.

“2005 Fixed Payer Swap” On December 23, 2003, the School District (on a future start basis) priced this IRMA with Morgan Stanley which was intended to manage interest rates or costs on the School District's, General Obligation Bonds, Series of 2005 (the “2005 Bonds”). The 2005 Fixed Payer Swap currently has an outstanding notional amount of \$54,980,000, on which the School District pays Morgan Stanley a fixed rate of 3.90%, while Morgan Stanley pays the School District 60% of 1-month LIBOR plus a fixed spread of 0.345%. The 2005 Fixed Payer Swap has a termination date of January 1, 2030, the final maturity date of the 2005 Bonds. A portion of the 2005 Fixed Payer Swap, estimated to be the 2010-2026 maturities, will be terminated on or about November 1, 2009 from proceeds of the 2009AAA Bonds. The remaining portion of the 2005 Fixed Payer will be transferred to the 2009A BASDA Bonds

“2005 CMS” On May 16, 2005, the School District priced this IRMA (commonly known as a Constant Maturity Swap) (the “2005 CMS”) with Morgan Stanley which was intended to manage interest rates or costs on the School District's 2005 Bonds. The 2005 CMS has an outstanding notional amount of \$54,980,000, on which the School District pays to Morgan Stanley based on the SIFMA index, netted against payments by Morgan Stanley based on 66.90% of 10-Year LIBOR. The 2005 CMS has a termination date of January 1, 2030, the final maturity of the 2005 Bonds. A portion of the 2005 CMS will be transferred to the 2009AAA Bonds and a portion will be transferred to the 2009A BASDA Bonds.

“2007 Fixed Payer Swap” On November 22, 2005, SBA (on a future start basis) entered into this IRMA with JPMorgan which was intended to manage interest rates or costs on the 2007 Bonds to be issued by SBA (and payable by the School District under the 2007 Note. The 2007 Fixed Payer Swap has an outstanding notional amount of \$39,995,000, on which SBA (now BASDA), and the School District under the 2007 Note, pays JPMorgan a fixed rate of 3.774%, and JPMorgan pays based on 68% of 1-month LIBOR. The 2007 Fixed Payer Swap had an effective date, when swap payments began accruing, of September 1, 2007 and a termination date of July 1, 2031, the final maturity of the 2007 Bonds (and the 2009 Bonds). The 2007 Fixed Payer Swap has been assigned to BASDA and will be associated with the 2009 Bond and 2011 Bonds (and the 2009 Note) on or about May 1, 2009, under the terms of a Novation Agreement.

“2007 CMS” On June 27, 2006, the School District entered into this IRMA (commonly known as a Constant Maturity Swap) with JPMorgan which was intended to manage interest rates or costs on the 2007 Bonds of SBA. The 2007 CMS has an outstanding notional amount of \$39,995,000, on which the School District pays to JPMorgan based on the SIFMA floating index, netted against payments by JPMorgan based on 69.10% of 10-Year LIBOR. The 2007 CMS had an effective date, when swap payments began accruing, of December 1, 2007 and has a termination date of July 1, 2031, the final maturity of the 2007 Bonds (and the 2009 Bonds).

“2007-2 Fixed Payer Swap” On May 16, 2005, the School District (on a future start basis) priced this IRMA with JPMorgan which was intended to manage interest rates or costs on the School District's, General Obligation Bonds, Series of 2007 (the “2007-2 Bonds”). The 2007-2 Fixed Payer Swap has an outstanding notional amount of \$54,990,000, on which the School District pays JPMorgan a fixed rate of 4.145%, and JPMorgan pays based on 60%

9/21/2009 Board Meeting

of 1-month LIBOR plus a fixed spread of 0.346%. The 2007-2 Fixed Payer Swap had an effective date, when swap payments began accruing, of January 4, 2007 and a termination date of January 1, 2032, the final maturity of the 2007-2 Bonds.

"2007-2 CMS" On May 16, 2005, the School District priced this IRMA (commonly known as a Constant Maturity Swap) with JPMorgan which was intended to manage interest rates or costs on the 2007-2 Bonds. The 2007-2 CMS has an outstanding notional amount of \$54,990,000, on which the School District pays to JPMorgan based on the SIFMA floating index, netted against payments by JPMorgan based on 67.70% of 10-Year LIBOR. The 2007-2 CMS had an effective date, when swap payments began accruing, of January 4, 2007 and has a termination date of January 1, 2032, the final maturity of the 2007-2 Bonds.

Schedule 3

Summary of Fees Paid in connection with the 2005 CMS transfers or the 2005 Fixed Payer Swap partial termination:

	Transfer of 2005 Swaps	Partial Termination of 2005 Fixed Payer
Public Financial Management, Inc. Swap Advisor	\$15,000	\$15,000
Rhoads & Sinon LLC * Swap Counsel	\$8,500	\$8,500
King, Spry, Herman, Freund & Faul, LLC * Solicitor	\$4,250	\$4,250

*** Estimated. Final amounts will be based on hourly rate billing**

Schedule 4A
2005 Fixed Payer Swap: Estimated Periodic Scheduled Payments

1	2	3	4	5	6
Fiscal Year	Principal		Receive	Pay	Fiscal Year
<u>Ending</u>	<u>Date</u>	<u>Notional</u>	60% of 1-Month <u>LIBOR + 0.345%</u> (1) 2.750%	Fixed <u>Swap Rate</u> (2) 3.900%	<u>Total</u>
6/30/2010	1/1/2010	54,980,000	(1,175,892.36)	1,667,629.17	491,736.81
6/30/2011	1/1/2011	54,975,000	(1,511,743.75)	2,143,927.50	632,183.75
6/30/2012	1/1/2012	54,970,000	(1,511,606.25)	2,143,732.50	632,126.25
6/30/2013	1/1/2013	54,965,000	(1,511,468.75)	2,143,537.50	632,068.75
6/30/2014	1/1/2014	54,960,000	(1,511,331.25)	2,143,342.50	632,011.25
6/30/2015	1/1/2015	54,955,000	(1,511,193.75)	2,143,147.50	631,953.75
6/30/2016	1/1/2016	54,950,000	(1,511,056.25)	2,142,952.50	631,896.25
6/30/2017	1/1/2017	54,945,000	(1,510,918.75)	2,142,757.50	631,838.75
6/30/2018	1/1/2018	54,940,000	(1,510,781.25)	2,142,562.50	631,781.25
6/30/2019	1/1/2019	54,935,000	(1,510,643.75)	2,142,367.50	631,723.75
6/30/2020	1/1/2020	54,930,000	(1,510,506.25)	2,142,172.50	631,666.25
6/30/2021	1/1/2021	54,925,000	(1,510,368.75)	2,141,977.50	631,608.75
6/30/2022	1/1/2022	54,920,000	(1,510,231.25)	2,141,782.50	631,551.25
6/30/2023	1/1/2023	54,915,000	(1,429,793.75)	2,027,707.50	597,913.75
6/30/2024	1/1/2024	49,070,000	(1,265,343.75)	1,794,487.50	529,143.75
6/30/2025	1/1/2025	42,955,000	(1,093,400.00)	1,550,640.00	457,240.00
6/30/2026	1/1/2026	36,565,000	(913,687.50)	1,295,775.00	382,087.50
6/30/2027	1/1/2027	29,885,000	(725,862.50)	1,029,405.00	303,542.50
6/30/2028	1/1/2028	22,905,000	(529,512.50)	750,945.00	221,432.50
6/30/2029	1/1/2029	15,605,000	(324,225.00)	459,810.00	135,585.00
6/30/2030	1/1/2030	7,975,000	(109,656.25)	155,512.50	45,856.25
TOTALS			(25,699,223.61)	36,446,171.67	10,746,948.06

(1) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 2.750%, received monthly

(2) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

Schedule 4B
2005 Fixed Payer Swap: Maximum Periodic Scheduled Payments

1	2	3	4	5	6
			Receive	Pay	
Fiscal Year	Principal		60% of 1-Month	Fixed	Fiscal Year
<u>Ending</u>	<u>Date</u>	<u>Notional</u>	<u>LIBOR + 0.345% (1)</u>	<u>Swap Rate (2)</u>	<u>Total</u>
			0.000%	3.900%	
6/30/2010	1/1/2010	54,980,000	0.00	1,667,629.17	1,667,629.17
6/30/2011	1/1/2011	54,975,000	0.00	2,143,927.50	2,143,927.50
6/30/2012	1/1/2012	54,970,000	0.00	2,143,732.50	2,143,732.50
6/30/2013	1/1/2013	54,965,000	0.00	2,143,537.50	2,143,537.50
6/30/2014	1/1/2014	54,960,000	0.00	2,143,342.50	2,143,342.50
6/30/2015	1/1/2015	54,955,000	0.00	2,143,147.50	2,143,147.50
6/30/2016	1/1/2016	54,950,000	0.00	2,142,952.50	2,142,952.50
6/30/2017	1/1/2017	54,945,000	0.00	2,142,757.50	2,142,757.50
6/30/2018	1/1/2018	54,940,000	0.00	2,142,562.50	2,142,562.50
6/30/2019	1/1/2019	54,935,000	0.00	2,142,367.50	2,142,367.50
6/30/2020	1/1/2020	54,930,000	0.00	2,142,172.50	2,142,172.50
6/30/2021	1/1/2021	54,925,000	0.00	2,141,977.50	2,141,977.50
6/30/2022	1/1/2022	54,920,000	0.00	2,141,782.50	2,141,782.50
6/30/2023	1/1/2023	54,915,000	0.00	2,027,707.50	2,027,707.50
6/30/2024	1/1/2024	49,070,000	0.00	1,794,487.50	1,794,487.50
6/30/2025	1/1/2025	42,955,000	0.00	1,550,640.00	1,550,640.00
6/30/2026	1/1/2026	36,565,000	0.00	1,295,775.00	1,295,775.00
6/30/2027	1/1/2027	29,885,000	0.00	1,029,405.00	1,029,405.00
6/30/2028	1/1/2028	22,905,000	0.00	750,945.00	750,945.00
6/30/2029	1/1/2029	15,605,000	0.00	459,810.00	459,810.00
6/30/2030	1/1/2030	7,975,000	0.00	155,512.50	155,512.50
TOTALS			0.00	36,446,171.67	36,446,171.67

(1) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 0.000%, received monthly

(2) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

Schedule 4C
2005 CMS: Estimated Periodic Scheduled Payments

1	2	3	4	5	6
Fiscal Year	Principal		Receive	Pay	Fiscal Year
<u>Ending</u>	<u>Date</u>	<u>Notional</u>	66.9% of <u>10-Year LIBOR</u> (1) 3.850%	<u>SIFMA</u> (2) 2.700%	<u>Total</u>
6/30/2010	1/1/2010	54,980,000	(1,646,249.31)	1,154,512.50	(491,736.81)
6/30/2011	1/1/2011	54,975,000	(2,116,441.25)	1,484,257.50	(632,183.75)
6/30/2012	1/1/2012	54,970,000	(2,116,248.75)	1,484,122.50	(632,126.25)
6/30/2013	1/1/2013	54,965,000	(2,116,056.25)	1,483,987.50	(632,068.75)
6/30/2014	1/1/2014	54,960,000	(2,115,863.75)	1,483,852.50	(632,011.25)
6/30/2015	1/1/2015	54,955,000	(2,115,671.25)	1,483,717.50	(631,953.75)
6/30/2016	1/1/2016	54,950,000	(2,115,478.75)	1,483,582.50	(631,896.25)
6/30/2017	1/1/2017	54,945,000	(2,115,286.25)	1,483,447.50	(631,838.75)
6/30/2018	1/1/2018	54,940,000	(2,115,093.75)	1,483,312.50	(631,781.25)
6/30/2019	1/1/2019	54,935,000	(2,114,901.25)	1,483,177.50	(631,723.75)
6/30/2020	1/1/2020	54,930,000	(2,114,708.75)	1,483,042.50	(631,666.25)
6/30/2021	1/1/2021	54,925,000	(2,114,516.25)	1,482,907.50	(631,608.75)
6/30/2022	1/1/2022	54,920,000	(2,114,323.75)	1,482,772.50	(631,551.25)
6/30/2023	1/1/2023	54,915,000	(2,001,711.25)	1,403,797.50	(597,913.75)
6/30/2024	1/1/2024	49,070,000	(1,771,481.25)	1,242,337.50	(529,143.75)
6/30/2025	1/1/2025	42,955,000	(1,530,760.00)	1,073,520.00	(457,240.00)
6/30/2026	1/1/2026	36,565,000	(1,279,162.50)	897,075.00	(382,087.50)
6/30/2027	1/1/2027	29,885,000	(1,016,207.50)	712,665.00	(303,542.50)
6/30/2028	1/1/2028	22,905,000	(741,317.50)	519,885.00	(221,432.50)
6/30/2029	1/1/2029	15,605,000	(453,915.00)	318,330.00	(135,585.00)
6/30/2030	1/1/2030	7,975,000	(153,518.75)	107,662.50	(45,856.25)
TOTALS			(35,978,913.06)	25,231,965.00	(10,746,948.06)

(1) For these purposes, 66.9% of 10-Year LIBOR assumed at 3.850%, received monthly

(2) For these purposes, SIFMA assumed at 2.700%, paid monthly

Schedule 4D
2005 CMS: Maximum Periodic Scheduled Payments
(Assuming 25% maximum rate)

1	2	3	4	5	6
			Receive	Pay	
Fiscal Year	Principal		66.9% of		Fiscal Year
<u>Ending</u>	<u>Date</u>	<u>Notional</u>	<u>10-Year LIBOR (1)</u>	<u>SIFMA (2)</u>	<u>Total</u>
			0.000%	25.000%	
6/30/2010	1/1/2010	54,980,000	0.00	10,689,930.56	10,689,930.56
6/30/2011	1/1/2011	54,975,000	0.00	13,743,125.00	13,743,125.00
6/30/2012	1/1/2012	54,970,000	0.00	13,741,875.00	13,741,875.00
6/30/2013	1/1/2013	54,965,000	0.00	13,740,625.00	13,740,625.00
6/30/2014	1/1/2014	54,960,000	0.00	13,739,375.00	13,739,375.00
6/30/2015	1/1/2015	54,955,000	0.00	13,738,125.00	13,738,125.00
6/30/2016	1/1/2016	54,950,000	0.00	13,736,875.00	13,736,875.00
6/30/2017	1/1/2017	54,945,000	0.00	13,735,625.00	13,735,625.00
6/30/2018	1/1/2018	54,940,000	0.00	13,734,375.00	13,734,375.00
6/30/2019	1/1/2019	54,935,000	0.00	13,733,125.00	13,733,125.00
6/30/2020	1/1/2020	54,930,000	0.00	13,731,875.00	13,731,875.00
6/30/2021	1/1/2021	54,925,000	0.00	13,730,625.00	13,730,625.00
6/30/2022	1/1/2022	54,920,000	0.00	13,729,375.00	13,729,375.00
6/30/2023	1/1/2023	54,915,000	0.00	12,998,125.00	12,998,125.00
6/30/2024	1/1/2024	49,070,000	0.00	11,503,125.00	11,503,125.00
6/30/2025	1/1/2025	42,955,000	0.00	9,940,000.00	9,940,000.00
6/30/2026	1/1/2026	36,565,000	0.00	8,306,250.00	8,306,250.00
6/30/2027	1/1/2027	29,885,000	0.00	6,598,750.00	6,598,750.00
6/30/2028	1/1/2028	22,905,000	0.00	4,813,750.00	4,813,750.00
6/30/2029	1/1/2029	15,605,000	0.00	2,947,500.00	2,947,500.00
6/30/2030	1/1/2030	7,975,000	0.00	996,875.00	996,875.00
TOTALS			0.00	233,629,305.56	233,629,305.56

(1) For these purposes, 66.9% of 10-Year LIBOR assumed at 0.000%, received monthly

(2) For these purposes, SIFMA assumed at max rate of 25.000%, paid monthly

Schedule 5A Risk Summary for 2005 Fixed Payer Swap

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the Fixed Payer Swaps when it owes a termination payment to the Counterparty.	Would require a payment default, or bankruptcy by the School District, or a reduction in the School District's credit rating below threshold as defined in ISDA document. See Schedule 5B for the potential payments owed.	See Schedule 5B for the potential payments owed.	Good financial management, Monitor
2) Basis Risk*	Shortfall between the interest rate paid on underlying variable rate bonds and the floating rate received on the 2005 Fixed Payer Swap.	Could result in a realized fixed rate on the 2007 Fixed Payer Swap that is higher than the nominal rate in the contract.	School District's variable rate bonds may trade at a higher rate received on the 2005 Fixed Payer Swap.	Good financial management, budget contingency (i.e. Budget to a higher all-in fixed rate), and a Rate Stabilization and Improvement Fund.
3) Tax Risk*	Shortfall between the rate received on the 2005 Fixed Payer Swap and the rate paid caused by a reduction in or elimination of the benefit of the tax-exemption of municipal bonds, e.g. a tax cut.	Could result in a realized fixed rate on the 2005 Fixed Payer Swap that is higher than the nominal rate in the contract.	See Schedule 5C and 5D.	Good financial management, budget contingency (i.e. Budget to a higher all-in fixed rate), and a Rate Stabilization and Improvement Fund.
4) Counterparty Credit (Default) Risk	Risk of a payment default on the 2005 Fixed Payer Swap by the Counterparty which results in an economic loss to the School District.	Exposure that diminishes with passage of time; requires monitoring of Counterparty credit ratings.	See Schedule 5B for the potential payments owed.	Selected Counterparty with high credit ratings and continually monitor those, Interest Rate Management Plan / Monitor
5) Liquidity Risk	Inability to renew or replace Liquidity Bank or that the liquidity fees will increase in the future.	Replacement Liquidity Bank can generally be located, but price may increase.	Could increase overall cost of administrative fees.	Prudently manage the School District's finances to maintain credit rating.

*Any termination payment or swap cash outflows may need to fit under an inflationary index as defined in Act 1 that would restrict real estate tax increases.

Schedule 5B
Termination Values – 2005 Fixed Payer Swap

Effective Date 9/18/2009
 Swap Maturity 1/1/2030
 Contract Swap Rate 3.900%
 Discount Rate 3.90%

AMORTIZATION SCHEDULE		TERMINATION PAYMENT AMOUNT						
Outstanding Notional		Change in Swap Rates						
Date	\$54,980,000	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
9/18/2009	\$54,980,000	(\$22,770,768)	(\$17,769,049)	(\$13,136,680)	(\$8,843,224)	(\$4,860,899)	(\$1,164,329)	\$2,269,671
1/1/2010	\$54,975,000	(\$22,174,069)	(\$17,322,709)	(\$12,820,503)	(\$8,639,371)	(\$4,753,621)	(\$1,139,737)	\$2,223,812
1/1/2011	\$54,970,000	(\$20,969,734)	(\$16,418,493)	(\$12,177,599)	(\$8,223,325)	(\$4,533,866)	(\$1,089,177)	\$2,129,179
1/1/2012	\$54,965,000	(\$19,750,619)	(\$15,498,633)	(\$11,520,332)	(\$7,795,883)	(\$4,306,980)	(\$1,036,719)	\$2,030,513
1/1/2013	\$54,960,000	(\$18,516,542)	(\$14,562,859)	(\$10,848,382)	(\$7,356,733)	(\$4,072,729)	(\$982,292)	\$1,927,642
1/1/2014	\$54,955,000	(\$17,267,317)	(\$13,610,893)	(\$10,161,417)	(\$6,905,551)	(\$3,830,875)	(\$925,822)	\$1,820,386
1/1/2015	\$54,950,000	(\$16,002,757)	(\$12,642,452)	(\$9,459,101)	(\$6,442,006)	(\$3,581,169)	(\$867,232)	\$1,708,558
1/1/2016	\$54,945,000	(\$14,722,671)	(\$11,657,251)	(\$8,741,088)	(\$5,965,759)	(\$3,323,354)	(\$806,442)	\$1,591,961
1/1/2017	\$54,940,000	(\$13,426,868)	(\$10,654,996)	(\$8,007,025)	(\$5,476,459)	(\$3,057,167)	(\$743,369)	\$1,470,392
1/1/2018	\$54,935,000	(\$12,115,153)	(\$9,635,391)	(\$7,256,553)	(\$4,973,746)	(\$2,782,334)	(\$677,927)	\$1,343,638
1/1/2019	\$54,930,000	(\$10,787,329)	(\$8,598,133)	(\$6,489,302)	(\$4,457,252)	(\$2,498,574)	(\$610,026)	\$1,211,476
1/1/2020	\$54,925,000	(\$9,443,196)	(\$7,542,915)	(\$5,704,896)	(\$3,926,597)	(\$2,205,596)	(\$539,575)	\$1,073,677
1/1/2021	\$54,920,000	(\$8,082,552)	(\$6,469,425)	(\$4,902,948)	(\$3,381,392)	(\$1,903,099)	(\$466,477)	\$929,997
1/1/2022	\$54,915,000	(\$6,705,193)	(\$5,377,343)	(\$4,083,065)	(\$2,821,235)	(\$1,590,772)	(\$390,632)	\$780,186
1/1/2023	\$49,070,000	(\$5,310,912)	(\$4,266,346)	(\$3,244,844)	(\$2,245,716)	(\$1,268,295)	(\$311,937)	\$623,982
1/1/2024	\$42,955,000	(\$4,056,607)	(\$3,264,217)	(\$2,486,770)	(\$1,723,875)	(\$975,147)	(\$240,218)	\$481,273
1/1/2025	\$36,565,000	(\$2,951,273)	(\$2,378,775)	(\$1,815,219)	(\$1,260,402)	(\$714,126)	(\$176,199)	\$353,568
1/1/2026	\$29,885,000	(\$2,004,154)	(\$1,618,086)	(\$1,236,790)	(\$860,176)	(\$488,154)	(\$120,637)	\$242,459
1/1/2027	\$22,905,000	(\$1,225,011)	(\$990,685)	(\$758,488)	(\$528,387)	(\$300,349)	(\$74,345)	\$149,659
1/1/2028	\$15,605,000	(\$623,994)	(\$505,475)	(\$387,642)	(\$270,487)	(\$154,003)	(\$38,182)	\$76,985
1/1/2029	\$7,975,000	(\$211,918)	(\$171,953)	(\$132,086)	(\$92,318)	(\$52,648)	(\$13,074)	\$26,403
1/1/2030	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

*This shows the value to terminate the Swap at various relationships of SIFMA and LIBOR at different points in time. Gain/(Loss)

Schedule 5C
Tax Risk: Present Value Analysis – 2005 Fixed Payer Swap

PV Sensitivity Analysis for % of LIBOR Swap:	
Date	9/18/09
Maturity	1/1/30
Swap Floating % of LIBOR	60.0%
Assumed Future LIBOR	3.90%
Fixed Spread	0.345%
Expected PV Savings	\$2,505,791

		PRESENT VALUE SAVINGS AT EFFECTIVE DATE				
Outstanding Notional		Variable Bond Rate/LIBOR Ratio				
Year Tax Change		S&P Worst Case				0 exemption
Effective		58.0%	68.0%	75.5%	85.0%	100.0%
9/18/09	\$54,980,000	\$3,080,501	\$206,951	(\$1,948,211)	(\$4,678,083)	(\$8,988,408)
1/1/10	\$54,975,000	\$3,067,689	\$258,196	(\$1,848,924)	(\$4,517,943)	(\$8,732,183)
1/1/11	\$54,970,000	\$3,041,468	\$363,080	(\$1,645,710)	(\$4,190,179)	(\$8,207,761)
1/1/12	\$54,965,000	\$3,014,427	\$471,247	(\$1,436,138)	(\$3,852,159)	(\$7,666,928)
1/1/13	\$54,960,000	\$2,986,539	\$582,799	(\$1,220,006)	(\$3,503,560)	(\$7,109,170)
1/1/14	\$54,955,000	\$2,957,778	\$697,842	(\$997,110)	(\$3,144,049)	(\$6,533,954)
1/1/15	\$54,950,000	\$2,928,117	\$816,487	(\$767,236)	(\$2,773,285)	(\$5,940,730)
1/1/16	\$54,945,000	\$2,897,527	\$938,846	(\$530,165)	(\$2,390,912)	(\$5,328,934)
1/1/17	\$54,940,000	\$2,865,979	\$1,065,036	(\$285,671)	(\$1,996,566)	(\$4,697,981)
1/1/18	\$54,935,000	\$2,833,444	\$1,195,179	(\$33,520)	(\$1,589,871)	(\$4,047,268)
1/1/19	\$54,930,000	\$2,799,889	\$1,329,398	\$226,529	(\$1,170,437)	(\$3,376,174)
1/1/20	\$54,925,000	\$2,765,283	\$1,467,821	\$494,724	(\$737,866)	(\$2,684,059)
1/1/21	\$54,920,000	\$2,729,593	\$1,610,580	\$771,320	(\$291,742)	(\$1,970,262)
1/1/22	\$54,915,000	\$2,692,785	\$1,757,813	\$1,056,583	\$168,359	(\$1,234,099)
1/1/23	\$49,070,000	\$2,654,824	\$1,909,659	\$1,350,785	\$642,878	(\$474,870)
1/1/24	\$42,955,000	\$2,620,335	\$2,047,614	\$1,618,073	\$1,073,988	\$214,906
1/1/25	\$36,565,000	\$2,589,644	\$2,170,379	\$1,855,931	\$1,457,629	\$828,733
1/1/26	\$29,885,000	\$2,563,089	\$2,276,599	\$2,061,732	\$1,789,566	\$1,359,831
1/1/27	\$22,905,000	\$2,541,032	\$2,364,827	\$2,232,673	\$2,065,278	\$1,800,971
1/1/28	\$15,605,000	\$2,523,854	\$2,433,539	\$2,365,803	\$2,280,004	\$2,144,531
1/1/29	\$7,975,000	\$2,511,963	\$2,481,100	\$2,457,952	\$2,428,632	\$2,382,336
1/1/30	\$0	\$2,505,791	\$2,505,791	\$2,505,791	\$2,505,791	\$2,505,791

Schedule 5D
Tax Risk: Annual Cash Flows – 2005 Fixed Payer Swap

Notional Amount	\$54,980,000
Contract LIBOR Ratio	60.0%
Fixed Margin	0.345%

Annual Swap Cashflow Sensitivity*

<u>Actual SIFMA/LIBOR Ratio</u>					
LIBOR					
Rate**	<u>67.0%</u>	<u>68.0%</u>	<u>75.5%</u>	<u>85.0%</u>	<u>100.0%</u>
1.00%	151,195	145,697	104,462	52,231	(30,239)
2.00%	112,709	101,713	19,243	(85,219)	(250,159)
3.00%	74,223	57,729	(65,976)	(222,669)	(470,079)
4.00%	35,737	13,745	(151,195)	(360,119)	(689,999)
5.00%	(2,749)	(30,239)	(236,414)	(497,569)	(909,919)
6.00%	(41,235)	(74,223)	(321,633)	(635,019)	(1,129,839)
7.00%	(79,721)	(118,207)	(406,852)	(772,469)	(1,349,759)
8.00%	(118,207)	(162,191)	(492,071)	(909,919)	(1,569,679)

Cashflows = 1-Month LIBOR(Contract LIBOR Ratio - Actual SIFMA/LIBOR Ratio)*Notional Amo

**1-Month LIBOR

***Assumes related bonds trade at 68% of LIBOR. Any outperformance or underperformance will effect net cashflows on the transaction.

Schedule 5E Risk Summary – 2005 CMS

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2005 CMS when it owes a termination payment to the Counterparty.	Would require a payment default, or bankruptcy by the School District, or a reduction in the School District's credit rating below threshold as defined in ISDA document. See Schedule 5F for the potential payments owed.	See Schedule 5F.	Good financial management, Monitor
2) Basis Risk*	Shortfall between the interest rate paid (SIFMA) and the rate received (66.90% of 10-Year LIBOR) on the 2005 CMS.	Could result in a rate paid (SIFMA) that is higher than the rate received (66.90% of 10-Year LIBOR) in which the School District makes net payments to the Counterparty.	Interest rate paid (SIFMA) may be higher than interest rate received (66.90% of 10-Year LIBOR), and may exist for entire term.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2005 CMS.
3) Tax Risk*	Shortfall between the rate paid on the 2005 CMS and the rate received on the 2005 CMS caused by a reduction in or elimination of the benefit of the tax- exemption of municipal bonds, e.g. a tax cut.	Could result in a rate paid (SIFMA) on the 2005 CMS that is higher than the rate received (66.90% of 10-Year LIBOR) resulting in a net cost for the School District.	See Schedule 5F.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2005 CMS.
4) Yield Curve Risk	Risk that the yield curve does not steepen sufficiently to produce positive cash flows.	Could result in cash outflows under the terms of the 2005 CMS.	See Schedules 5G.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2005 CMS.
5) Counterparty Credit (Default) Risk	Risk of a payment default on the 2005 CMS by the Counterparty which results in an economic loss to the School District.	Exposure that diminishes with passage of time; requires monitoring of Counterparty credit ratings.	See Schedule 5F for the potential payments owed.	Selected a counterparty with high credit ratings, Monitor

*Any termination payment or swap cash outflows may need to fit under an inflationary index as defined in Act 1 that would restrict real estate tax increases.

Schedule 5F
Termination Values – 2005 CMS

As of September 21, 2009, the approximate market value for the 2005 CMS is \$716,716. The current value will become more positive with further yield curve steepening. Conversely, the current value will become more negative with further yield curve flattening.

Schedule 5G
Yield Curve Risk: Annual Cash Flows – 2005 CMS

Notional Amount **\$54,980,000**
 % of 10-yr CMS 66.9%
 % of SIFMA 100.0%

1990 - 2009 Annual	
Average	3.15
Max	4.62
Min	1.62
St Dev	0.84

Annual Swap Cashflow Sensitivity*

Actual Spread between SIFMA and 10-year LIBOR Swap Rate							
SIFMA Rate**	1.00%	1.50%	2.00%	2.50%	3.15%	3.28%	4.00%
1.00%	N/A	369,741	553,649	737,557	976,637	1,024,453	1,289,281
2.00%	3,849	187,757	371,665	555,573	794,653	842,470	1,107,297
3.00%	(178,135)	5,773	189,681	373,589	612,670	660,486	925,313
4.00%	(360,119)	(176,211)	7,697	191,605	430,686	478,502	743,330
5.00%	(542,103)	(358,195)	(174,287)	9,622	248,702	296,518	561,346
6.00%	(724,087)	(540,179)	(356,270)	(172,362)	66,718	114,534	379,362
7.00%	(906,070)	(722,162)	(538,254)	(354,346)	(115,266)	(67,449)	197,378
8.00%	(1,088,054)	(904,146)	(720,238)	(536,330)	(297,249)	(249,433)	15,394

*Cashflows = ((CMS Rate + Margin) * Contract %) - ((SIFMA Rate + Margin) * basis adj) * Notional Amount
 **SIFMA Index

Schedule 6A

2005 Fixed Payer Swap and the 2009A BASDA Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9	10	11
Fiscal Year Ending	Principal Date	2009A BASDA BONDS					2005 FIXED PAYER SWAP			Fiscal Year Total
		Pay	Pay	Pay	Pay	Pay	Receive	Pay		
		Variable Rate	Variable Rate	Variable Rate	Variable Rate	Variable Rate	60% of 1-Month	Fixed		
		Principal (1)	Interest (2)	Bond LOC (3)	Remarketing (4)	Contingency (5)	LIBOR + 0.345% (6)	Swap Rate (7)		
			3.000%	1.300%	0.800%	0.100%		2.750%	3.900%	
6/30/2010	1/1/2010	20,000	699,700.00	303,203.33	186,586.67	23,323.33	29,885,000	(639,206.94)	906,511.67	1,500,118.06
6/30/2011	1/1/2011	20,000	1,049,100.00	454,610.00	279,760.00	34,970.00	29,885,000	(821,837.50)	1,165,515.00	2,182,117.50
6/30/2012	1/1/2012	20,000	1,048,500.00	454,350.00	279,600.00	34,950.00	29,885,000	(821,837.50)	1,165,515.00	2,181,077.50
6/30/2013	1/1/2013	20,000	1,047,900.00	454,090.00	279,440.00	34,930.00	29,885,000	(821,837.50)	1,165,515.00	2,180,037.50
6/30/2014	1/1/2014	20,000	1,047,300.00	453,830.00	279,280.00	34,910.00	29,885,000	(821,837.50)	1,165,515.00	2,178,997.50
6/30/2015	1/1/2015	20,000	1,046,700.00	453,570.00	279,120.00	34,890.00	29,885,000	(821,837.50)	1,165,515.00	2,177,957.50
6/30/2016	1/1/2016	20,000	1,046,100.00	453,310.00	278,960.00	34,870.00	29,885,000	(821,837.50)	1,165,515.00	2,176,917.50
6/30/2017	1/1/2017	20,000	1,045,500.00	453,050.00	278,800.00	34,850.00	29,885,000	(821,837.50)	1,165,515.00	2,175,877.50
6/30/2018	1/1/2018	20,000	1,044,900.00	452,790.00	278,640.00	34,830.00	29,885,000	(821,837.50)	1,165,515.00	2,174,837.50
6/30/2019	1/1/2019	20,000	1,044,300.00	452,530.00	278,480.00	34,810.00	29,885,000	(821,837.50)	1,165,515.00	2,173,797.50
6/30/2020	1/1/2020	20,000	1,043,700.00	452,270.00	278,320.00	34,790.00	29,885,000	(821,837.50)	1,165,515.00	2,172,757.50
6/30/2021	1/1/2021	20,000	1,043,100.00	452,010.00	278,160.00	34,770.00	29,885,000	(821,837.50)	1,165,515.00	2,171,717.50
6/30/2022	1/1/2022	20,000	1,042,500.00	451,750.00	278,000.00	34,750.00	29,885,000	(821,837.50)	1,165,515.00	2,170,677.50
6/30/2023	1/1/2023	20,000	1,041,900.00	451,490.00	277,840.00	34,730.00	29,885,000	(821,837.50)	1,165,515.00	2,169,637.50
6/30/2024	1/1/2024	20,000	1,041,300.00	451,230.00	277,680.00	34,710.00	29,885,000	(821,837.50)	1,165,515.00	2,168,597.50
6/30/2025	1/1/2025	20,000	1,040,700.00	450,970.00	277,520.00	34,690.00	29,885,000	(821,837.50)	1,165,515.00	2,167,557.50
6/30/2026	1/1/2026	20,000	1,040,100.00	450,710.00	277,360.00	34,670.00	29,885,000	(821,837.50)	1,165,515.00	2,166,517.50
6/30/2027	1/1/2027	7,910,000	921,150.00	399,165.00	245,640.00	30,705.00	29,885,000	(725,862.50)	1,029,405.00	9,810,202.50
6/30/2028	1/1/2028	8,370,000	676,950.00	293,345.00	180,520.00	22,565.00	22,905,000	(529,512.50)	750,945.00	9,764,812.50
6/30/2029	1/1/2029	8,865,000	418,425.00	181,317.50	111,580.00	13,947.50	15,605,000	(324,225.00)	459,810.00	9,725,855.00
6/30/2030	1/1/2030	9,515,000	142,725.00	61,847.50	38,060.00	4,757.50	7,975,000	(109,656.25)	155,512.50	9,808,246.25
TOTALS		35,000,000	19,572,550.00	8,481,438.33	5,219,346.67	652,418.33		(15,477,863.19)	21,950,424.17	75,398,314.31

(1) For these purposes, assumes max parameters amount for 2009A BASDA VRDB

(2) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly

(3) For these purposes, Variable Rate Bond LOC assumed at 1.300%, paid monthly

(4) For these purposes, Variable Rate Remarketing assumed at 0.800%, paid monthly

(5) For these purposes, Variable Rate Contingency assumed at 0.100%, paid monthly

(6) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 2.750%, received monthly

(7) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

Schedule 6B
2005 Fixed Payer Swap and the 2009A BASDA Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9	10	11
Fiscal Year Ending	Principal Date	2009A BASDA BONDS					2005 FIXED PAYER SWAP			Fiscal Year Total
		Pay Principal (1)	Pay Variable Rate Interest (2) 25.000%	Pay Variable Rate Bond LOC (3) 1.300%	Pay Variable Rate Remarketing (4) 0.800%	Pay Variable Rate Contingency (5) 0.100%	Netional	Receive 60% of 1-Month LIBOR + 0.345% (6) 0.000%	Pay Fixed Swap Rate (7) 3.900%	
6/30/2010	1/1/2010	20,000	5,830,833.33	303,203.33	186,586.67	23,323.33	29,885,000	0.00	906,511.67	7,270,458.33
6/30/2011	1/1/2011	20,000	8,742,500.00	454,610.00	279,760.00	34,970.00	29,885,000	0.00	1,165,515.00	10,697,355.00
6/30/2012	1/1/2012	20,000	8,737,500.00	454,350.00	279,600.00	34,950.00	29,885,000	0.00	1,165,515.00	10,691,915.00
6/30/2013	1/1/2013	20,000	8,732,500.00	454,090.00	279,440.00	34,930.00	29,885,000	0.00	1,165,515.00	10,686,475.00
6/30/2014	1/1/2014	20,000	8,727,500.00	453,830.00	279,280.00	34,910.00	29,885,000	0.00	1,165,515.00	10,681,035.00
6/30/2015	1/1/2015	20,000	8,722,500.00	453,570.00	279,120.00	34,890.00	29,885,000	0.00	1,165,515.00	10,675,595.00
6/30/2016	1/1/2016	20,000	8,717,500.00	453,310.00	278,960.00	34,870.00	29,885,000	0.00	1,165,515.00	10,670,155.00
6/30/2017	1/1/2017	20,000	8,712,500.00	453,050.00	278,800.00	34,850.00	29,885,000	0.00	1,165,515.00	10,664,715.00
6/30/2018	1/1/2018	20,000	8,707,500.00	452,790.00	278,640.00	34,830.00	29,885,000	0.00	1,165,515.00	10,659,275.00
6/30/2019	1/1/2019	20,000	8,702,500.00	452,530.00	278,480.00	34,810.00	29,885,000	0.00	1,165,515.00	10,653,835.00
6/30/2020	1/1/2020	20,000	8,697,500.00	452,270.00	278,320.00	34,790.00	29,885,000	0.00	1,165,515.00	10,648,395.00
6/30/2021	1/1/2021	20,000	8,692,500.00	452,010.00	278,160.00	34,770.00	29,885,000	0.00	1,165,515.00	10,642,955.00
6/30/2022	1/1/2022	20,000	8,687,500.00	451,750.00	278,000.00	34,750.00	29,885,000	0.00	1,165,515.00	10,637,515.00
6/30/2023	1/1/2023	20,000	8,682,500.00	451,490.00	277,840.00	34,730.00	29,885,000	0.00	1,165,515.00	10,632,075.00
6/30/2024	1/1/2024	20,000	8,677,500.00	451,230.00	277,680.00	34,710.00	29,885,000	0.00	1,165,515.00	10,626,635.00
6/30/2025	1/1/2025	20,000	8,672,500.00	450,970.00	277,520.00	34,690.00	29,885,000	0.00	1,165,515.00	10,621,195.00
6/30/2026	1/1/2026	20,000	8,667,500.00	450,710.00	277,360.00	34,670.00	29,885,000	0.00	1,165,515.00	10,615,755.00
6/30/2027	1/1/2027	7,910,000	7,676,250.00	399,165.00	245,640.00	30,705.00	29,885,000	0.00	1,029,405.00	17,291,165.00
6/30/2028	1/1/2028	8,370,000	5,641,250.00	293,345.00	180,520.00	22,565.00	22,905,000	0.00	750,945.00	15,258,625.00
6/30/2029	1/1/2029	8,865,000	3,486,875.00	181,317.50	111,580.00	13,947.50	15,605,000	0.00	459,810.00	13,118,530.00
6/30/2030	1/1/2030	9,515,000	1,189,375.00	61,847.50	38,060.00	4,757.50	7,975,000	0.00	155,512.50	10,964,552.50
TOTALS		35,000,000	163,104,583.33	8,481,438.33	5,219,346.67	652,418.33		0.00	21,950,424.17	234,408,210.83

(1) For these purposes, assumes max parameters amount for 2009A BASDA VRDB

(2) For these purposes, Variable Rate Interest max rate assumed at 25.000%, paid monthly

(3) For these purposes, Variable Rate Bond LOC rate assumed at 1.300%, paid monthly

(4) For these purposes, Variable Rate Remarketing rate assumed at 0.800%, paid monthly

(5) For these purposes, Variable Rate Contingency assumed at 0.100%, paid monthly

(6) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 0.000%, received monthly

(7) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

Schedule 6C

2005 CMS Swap and 2009A BASDA Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9	10	11
2009A BASDA BONDS										
Fiscal Year Ending	Principal Date	Pay	Pay	Pay	Pay	Pay	Notional	2005 CMS SWAP		Fiscal Year Total
		Principal (1)	Variable Rate Interest (2) 3.000%	Variable Rate Bond LOC (3) 1.300%	Variable Rate Remarketing (4) 0.800%	Variable Rate Contingency (5) 0.100%		Receive 66.9% of 10-Year LIBOR (6) 3.850%	Pay SIFMA (7) 2.700%	
6/30/2010	1/1/2010	20,000	699,700.00	303,203.33	186,586.67	23,323.33	29,885,000	(894,889.72)	627,585.00	965,508.61
6/30/2011	1/1/2011	20,000	1,049,100.00	454,610.00	279,760.00	34,970.00	29,885,000	(1,150,572.50)	806,895.00	1,494,762.50
6/30/2012	1/1/2012	20,000	1,048,500.00	454,350.00	279,600.00	34,950.00	29,885,000	(1,150,572.50)	806,895.00	1,493,722.50
6/30/2013	1/1/2013	20,000	1,047,900.00	454,090.00	279,440.00	34,930.00	29,885,000	(1,150,572.50)	806,895.00	1,492,682.50
6/30/2014	1/1/2014	20,000	1,047,300.00	453,830.00	279,280.00	34,910.00	29,885,000	(1,150,572.50)	806,895.00	1,491,642.50
6/30/2015	1/1/2015	20,000	1,046,700.00	453,570.00	279,120.00	34,890.00	29,885,000	(1,150,572.50)	806,895.00	1,490,602.50
6/30/2016	1/1/2016	20,000	1,046,100.00	453,310.00	278,960.00	34,870.00	29,885,000	(1,150,572.50)	806,895.00	1,489,562.50
6/30/2017	1/1/2017	20,000	1,045,500.00	453,050.00	278,800.00	34,850.00	29,885,000	(1,150,572.50)	806,895.00	1,488,522.50
6/30/2018	1/1/2018	20,000	1,044,900.00	452,790.00	278,640.00	34,830.00	29,885,000	(1,150,572.50)	806,895.00	1,487,482.50
6/30/2019	1/1/2019	20,000	1,044,300.00	452,530.00	278,480.00	34,810.00	29,885,000	(1,150,572.50)	806,895.00	1,486,442.50
6/30/2020	1/1/2020	20,000	1,043,700.00	452,270.00	278,320.00	34,790.00	29,885,000	(1,150,572.50)	806,895.00	1,485,402.50
6/30/2021	1/1/2021	20,000	1,043,100.00	452,010.00	278,160.00	34,770.00	29,885,000	(1,150,572.50)	806,895.00	1,484,362.50
6/30/2022	1/1/2022	20,000	1,042,500.00	451,750.00	278,000.00	34,750.00	29,885,000	(1,150,572.50)	806,895.00	1,483,322.50
6/30/2023	1/1/2023	20,000	1,041,900.00	451,490.00	277,840.00	34,730.00	29,885,000	(1,150,572.50)	806,895.00	1,482,282.50
6/30/2024	1/1/2024	20,000	1,041,300.00	451,230.00	277,680.00	34,710.00	29,885,000	(1,150,572.50)	806,895.00	1,481,242.50
6/30/2025	1/1/2025	20,000	1,040,700.00	450,970.00	277,520.00	34,690.00	29,885,000	(1,150,572.50)	806,895.00	1,480,202.50
6/30/2026	1/1/2026	20,000	1,040,100.00	450,710.00	277,360.00	34,670.00	29,885,000	(1,150,572.50)	806,895.00	1,479,162.50
6/30/2027	1/1/2027	7,910,000	921,150.00	399,165.00	245,640.00	30,705.00	29,885,000	(1,016,207.50)	712,665.00	9,203,117.50
6/30/2028	1/1/2028	8,370,000	676,950.00	293,345.00	180,520.00	22,565.00	22,905,000	(741,317.50)	519,885.00	9,321,947.50
6/30/2029	1/1/2029	8,865,000	418,425.00	181,317.50	111,580.00	13,947.50	15,605,000	(453,915.00)	318,330.00	9,454,685.00
6/30/2030	1/1/2030	9,515,000	142,725.00	61,847.50	38,060.00	4,757.50	7,975,000	(153,518.75)	107,662.50	9,716,533.75
TOTALS		35,000,000	19,572,550.00	8,481,438.33	5,219,346.67	632,418.33		(21,669,008.47)	15,196,447.50	62,453,192.36

- (1) For these purposes, assumes max parameters amount for 2009A BASDA VRDB
(2) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly
(3) For these purposes, Variable Rate Bond LOC assumed at 1.300%, paid monthly
(4) For these purposes, Variable Rate Remarketing assumed at 0.800%, paid monthly
(5) For these purposes, Variable Rate Contingency assumed at 0.100%, paid monthly
(6) For these purposes, 66.9% of 10-Year LIBOR assumed at 3.850%, received monthly
(7) For these purposes, SIFMA assumed at 2.700%, paid monthly

Schedule 6D
2005 CMS Swap and 2009A BASDA Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9	10	11
Fiscal Year Ending	Principal Date	2009A BASDA BONDS					Notional	2005 CMS SWAP		Fiscal Year Total
		Pay	Pay	Pay	Pay	Pay		Receive	Pay	
		Principal (1)	Variable Rate Interest (2)	Variable Rate Bond LOC (3)	Variable Rate Remarketing (4)	Variable Rate Contingency (5)		66.9% of 10-Year LIBOR (6)	SIFMA (7)	
			25.000%	1.300%	0.800%	0.100%		0.000%	25.000%	
6/30/2010	1/1/2010	20,000	5,830,833.33	303,203.33	186,586.67	23,323.33	29,885,000	0.00	5,810,972.22	12,174,918.89
6/30/2011	1/1/2011	20,000	8,742,500.00	454,610.00	279,760.00	34,970.00	29,885,000	0.00	7,471,250.00	17,003,090.00
6/30/2012	1/1/2012	20,000	8,737,500.00	454,350.00	279,600.00	34,950.00	29,885,000	0.00	7,471,250.00	16,997,650.00
6/30/2013	1/1/2013	20,000	8,732,500.00	454,090.00	279,440.00	34,930.00	29,885,000	0.00	7,471,250.00	16,992,210.00
6/30/2014	1/1/2014	20,000	8,727,500.00	453,830.00	279,280.00	34,910.00	29,885,000	0.00	7,471,250.00	16,986,770.00
6/30/2015	1/1/2015	20,000	8,722,500.00	453,570.00	279,120.00	34,890.00	29,885,000	0.00	7,471,250.00	16,981,330.00
6/30/2016	1/1/2016	20,000	8,717,500.00	453,310.00	278,960.00	34,870.00	29,885,000	0.00	7,471,250.00	16,975,890.00
6/30/2017	1/1/2017	20,000	8,712,500.00	453,050.00	278,800.00	34,850.00	29,885,000	0.00	7,471,250.00	16,970,450.00
6/30/2018	1/1/2018	20,000	8,707,500.00	452,790.00	278,640.00	34,830.00	29,885,000	0.00	7,471,250.00	16,965,010.00
6/30/2019	1/1/2019	20,000	8,702,500.00	452,530.00	278,480.00	34,810.00	29,885,000	0.00	7,471,250.00	16,959,570.00
6/30/2020	1/1/2020	20,000	8,697,500.00	452,270.00	278,320.00	34,790.00	29,885,000	0.00	7,471,250.00	16,954,130.00
6/30/2021	1/1/2021	20,000	8,692,500.00	452,010.00	278,160.00	34,770.00	29,885,000	0.00	7,471,250.00	16,948,690.00
6/30/2022	1/1/2022	20,000	8,687,500.00	451,750.00	278,000.00	34,750.00	29,885,000	0.00	7,471,250.00	16,943,250.00
6/30/2023	1/1/2023	20,000	8,682,500.00	451,490.00	277,840.00	34,730.00	29,885,000	0.00	7,471,250.00	16,937,810.00
6/30/2024	1/1/2024	20,000	8,677,500.00	451,230.00	277,680.00	34,710.00	29,885,000	0.00	7,471,250.00	16,932,370.00
6/30/2025	1/1/2025	20,000	8,672,500.00	450,970.00	277,520.00	34,690.00	29,885,000	0.00	7,471,250.00	16,926,930.00
6/30/2026	1/1/2026	20,000	8,667,500.00	450,710.00	277,360.00	34,670.00	29,885,000	0.00	7,471,250.00	16,921,490.00
6/30/2027	1/1/2027	7,910,000	7,676,250.00	399,165.00	245,640.00	30,705.00	29,885,000	0.00	6,598,750.00	22,860,510.00
6/30/2028	1/1/2028	8,370,000	5,641,250.00	293,345.00	180,520.00	22,565.00	22,905,000	0.00	4,813,750.00	19,321,430.00
6/30/2029	1/1/2029	8,865,000	3,486,875.00	181,317.50	111,580.00	13,947.50	15,605,000	0.00	2,947,500.00	15,606,220.00
6/30/2030	1/1/2030	9,515,000	1,189,375.00	61,847.50	38,060.00	4,757.50	7,975,000	0.00	996,875.00	11,805,915.00
TOTALS		35,000,000	163,104,583.33	8,481,438.33	5,219,346.67	652,418.33		0.00	140,707,847.22	353,165,633.89

- (1) For these purposes, assumes max parameters amount for 2009A BASDA VRDB
(2) For these purposes, Variable Rate Interest max rate assumed at 25.000%, paid monthly
(3) For these purposes, Variable Rate Bond LOC assumed at 1.300%, paid monthly
(4) For these purposes, Variable Rate Remarketing assumed at 0.800%, paid monthly
(5) For these purposes, Variable Rate Contingency assumed at 0.100%, paid monthly
(6) For these purposes, 66.9% of 10-Year LIBOR assumed at 0.000%, received monthly
(7) For these purposes, SIFMA max rate assumed at 25.000%, paid monthly

Schedule 6E
2005 CMS Swap and 2009AAA BASD Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Date	2009AAA BASD BONDS		2005 CMS SWAP			Fiscal Year Total
		Pay	Pay	Receive		Pay	
		Principal (1)	Fixed Rate Interest (2) 6.500%	Notional	66.9% of 10-Year LIBOR (3) 3.850%	SIFMA (4) 2.700%	
6/30/2010	1/15/2010	60,000	467,572.08	25,095,000	(751,359.58)	526,927.50	303,140.00
6/30/2011	1/15/2011	60,000	2,270,775.00	25,090,000	(965,868.75)	677,362.50	2,042,268.75
6/30/2012	1/15/2012	60,000	2,266,875.00	25,085,000	(965,676.25)	677,227.50	2,038,426.25
6/30/2013	1/15/2013	60,000	2,262,975.00	25,080,000	(965,483.75)	677,092.50	2,034,583.75
6/30/2014	1/15/2014	60,000	2,259,075.00	25,075,000	(965,291.25)	676,957.50	2,030,741.25
6/30/2015	1/15/2015	60,000	2,255,175.00	25,070,000	(965,098.75)	676,822.50	2,026,898.75
6/30/2016	1/15/2016	60,000	2,251,275.00	25,065,000	(964,906.25)	676,687.50	2,023,056.25
6/30/2017	1/15/2017	60,000	2,247,375.00	25,060,000	(964,713.75)	676,552.50	2,019,213.75
6/30/2018	1/15/2018	60,000	2,243,475.00	25,055,000	(964,521.25)	676,417.50	2,015,371.25
6/30/2019	1/15/2019	60,000	2,239,575.00	25,050,000	(964,328.75)	676,282.50	2,011,528.75
6/30/2020	1/15/2020	60,000	2,235,675.00	25,045,000	(964,136.25)	676,147.50	2,007,686.25
6/30/2021	1/15/2021	60,000	2,231,775.00	25,040,000	(963,943.75)	676,012.50	2,003,843.75
6/30/2022	1/15/2022	60,000	2,227,875.00	25,035,000	(963,751.25)	675,877.50	2,000,001.25
6/30/2023	1/15/2023	6,790,000	2,223,975.00	25,030,000	(851,138.75)	596,902.50	8,759,738.75
6/30/2024	1/15/2024	7,775,000	1,782,625.00	19,185,000	(620,908.75)	435,442.50	9,372,158.75
6/30/2025	1/15/2025	9,590,000	1,277,250.00	13,070,000	(380,187.50)	266,625.00	10,753,687.50
6/30/2026	1/15/2026	10,060,000	653,900.00	6,680,000	(128,590.00)	90,180.00	10,675,490.00
TOTALS		34,995,000	33,397,222.08		(14,309,904.58)	10,035,517.50	64,117,835.00

(1) For these purposes, assumes max parameters amount for 2009AAA BASD Fixed Rate Bonds

(2) For these purposes, Fixed Rate Interest assumed at max rate of 6.500%, paid semi-annually

(3) For these purposes, 66.9% of 10-Year LIBOR assumed at 3.850%, received monthly

(4) For these purposes, SIFMA assumed at 2.700%, paid monthly

Schedule 6F
2005 CMS Swap and 2009AAA BASD Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Date	2009AAA BASD BONDS		2005 CMS SWAP			Fiscal Year Total
		Pay	Pay	Receive		Pay	
		Principal (1)	Fixed Rate Interest (2) 6.500%	Notional	66.9% of 10-Year LIBOR (3) 0.000%	SIFMA (4) 25.000%	
6/30/2010	1/15/2010	60,000	467,572.08	25,095,000	0.00	4,878,958.33	5,406,530.42
6/30/2011	1/15/2011	60,000	2,270,775.00	25,090,000	0.00	6,271,875.00	8,602,650.00
6/30/2012	1/15/2012	60,000	2,266,875.00	25,085,000	0.00	6,270,625.00	8,597,500.00
6/30/2013	1/15/2013	60,000	2,262,975.00	25,080,000	0.00	6,269,375.00	8,592,350.00
6/30/2014	1/15/2014	60,000	2,259,075.00	25,075,000	0.00	6,268,125.00	8,587,200.00
6/30/2015	1/15/2015	60,000	2,255,175.00	25,070,000	0.00	6,266,875.00	8,582,050.00
6/30/2016	1/15/2016	60,000	2,251,275.00	25,065,000	0.00	6,265,625.00	8,576,900.00
6/30/2017	1/15/2017	60,000	2,247,375.00	25,060,000	0.00	6,264,375.00	8,571,750.00
6/30/2018	1/15/2018	60,000	2,243,475.00	25,055,000	0.00	6,263,125.00	8,566,600.00
6/30/2019	1/15/2019	60,000	2,239,575.00	25,050,000	0.00	6,261,875.00	8,561,450.00
6/30/2020	1/15/2020	60,000	2,235,675.00	25,045,000	0.00	6,260,625.00	8,556,300.00
6/30/2021	1/15/2021	60,000	2,231,775.00	25,040,000	0.00	6,259,375.00	8,551,150.00
6/30/2022	1/15/2022	60,000	2,227,875.00	25,035,000	0.00	6,258,125.00	8,546,000.00
6/30/2023	1/15/2023	6,790,000	2,223,975.00	25,030,000	0.00	5,526,875.00	14,540,850.00
6/30/2024	1/15/2024	7,775,000	1,782,625.00	19,185,000	0.00	4,031,875.00	13,589,500.00
6/30/2025	1/15/2025	9,590,000	1,277,250.00	13,070,000	0.00	2,468,750.00	13,336,000.00
6/30/2026	1/15/2026	10,060,000	653,900.00	6,680,000	0.00	835,000.001	1,548,900.00
TOTALS		34,995,000	33,397,222.08		0.00	92,921,458.33	161,313,680.42

(1) For these purposes, assumes max parameters amount for 2009AAA BASD Fixed Rate Bonds

(2) For these purposes, Fixed Rate Interest assumed at max rate of 6.500%, paid semi-annually

(3) For these purposes, 66.9% of 10-Year LIBOR assumed at 0.000%, received monthly

(4) For these purposes, SIFMA assumed at max rate of 25.000%, paid monthly

---2003 Swaption---

**Schedule 7A
Risk Summary – 2003 Swapion**

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2003 Swapion when it owes a termination payment to the Counterparty.	Would require a payment default, or bankruptcy by the School District, or a reduction in the School District's credit rating below threshold as defined in ISDA document. See Schedule 7B for the potential payments owed.	See Schedule 7B for the potential payments owed.	Good financial management, Monitor
2) Tax Risk*	Risk that a reduction in or elimination of the benefit of the tax-exemption of municipal bonds (e.g. a tax cut), increases the rate paid on the 2003 Swapion.	Could result in a higher rate paid on the 2003 Swapion.	Variable rate paid is higher than the fixed rate received.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2003 Swapion, Monitor.
3) Interest Rate Risk	Risk that an adverse move in variable rates increases the overall cost of borrowing.	Risk that an adverse move in variable rates increases the overall cost of borrowing.	Variable rate paid is higher than the fixed rate received.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2003 Swapion, Monitor.
4) Counterparty Credit (Default) Risk	Risk of a payment default on the 2003 Swapion by the Counterparty which results in an economic loss to the School District.	Exposure that diminishes with passage of time; requires monitoring of Counterparty credit ratings.	See Schedule 7B for the potential payments owed.	Selected a counterparty with high credit ratings, Monitor

*Any termination payment or swap cash outflows may need to fit under an inflationary index as defined in Act 1 that would restrict real estate tax increases.

Schedule 7B
Termination Values – 2003 Swaption

Effective Date 9/1/2009
 Swap Maturity 9/1/2016
 Contract Swap Rate 3.28%
 Discount Rate 2.30%

AMORTIZATION SCHEDULE		TERMINATION PAYMENT AMOUNT						
Outstanding Notional		Change in Swap Rates						
Date		-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
9/1/2009	\$44,900,000	\$2,505,049	\$1,653,339	\$818,476	\$0	(\$802,534)	(\$1,589,558)	(\$2,361,492)
9/1/2010	\$38,740,000	\$1,847,583	\$1,221,515	\$605,735	\$0	(\$595,926)	(\$1,182,272)	(\$1,759,265)
9/1/2011	\$32,270,000	\$1,277,802	\$846,261	\$420,364	\$0	(\$414,942)	(\$824,568)	(\$1,228,985)
9/1/2012	\$25,465,000	\$801,087	\$531,445	\$264,430	\$0	(\$261,887)	(\$521,273)	(\$778,198)
9/1/2013	\$17,730,000	\$423,239	\$281,238	\$140,162	\$0	(\$139,260)	(\$277,630)	(\$415,120)
9/1/2014	\$9,595,000	\$159,083	\$105,873	\$52,846	\$0	(\$52,666)	(\$105,155)	(\$157,467)
9/1/2015	\$1,040,000	\$15,569	\$10,366	\$5,177	\$0	(\$5,164)	(\$10,316)	(\$15,455)
9/1/2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Schedule 7C
2003 Swaption and 2007A Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2007A BONDS			2003 SWAPTION			
Fiscal Year Ending	Principal Date	Pay		Pay	Receive		Pay	Fiscal Year Total
		Principal	Rate	Fixed Rate Interest	Notional	Fixed Swap Rate 3.280%	SIEMA (1) 2.700%	
6/30/2010	9/1/2010	6,155,000	5.000%	1,122,250.00	44,890,000	(490,797.33)	404,010.00	7,190,462.72
6/30/2011	9/1/2011	6,470,000	5.000%	2,090,625.00	38,735,000	(1,371,450.00)	1,128,937.50	8,318,112.55
6/30/2012	9/1/2012	6,805,000	5.000%	1,775,000.00	32,265,000	(1,164,400.00)	958,500.00	8,374,100.05
6/30/2013	9/1/2013	7,735,000	5.000%	1,443,125.00	25,460,000	(946,690.00)	779,287.50	9,010,722.55
6/30/2014	9/1/2014	8,135,000	5.000%	1,079,625.00	17,725,000	(708,234.00)	582,997.50	9,089,388.55
6/30/2015	9/1/2015	8,555,000	5.000%	682,875.00	9,590,000	(447,966.00)	368,752.50	9,158,661.55
6/30/2016	9/1/2016	1,035,000	5.000%	265,625.00	1,035,000	(174,250.00)	143,437.50	1,269,812.55
TOTALS		44,890,000		8,459,125.00		(5,303,787.33)	4,365,922.50	52,411,260.52

(1) For these purposes, SIFMA assumed at 2.700%, paid semi-annually

Schedule 7D
2003 Swaption and 2007A Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
Fiscal Year Ending	Principal Date	2007A BONDS			2003 SWAPTION			Fiscal Year Total
		Pay		Pay	Receive		Pay	
		Principal	Rate	Fixed Rate	Notional	Fixed	SIEMA (1)	
				Interest		Swap Rate		
						3.280%	25.000%	
6/30/2010	9/1/2010	6,155,000	5.000%	1,122,250.00	44,890,000	(490,797.33)	3,740,833.33	10,527,286.05
6/30/2011	9/1/2011	6,470,000	5.000%	2,090,625.00	38,735,000	(1,371,450.00)	10,453,125.00	17,642,300.05
6/30/2012	9/1/2012	6,805,000	5.000%	1,775,000.00	32,265,000	(1,164,400.00)	8,875,000.00	16,290,600.05
6/30/2013	9/1/2013	7,735,000	5.000%	1,443,125.00	25,460,000	(946,690.00)	7,215,625.00	15,447,060.05
6/30/2014	9/1/2014	8,135,000	5.000%	1,079,625.00	17,725,000	(708,234.00)	5,398,125.00	13,904,516.05
6/30/2015	9/1/2015	8,555,000	5.000%	682,875.00	9,590,000	(447,966.00)	3,414,375.00	12,204,284.05
6/30/2016	9/1/2016	1,035,000	5.000%	265,625.00	1,035,000	(174,250.00)	1,328,125.00	2,454,500.05
TOTALS		44,890,000		8,459,125.00		(5,303,787.33)	40,425,208.33	88,470,546.35

(1) For these purposes, SIFMA assumed at max rate of 25.000%, paid semi-annually

---2007 Fixed Payer Swap---

Schedule 8A
Risk Summary – 2007 Fixed Payer Swap

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2007 Fixed Payer Swap when it owes a termination payment to the Counterparty.	Would require a payment default, or bankruptcy by the School District, or a reduction in the School District's credit rating below threshold as defined in ISDA document. See Schedule 8B for the potential payments owed.	See Schedule 8B for the potential payments owed.	Good financial management, Monitor
2) Basis Risk*	Shortfall between the interest rate paid on underlying variable rate bonds and the floating rate received on the 2007 Fixed Payer Swap.	Could result in a realized fixed rate on the 2007 Fixed Payer Swap that is higher than the nominal rate in the contract.	School District's variable rate bonds may trade at a higher rate received on the 2007 Fixed Payer Swap.	Good financial management, budget contingency (i.e. Budget to a higher all-in fixed rate), and a Rate Stabilization and Improvement Fund.
3) Tax Risk*	Shortfall between the rate received on the 2007 Fixed Payer Swap and the rate paid caused by a reduction in or elimination of the benefit of the tax-exemption of municipal bonds, e.g. a tax cut.	Could result in a realized fixed rate on the 2007 Fixed Payer Swap that is higher than the nominal rate in the contract.	See Schedule 8C and 8D.	Good financial management, budget contingency (i.e. Budget to a higher all-in fixed rate), and a Rate Stabilization and Improvement Fund.
4) Counterparty Credit (Default) Risk	Risk of a payment default on the 2007 Fixed Payer Swap by the Counterparty which results in an economic loss to the School District.	Exposure that diminishes with passage of time; requires monitoring of Counterparty credit ratings.	See Schedule 8B for the potential payments owed.	Selected Counterparty with high credit ratings and continually monitor those, Interest Rate Management Plan / Monitor
5) Liquidity Risk	Inability to renew or replace Liquidity Bank or that the liquidity fees will increase in the future.	Replacement Liquidity Bank can generally be located, but price may increase.	Could increase overall cost of administrative fees.	Prudently manage the School District's finances to maintain credit rating.

*Any termination payment or swap cash outflows may need to fit under an inflationary index as defined in Act 1 that would restrict real estate tax increases.

Schedule 8B
Termination Values – 2007 Fixed Payer Swap

Effective Date 9/18/2009
 Swap Maturity 7/1/2031
 Contract Swap Rate 3.774%
 Discount Rate 3.95%

AMORTIZATION SCHEDULE		TERMINATION PAYMENT AMOUNT						
Outstanding Notional		Change in Swap Rates						
Date	\$39,990,000	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
9/18/2009	\$39,990,000	(\$16,278,493)	(\$12,583,119)	(\$9,169,779)	(\$6,014,299)	(\$3,094,705)	(\$391,014)	\$2,114,959
7/1/2010	\$39,985,000	(\$15,462,386)	(\$11,978,360)	(\$8,747,466)	(\$5,748,980)	(\$2,963,986)	(\$375,206)	\$2,033,150
7/1/2011	\$39,980,000	(\$14,635,153)	(\$11,362,318)	(\$8,315,146)	(\$5,476,035)	(\$2,828,849)	(\$358,783)	\$1,947,745
7/1/2012	\$39,975,000	(\$13,796,642)	(\$10,734,779)	(\$7,872,580)	(\$5,195,244)	(\$2,689,142)	(\$341,722)	\$1,858,585
7/1/2013	\$39,970,000	(\$12,946,697)	(\$10,095,528)	(\$7,419,523)	(\$4,906,377)	(\$2,544,710)	(\$323,997)	\$1,765,504
7/1/2014	\$39,965,000	(\$12,085,160)	(\$9,444,343)	(\$6,955,726)	(\$4,609,203)	(\$2,395,394)	(\$305,582)	\$1,668,328
7/1/2015	\$39,960,000	(\$11,211,871)	(\$8,781,001)	(\$6,480,930)	(\$4,303,481)	(\$2,241,025)	(\$286,452)	\$1,566,877
7/1/2016	\$39,955,000	(\$10,326,669)	(\$8,105,272)	(\$5,994,875)	(\$3,988,962)	(\$2,081,434)	(\$266,576)	\$1,460,962
7/1/2017	\$39,950,000	(\$9,429,388)	(\$7,416,922)	(\$5,497,289)	(\$3,665,393)	(\$1,916,440)	(\$245,927)	\$1,350,385
7/1/2018	\$39,945,000	(\$8,519,862)	(\$6,715,715)	(\$4,987,900)	(\$3,332,511)	(\$1,745,862)	(\$224,475)	\$1,234,939
7/1/2019	\$39,940,000	(\$7,597,923)	(\$6,001,408)	(\$4,466,423)	(\$2,990,047)	(\$1,569,509)	(\$202,186)	\$1,114,410
7/1/2020	\$39,935,000	(\$6,663,398)	(\$5,273,754)	(\$3,932,571)	(\$2,637,723)	(\$1,387,184)	(\$179,030)	\$988,573
7/1/2021	\$39,930,000	(\$5,716,116)	(\$4,532,501)	(\$3,386,048)	(\$2,275,254)	(\$1,198,685)	(\$154,972)	\$857,193
7/1/2022	\$36,595,000	(\$4,755,899)	(\$3,777,395)	(\$2,826,551)	(\$1,902,346)	(\$1,003,800)	(\$129,977)	\$720,025
7/1/2023	\$33,130,000	(\$3,869,222)	(\$3,078,265)	(\$2,307,175)	(\$1,555,289)	(\$821,968)	(\$106,598)	\$591,414
7/1/2024	\$29,525,000	(\$3,060,482)	(\$2,438,902)	(\$1,830,964)	(\$1,236,261)	(\$654,399)	(\$84,999)	\$472,308
7/1/2025	\$25,775,000	(\$2,334,397)	(\$1,863,378)	(\$1,401,193)	(\$947,611)	(\$502,405)	(\$65,359)	\$363,740
7/1/2026	\$21,880,000	(\$1,695,879)	(\$1,355,946)	(\$1,021,297)	(\$691,811)	(\$367,373)	(\$47,868)	\$266,814
7/1/2027	\$17,830,000	(\$1,149,911)	(\$920,942)	(\$694,792)	(\$471,407)	(\$250,734)	(\$32,722)	\$182,679
7/1/2028	\$13,625,000	(\$701,801)	(\$562,993)	(\$425,441)	(\$289,126)	(\$154,030)	(\$20,134)	\$112,581
7/1/2029	\$9,255,000	(\$356,933)	(\$286,811)	(\$217,093)	(\$147,776)	(\$78,854)	(\$10,324)	\$57,820
7/1/2030	\$4,715,000	(\$121,024)	(\$97,409)	(\$73,852)	(\$50,354)	(\$26,913)	(\$3,529)	\$19,798
7/1/2031	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

This table shows the value to terminate the Swap at various relationships of SIFMA and LIBOR at different points in time. Gain/(Loss).

Schedule 8C
Tax Risk: Present Value Analysis – 2007 Fixed Payer Swap

PV Sensitivity Analysis for % of LIBOR Swap:	
Date	9/18/09
Maturity	7/1/31
Swap Floating % of LIBOR	68.0%
Assumed Future LIBOR	3.95%
Annual Savings vs. SIFMA Swap	0.000%
Expected PV Savings	\$0

PRESENT VALUE SAVINGS AT EFFECTIVE DATE

		Variable Bond Rate/LIBOR Ratio				
		S&P Worst Case				0 exemption
Outstanding Notional						
Year Tax Change	Effective	58.0%	68.0%	75.5%	85.0%	100.0%
9/18/09	\$39,990,000	\$2,159,618	\$0	(\$1,619,713)	(\$3,671,350)	(\$6,910,776)
7/1/10	\$39,985,000	\$2,066,677	\$0	(\$1,550,008)	(\$3,513,350)	(\$6,613,366)
7/1/11	\$39,980,000	\$1,970,796	\$0	(\$1,478,097)	(\$3,350,353)	(\$6,306,547)
7/1/12	\$39,975,000	\$1,871,882	\$0	(\$1,403,911)	(\$3,182,199)	(\$5,990,021)
7/1/13	\$39,970,000	\$1,769,837	\$0	(\$1,327,378)	(\$3,008,723)	(\$5,663,479)
7/1/14	\$39,965,000	\$1,664,563	\$0	(\$1,248,422)	(\$2,829,757)	(\$5,326,601)
7/1/15	\$39,960,000	\$1,555,956	\$0	(\$1,166,967)	(\$2,645,125)	(\$4,979,059)
7/1/16	\$39,955,000	\$1,443,910	\$0	(\$1,082,932)	(\$2,454,647)	(\$4,620,512)
7/1/17	\$39,950,000	\$1,328,316	\$0	(\$996,237)	(\$2,258,137)	(\$4,250,610)
7/1/18	\$39,945,000	\$1,209,060	\$0	(\$906,795)	(\$2,055,402)	(\$3,868,992)
7/1/19	\$39,940,000	\$1,086,026	\$0	(\$814,520)	(\$1,846,244)	(\$3,475,284)
7/1/20	\$39,935,000	\$959,094	\$0	(\$719,320)	(\$1,630,460)	(\$3,069,101)
7/1/21	\$39,930,000	\$828,139	\$0	(\$621,105)	(\$1,407,837)	(\$2,650,046)
7/1/22	\$36,595,000	\$693,034	\$0	(\$519,776)	(\$1,178,158)	(\$2,217,709)
7/1/23	\$33,130,000	\$567,113	\$0	(\$425,335)	(\$964,092)	(\$1,814,761)
7/1/24	\$29,525,000	\$451,194	\$0	(\$338,395)	(\$767,030)	(\$1,443,820)
7/1/25	\$25,775,000	\$346,162	\$0	(\$259,621)	(\$588,475)	(\$1,107,718)
7/1/26	\$21,880,000	\$252,950	\$0	(\$189,713)	(\$430,015)	(\$809,440)
7/1/27	\$17,830,000	\$172,521	\$0	(\$129,391)	(\$293,286)	(\$552,069)
7/1/28	\$13,625,000	\$105,910	\$0	(\$79,432)	(\$180,047)	(\$338,911)
7/1/29	\$9,255,000	\$54,182	\$0	(\$40,636)	(\$92,109)	(\$173,382)
7/1/30	\$4,715,000	\$18,479	\$0	(\$13,860)	(\$31,415)	(\$59,134)
7/1/31	\$0	\$0	\$0	\$0	\$0	\$0

Schedule 8D
Tax Risk: Annual Cash Flows – 2007 Fixed Payer Swap

Notional Amount \$39,990,000

Contract LIBOR Ratio 68.0%

Fixed Margin 0.000%

Annual Swap Cashflow Sensitivity*

Actual SIFMA/LIBOR Ratio					
LIBOR					
Rate**	<u>58.0%</u>	<u>68.0%</u>	<u>75.5%</u>	<u>85.0%</u>	<u>100.0%</u>
1.00%	39,990	0	(29,993)	(67,983)	(127,968)
2.00%	79,980	0	(59,985)	(135,966)	(255,936)
3.00%	119,970	0	(89,977)	(203,949)	(383,904)
4.00%	159,960	0	(119,970)	(271,932)	(511,872)
5.00%	199,950	0	(149,963)	(339,915)	(639,840)
6.00%	239,940	0	(179,955)	(407,898)	(767,808)
7.00%	279,930	0	(209,948)	(475,881)	(895,776)
8.00%	319,920	0	(239,940)	(543,864)	(1,023,744)

Cashflows = 1-Month LIBOR(Contract LIBOR Ratio - Actual SIFMA/LIBOR

**1-Month LIBOR

***Assumes related bonds trade at 68% of LIBOR. Any outperformance or underperformance effect net cashflows on the transaction.

Schedule 8E
2007 Fixed Payer Swap and 2009 Bonds: Estimated Periodic Scheduled Payments

		2009 Bonds			2007 Fixed Payer			
Fiscal Year Ending	Principal Date	Pay	Pay	Pay		Receive	Pay	Fiscal Year Total
		Principal	Variable Rate Interest (1) 3.000%	Variable Rate Admin (2) 0.300%	Notional	68% of 1-Month LIBOR (3) 2.750%	Fixed Swap Rate (4) 3.774%	
6/30/2010	7/1/2010	5,000	116.67	11.67	5,000	(106.94)	146.77	5,168.16
6/30/2011	7/1/2011	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2012	7/1/2012	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2013	7/1/2013	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2014	7/1/2014	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2015	7/1/2015	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2016	7/1/2016	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2017	7/1/2017	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2018	7/1/2018	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2019	7/1/2019	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2020	7/1/2020	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2021	7/1/2021	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2022	7/1/2022	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2023	7/1/2023	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2024	7/1/2024	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2025	7/1/2025	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2026	7/1/2026	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2027	7/1/2027	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2028	7/1/2028	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2029	7/1/2029	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2030	7/1/2030	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2031	7/1/2031	0	0.00	0.00	0	0.00	0.00	0.00
TOTALS		5,000	116.67	11.67		(106.94)	146.77	5,168.16

(1) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 68% of 1-Month LIBOR assumed at 2.750%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 3.774%, paid monthly

Schedule 8F
2007 Fixed Payer Swap and 2009 Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
2009 Bonds					2007 Fixed Payer			
Fiscal Year Ending	Principal Date	Pay	Pay	Pay	Receive		Pay	Fiscal Year Total
		Principal	Variable Rate Interest (1)	Variable Rate Admin (2)	Notional	68% of 1-Month LIBOR (3)	Fixed Swap Rate (4)	
			25.000%	0.300%		0.000%	3.774%	
6/30/2010	7/1/2010	5,000	972.22	11.67	5,000	0.00	146.77	6,130.6
6/30/2011	7/1/2011	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2012	7/1/2012	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2013	7/1/2013	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2014	7/1/2014	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2015	7/1/2015	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2016	7/1/2016	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2017	7/1/2017	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2018	7/1/2018	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2019	7/1/2019	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2020	7/1/2020	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2021	7/1/2021	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2022	7/1/2022	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2023	7/1/2023	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2024	7/1/2024	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2025	7/1/2025	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2026	7/1/2026	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2027	7/1/2027	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2028	7/1/2028	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2029	7/1/2029	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2030	7/1/2030	0	0.00	0.00	0	0.00	0.00	0.0
6/30/2031	7/1/2031	0	0.00	0.00	0	0.00	0.00	0.0
TOTALS		5,000	972.22	11.67		0.00	146.77	6,130.6

(1) For these purposes, Variable Rate Interest assumed at 25.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 68% of 1-Month LIBOR assumed at 0.000%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 3.774%, paid monthly

Schedule 8G
2007 Fixed Payer Swap and 2011 Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
Fiscal Year Ending	Principal Date	2011 Bonds			2007 Fixed Payer			Fiscal Year Total
		Pay	Pay	Pay	Receive		Pay	
		Principal	Variable Rate Interest (1)	Variable Rate Admin (2)	Notional	68% of 1-Month LIBOR (3)	Fixed Swap Rate (4)	
			3.000%	0.300%		2.750%	3.774%	
6/30/2010	7/1/2010	0	932,983.33	93,298.33	39,985,000	(855,234.72)	1,173,693.03	1,344,739.98
6/30/2011	7/1/2011	5,000	1,199,550.00	119,955.00	39,985,000	(1,099,587.50)	1,509,033.90	1,733,951.40
6/30/2012	7/1/2012	5,000	1,199,400.00	119,940.00	39,980,000	(1,099,450.00)	1,508,845.20	1,733,735.20
6/30/2013	7/1/2013	5,000	1,199,250.00	119,925.00	39,975,000	(1,099,312.50)	1,508,656.50	1,733,519.00
6/30/2014	7/1/2014	5,000	1,199,100.00	119,910.00	39,970,000	(1,099,175.00)	1,508,467.80	1,733,302.80
6/30/2015	7/1/2015	5,000	1,198,950.00	119,895.00	39,965,000	(1,099,037.50)	1,508,279.10	1,733,086.60
6/30/2016	7/1/2016	5,000	1,198,800.00	119,880.00	39,960,000	(1,098,900.00)	1,508,090.40	1,732,870.40
6/30/2017	7/1/2017	5,000	1,198,650.00	119,865.00	39,955,000	(1,098,762.50)	1,507,901.70	1,732,654.20
6/30/2018	7/1/2018	5,000	1,198,500.00	119,850.00	39,950,000	(1,098,625.00)	1,507,713.00	1,732,438.00
6/30/2019	7/1/2019	5,000	1,198,350.00	119,835.00	39,945,000	(1,098,487.50)	1,507,524.30	1,732,221.80
6/30/2020	7/1/2020	5,000	1,198,200.00	119,820.00	39,940,000	(1,098,350.00)	1,507,335.60	1,732,005.60
6/30/2021	7/1/2021	5,000	1,198,050.00	119,805.00	39,935,000	(1,098,212.50)	1,507,146.90	1,731,789.40
6/30/2022	7/1/2022	3,335,000	1,197,900.00	119,790.00	39,930,000	(1,098,075.00)	1,506,958.20	5,061,573.20
6/30/2023	7/1/2023	3,465,000	1,097,850.00	109,785.00	36,595,000	(1,006,362.50)	1,381,095.30	5,047,367.80
6/30/2024	7/1/2024	3,605,000	993,900.00	99,390.00	33,130,000	(911,075.00)	1,250,326.20	5,037,541.20
6/30/2025	7/1/2025	3,750,000	885,750.00	88,575.00	29,525,000	(811,937.50)	1,114,273.50	5,026,661.00
6/30/2026	7/1/2026	3,895,000	773,250.00	77,325.00	25,775,000	(708,812.50)	972,748.50	5,009,511.00
6/30/2027	7/1/2027	4,050,000	656,400.00	65,640.00	21,880,000	(601,700.00)	825,751.20	4,996,091.20
6/30/2028	7/1/2028	4,205,000	534,900.00	53,490.00	17,830,000	(490,325.00)	672,904.20	4,975,969.20
6/30/2029	7/1/2029	4,370,000	408,750.00	40,875.00	13,625,000	(374,687.50)	514,207.50	4,959,145.00
6/30/2030	7/1/2030	4,540,000	277,650.00	27,765.00	9,255,000	(254,512.50)	349,283.70	4,940,186.20
6/30/2031	7/1/2031	4,715,000	141,450.00	14,145.00	4,715,000	(129,662.50)	177,944.10	4,918,876.60
TOTALS		39,985,000	21,087,583.33	2,108,758.33		(19,330,284.72)	26,528,179.83	70,379,236.78

(1) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 68% of 1-Month LIBOR assumed at 2.750%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 3.774%, paid semi-annually

Schedule 8H
2007 Fixed Payer Swap and 2011 Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
Fiscal Year Ending	Principal Date	2011 Bonds			2007 Fixed Payer			Fiscal Year Total
		Pay	Pay	Pay	Receive		Pay	
		Principal	Variable Rate Interest (1) 25.000%	Variable Rate Admin (2) 0.300%	Notional	68% of 1-Month LIBOR (3) 0.000%	Fixed Swap Rate (4) 3.774%	
6/30/2010	7/1/2010	0	7,774,861.11	93,298.33	39,985,000	0.00	1,173,693.03	9,041,852.48
6/30/2011	7/1/2011	5,000	9,996,250.00	119,955.00	39,985,000	0.00	1,509,033.90	11,630,238.90
6/30/2012	7/1/2012	5,000	9,995,000.00	119,940.00	39,980,000	0.00	1,508,845.20	11,628,785.20
6/30/2013	7/1/2013	5,000	9,993,750.00	119,925.00	39,975,000	0.00	1,508,656.50	11,627,331.50
6/30/2014	7/1/2014	5,000	9,992,500.00	119,910.00	39,970,000	0.00	1,508,467.80	11,625,877.80
6/30/2015	7/1/2015	5,000	9,991,250.00	119,895.00	39,965,000	0.00	1,508,279.10	11,624,424.10
6/30/2016	7/1/2016	5,000	9,990,000.00	119,880.00	39,960,000	0.00	1,508,090.40	11,622,970.40
6/30/2017	7/1/2017	5,000	9,988,750.00	119,865.00	39,955,000	0.00	1,507,901.70	11,621,516.70
6/30/2018	7/1/2018	5,000	9,987,500.00	119,850.00	39,950,000	0.00	1,507,713.00	11,620,063.00
6/30/2019	7/1/2019	5,000	9,986,250.00	119,835.00	39,945,000	0.00	1,507,524.30	11,618,609.30
6/30/2020	7/1/2020	5,000	9,985,000.00	119,820.00	39,940,000	0.00	1,507,335.60	11,617,155.60
6/30/2021	7/1/2021	5,000	9,983,750.00	119,805.00	39,935,000	0.00	1,507,146.90	11,615,701.90
6/30/2022	7/1/2022	3,335,000	9,982,500.00	119,790.00	39,930,000	0.00	1,506,958.20	14,944,248.20
6/30/2023	7/1/2023	3,465,000	9,148,750.00	109,785.00	36,595,000	0.00	1,381,095.30	14,104,630.30
6/30/2024	7/1/2024	3,605,000	8,282,500.00	99,390.00	33,130,000	0.00	1,250,326.20	13,237,216.20
6/30/2025	7/1/2025	3,750,000	7,381,250.00	88,575.00	29,525,000	0.00	1,114,273.50	12,334,098.50
6/30/2026	7/1/2026	3,895,000	6,443,750.00	77,325.00	25,775,000	0.00	972,748.50	11,388,823.50
6/30/2027	7/1/2027	4,050,000	5,470,000.00	65,640.00	21,880,000	0.00	825,751.20	10,411,391.20
6/30/2028	7/1/2028	4,205,000	4,457,500.00	53,490.00	17,830,000	0.00	672,904.20	9,388,894.20
6/30/2029	7/1/2029	4,370,000	3,406,250.00	40,875.00	13,625,000	0.00	514,207.50	8,331,332.50
6/30/2030	7/1/2030	4,540,000	2,313,750.00	27,765.00	9,255,000	0.00	349,283.70	7,230,798.70
6/30/2031	7/1/2031	4,715,000	1,178,750.00	14,145.00	4,715,000	0.00	177,944.10	6,085,839.10
TOTALS		39,985,000	175,729,861.11	2,108,758.33		0.00	26,528,179.83	244,351,799.28

(1) For these purposes, Variable Rate Interest assumed at 25.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 68% of 1-Month LIBOR assumed at 0.000%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 3.774%, paid semi-annually

---2007 CMS---

Schedule 9A Risk Summary – 2007 CMS

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2007 CMS when it owes a termination payment to the Counterparty.	Would require a payment default, or bankruptcy by the School District, or a reduction in the School District's credit rating below threshold as defined in ISDA document. See Schedule 9B for the potential payments owed.	See Schedule 9B.	Good financial management, Monitor
2) Basis Risk*	Shortfall between the interest rate paid (SIFMA) and the rate received (69.10% of 10-Year LIBOR) on the 2007 CMS.	Could result in a rate paid (SIFMA) that is higher than the rate received (69.10% of 10-Year LIBOR) in which the School District makes net payments to the Counterparty.	Interest rate paid (SIFMA) may be higher than interest rate received (69.10% of 10-Year LIBOR), and may exist for entire term.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2007 CMS.
3) Tax Risk*	Shortfall between the rate paid on the 2007 CMS and the rate received on the 2007 CMS caused by a reduction in or elimination of the benefit of the tax- exemption of municipal bonds, e.g. a tax cut.	Could result in a rate paid (SIFMA) on the 2007 CMS that is higher than the rate received (69.10% of 10-Year LIBOR) resulting in a net cost for the School District.	See Schedule 9B.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2007 CMS.
4) Yield Curve Risk*	Risk that the yield curve does not steepen sufficiently to produce positive net cash flows.	Could result in cash outflows under the terms of the 2007 CMS.	See Schedule 9C.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2007 CMS.
5) Counterparty Credit (Default) Risk	Risk of a payment default on the 2007 CMS by the Counterparty which results in an economic loss to the School District.	Exposure that diminishes with passage of time; requires monitoring of Counterparty credit ratings.	See Schedule 9B for the potential payments owed.	Selected a counterparty with high credit ratings, Monitor

*Any termination payment or swap cash outflows may need to fit under an inflationary index as defined in Act 1 that would restrict real estate tax increases.

Schedule 9B
Termination Values – 2007 CMS

As of September 21, 2009, the approximate market value for the 2007 CMS is a \$1,023,878. The current value will become more positive with further yield curve steepening. Conversely, the current value will become more negative with further yield curve flattening.

Schedule 9C
Yield Curve Risk: Annual Cash Flows – 2007 CMS

Notional Amount \$39,990,000
 Contract LIBOR Ratio 68.0%
 Fixed Margin 0.000%

Annual Swap Cashflow Sensitivity*

Actual SIFMA/LIBOR Ratio					
LIBOR					
Rate**	<u>58.0%</u>	<u>68.0%</u>	<u>75.5%</u>	<u>85.0%</u>	<u>100.0%</u>
1.00%	39,990	0	(29,993)	(67,983)	(127,968)
2.00%	79,980	0	(59,985)	(135,966)	(255,936)
3.00%	119,970	0	(89,977)	(203,949)	(383,904)
4.00%	159,960	0	(119,970)	(271,932)	(511,872)
5.00%	199,950	0	(149,963)	(339,915)	(639,840)
6.00%	239,940	0	(179,955)	(407,898)	(767,808)
7.00%	279,930	0	(209,948)	(475,881)	(895,776)
8.00%	319,920	0	(239,940)	(543,864)	(1,023,744)

Cashflows = 1-Month LIBOR(Contract LIBOR Ratio - Actual SIFMA/LIBOR

**1-Month LIBOR

***Assumes related bonds trade at 68% of LIBOR. Any outperformance or underperformance effect net cashflows on the transaction.

Schedule 9D
2007 CMS and 2009 Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
2009 Bonds					2007 CMS			
Fiscal Year Ending	Principal Date	Pay	Pay	Pay	Receive		Pay	Fiscal Year Total
		Principal	Variable Rate Interest (1) 3.000%	Variable Rate Admin (2) 0.300%	Notional	69.1% of 10-Year LIBOR (3) 3.950%	SIEMA (4) 2.700%	
6/30/2010	7/1/2010	5,000	116.67	11.67	5,000	(153.61)	105.00	5,079.72
6/30/2011	7/1/2011	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2012	7/1/2012	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2013	7/1/2013	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2014	7/1/2014	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2015	7/1/2015	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2016	7/1/2016	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2017	7/1/2017	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2018	7/1/2018	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2019	7/1/2019	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2020	7/1/2020	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2021	7/1/2021	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2022	7/1/2022	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2023	7/1/2023	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2024	7/1/2024	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2025	7/1/2025	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2026	7/1/2026	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2027	7/1/2027	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2028	7/1/2028	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2029	7/1/2029	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2030	7/1/2030	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2031	7/1/2031	0	0.00	0.00	0	0.00	0.00	0.00
TOTALS		5,000	116.67	11.67		(153.61)	105.00	5,079.72

(1) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 69.1% of 10-Year LIBOR assumed at 3.950%, received monthly

(4) For these purposes, SIFMA assumed at 2.700%, paid monthly

Schedule 9E
2007 CMS and 2009 Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2009 Bonds			2007 CMS			
Fiscal Year	Principal	Pay	Pay	Pay		Receive	Pay	Fiscal Year
Ending	Date	Principal	Variable Rate Interest (1)	Variable Rate Admin (2)	Notional	69.1% of 10-Year LIBOR (3)	SIEMA (4)	Total
			25.000%	0.300%		0.000%	25.000%	
6/30/2010	7/1/2010	5,000	972.22	11.67	5,000	0.00	972.22	6,956.11
6/30/2011	7/1/2011	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2012	7/1/2012	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2013	7/1/2013	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2014	7/1/2014	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2015	7/1/2015	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2016	7/1/2016	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2017	7/1/2017	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2018	7/1/2018	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2019	7/1/2019	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2020	7/1/2020	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2021	7/1/2021	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2022	7/1/2022	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2023	7/1/2023	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2024	7/1/2024	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2025	7/1/2025	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2026	7/1/2026	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2027	7/1/2027	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2028	7/1/2028	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2029	7/1/2029	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2030	7/1/2030	0	0.00	0.00	0	0.00	0.00	0.00
6/30/2031	7/1/2031	0	0.00	0.00	0	0.00	0.00	0.00
TOTALS		5,000	972.22	11.67		0.00	972.22	6,956.11

(1) For these purposes, Variable Rate Interest assumed at 25.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 69.1% of 10-Year LIBOR assumed at 0.000%, received monthly

(4) For these purposes, SIFMA assumed at 25.000%, paid monthly

Schedule 9F
2007 CMS and 2011 Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2011 Bonds			2007 CMS			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year	Principal		Variable Rate	Variable Rate		69.1% of		Fiscal Year
Ending	Date	Principal	Interest (1)	Admin (2)	Notional	10-Year LIBOR (3)	SIEMA (4)	Total
			3.000%	0.300%		3.950%	2.700%	
6/30/2010	7/1/2010	0	932,983.33	93,298.33	39,985,000	(1,228,428.06)	839,685.00	637,538.61
6/30/2011	7/1/2011	5,000	1,199,550.00	119,955.00	39,985,000	(1,579,407.50)	1,079,595.00	824,692.50
6/30/2012	7/1/2012	5,000	1,199,400.00	119,940.00	39,980,000	(1,579,210.00)	1,079,460.00	824,590.00
6/30/2013	7/1/2013	5,000	1,199,250.00	119,925.00	39,975,000	(1,579,012.50)	1,079,325.00	824,487.50
6/30/2014	7/1/2014	5,000	1,199,100.00	119,910.00	39,970,000	(1,578,815.00)	1,079,190.00	824,385.00
6/30/2015	7/1/2015	5,000	1,198,950.00	119,895.00	39,965,000	(1,578,617.50)	1,079,055.00	824,282.50
6/30/2016	7/1/2016	5,000	1,198,800.00	119,880.00	39,960,000	(1,578,420.00)	1,078,920.00	824,180.00
6/30/2017	7/1/2017	5,000	1,198,650.00	119,865.00	39,955,000	(1,578,222.50)	1,078,785.00	824,077.50
6/30/2018	7/1/2018	5,000	1,198,500.00	119,850.00	39,950,000	(1,578,025.00)	1,078,650.00	823,975.00
6/30/2019	7/1/2019	5,000	1,198,350.00	119,835.00	39,945,000	(1,577,827.50)	1,078,515.00	823,872.50
6/30/2020	7/1/2020	5,000	1,198,200.00	119,820.00	39,940,000	(1,577,630.00)	1,078,380.00	823,770.00
6/30/2021	7/1/2021	5,000	1,198,050.00	119,805.00	39,935,000	(1,577,432.50)	1,078,245.00	823,667.50
6/30/2022	7/1/2022	3,335,000	1,197,900.00	119,790.00	39,930,000	(1,577,235.00)	1,078,110.00	4,153,565.00
6/30/2023	7/1/2023	3,465,000	1,097,850.00	109,785.00	36,595,000	(1,445,502.50)	988,065.00	4,215,197.50
6/30/2024	7/1/2024	3,605,000	993,900.00	99,390.00	33,130,000	(1,308,635.00)	894,510.00	4,284,165.00
6/30/2025	7/1/2025	3,750,000	885,750.00	88,575.00	29,525,000	(1,166,237.50)	797,175.00	4,355,262.50
6/30/2026	7/1/2026	3,895,000	773,250.00	77,325.00	25,775,000	(1,018,112.50)	695,925.00	4,423,387.50
6/30/2027	7/1/2027	4,050,000	656,400.00	65,640.00	21,880,000	(864,260.00)	590,760.00	4,498,540.00
6/30/2028	7/1/2028	4,205,000	534,900.00	53,490.00	17,830,000	(704,285.00)	481,410.00	4,570,515.00
6/30/2029	7/1/2029	4,370,000	408,750.00	40,875.00	13,625,000	(538,187.50)	367,875.00	4,649,312.50
6/30/2030	7/1/2030	4,540,000	277,650.00	27,765.00	9,255,000	(365,572.50)	249,885.00	4,729,727.50
6/30/2031	7/1/2031	4,715,000	141,450.00	14,145.00	4,715,000	(186,242.50)	127,305.00	4,811,657.50
TOTALS		39,985,000	21,087,583.33	2,108,758.33		(27,765,318.06)	18,978,825.00	54,394,848.61

(1) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 69.1% of 10-Year LIBOR assumed at 3.950%, received monthly

(4) For these purposes, SIFMA assumed at 2.700%, paid semi-annually

Schedule 9G
2007 CMS and 2011 Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
Fiscal Year Ending	Principal Date	2011 Bonds			2007 CMS			Fiscal Year Total
		Pay	Pay	Pay	Receive		Pay	
		Principal	Variable Rate Interest (1) 25.000%	Variable Rate Admin (2) 0.300%	Notional	69.1% of 10-Year LIBOR (3) 0.000%	SIFMA (4) 25.000%	
6/30/2010	7/1/2010	0	7,774,861.11	93,298.33	39,985,000	0.00	7,774,861.11	15,643,020.56
6/30/2011	7/1/2011	5,000	9,996,250.00	119,955.00	39,985,000	0.00	9,996,250.00	20,117,455.00
6/30/2012	7/1/2012	5,000	9,995,000.00	119,940.00	39,980,000	0.00	9,995,000.00	20,114,940.00
6/30/2013	7/1/2013	5,000	9,993,750.00	119,925.00	39,975,000	0.00	9,993,750.00	20,112,425.00
6/30/2014	7/1/2014	5,000	9,992,500.00	119,910.00	39,970,000	0.00	9,992,500.00	20,109,910.00
6/30/2015	7/1/2015	5,000	9,991,250.00	119,895.00	39,965,000	0.00	9,991,250.00	20,107,395.00
6/30/2016	7/1/2016	5,000	9,990,000.00	119,880.00	39,960,000	0.00	9,990,000.00	20,104,880.00
6/30/2017	7/1/2017	5,000	9,988,750.00	119,865.00	39,955,000	0.00	9,988,750.00	20,102,365.00
6/30/2018	7/1/2018	5,000	9,987,500.00	119,850.00	39,950,000	0.00	9,987,500.00	20,099,850.00
6/30/2019	7/1/2019	5,000	9,986,250.00	119,835.00	39,945,000	0.00	9,986,250.00	20,097,335.00
6/30/2020	7/1/2020	5,000	9,985,000.00	119,820.00	39,940,000	0.00	9,985,000.00	20,094,820.00
6/30/2021	7/1/2021	5,000	9,983,750.00	119,805.00	39,935,000	0.00	9,983,750.00	20,092,305.00
6/30/2022	7/1/2022	3,335,000	9,982,500.00	119,790.00	39,930,000	0.00	9,982,500.00	23,419,790.00
6/30/2023	7/1/2023	3,465,000	9,148,750.00	109,785.00	36,595,000	0.00	9,148,750.00	21,872,285.00
6/30/2024	7/1/2024	3,605,000	8,282,500.00	99,390.00	33,130,000	0.00	8,282,500.00	20,269,390.00
6/30/2025	7/1/2025	3,750,000	7,381,250.00	88,575.00	29,525,000	0.00	7,381,250.00	18,601,075.00
6/30/2026	7/1/2026	3,895,000	6,443,750.00	77,325.00	25,775,000	0.00	6,443,750.00	16,859,825.00
6/30/2027	7/1/2027	4,050,000	5,470,000.00	65,640.00	21,880,000	0.00	5,470,000.00	15,055,640.00
6/30/2028	7/1/2028	4,205,000	4,457,500.00	53,490.00	17,830,000	0.00	4,457,500.00	13,173,490.00
6/30/2029	7/1/2029	4,370,000	3,406,250.00	40,875.00	13,625,000	0.00	3,406,250.00	11,223,375.00
6/30/2030	7/1/2030	4,540,000	2,313,750.00	27,765.00	9,255,000	0.00	2,313,750.00	9,195,265.00
6/30/2031	7/1/2031	4,715,000	1,178,750.00	14,145.00	4,715,000	0.00	1,178,750.00	7,086,645.00
TOTALS		39,985,000	175,729,861.11	2,108,758.33		0.00	175,729,861.11	393,553,480.56

(1) For these purposes, Variable Rate Interest max rate assumed at 25.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 69.1% of 10-Year LIBOR assumed at 0.000%, received monthly

(4) For these purposes, SIFMA max rate assumed at 25.000%, paid semi-annually

---2007-2 Fixed Payer Swap---

Schedule 10A
Risk Summary – 2007-2 Fixed Payer Swap

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2007-2 Fixed Payer Swap when it owes a termination payment to the Counterparty.	Would require a payment default, or bankruptcy by the School District, or a reduction in the School District's credit rating below threshold as defined in ISDA document. See Schedule 10B for the potential payments owed.	See Schedule 10B for the potential payments owed.	Good financial management, Monitor
2) Basis Risk*	Shortfall between the interest rate paid on underlying variable rate bonds and the floating rate received on the 2007-2 Fixed Payer Swap.	Could result in a realized fixed rate on the 2007-2 Fixed Payer Swap that is higher than the nominal rate in the contract.	School District's variable rate bonds may trade at a higher rate received on the 2007-2 Fixed Payer Swap.	Good financial management, budget contingency (i.e. Budget to a higher all-in fixed rate), and a Rate Stabilization and Improvement Fund.
3) Tax Risk*	Shortfall between the rate received on the 2007-2 Fixed Payer Swap and the rate paid caused by a reduction in or elimination of the benefit of the tax-exemption of municipal bonds, e.g. a tax cut.	Could result in a realized fixed rate on the 2007-2 Fixed Payer Swap that is higher than the nominal rate in the contract.	See Schedule 10C and 10D.	Good financial management, budget contingency (i.e. Budget to a higher all-in fixed rate), and a Rate Stabilization and Improvement Fund.
4) Counterparty Credit (Default) Risk	Risk of a payment default on the 2007-2 Fixed Payer Swap by the Counterparty which results in an economic loss to the School District.	Exposure that diminishes with passage of time; requires monitoring of Counterparty credit ratings.	See Schedule 10B for the potential payments owed.	Selected Counterparty with high credit ratings and continually monitor those, Interest Rate Management Plan / Monitor
5) Liquidity Risk	Inability to renew or replace Liquidity Bank or that the liquidity fees will increase in the future.	Replacement Liquidity Bank can generally be located, but price may increase.	Could increase overall cost of administrative fees.	Prudently manage the School District's finances to maintain credit rating.

*Any termination payment or swap cash outflows may need to fit under an inflationary index as defined in Act 1 that would restrict real estate tax increases.

Schedule 10B
Termination Values – 2007-2 Fixed Payer Swap

Effective Date 9/18/2009
 Swap Maturity 1/1/2032
 Contract Swap Rate 4.145%
 Discount Rate 4.00%

AMORTIZATION SCHEDULE		TERMINATION PAYMENT AMOUNT						
Outstanding Notional		Change in Swap Rates						
Termination Date		-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
9/18/2009	\$54,990,000	(\$27,351,561)	(\$21,537,173)	(\$16,204,433)	(\$11,308,830)	(\$6,810,199)	(\$2,672,279)	\$1,137,686
1/1/2010	\$54,985,000	(\$26,722,210)	(\$21,064,782)	(\$15,865,803)	(\$11,083,786)	(\$6,681,209)	(\$2,624,126)	\$1,118,192
1/1/2011	\$54,980,000	(\$25,452,742)	(\$20,108,369)	(\$15,177,660)	(\$10,624,768)	(\$6,417,138)	(\$2,525,184)	\$1,077,989
1/1/2012	\$54,975,000	(\$24,168,730)	(\$19,136,195)	(\$14,474,710)	(\$10,153,558)	(\$6,144,716)	(\$2,422,611)	\$1,036,106
1/1/2013	\$54,970,000	(\$22,870,006)	(\$18,147,996)	(\$13,756,634)	(\$9,669,830)	(\$5,863,679)	(\$2,316,274)	\$992,474
1/1/2014	\$54,965,000	(\$21,556,399)	(\$17,143,508)	(\$13,023,104)	(\$9,173,248)	(\$5,573,753)	(\$2,206,035)	\$947,019
1/1/2015	\$54,960,000	(\$20,227,738)	(\$16,122,458)	(\$12,273,784)	(\$8,663,470)	(\$5,274,654)	(\$2,091,748)	\$899,664
1/1/2016	\$54,955,000	(\$18,883,849)	(\$15,084,574)	(\$11,508,334)	(\$8,140,144)	(\$4,966,092)	(\$1,973,266)	\$850,329
1/1/2017	\$54,950,000	(\$17,524,554)	(\$14,029,574)	(\$10,726,404)	(\$7,602,906)	(\$4,647,766)	(\$1,850,433)	\$798,932
1/1/2018	\$54,945,000	(\$16,149,676)	(\$12,957,175)	(\$9,927,637)	(\$7,051,387)	(\$4,319,365)	(\$1,723,089)	\$745,386
1/1/2019	\$54,940,000	(\$14,759,035)	(\$11,867,087)	(\$9,111,669)	(\$6,485,204)	(\$3,980,569)	(\$1,591,068)	\$689,601
1/1/2020	\$54,935,000	(\$13,352,449)	(\$10,759,018)	(\$8,278,126)	(\$5,903,965)	(\$3,631,048)	(\$1,454,196)	\$631,482
1/1/2021	\$54,930,000	(\$11,929,732)	(\$9,632,668)	(\$7,426,630)	(\$5,307,268)	(\$3,270,460)	(\$1,312,296)	\$570,932
1/1/2022	\$54,925,000	(\$10,490,698)	(\$8,487,734)	(\$6,556,790)	(\$4,694,701)	(\$2,898,455)	(\$1,165,182)	\$507,849
1/1/2023	\$51,880,000	(\$9,035,158)	(\$7,323,908)	(\$5,668,210)	(\$4,065,839)	(\$2,514,668)	(\$1,012,662)	\$442,126
1/1/2024	\$48,695,000	(\$7,650,201)	(\$6,213,092)	(\$4,817,523)	(\$3,461,995)	(\$2,145,068)	(\$865,355)	\$378,471
1/1/2025	\$45,360,000	(\$6,340,663)	(\$5,159,491)	(\$4,008,176)	(\$2,885,760)	(\$1,791,316)	(\$723,953)	\$317,190
1/1/2026	\$41,865,000	(\$5,111,723)	(\$4,167,620)	(\$3,243,880)	(\$2,339,930)	(\$1,455,218)	(\$589,207)	\$258,623
1/1/2027	\$38,200,000	(\$3,968,907)	(\$3,242,304)	(\$2,528,610)	(\$1,827,516)	(\$1,138,721)	(\$461,932)	\$203,136
1/1/2028	\$34,365,000	(\$2,918,092)	(\$2,388,687)	(\$1,866,619)	(\$1,351,744)	(\$843,920)	(\$343,007)	\$151,129
1/1/2029	\$30,345,000	(\$1,965,224)	(\$1,611,997)	(\$1,262,250)	(\$915,928)	(\$572,978)	(\$233,347)	\$103,015
1/1/2030	\$26,130,000	(\$1,116,747)	(\$917,908)	(\$720,222)	(\$523,676)	(\$328,257)	(\$133,952)	\$59,253
1/1/2031	\$13,370,000	(\$379,467)	(\$312,422)	(\$245,543)	(\$178,829)	(\$112,280)	(\$45,892)	\$20,333
1/1/2032	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

This table shows the value to terminate the Swap at various relationships of SIFMA and LIBOR at different points in time. Gain/(Loss).

Schedule 10C
Tax Risk: Present Value Analysis – 2007-2 Fixed Payer Swap

PV Sensitivity Analysis for % of LIBOR Swap:	
Date	9/18/09
Maturity	1/1/32
Swap Floating % of LIBOR	60.0%
Assumed Future LIBOR	4.00%
Fixed Spread	0.346%
Expected PV Savings	\$2,738,069

Outstanding Notional		PRESENT VALUE SAVINGS AT EFFECTIVE DATE				
		Variable Bond Rate/LIBOR Ratio				0 exemption
		S&P Worst Case				
Year Tax Change Effective		58.0%	68.0%	75.5%	85.0%	100.0%
9/18/09	\$54,990,000	\$3,379,261	\$173,302	(\$2,231,167)	(\$5,276,828)	(\$10,085,766)
1/1/10	\$54,985,000	\$3,367,172	\$221,658	(\$2,137,478)	(\$5,125,717)	(\$9,843,989)
1/1/11	\$54,980,000	\$3,342,415	\$320,686	(\$1,945,612)	(\$4,816,255)	(\$9,348,849)
1/1/12	\$54,975,000	\$3,316,864	\$422,891	(\$1,747,588)	(\$4,496,861)	(\$8,837,819)
1/1/13	\$54,970,000	\$3,290,492	\$528,378	(\$1,543,208)	(\$4,167,217)	(\$8,310,388)
1/1/14	\$54,965,000	\$3,263,274	\$637,250	(\$1,332,268)	(\$3,826,990)	(\$7,766,026)
1/1/15	\$54,960,000	\$3,235,182	\$749,618	(\$1,114,555)	(\$3,475,841)	(\$7,204,187)
1/1/16	\$54,955,000	\$3,206,188	\$865,594	(\$889,852)	(\$3,113,416)	(\$6,624,307)
1/1/17	\$54,950,000	\$3,176,263	\$985,294	(\$657,932)	(\$2,739,352)	(\$6,025,805)
1/1/18	\$54,945,000	\$3,145,377	\$1,108,839	(\$418,563)	(\$2,353,274)	(\$5,408,079)
1/1/19	\$54,940,000	\$3,113,498	\$1,236,353	(\$171,505)	(\$1,954,793)	(\$4,770,510)
1/1/20	\$54,935,000	\$3,080,595	\$1,367,964	\$83,490	(\$1,543,510)	(\$4,112,457)
1/1/21	\$54,930,000	\$3,046,636	\$1,503,803	\$346,679	(\$1,119,012)	(\$3,433,260)
1/1/22	\$54,925,000	\$3,011,584	\$1,644,008	\$618,325	(\$680,872)	(\$2,732,237)
1/1/23	\$51,880,000	\$2,975,407	\$1,788,719	\$898,702	(\$228,651)	(\$2,008,683)
1/1/24	\$48,695,000	\$2,940,557	\$1,928,118	\$1,168,789	\$206,972	(\$1,311,687)
1/1/25	\$45,360,000	\$2,907,192	\$2,061,576	\$1,427,364	\$624,028	(\$644,397)
1/1/26	\$41,865,000	\$2,875,484	\$2,188,409	\$1,673,103	\$1,020,382	(\$10,231)
1/1/27	\$38,200,000	\$2,845,616	\$2,307,880	\$1,904,577	\$1,393,727	\$587,122
1/1/28	\$34,365,000	\$2,817,788	\$2,419,193	\$2,120,247	\$1,741,581	\$1,143,688
1/1/29	\$30,345,000	\$2,792,204	\$2,521,529	\$2,318,522	\$2,061,380	\$1,655,366
1/1/30	\$26,130,000	\$2,769,089	\$2,613,991	\$2,497,667	\$2,350,324	\$2,117,677
1/1/31	\$13,370,000	\$2,748,681	\$2,695,622	\$2,655,828	\$2,605,422	\$2,525,834
1/1/32	\$0	\$2,738,069	\$2,738,069	\$2,738,069	\$2,738,069	\$2,738,069

Schedule 10D
Tax Risk: Annual Cash Flows – 2007-2 Fixed Payer Swap

Notional Amount	\$54,990,000
Contract LIBOR Ratio	60.0%
Fixed Margin	0.346%

Annual Swap Cashflow Sensitivity*

Actual SIFMA/LIBOR Ratio					
LIBOR Rate**	58.0%	68.0%	75.5%	85.0%	100.0%
1.00%	201,263	146,273	105,031	52,790	(29,695)
2.00%	212,261	102,281	19,796	(84,685)	(249,655)
3.00%	223,259	58,289	(65,438)	(222,160)	(469,615)
4.00%	234,257	14,297	(150,673)	(359,635)	(689,575)
5.00%	245,255	(29,695)	(235,907)	(497,110)	(909,535)
6.00%	256,253	(73,687)	(321,142)	(634,585)	(1,129,495)
7.00%	267,251	(117,679)	(406,376)	(772,060)	(1,349,455)
8.00%	278,249	(161,671)	(491,611)	(909,535)	(1,569,415)

Cashflows = 1-Month LIBOR(Contract LIBOR Ratio - Actual SIFMA/LIBOR Ratio)*Notional Amount

**1-Month LIBOR

***Assumes related bonds trade at 68% of LIBOR. Any outperformance or underperformance will effect net cashflows on the transaction.

Schedule 10E
2007-2 Fixed Payer Swap and 2007-2 Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
Fiscal Year Ending	Principal Date	2007-2 BONDS			2007-2 FIXED PAYOR SWAP			Fiscal Year Total
		Pay	Pay	Pay	Receive		Pay	
		Principal	Variable Rate Interest (1)	Variable Rate Admin (2)	Notional	60% of 1-Month LIBOR + 0.346% (3)	Fixed Swap Rate (4)	
			3.000%	0.300%		2.750%	4.145%	
6/30/2010	1/1/2010	5,000	1,283,025.00	128,302.50	54,990,000	(1,176,106.25)	1,772,712.88	2,012,934.13
6/30/2011	1/1/2011	5,000	1,649,475.00	164,947.50	54,985,000	(1,512,018.75)	2,279,024.63	2,586,428.38
6/30/2012	1/1/2012	5,000	1,649,325.00	164,932.50	54,980,000	(1,511,881.25)	2,278,817.38	2,586,193.63
6/30/2013	1/1/2013	5,000	1,649,175.00	164,917.50	54,975,000	(1,511,743.75)	2,278,610.13	2,585,958.88
6/30/2014	1/1/2014	5,000	1,649,025.00	164,902.50	54,970,000	(1,511,606.25)	2,278,402.88	2,585,724.13
6/30/2015	1/1/2015	5,000	1,648,875.00	164,887.50	54,965,000	(1,511,468.75)	2,278,195.63	2,585,489.38
6/30/2016	1/1/2016	5,000	1,648,725.00	164,872.50	54,960,000	(1,511,331.25)	2,277,988.38	2,585,254.63
6/30/2017	1/1/2017	5,000	1,648,575.00	164,857.50	54,955,000	(1,511,193.75)	2,277,781.13	2,585,019.88
6/30/2018	1/1/2018	5,000	1,648,425.00	164,842.50	54,950,000	(1,511,056.25)	2,277,573.88	2,584,785.13
6/30/2019	1/1/2019	5,000	1,648,275.00	164,827.50	54,945,000	(1,510,918.75)	2,277,366.63	2,584,550.38
6/30/2020	1/1/2020	5,000	1,648,125.00	164,812.50	54,940,000	(1,510,781.25)	2,277,159.38	2,584,315.63
6/30/2021	1/1/2021	5,000	1,647,975.00	164,797.50	54,935,000	(1,510,643.75)	2,276,952.13	2,584,080.88
6/30/2022	1/1/2022	5,000	1,647,825.00	164,782.50	54,930,000	(1,510,506.25)	2,276,744.88	2,583,846.13
6/30/2023	1/1/2023	3,045,000	1,602,075.00	160,207.50	54,925,000	(1,468,568.75)	2,213,533.63	5,552,247.38
6/30/2024	1/1/2024	3,185,000	1,508,625.00	150,862.50	51,880,000	(1,382,906.25)	2,084,416.88	5,545,998.13
6/30/2025	1/1/2025	3,335,000	1,410,825.00	141,082.50	48,695,000	(1,293,256.25)	1,949,289.88	5,542,941.13
6/30/2026	1/1/2026	3,495,000	1,308,375.00	130,837.50	45,360,000	(1,199,343.75)	1,807,738.13	5,542,606.88
6/30/2027	1/1/2027	3,665,000	1,200,975.00	120,097.50	41,865,000	(1,100,893.75)	1,659,347.13	5,544,525.88
6/30/2028	1/1/2028	3,835,000	1,088,475.00	108,847.50	38,200,000	(997,768.75)	1,503,909.63	5,538,463.38
6/30/2029	1/1/2029	4,020,000	970,650.00	97,065.00	34,365,000	(889,762.50)	1,341,114.75	5,539,067.25
6/30/2030	1/1/2030	4,215,000	847,125.00	84,712.50	30,345,000	(776,531.25)	1,170,444.38	5,540,750.63
6/30/2031	1/1/2031	12,760,000	592,500.00	59,250.00	26,130,000	(543,125.00)	818,637.50	13,687,262.50
6/30/2032	1/1/2032	13,370,000	200,550.00	20,055.00	13,370,000	(183,837.50)	277,093.25	13,683,860.75
TOTALS		54,990,000	31,797,000.00	3,179,700.00		(29,147,250.00)	43,932,855.00	104,752,305.00

(1) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 60% of 1-Month LIBOR + 0.346% assumed at 2.750%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 4.145%, paid monthly

Schedule 10F
2007-2 Fixed Payer Swap and 2007-2 Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2007-2 BONDS			2007-2 FIXED PAYOR SWAP			
Fiscal Year Ending	Principal Date	Pay	Pay	Pay	Receive		Pay	Fiscal Year Total
		Principal	Variable Rate Interest (1)	Variable Rate Admin (2)	Notional	60% of 1-Month LIBOR + 0.346% (3)	Fixed Swap Rate (4)	
			25.000%	0.300%		0.000%	4.145%	
6/30/2010	1/1/2010	5,000	10,691,875.00	128,302.50	54,990,000	0.00	1,772,712.88	12,597,890.38
6/30/2011	1/1/2011	5,000	13,745,625.00	164,947.50	54,985,000	0.00	2,279,024.63	16,194,597.13
6/30/2012	1/1/2012	5,000	13,744,375.00	164,932.50	54,980,000	0.00	2,278,817.38	16,193,124.88
6/30/2013	1/1/2013	5,000	13,743,125.00	164,917.50	54,975,000	0.00	2,278,610.13	16,191,652.63
6/30/2014	1/1/2014	5,000	13,741,875.00	164,902.50	54,970,000	0.00	2,278,402.88	16,190,180.38
6/30/2015	1/1/2015	5,000	13,740,625.00	164,887.50	54,965,000	0.00	2,278,195.63	16,188,708.13
6/30/2016	1/1/2016	5,000	13,739,375.00	164,872.50	54,960,000	0.00	2,277,988.38	16,187,235.88
6/30/2017	1/1/2017	5,000	13,738,125.00	164,857.50	54,955,000	0.00	2,277,781.13	16,185,763.63
6/30/2018	1/1/2018	5,000	13,736,875.00	164,842.50	54,950,000	0.00	2,277,573.88	16,184,291.38
6/30/2019	1/1/2019	5,000	13,735,625.00	164,827.50	54,945,000	0.00	2,277,366.63	16,182,819.13
6/30/2020	1/1/2020	5,000	13,734,375.00	164,812.50	54,940,000	0.00	2,277,159.38	16,181,346.88
6/30/2021	1/1/2021	5,000	13,733,125.00	164,797.50	54,935,000	0.00	2,276,952.13	16,179,874.63
6/30/2022	1/1/2022	5,000	13,731,875.00	164,782.50	54,930,000	0.00	2,276,744.88	16,178,402.38
6/30/2023	1/1/2023	3,045,000	13,350,625.00	160,207.50	54,925,000	0.00	2,213,533.63	18,769,366.13
6/30/2024	1/1/2024	3,185,000	12,571,875.00	150,862.50	51,880,000	0.00	2,084,416.88	17,992,154.38
6/30/2025	1/1/2025	3,335,000	11,756,875.00	141,082.50	48,695,000	0.00	1,949,289.88	17,182,247.38
6/30/2026	1/1/2026	3,495,000	10,903,125.00	130,837.50	45,360,000	0.00	1,807,738.13	16,336,700.63
6/30/2027	1/1/2027	3,665,000	10,008,125.00	120,097.50	41,865,000	0.00	1,659,347.13	15,452,569.63
6/30/2028	1/1/2028	3,835,000	9,070,625.00	108,847.50	38,200,000	0.00	1,503,909.63	14,518,382.13
6/30/2029	1/1/2029	4,020,000	8,088,750.00	97,065.00	34,365,000	0.00	1,341,114.75	13,546,929.75
6/30/2030	1/1/2030	4,215,000	7,059,375.00	84,712.50	30,345,000	0.00	1,170,444.38	12,529,531.88
6/30/2031	1/1/2031	12,760,000	4,937,500.00	59,250.00	26,130,000	0.00	818,637.50	18,575,387.50
6/30/2032	1/1/2032	13,370,000	1,671,250.00	20,055.00	13,370,000	0.00	277,093.25	15,338,398.25
TOTALS		54,990,000	264,975,000.00	3,179,700.00		0.00	43,932,855.00	367,077,555.00

(1) For these purposes, Variable Rate Interest assumed at max rate of 25.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 60% of 1-Month LIBOR + 0.346% assumed at 0.000%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 4.145%, paid monthly

---2007-2 CMS---

Schedule 11A
Risk Summary – 2007-2 CMS

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2007-2 CMS when it owes a termination payment to the Counterparty.	Would require a payment default, or bankruptcy by the School District, or a reduction in the School District's credit rating below threshold as defined in ISDA document. See Schedule 11B for the potential payments owed.	See Schedule 11B.	Good financial management, Monitor
2) Basis Risk*	Shortfall between the interest rate paid (SIFMA) and the rate received (66.90% of 10-Year LIBOR) on the 2007-2 CMS.	Could result in a rate paid (SIFMA) that is higher than the rate received (66.90% of 10-Year LIBOR) in which the School District makes net payments to the Counterparty.	Interest rate paid (SIFMA) may be higher than interest rate received (66.90% of 10-Year LIBOR), and may exist for entire term.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2007-2 CMS.
3) Tax Risk*	Shortfall between the rate paid on the 2007-2 CMS and the rate received on the 2007-2 CMS caused by a reduction in or elimination of the benefit of the tax- exemption of municipal bonds, e.g. a tax cut.	Could result in a rate paid (SIFMA) on the 2007-2 CMS that is higher than the rate received (66.90% of 10-Year LIBOR) resulting in a net cost for the School District.	See Schedule 11B.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2007-2 CMS.
4) Yield Curve Risk*	Risk that the yield curve does not steepen sufficiently to produce positive net cash flows.	Could result in cash outflows under the terms of the 2007-2 CMS.	See Schedule 11C.	Financial Advisor recommends establishing a Rate Stabilization & Improvement Fund funded from any positive cash flow on the 2007-2 CMS.
5) Counterparty Credit (Default) Risk	Risk of a payment default on the 2007-2 CMS by the Counterparty which results in an economic loss to the School District.	Exposure that diminishes with passage of time; requires monitoring of Counterparty credit ratings.	See Schedule 11B for the potential payments owed.	Selected a counterparty with high credit ratings, Monitor

*Any termination payment or swap cash outflows may need to fit under an inflationary index as defined in Act 1 that would restrict real estate tax increases.

Schedule 11B
Termination Values – 2007-2 CMS

As of September 21, 2009, the approximate market value for the 2007-2 CMS is a \$709,418. The current value will become more positive with further yield curve steepening. Conversely, the current value will become more negative with further yield curve flattening.

Schedule 11C
Yield Curve Risk: Annual Cash Flows – 2007-2 CMS

Notional Amount \$54,990,000

% of 10-yr CMS 67.7%

% of SIFMA 100.0%

<u>1990 - 2009 Annual</u>	
Average	3.15
Max	4.62
Min	1.62
St Dev	0.84

Annual Swap Cashflow Sensitivity*

<u>Actual Spread between SIFMA and 10-year LIBOR Swap Rate</u>							
SIFMA Rate**	<u>1.00%</u>	<u>1.50%</u>	<u>2.00%</u>	<u>2.50%</u>	<u>3.15%</u>	<u>3.28%</u>	<u>4.00%</u>
1.00%	N/A	380,806	566,947	753,088	995,072	1,043,468	1,311,512
2.00%	17,047	203,188	389,329	575,470	817,454	865,851	1,133,894
3.00%	(160,571)	25,570	211,712	397,853	639,836	688,233	956,276
4.00%	(338,189)	(152,047)	34,094	220,235	462,218	510,615	778,658
5.00%	(515,806)	(329,665)	(143,524)	42,617	284,601	332,997	601,041
6.00%	(693,424)	(507,283)	(321,142)	(135,000)	106,983	155,380	423,423
7.00%	(871,042)	(684,900)	(498,759)	(312,618)	(70,635)	(22,238)	245,805
8.00%	(1,048,659)	(862,518)	(676,377)	(490,236)	(248,252)	(199,856)	68,188

*Cashflows = (((CMS Rate + Margin) * Contract %) - ((SIFMA Rate + Margin) * basis adj)) * Notional Amount

**SIFMA Index

Schedule 11D
2007-2 CMS and 2007-2 Bonds: Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
Fiscal Year Ending	Principal Date	2007-2 BONDS			2007-2 CMS SWAP			Fiscal Year Total
		Pay	Pay	Pay	Receive		Pay	
		Principal	Variable Rate Interest (1) 3.000%	Variable Rate Admin (2) 0.300%	Notional	67.7% of 10-Year LIBOR (3) 3.900%	SIFMA (4) 2.700%	
6/30/2010	1/1/2010	5,000	1,283,025.00	128,302.50	54,990,000	(1,667,932.50)	1,154,722.50	903,117.50
6/30/2011	1/1/2011	5,000	1,649,475.00	164,947.50	54,985,000	(2,144,317.50)	1,484,527.50	1,159,632.50
6/30/2012	1/1/2012	5,000	1,649,325.00	164,932.50	54,980,000	(2,144,122.50)	1,484,392.50	1,159,527.50
6/30/2013	1/1/2013	5,000	1,649,175.00	164,917.50	54,975,000	(2,143,927.50)	1,484,257.50	1,159,422.50
6/30/2014	1/1/2014	5,000	1,649,025.00	164,902.50	54,970,000	(2,143,732.50)	1,484,122.50	1,159,317.50
6/30/2015	1/1/2015	5,000	1,648,875.00	164,887.50	54,965,000	(2,143,537.50)	1,483,987.50	1,159,212.50
6/30/2016	1/1/2016	5,000	1,648,725.00	164,872.50	54,960,000	(2,143,342.50)	1,483,852.50	1,159,107.50
6/30/2017	1/1/2017	5,000	1,648,575.00	164,857.50	54,955,000	(2,143,147.50)	1,483,717.50	1,159,002.50
6/30/2018	1/1/2018	5,000	1,648,425.00	164,842.50	54,950,000	(2,142,952.50)	1,483,582.50	1,158,897.50
6/30/2019	1/1/2019	5,000	1,648,275.00	164,827.50	54,945,000	(2,142,757.50)	1,483,447.50	1,158,792.50
6/30/2020	1/1/2020	5,000	1,648,125.00	164,812.50	54,940,000	(2,142,562.50)	1,483,312.50	1,158,687.50
6/30/2021	1/1/2021	5,000	1,647,975.00	164,797.50	54,935,000	(2,142,367.50)	1,483,177.50	1,158,582.50
6/30/2022	1/1/2022	5,000	1,647,825.00	164,782.50	54,930,000	(2,142,172.50)	1,483,042.50	1,158,477.50
6/30/2023	1/1/2023	3,045,000	1,602,075.00	160,207.50	54,925,000	(2,082,697.50)	1,441,867.50	4,166,452.50
6/30/2024	1/1/2024	3,185,000	1,508,625.00	150,862.50	51,880,000	(1,961,212.50)	1,357,762.50	4,241,037.50
6/30/2025	1/1/2025	3,335,000	1,410,825.00	141,082.50	48,695,000	(1,834,072.50)	1,269,742.50	4,322,577.50
6/30/2026	1/1/2026	3,495,000	1,308,375.00	130,837.50	45,360,000	(1,700,887.50)	1,177,537.50	4,410,862.50
6/30/2027	1/1/2027	3,665,000	1,200,975.00	120,097.50	41,865,000	(1,561,267.50)	1,080,877.50	4,505,682.50
6/30/2028	1/1/2028	3,835,000	1,088,475.00	108,847.50	38,200,000	(1,415,017.50)	979,627.50	4,596,932.50
6/30/2029	1/1/2029	4,020,000	970,650.00	97,065.00	34,365,000	(1,261,845.00)	873,585.00	4,699,455.00
6/30/2030	1/1/2030	4,215,000	847,125.00	84,712.50	30,345,000	(1,101,262.50)	762,412.50	4,807,987.50
6/30/2031	1/1/2031	12,760,000	592,500.00	59,250.00	26,130,000	(770,250.00)	533,250.00	13,174,750.00
6/30/2032	1/1/2032	13,370,000	200,550.00	20,055.00	13,370,000	(260,715.00)	180,495.00	13,510,385.00
TOTALS		54,990,000	31,797,000.00	3,179,700.00		(41,336,100.00)	28,617,300.00	77,247,900.00

(1) For these purposes, Variable Rate Interest assumed at 3.000%, paid monthly

(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly

(3) For these purposes, 67.7% of 10-Year LIBOR assumed at 3.900%, received monthly

(4) For these purposes, SIFMA assumed at 2.700%, paid monthly

Schedule 11E
2007-2 CMS and 2007-2 Bonds: Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
Fiscal Year Ending	Principal Date	2007-2 BONDS			2007-2 CMS SWAP			Fiscal Year Total
		Pay	Pay	Pay	Receive		Pay	
		Principal	Variable Rate Interest (1)	Variable Rate Admin (2)	Notional	67.7% of 10-Year LIBOR (3)	SIFMA (4)	
			25.000%	0.300%		0.000%	25.000%	
6/30/2010	1/1/2010	5,000	10,691,875.00	128,302.50	54,990,000	0.00	10,691,875.00	21,517,052.50
6/30/2011	1/1/2011	5,000	13,745,625.00	164,947.50	54,985,000	0.00	13,745,625.00	27,661,197.50
6/30/2012	1/1/2012	5,000	13,744,375.00	164,932.50	54,980,000	0.00	13,744,375.00	27,658,682.50
6/30/2013	1/1/2013	5,000	13,743,125.00	164,917.50	54,975,000	0.00	13,743,125.00	27,656,167.50
6/30/2014	1/1/2014	5,000	13,741,875.00	164,902.50	54,970,000	0.00	13,741,875.00	27,653,652.50
6/30/2015	1/1/2015	5,000	13,740,625.00	164,887.50	54,965,000	0.00	13,740,625.00	27,651,137.50
6/30/2016	1/1/2016	5,000	13,739,375.00	164,872.50	54,960,000	0.00	13,739,375.00	27,648,622.50
6/30/2017	1/1/2017	5,000	13,738,125.00	164,857.50	54,955,000	0.00	13,738,125.00	27,646,107.50
6/30/2018	1/1/2018	5,000	13,736,875.00	164,842.50	54,950,000	0.00	13,736,875.00	27,643,592.50
6/30/2019	1/1/2019	5,000	13,735,625.00	164,827.50	54,945,000	0.00	13,735,625.00	27,641,077.50
6/30/2020	1/1/2020	5,000	13,734,375.00	164,812.50	54,940,000	0.00	13,734,375.00	27,638,562.50
6/30/2021	1/1/2021	5,000	13,733,125.00	164,797.50	54,935,000	0.00	13,733,125.00	27,636,047.50
6/30/2022	1/1/2022	5,000	13,731,875.00	164,782.50	54,930,000	0.00	13,731,875.00	27,633,532.50
6/30/2023	1/1/2023	3,045,000	13,350,625.00	160,207.50	54,925,000	0.00	13,350,625.00	29,906,457.50
6/30/2024	1/1/2024	3,185,000	12,571,875.00	150,862.50	51,880,000	0.00	12,571,875.00	28,479,612.50
6/30/2025	1/1/2025	3,335,000	11,756,875.00	141,082.50	48,695,000	0.00	11,756,875.00	26,989,832.50
6/30/2026	1/1/2026	3,495,000	10,903,125.00	130,837.50	45,360,000	0.00	10,903,125.00	25,432,087.50
6/30/2027	1/1/2027	3,665,000	10,008,125.00	120,097.50	41,865,000	0.00	10,008,125.00	23,801,347.50
6/30/2028	1/1/2028	3,835,000	9,070,625.00	108,847.50	38,200,000	0.00	9,070,625.00	22,085,097.50
6/30/2029	1/1/2029	4,020,000	8,088,750.00	97,065.00	34,365,000	0.00	8,088,750.00	20,294,565.00
6/30/2030	1/1/2030	4,215,000	7,059,375.00	84,712.50	30,345,000	0.00	7,059,375.00	18,418,462.50
6/30/2031	1/1/2031	12,760,000	4,937,500.00	59,250.00	26,130,000	0.00	4,937,500.00	22,694,250.00
6/30/2032	1/1/2032	13,370,000	1,671,250.00	20,055.00	13,370,000	0.00	1,671,250.00	16,732,555.00
TOTALS		54,990,000	264,975,000.00	3,179,700.00		0.00	264,975,000.00	588,119,700.00

- (1) For these purposes, Variable Rate Interest assumed at 25.000%, paid monthly
(2) For these purposes, Variable Rate Admin assumed at 0.300%, paid monthly
(3) For these purposes, 67.7% of 10-Year LIBOR assumed at 0.000%, received monthly
(4) For these purposes, SIFMA assumed at 25.000%, paid monthly

**BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania**

RESOLUTION

INCURRING NONELECTORAL DEBT TO BE EVIDENCED BY GENERAL OBLIGATION BONDS, IN ONE OR MORE SERIES, IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF THIRTY-FOUR MILLION NINE HUNDRED NINETY-FIVE THOUSAND DOLLARS (\$34,995,000), TO UNDERTAKE THE FOLLOWING: (1) CURRENTLY REFUND A PORTION OF THE GENERAL OBLIGATION BONDS, SERIES OF 2005 OF THE SCHOOL DISTRICT; (2) MAKE A PARTIAL TERMINATION PAYMENT REQUIRED UNDER THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT IDENTIFIED WITH THE 2005 BONDS, AND (3) PAY RELATED COSTS; ACCEPTING A BOND PURCHASE AGREEMENT, IN A PRIVATE SALE BY NEGOTIATION; SETTING FORTH THE PARAMETERS, SUBSTANTIAL FORM OF AND CONDITIONS FOR ISSUING THE REFUNDING BONDS; PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE SCHOOL DISTRICT TO SECURE THE REFUNDING BONDS; APPOINTING A PAYING AGENT AND SINKING FUND DEPOSITORY; AUTHORIZING A BOND RETIREMENT AGREEMENT, AND RELATED DOCUMENTS AND ACTIONS.

WHEREAS, Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania (the "School District"), is a school district of the Commonwealth of Pennsylvania (the "Commonwealth"), a "Local Government Unit" within the meaning of the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act"), and is governed by its Board of School Directors (the "School Board"); and

WHEREAS, The School Board, by its resolution adopted on December 8, 2003 (the “2003 Parameters Debt Resolution”), incurred nonelectoral debt and recited the parameters of two future series of general obligation bonds for various capital projects to be undertaken by the School District over a period of several years; and

WHEREAS, The Department of Community and Economic Development (the “Department”) of the Commonwealth approved the debt proceedings of the School District under the 2003 Parameters Debt Resolution, by its Certificate of Approval No. GOB-15387, dated December 30, 2003; and

WHEREAS, The School District entered into a Qualified Interest Rate Management Agreement, as that phrase is defined in the Debt Act, dated December 23, 2003, with Morgan Stanley Capital Services Inc. (“Morgan Stanley”), under the terms of which the School District, beginning on January 5, 2005, would be obligated to pay a fixed rate of interest and Morgan Stanley would be obligated to pay a variable rate of interest until January 1, 2030, on the \$55,000,000 notional amount of bonds of the School District authorized under the 2003 Parameters Debt Resolution (the “Fixed Payer Swap”); and

WHEREAS, The Fixed Payer Swap was amended on November 18, 2004, to change the formula for the variable rate payments by Morgan Stanley; and

WHEREAS, The School District issued on January 5, 2005, its General Obligation Bonds (Weekly Mode), Series of 2005, in the original aggregate principal amount of \$55,000,000 (the “2005 Bonds”), pursuant to the 2003 Parameters Debt Resolution, as variable rate demand bonds; and

WHEREAS, The School Board has determined to optionally redeem and retire a portion of the outstanding principal balance of the 2005 Bonds (the “Refunded 2005 Bonds”), and finance the partial termination of the Fixed Payer Swap, as described in a refunding report (the “Refunding Report”) attached hereto as **Exhibit A**, prepared for the School District by Public Financial Management Inc. (the “Financial Advisor”), as financial advisor to the School District, at such time as the termination payment to Morgan Stanley allocable to the notional amount equal to the Refunded 2005 Bonds under the terms of the Fixed Payer Swap does not exceed 22% of the 2005 Refunded Bonds (the “Maximum Termination Price”); and

WHEREAS, The School Board has contemplated the authorization, sale, issuance and delivery of a series of fixed rate general obligation bonds, in one or more issues, in the maximum aggregate principal amount of Thirty-four Million Nine Hundred Ninety-five Thousand Dollars (\$34,995,000) (the “Bonds”), with the proceeds to be applied to (i) currently refund the Refunded 2005 Bonds, (ii) make a partial termination payment required under the Fixed Payer Swap, and (iii) pay the costs of issuing the Bonds (collectively, the “Refunding Project”), all in accordance with the Debt Act; and

WHEREAS, The School Board has considered the possible manners of selling the Bonds, provided for in the Debt Act, at public sale or private sale, by negotiation or upon invited bidding; and

WHEREAS, The School Board has determined that the Bonds: (a) shall be offered at private sale by negotiation; and (b) shall be offered for sale at a net purchase price of not less than 95.0% nor more than 110% of the aggregate principal amount of the Bonds issued (including

underwriting discount and original issue discount or premium), plus accrued interest (collectively, the “Purchase Price”); and

WHEREAS, A Bond Purchase Agreement to purchase the Bonds (the “Proposal”) has been received from RBC Capital Markets Corporation (the “Purchaser”), and reviewed by the Financial Advisor, containing the financial parameters for, and conditions to, the issuance of the Bonds (the “Bond Parameters”), which will be supplemented by an addendum to the Proposal (the “Addendum”) containing the final terms and conditions of the sale of the Bonds, consistent with the Bond Parameters; and

WHEREAS, The School Board desires to accept the Proposal, to award the sale of the Bonds, to authorize issuance of nonelectoral debt, and to take appropriate action and to authorize proper things, all in connection with the Refunding Project, and all in accordance with the Debt Act; and

WHEREAS, The School Board has determined to appoint Manufacturers and Traders Trust Company (the “Paying Agent”), having a corporate trust office in Harrisburg, Pennsylvania, as the paying agent and sinking fund depositary for the Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the School Board, as follows:

SECTION 1. The School Board hereby authorizes the issuance of the Bonds pursuant to this Resolution, in accordance with the Debt Act, to undertake the Refunding Project, including the partial termination of the Fixed Payer Swap. Rhoads & Sinon LLP is retained by the School District as its bond counsel in connection with the issuance of the Bonds and the Refunding Project.

SECTION 2. The School Board finds that it is in the best financial interests of the School District to sell the Bonds at private sale by negotiation and determines that the debt to be incurred pursuant to this Resolution shall be nonelectoral debt.

SECTION 3. The Refunding Project is authorized under Section 8241(b)(1) of the Debt Act (reduction in total debt service over the life of the issue). The capital projects or facilities originally financed by the 2005 Bonds, vary between a remaining useful life of at least five (5) years and a remaining useful life of at least twenty-five (25) years, with the aggregate principal amount of the Bonds equal to the separate cost of each capital project or facility being stated to mature prior to the end of such useful life. The first maturity of principal of the Bonds will not be deferred beyond two years from the issue date of the Bonds.

SECTION 4. The School Board hereby authorizes its President or Vice President, upon recommendation of the Financial Advisor, to accept and execute the Proposal for the Bonds, and the Bonds shall be awarded to the Purchaser in accordance with terms and conditions of the Proposal, including the Purchase Price, within the Bond Parameters. The School District's Business Manager or Superintendent is hereby authorized to approve the final terms and conditions of the Bonds, and the Addendum to be presented by the Purchaser, within the Bond Parameters and at such time as the Maximum Termination Price will not be exceeded. The Addendum so approved shall be executed and delivered by the President or Vice President of the School Board and included as a part of the Proposal accepted by this Resolution.

SECTION 5. The Bonds, when issued, will be fixed rate, general obligation bonds of the School District.

SECTION 6. The Bonds shall be issuable as one or more series, as fully registered bonds, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof.

Each of the Bonds shall bear interest from the interest payment date next preceding the date of registration and authentication of such bond, unless: (a) such bond is registered and authenticated as of an interest payment date, in which event such bond shall bear interest from said interest payment date; or (b) such bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such bond shall bear interest from such interest payment date; or (c) such bond is registered and authenticated on or prior to the Record Date next preceding the first interest payment date, in which event such bond shall bear interest from the dated date of the Bonds; or (d) as shown by the records of the Paying Agent, interest on such bond shall be in default, in which event such bond shall bear interest from the date to which interest was last paid on such bond. Interest on each of the Bonds shall be payable initially on a date selected by School District, and thereafter, semiannually, until the principal sum thereof is paid or provision for payment thereof duly has been made. Except as to distinguishing series or subseries, numbers, denominations, interest rates and maturity dates, the Bonds and the Paying Agent's certificates of authentication shall be substantially in the forms and shall be of the tenor and purport hereinafter set forth, with insertions and variations (including CUSIP numbers) approved by the School District, the Purchaser and the Paying Agent, as may be appropriate for different series, subseries, denominations and maturity dates.

Principal, premium, if any, and interest with respect to the Bonds shall be payable in lawful money of the United States of America.

The principal of and premium, if any, on the Bonds shall be payable to the registered owners thereof or their transferees, upon presentation and surrender of the Bonds at the place or places set forth in the Bonds. Payment of interest on the Bonds shall be made by check mailed to the registered owners thereof whose names and addresses appear at the close of business on the fifteenth (15th) day next preceding each interest payment date (the "Record Date") on the registration books maintained by the Paying Agent on behalf of the School District, irrespective of any transfer or exchange of any Bonds subsequent to the Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent on behalf of the School District to the registered owners of the Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day that is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

SECTION 7. Registration of the transfer of ownership of Bonds shall be made upon surrender of any of the Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner thereof or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of any of the Bonds in the registration books and shall authenticate and deliver, at the earliest practicable time, in the name of the transferee or transferees, a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount that the registered owner is entitled to receive. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity and interest rate.

SECTION 8. The School District and the Paying Agent shall not be required to register the transfer of or exchange any of the Bonds then considered for redemption during the period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of such Bonds to be redeemed and ending at the close of business on the day of mailing of the notice of redemption, as hereinafter provided, or to register the transfer of or exchange any portion of any of the Bonds selected for redemption in whole or in part until after the redemption date.

SECTION 9. The School District and the Paying Agent may deem and treat the persons in whose names the Bonds shall be registered as the absolute owners thereof for all purposes, whether such Bonds shall be overdue or not, and payment of the principal of, premium, if any, and interest on the Bonds shall be made only to or upon the order of the registered owners thereof or their legal representatives, but registration of a transfer of ownership may be made as

herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Bonds, to the extent of the sum or sums so paid, and neither the School District nor the Paying Agent shall be affected by any notice to the contrary.

SECTION 10. The School District shall cause to be kept, and the Paying Agent shall keep, books for the registration, exchange and transfer of Bonds in the manner provided herein and therein so long as Bonds shall remain outstanding. Such registrations, exchanges and transfers shall be made without charge to bondholders, except for actual costs, including postage, insurance and any taxes or other governmental charges required to be paid with respect to the same.

SECTION 11. The Bonds shall bear interest, and a Purchase Price, resulting in yield(s) to maturity, and principal shall mature or be payable upon mandatory sinking fund redemptions, in the maximum amounts and in the fiscal years set forth in **Exhibit B** attached hereto and a made part hereof.

SECTION 12. The Bonds may be subject to optional redemption by the School District prior to maturity, on such date or dates and under such terms as may be determined in the manner described in Section 4 hereof. The Bonds may be subject to mandatory redemption prior to maturity, determined in the manner described in Section 4 hereof, not in excess of any annual principal payment amount set forth in **Exhibit B** hereof.

SECTION 13. The School District appoints the Paying Agent as the paying agent with respect to the Bonds and directs that the principal of, premium, if any, and interest on the Bonds shall be payable at a designated corporate trust office of the Paying Agent, in lawful money of the United States of America.

SECTION 14. The form of the Bonds, including the form of Assignment and the form of the Paying Agent's Certificate, shall be substantially as set forth in **Exhibit C**, which is attached hereto and made part hereof, with appropriate insertions, omissions and variations.

SECTION 15. The Bonds shall be executed in the name of and on behalf of the School District by the manual or facsimile signature of the President or Vice President of the School Board, and the official seal or a facsimile of the official seal of the School District shall be affixed thereto and the manual or facsimile signature of the Secretary or Assistant Secretary of the School Board shall be affixed thereto in attestation thereof; and said officers are authorized to execute and to attest the Bonds.

SECTION 16. No bond constituting one of the Bonds shall be entitled to any benefit under this Resolution nor shall it be valid, obligatory or enforceable for any purpose until such bond shall have been registered and authenticated by the Certificate of Authentication endorsed thereon duly signed by the Paying Agent; and the Paying Agent is authorized to register and authenticate the Bonds in accordance with the provisions hereof.

SECTION 17. The School District covenants to and with registered owners, from time to time, of the Bonds that shall be outstanding, from time to time, pursuant to this Resolution, that the School District shall: (i) include the amount of the debt service on the Bonds, for each fiscal year of the School District in which the sums are payable, in its budget for that year, (ii) appropriate those amounts from its general revenues for the payment of the debt service, and (iii) duly and punctually pay or cause to be paid from the Sinking Fund (hereinafter identified) or any other of its revenues or funds the principal of and interest on each of the Bonds at the dates and places and in the manner stated therein, according to the true intent and meaning thereof; and, for

such budgeting, appropriation and payment, the School District shall and does pledge, irrevocably, its full faith, credit and taxing power. As provided in the Debt Act, the foregoing covenant of the School District shall be specifically enforceable.

SECTION 18. There is created, pursuant to the requirements of the Debt Act, one or more sinking funds for the Bonds (collectively, the “Sinking Fund”) including, if applicable, multiple series or subseries, or a mandatory sinking fund. The Sinking Fund shall be administered in accordance with applicable provisions of the Debt Act.

SECTION 19. The School District appoints the Paying Agent as the sinking fund depositary with respect to the Sinking Fund.

SECTION 20. The School District covenants to make payments out of the Sinking Fund, or out of any other of its revenues or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations of the Bonds when due.

SECTION 21. The School Board hereby authorizes the preparation of a Preliminary Official Statement for use in the marketing of the Bonds and authorizes the Superintendent of the School District to approve the form of such Preliminary Official Statement and a final Official Statement with respect to the Bonds of the School District, with such insertions and amendments as shall be necessary or appropriate to reflect the final terms and provisions of the Bonds, the accepted Proposal and this Resolution. The President of the School Board shall affix his or her signature to the Official Statement, as such officer, and such execution of the Official Statement shall constitute conclusive evidence of the approval of the Official Statement by the School Board.

SECTION 22. The President or Vice President and the Secretary or Assistant Secretary, respectively, of the School Board are authorized and directed, as required, necessary and/or appropriate: (a) to prepare, to certify and to file with the Department the debt statement required by the Debt Act; (b) to prepare and to file with the Department any statements required by the Debt Act that are necessary to qualify all or any portion of the debt of the School District that is subject to exclusion as self-liquidating or subsidized debt for exclusion from the appropriate debt limit of the School District as self-liquidating or subsidized debt; (c) to prepare and to file the application with the Department, together with a complete and accurate transcript of the proceedings for the required approval relating to the debt, of which debt the Bonds, upon issue, will be evidence, as required by the Debt Act; (d) to pay or to cause to be paid to the Department all proper filing fees required in connection with the foregoing; and (e) to take other required, necessary and/or appropriate action.

The School Board authorizes and directs that an appropriate borrowing base certificate be prepared for filing with the Department as required by the Debt Act. The President or Vice President and the Secretary or Assistant Secretary, respectively, of the School Board are hereby authorized to prepare and to execute, or to authorize the auditors of the School District to prepare and to execute, such borrowing base certificate.

SECTION 23. If applicable, as determined from the Proposal, the School Board authorizes and directs the purchase of municipal bond guaranty insurance with respect to the Bonds. The officers and agents of the School District are authorized and directed to take all required, necessary and/or appropriate action with respect to such insurance, as contemplated in the Proposal, including the payment of the premium for such insurance.

SECTION 24. The President or Vice President and the Secretary or Assistant Secretary, respectively, of the School Board are authorized and directed to contract with the Paying Agent for its services as paying agent for the Bonds and as sinking fund depositary in connection with the Sinking Fund established for the Bonds.

SECTION 25. It is declared that the debt to be incurred hereby, together with any other indebtedness of the School District, is not in excess of any limitation imposed by the Debt Act upon the incurring of debt by the School District.

SECTION 26. The officers and agents of the School District are authorized to deliver the Bonds and to authorize payment of all costs and expenses associated with issuance of the Bonds as provided for in the Proposal, but only after the Department has certified its approval pursuant to the provisions of the Debt Act or at such time when the filing authorized to be submitted to the Department pursuant to the Debt Act shall be deemed to have been approved pursuant to applicable provisions of the Debt Act.

SECTION 27. The School District covenants to and with purchasers of the Bonds (or any portion thereof intended to be exempt from federal taxation) that it will make no use of the proceeds of such Bonds, or of any other obligations deemed to be part of the same “issue” as any portion of such Bonds under applicable federal tax regulations, that will cause such Bonds to be or become “arbitrage bonds” within the meaning of Section 103(b)(2) and Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations implementing said Sections that duly have been published in the Federal Register or any other regulations implementing said Sections, and the School District further covenants to comply with all other

requirements of the Code if and to the extent applicable to maintain continuously the Federal income tax exemption of interest on such Bonds.

SECTION 28. The School District hereby authorizes the optional redemption of the Refunded 2005 Bonds within ninety (90) days of the issuance date of the Bonds (the “Redemption Date”) in accordance with the rights and privileges reserved to the School District under the terms of the Refunded 2005 Bonds and as described in the Addendum.

The Secretary of the School Board is hereby authorized and directed to give irrevocable instructions to the paying agent for the Refunded 2005 Bonds to redeem the Refunded 2005 Bonds in accordance with this election of the School Board, *following the acceptance of the final terms and conditions of the Bonds and Addendum as described in section 4 hereof.*

If applicable, the School District, simultaneously with delivery of the Bonds to the Purchaser, shall enter into a bond retirement agreement or an escrow agreement (collectively, the “Bond Retirement Agreement”) with Manufacturers and Traders Trust Company (the “Escrow Agent”), acting as escrow agent and paying agent for the Refunded 2005 Bonds. The Bond Retirement Agreement shall provide for a deposit of Bond proceeds into an escrow account with the Escrow Agent sufficient to pay the debt service due on the Refunded 2005 Bonds through the Redemption Date. The President or Vice President and the Secretary or Assistant Secretary, respectively, of the School Board are authorized and directed to execute, to attest, and to seal, as appropriate, and to deliver the Bond Retirement Agreement simultaneously with such delivery of the Bonds. The School District approves the Bond Retirement Agreement in form satisfactory to the Solicitor and Bond Counsel for the School District and as shall be approved by the officers of

the School Board executing the same. Such approval of such officers shall be conclusively presumed to have been given by their execution of the Bond Retirement Agreement.

The officers and agents of the School District are hereby authorized and directed to take all such actions as may be necessary and appropriate to accomplish the redemption and retirement of the Refunded 2005 Bonds.

SECTION 29. The President, Vice President or Treasurer of the School Board, or the Superintendent or Business Manager, respectively, of the School District is each hereby authorized and directed to execute and deliver agreements, orders or subscriptions for purchase of United States Treasury Certificates of Indebtedness, Notes or Bonds, State and Local Government Series ("SLGS"), other securities of the United States of America, collateralized certificates of deposit or other investments satisfying the requirements of 53 Pa.C.S. §8250, as described in the Refunding Report, from proceeds of the Bonds and, if applicable, other funds to be deposited under the Bond Retirement Agreement, and to do, to take and to authorize such other acts as shall be necessary or appropriate to provide for retirement of the payment of principal and interest on the 2005 Bonds, as described in the Refunding Report and this Resolution.

SECTION 30. The President or Vice President and the Secretary or Assistant Secretary, respectively, of the School Board are authorized and directed to sign documents and take appropriate actions to partially terminate the Fixed Payer Swap, under the conditions described herein.

SECTION 31. The Secretary of the School Board is hereby authorized and directed to execute and to submit to the Pennsylvania Department of Education, promptly following settlement for the Bonds, the appropriate application and other documents and information

necessary to obtain stated reimbursement with respect to the debt service on the Bonds (including the filing of appropriate PLANCON Parts, as applicable).

SECTION 32. The School District shall enter into, and hereby authorizes and directs the President or Vice President of the School Board to execute, a Continuing Disclosure Certificate (the “Certificate”) on behalf of the School District on or before the date of issuance and delivery of the Bonds. Such Certificate shall be executed and delivered to satisfy the terms and conditions of the accepted Proposal for sale of the Bonds and Securities and Exchange Commission Rule 15c2-12, and shall be substantially in the form presented to this meeting, which is hereby approved, together with any changes therein made and approved by the executing officer of the School Board, whose execution and delivery thereof shall constitute conclusive evidence of such approval. A copy of the Certificate shall be filed with the Secretary of the School Board and shall be and hereby is made part of this Resolution.

The School District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Certificate. Notwithstanding any other provision of this Resolution, failure of the School District to comply with the Certificate shall not be considered an event of default with respect to the Bonds; however, any registered owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School District to comply with its obligations under this Section and such Certificate.

SECTION 33. The Bonds shall be made available for purchase under a book-entry only system available through The Depository Trust Company, a New York corporation (“DTC”). If applicable, at or prior to settlement for the Bonds, the School District and the Paying

Agent shall execute or signify their approval of a Representation Letter in substantially the form on file with DTC (the "Representation Letter"). The appropriate officers of the School District and the Paying Agent shall take such action as may be necessary from time to time to comply with the terms and provisions of the Representation Letter, and any successor paying agent for the Bonds, in its written acceptance of its duties under this Resolution, shall agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

SECTION 34. Notwithstanding the foregoing provisions of this Resolution, the Bonds of each series shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Bonds of each maturity, and the following provisions shall apply with respect to the registration, transfer and payment of the Bonds:

(a) Except as provided in subparagraph (g) below, all of the Bonds shall be registered in the name of Cede & Co., as nominee of DTC; provided that if DTC shall request that the Bonds be registered in the name of a different nominee, the Paying Agent shall exchange all or any portion of the Bonds for an equal aggregate principal amount of Bonds of the same series, interest rate and maturity registered in the name of such nominee or nominees of DTC.

(b) No person other than DTC or its nominee shall be entitled to receive from the School District or the Paying Agent either a Bond or any other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof, unless DTC or its nominee shall transfer record ownership of all or any portion of the Bonds on the registration books (the "Register") maintained by the Paying Agent

in connection with discontinuing the book-entry system as provided in subparagraph (g) below or otherwise.

(c) So long as any Bonds are registered in the name of DTC or any nominee thereof, all payments of the principal or redemption price of or interest on such Bonds shall be made to DTC or its nominee in accordance with the Representation Letter on the dates provided for such payments under this Resolution. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the School District or the Paying Agent with respect to the principal or redemption price of or interest on the Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds outstanding of any maturity, the Paying Agent shall not require surrender by DTC or its nominee of the Bonds so redeemed, but DTC (or its nominee) may retain such Bonds and make an appropriate notation on the Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Paying Agent, upon request, a written confirmation of such partial redemption and thereafter the records maintained by the Paying Agent shall be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

(d) The School District and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to holders of Bonds under this Resolution,

registering the transfer of Bonds, obtaining any consent or other action to be taken by holders of Bonds and for all other purposes whatsoever; and neither the School District nor the Paying Agent shall be affected by any notice to the contrary. Neither the School District nor the Paying Agent shall have any responsibility or obligation to any participant in DTC, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the Register as being a registered owner of Bonds, with respect to (1) the Bonds, (2) the accuracy of any records maintained by DTC or any such participant, (3) the payment by DTC or any such participant of any amount in respect of the principal or redemption price of or interest on the Bonds, (4) any notice which is permitted or required to be given to holders of the Bonds under this Resolution, (5) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Bonds, and (6) any consent given or other action taken by DTC as holder of the Bonds.

(e) So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the holders of such Bonds under this Resolution shall be given to DTC as provided in the Representation Letter.

(f) In connection with any notice or other communication to be provided to holders of Bonds pursuant to this Resolution by the School District or the Paying Agent with respect to any consent or other action to be taken by holders of Bonds, DTC shall consider the date of receipt of notice requesting such consent

or other action as the record date for such consent or other action, provided that the School District or the Paying Agent may establish a special record date for such consent or other action. The School District or the Paying Agent shall give DTC notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(g) The book-entry only system for registration of the ownership of the Bonds may be discontinued at any time if either (1) after notice to the School District and the Paying Agent, DTC determines to resign as securities depository for the Bonds, or (2) after notice to DTC and the Paying Agent, the School District determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the School District. In either of such events (unless in the case described in clause (2) above, the School District appoints a successor securities depository), the Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the School District or the Paying Agent for the accuracy of such designation. Whenever DTC requests the School District and the Paying Agent to do so, the School District and the Paying Agent shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

SECTION 35. Any reference in this Resolution to an officer or member of the School Board shall be deemed to refer to his or her duly qualified successor in office, or other authorized representative, if applicable.

SECTION 36. This Resolution shall be effective in accordance with the Debt Act.

SECTION 37. In the event any provision, section, sentence, clause or part of this Resolution shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Resolution, it being the intent of the School District that such remainder shall be and shall remain in full force and effect.

SECTION 38. All resolutions or parts of resolutions, insofar as the same shall be inconsistent herewith, shall be and the same expressly are repealed.

DULY ADOPTED, by the School Board, in lawful session duly assembled, this
21st day of September, 2009.

BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania

By: _____
(Vice) President of the Board of
School Directors

ATTEST:

(Assistant) Secretary of the Board of
School Directors

(SEAL)

EXHIBIT A
Refunding Report



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101

717-232-2723
717-232-8610 FAX
www.pfm.com

Bethlehem Area School District

Financial Analysis

September 21, 2009

Presented by:

Scott Shearer
Senior Managing Consultant

Ann Arbor, Arlington, Atlanta, Austin, Boston, Charlotte, Chicago, Cleveland, Des Moines, Fargo, Ft. Myers, Frisco,
Harrisburg, Long Island, Los Angeles, Malvern, Memphis, Miami, Milwaukee, Minneapolis, New York,
Newport Beach, Oakland, Orlando, Philadelphia, Pittsburgh, Phoenix, Princeton, San Francisco, Seattle, St. Louis

BETHLEHEM AREA SCHOOL DISTRICT ILLUSTRATION OF BORROWING OPTION

Assumptions:

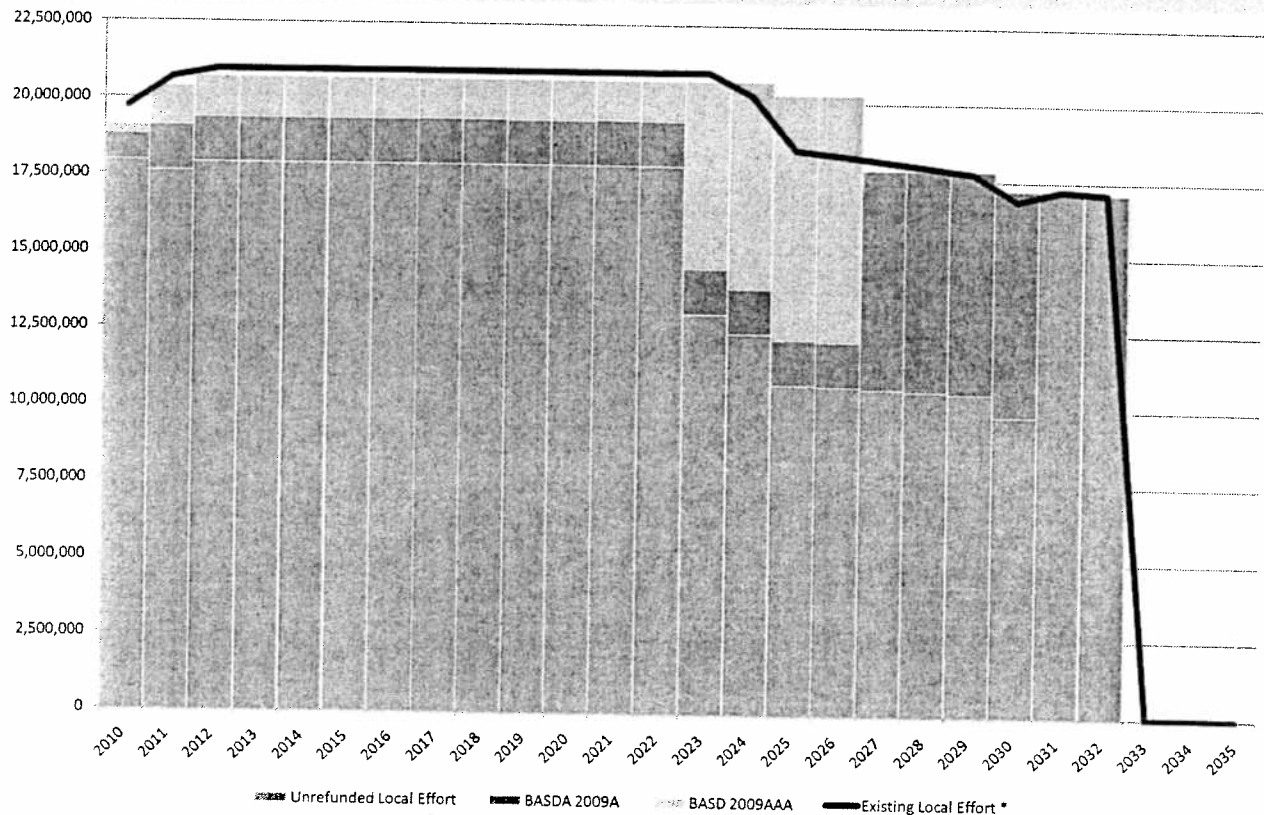
- (1) Refund Series of 2005, currently outstanding in the amount of \$54,980,000
- (2) Issue \$30,455,000 through a new variable rate demand bond to refund a portion of the 2005 bonds
- (3) Refund remaining portion and pay paritral swap termination, estimated at \$3,715,000 with 2009 AAA Bonds, estimated at \$29,595,000

LOCAL EFFORT ANALYSIS

1	2	3	4	5	6	7	8
Fiscal Year Ending	Existing Local Effort *	Unrefunded Local Effort	\$30,455,000 BASDA 2009A Local Effort	\$29,595,000 BASD 2009AAA Local Effort	Total Local Effort	Local Effort Difference	PV Difference at 5.00%
6/30/2010	19,742,023	17,952,936	872,026	267,512	19,092,474	(649,549)	(642,989)
6/30/2011	20,694,078	17,630,322	1,491,676	1,284,372	20,406,370	(287,709)	(271,079)
6/30/2012	20,973,927	17,910,448	1,491,432	1,306,201	20,708,081	(265,846)	(238,411)
6/30/2013	20,967,196	17,903,995	1,491,187	1,314,270	20,709,453	(257,743)	(220,006)
6/30/2014	20,970,662	17,907,740	1,490,943	1,308,831	20,707,515	(263,148)	(213,796)
6/30/2015	20,972,784	17,910,140	1,490,699	1,307,812	20,708,651	(264,133)	(204,256)
6/30/2016	20,968,520	17,906,154	1,490,455	1,311,102	20,707,711	(260,809)	(191,967)
6/30/2017	20,979,335	17,917,248	1,490,210	1,300,997	20,708,455	(270,880)	(189,773)
6/30/2018	20,979,994	17,918,185	1,489,966	1,299,931	20,708,082	(271,912)	(181,317)
6/30/2019	20,976,393	17,914,863	1,489,722	1,303,204	20,707,788	(268,605)	(170,481)
6/30/2020	20,977,013	17,915,761	1,489,478	1,301,856	20,707,095	(269,919)	(163,060)
6/30/2021	20,977,899	17,916,924	1,489,233	1,304,857	20,711,015	(266,884)	(153,457)
6/30/2022	20,967,784	17,907,088	1,488,989	1,312,005	20,708,082	(259,702)	(142,133)
6/30/2023	20,991,106	13,072,069	1,488,745	6,147,546	20,708,360	(282,745)	(147,288)
6/30/2024	20,255,832	12,437,467	1,488,501	6,781,149	20,707,117	451,285	223,756
6/30/2025	18,479,772	10,772,946	1,488,256	8,030,648	20,291,850	1,812,078	855,170
6/30/2026	18,317,046	10,724,584	1,488,012	8,076,691	20,289,287	1,972,241	885,906
6/30/2027	18,140,077	10,669,800	7,189,384		17,859,184	(230,893)	(120,094)
6/30/2028	17,956,612	10,608,577	7,252,015		17,860,592	(96,020)	(39,075)
6/30/2029	17,761,020	10,544,716	7,316,486		17,861,202	100,182	38,804
6/30/2030	16,894,441	9,815,755	7,431,418		17,247,174	352,732	130,041
6/30/2031	17,246,656	17,246,656			17,246,656	0	0
6/30/2032	17,147,914	17,147,914			17,147,914	0	0
6/30/2033							
6/30/2034							
6/30/2035							
Totals	454,338,085	355,652,290	53,898,833	44,958,984	454,510,107	172,022	(1,155,505)

* For Series of 2005, assumes fiscal year swap mismatch of 80 bps as well as related fixed payor swap rate and admin

LOCAL EFFORT ILLUSTRATION



**BETHLEHEM AREA
SCHOOL DISTRICT
AUTHORITY**

**SCHOOL REVENUE
BONDS (BETHLEHEM
AREA SCHOOL
DISTRICT REFUNDING
PROJECT)**

SERIES A OF 2009

BETHLEHEM AREA SCHOOL DISTRICT

SERIES OF 2005 BONDS

1	2	3	4	5	6	7
<u>Principal Payment Date</u>	<u>Principal</u>	<u>Estimated Rate (1)</u>	<u>Remaining Fiscal Year Interest (2)</u>	<u>Remaining Fiscal Year Debt Service</u>	<u>State Aid (3)</u>	<u>Local Effort</u>
1/1/2010	5,000	6.000	1,924,175.00	1,929,175.00	140,087.92	1,789,087.08
1/1/2011	5,000	6.000	3,298,375.00	3,303,375.00	239,618.12	3,063,756.88
1/1/2012	5,000	6.000	3,298,075.00	3,303,075.00	239,596.40	3,063,478.60
1/1/2013	5,000	6.000	3,297,775.00	3,302,775.00	239,574.67	3,063,200.33
1/1/2014	5,000	6.000	3,297,475.00	3,302,475.00	239,552.94	3,062,922.06
1/1/2015	5,000	6.000	3,297,175.00	3,302,175.00	239,531.21	3,062,643.79
1/1/2016	5,000	6.000	3,296,875.00	3,301,875.00	239,509.48	3,062,365.52
1/1/2017	5,000	6.000	3,296,575.00	3,301,575.00	239,487.75	3,062,087.25
1/1/2018	5,000	6.000	3,296,275.00	3,301,275.00	239,466.03	3,061,808.97
1/1/2019	5,000	6.000	3,295,975.00	3,300,975.00	239,444.30	3,061,530.70
1/1/2020	5,000	6.000	3,295,675.00	3,300,675.00	239,422.57	3,061,252.43
1/1/2021	5,000	6.000	3,295,375.00	3,300,375.00	239,400.84	3,060,974.16
1/1/2022	5,000	6.000	3,295,075.00	3,300,075.00	239,379.11	3,060,695.89
1/1/2023	5,845,000	6.000	3,148,775.00	8,993,775.00	1,074,738.94	7,919,036.06
1/1/2024	6,115,000	6.000	2,791,325.00	8,906,325.00	1,087,960.62	7,818,364.38
1/1/2025	6,390,000	6.000	2,417,550.00	8,807,550.00	1,100,724.20	7,706,825.80
1/1/2026	6,680,000	6.000	2,026,900.00	8,706,900.00	1,114,438.39	7,592,461.61
1/1/2027	6,980,000	6.000	1,618,600.00	8,598,600.00	1,128,322.79	7,470,277.21
1/1/2028	7,300,000	6.000	1,191,800.00	8,491,800.00	1,143,764.38	7,348,035.62
1/1/2029	7,630,000	6.000	745,550.00	8,375,550.00	1,159,245.81	7,216,304.19
1/1/2030	7,975,000	6.000	279,125.00	8,254,125.00	1,175,438.85	7,078,686.15
TOTALS	54,980,000		55,704,500.00	110,684,500.00	11,998,705.33	98,685,794.67

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin
 (2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09
 (3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only
 (4) This does not reflect the related CMS Swap

BETHLEHEM AREA SCHOOL DISTRICT**SERIES OF 2005 BONDS****AMOUNT TO BE REFUNDED BY NEW VARIABLE RATE BOND ISSUE**

1	2	3	4	5	6	7
<u>Principal Payment Date</u>	<u>Principal</u>	<u>Estimated Rate (1)</u>	<u>Remaining Fiscal Year Interest (2)</u>	<u>Remaining Fiscal Year Debt Service</u>	<u>State Aid (3)</u>	<u>Local Effort</u>
1/1/2010			1,045,975.00	1,045,975.00	75,757.61	970,217.39
1/1/2011			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2012			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2013			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2014			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2015			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2016			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2017			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2018			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2019			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2020			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2021			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2022			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2023			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2024			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2025			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2026			1,793,100.00	1,793,100.00	129,870.18	1,663,229.82
1/1/2027	6,980,000	6.000	1,618,600.00	8,598,600.00	1,128,322.79	7,470,277.21
1/1/2028	7,300,000	6.000	1,191,800.00	8,491,800.00	1,143,764.38	7,348,035.62
1/1/2029	7,630,000	6.000	745,550.00	8,375,550.00	1,159,245.81	7,216,304.19
1/1/2030	7,975,000	6.000	279,125.00	8,254,125.00	1,175,438.85	7,078,686.15
TOTALS	29,885,000		33,570,650.00	63,455,650.00	6,760,452.33	56,695,197.67

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin
(2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09
(3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only
(4) This does not reflect the related CMS Swap

BETHLEHEM AREA SCHOOL DISTRICT

SERIES OF 2005 BONDS

AMOUNT REMAINING AFTER PARTIAL REFUNDING

1	2	3	4	5	6	7
<u>Principal Payment Date</u>	<u>Principal</u>	<u>Estimated Rate (1)</u>	<u>Remaining Fiscal Year Interest (2)</u>	<u>Remaining Fiscal Year Debt Service</u>	<u>State Aid (3)</u>	<u>Local Effort</u>
1/1/2010	5,000	6.000	878,200.00			
1/1/2011	5,000	6.000	1,505,275.00	883,200.00	64,330.32	818,869.68
1/1/2012	5,000	6.000	1,504,975.00	1,510,275.00	109,747.94	1,400,527.06
1/1/2013	5,000	6.000	1,504,675.00	1,509,975.00	109,726.22	1,400,248.78
1/1/2014	5,000	6.000	1,504,375.00	1,509,675.00	109,704.49	1,399,970.51
1/1/2015	5,000	6.000	1,504,075.00	1,509,375.00	109,682.76	1,399,692.24
1/1/2016	5,000	6.000	1,503,775.00	1,509,075.00	109,661.03	1,399,413.97
1/1/2017	5,000	6.000	1,503,475.00	1,508,775.00	109,639.30	1,399,135.70
1/1/2018	5,000	6.000	1,503,175.00	1,508,475.00	109,617.57	1,398,857.43
1/1/2019	5,000	6.000	1,502,875.00	1,508,175.00	109,595.85	1,398,579.15
1/1/2020	5,000	6.000	1,502,575.00	1,507,875.00	109,574.12	1,398,300.88
1/1/2021	5,000	6.000	1,502,275.00	1,507,575.00	109,552.39	1,398,022.61
1/1/2022	5,000	6.000	1,501,975.00	1,507,275.00	109,530.66	1,397,744.34
1/1/2023	5,845,000	6.000	1,501,675.00	1,506,975.00	109,508.93	1,397,466.07
1/1/2024	6,115,000	6.000	998,225.00	7,200,675.00	944,868.76	6,255,806.24
1/1/2025	6,390,000	6.000	624,450.00	7,113,225.00	958,090.44	6,155,134.56
1/1/2026	6,680,000	6.000	233,800.00	7,014,450.00	970,854.02	6,043,595.98
1/1/2027			0.00	6,913,800.00	984,568.21	5,929,231.79
1/1/2028			0.00			
1/1/2029			0.00			
1/1/2030			0.00			
TOTALS	25,095,000		22,133,850.00	47,228,850.00	5,238,253.00	41,990,597.00

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin
 (2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09
 (3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only
 (4) This does not reflect the related CMS Swap

BETHLEHEM AREA SCHOOL DISTRICT**AMOUNT TO PREPAY BONDS**

	1	2	3	4
<u>Date</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Required</u>	
11/1/2009	29,885,000.00	0.00	29,885,000.00	
TOTALS	29,885,000.00	0.00	29,885,000.00	

(1) Assumes District makes regularly scheduled 11/1/2009 monthly payment

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
SCHOOL REVENUE BONDS (BETHLEHEM AREA SCHOOL DISTRICT REFUNDING PROJECT)
SERIES A OF 2009
REFUNDS A PORTION OF THE 2005 BONDS

Dated: 11/1/2009
Settlement: 11/1/2009

1	2	3	4	5	6	7	8	9
Principal Payment Date	Principal	Estimated Rate (1)	Proposed Fiscal Year Interest	Proposed Debt Service	Less: State Aid (2)	Proposed Local Effort	Existing Local Effort	Local Effort Difference
1/1/2010	5,000	5.450	968,101.67	973,101.67	101,075.81	872,025.86	970,217.39	(98,191.54)
1/1/2011	5,000	5.450	1,659,411.46	1,664,411.46	172,735.63	1,491,675.83	1,663,229.82	(171,553.99)
1/1/2012	5,000	5.450	1,659,138.96	1,664,138.96	172,707.39	1,491,431.57	1,663,229.82	(171,798.25)
1/1/2013	5,000	5.450	1,658,866.46	1,663,866.46	172,679.14	1,491,187.32	1,663,229.82	(172,042.50)
1/1/2014	5,000	5.450	1,658,593.96	1,663,593.96	172,650.89	1,490,943.07	1,663,229.82	(172,286.75)
1/1/2015	5,000	5.450	1,658,321.46	1,663,321.46	172,622.65	1,490,698.81	1,663,229.82	(172,531.01)
1/1/2016	5,000	5.450	1,658,048.96	1,663,048.96	172,594.40	1,490,454.56	1,663,229.82	(172,775.26)
1/1/2017	5,000	5.450	1,657,776.46	1,662,776.46	172,566.15	1,490,210.31	1,663,229.82	(173,019.51)
1/1/2018	5,000	5.450	1,657,503.96	1,662,503.96	172,537.91	1,489,966.05	1,663,229.82	(173,263.77)
1/1/2019	5,000	5.450	1,657,231.46	1,662,231.46	172,509.66	1,489,721.80	1,663,229.82	(173,508.02)
1/1/2020	5,000	5.450	1,656,958.96	1,661,958.96	172,481.41	1,489,477.55	1,663,229.82	(173,752.27)
1/1/2021	5,000	5.450	1,656,686.46	1,661,686.46	172,453.16	1,489,233.29	1,663,229.82	(173,996.53)
1/1/2022	5,000	5.450	1,656,413.96	1,661,413.96	172,424.92	1,488,989.04	1,663,229.82	(174,240.78)
1/1/2023	5,000	5.450	1,656,141.46	1,661,141.46	172,396.67	1,488,744.79	1,663,229.82	(174,485.03)
1/1/2024	5,000	5.450	1,655,868.96	1,660,868.96	172,368.42	1,488,500.53	1,663,229.82	(174,729.29)
1/1/2025	5,000	5.450	1,655,596.46	1,660,596.46	172,340.18	1,488,256.28	1,663,229.82	(174,973.54)
1/1/2026	5,000	5.450	1,655,323.96	1,660,323.96	172,311.93	1,488,012.03	1,663,229.82	(175,217.79)
1/1/2027	6,835,000	5.450	1,499,953.54	8,334,953.54	1,145,569.46	7,189,384.08	7,470,277.21	(280,893.13)
1/1/2028	7,310,000	5.450	1,116,659.58	8,426,659.58	1,174,644.31	7,252,015.27	7,348,035.62	(96,020.35)
1/1/2029	7,815,000	5.450	706,796.88	8,521,796.88	1,205,310.76	7,316,486.11	7,216,304.19	100,181.93
1/1/2030	8,410,000	5.450	267,367.92	8,677,367.92	1,245,949.42	7,431,418.49	7,078,686.15	352,732.34
1/1/2031		5.450	0.00					
1/1/2032		5.450	0.00					
TOTALS	30,455,000		31,076,762.92	61,531,762.92	7,632,930.28	53,898,832.63	56,695,197.67	(2,796,365.04)

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 5.450% includes Fixed Swap Rate of 3.900%, 1.300% Estimated LOC fee, .080% Remarketing fee and .170% misc. fee
(2) For these purposes, assumes state reimbursement on 3.900%
(3) This does not reflect the related CMS Swap

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY SCHOOL REVENUE BONDS (BETHLEHEM AREA SCHOOL DISTRICT REFUNDING PROJECT) SERIES A OF 2009 COMPOSITION OF THE ISSUE

Sources:

Note Proceeds	30,455,000.00
Total	<u>30,455,000.00</u>

Uses:

Amount to Prepay Portion of 2005 Bonds	29,885,000.00	
Underwriter's Discount	167,502.50	Estimated
LOC Commitment Fee	225,000.00	Estimated
LOC Bank Counsel	20,000.00	Estimated
Bond Counsel	29,000.00	Estimated
Solicitor	14,500.00	Estimated
Financial Advisor	29,000.00	Estimated
Credit Rating	25,000.00	Estimated
Disclosure Counsel	5,000.00	Estimated
Trustee	4,000.00	Estimated
Financial Printing & Word Processing	5,000.00	Estimated
Redemption Agent	2,000.00	Estimated
Miscellaneous Expenses/Rounding	43,997.50	
Total	<u>30,455,000.00</u>	

Dated: 11/1/2009

Settlement: 11/1/2009

**BETHLEHEM AREA
SCHOOL DISTRICT**

**GENERAL
OBLIGATION BONDS**

SERIES AAA OF 2009

BETHLEHEM AREA SCHOOL DISTRICT SERIES OF 2005 BONDS REMAINING AFTER PARTIAL REFUNDING
--

1	2	3	4	5	6	7
<u>Principal</u> <u>Payment Date</u>	<u>Principal</u>	<u>Estimated</u> <u>Rate (1)</u>	<u>Remaining</u> <u>Fiscal Year</u> <u>Interest (2)</u>	<u>Remaining</u> <u>Fiscal Year</u> <u>Debt Service</u>	<u>State</u> <u>Aid (3)</u>	<u>Local</u> <u>Effort</u>
1/1/2010	5,000	6.000	878,200.00	883,200.00	64,330.32	818,869.68
1/1/2011	5,000	6.000	1,505,275.00	1,510,275.00	109,747.94	1,400,527.06
1/1/2012	5,000	6.000	1,504,975.00	1,509,975.00	109,726.22	1,400,248.78
1/1/2013	5,000	6.000	1,504,675.00	1,509,675.00	109,704.49	1,399,970.51
1/1/2014	5,000	6.000	1,504,375.00	1,509,375.00	109,682.76	1,399,692.24
1/1/2015	5,000	6.000	1,504,075.00	1,509,075.00	109,661.03	1,399,413.97
1/1/2016	5,000	6.000	1,503,775.00	1,508,775.00	109,639.30	1,399,135.70
1/1/2017	5,000	6.000	1,503,475.00	1,508,475.00	109,617.57	1,398,857.43
1/1/2018	5,000	6.000	1,503,175.00	1,508,175.00	109,595.85	1,398,579.15
1/1/2019	5,000	6.000	1,502,875.00	1,507,875.00	109,574.12	1,398,300.88
1/1/2020	5,000	6.000	1,502,575.00	1,507,575.00	109,552.39	1,398,022.61
1/1/2021	5,000	6.000	1,502,275.00	1,507,275.00	109,530.66	1,397,744.34
1/1/2022	5,000	6.000	1,501,975.00	1,506,975.00	109,508.93	1,397,466.07
1/1/2023	5,845,000	6.000	1,355,675.00	7,200,675.00	944,868.76	6,255,806.24
1/1/2024	6,115,000	6.000	998,225.00	7,113,225.00	958,090.44	6,155,134.56
1/1/2025	6,390,000	6.000	624,450.00	7,014,450.00	970,854.02	6,043,595.98
1/1/2026	6,680,000	6.000	233,800.00	6,913,800.00	984,568.21	5,929,231.79
1/1/2027			0.00			
1/1/2028			0.00			
1/1/2029			0.00			
1/1/2030			0.00			
TOTALS	25,095,000		22,133,850.00	47,228,850.00	5,238,253.00	41,990,597.00

PE% 30.84% Estimated
CARF% 46.97%

- (1) Estimated variable rate of 6.000% includes Fixed Swap Rate of 3.900%, .800% mismatch, and 1.300% admin
(2) Interest is actually paid monthly on the 1st day of each month, it is summarized here annually. Only remaining interest payments are shown, which exclude all 2010 fiscal year payments up to and including 11/1/09
(3) For these purposes, assumes state reimbursement on a variable rate of 3.000% only
(4) This does not reflect the related CMS Swap

<p>BETHLEHEM AREA SCHOOL DISTRICT AMOUNT TO PREPAY BONDS</p>

	1	2	3	4
<u>Date</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Required</u>	
11/1/2009	25,095,000.00	0.00	25,095,000.00	
TOTALS	25,095,000.00	0.00	25,095,000.00	

(1) Assumes District makes regularly scheduled 11/1/2009 monthly payment

BETHLEHEM AREA SCHOOL DISTRICT

SERIES AAA OF 2009

REFUNDS THE SERIES OF 2005 BONDS & PAYS PARTIAL SWAP TERMINATION

SETTLE

11/1/2009

DATED

11/1/2009

1	2	3	4	5	6	7	8	9
<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>	<u>State Aid</u>	<u>Proposed Local Effort</u>
1/15/2010	5,000	2.000	2.000	299,970.72	304,970.72	304,970.72	37,458.50	267,512.22
7/15/2010				729,608.50	729,608.50			
1/15/2011	5,000	2.300	2.300	729,608.50	734,608.50	1,464,217.00	179,844.72	1,284,372.28
7/15/2011				729,551.00	729,551.00			
1/15/2012	30,000	2.670	2.670	729,551.00	759,551.00	1,489,102.00	182,901.26	1,306,200.74
7/15/2012				729,150.50	729,150.50			
1/15/2013	40,000	3.000	3.000	729,150.50	769,150.50	1,498,301.00	184,031.14	1,314,269.86
7/15/2013				728,550.50	728,550.50			
1/15/2014	35,000	3.320	3.320	728,550.50	763,550.50	1,492,101.00	183,269.62	1,308,831.38
7/15/2014				727,969.50	727,969.50			
1/15/2015	35,000	3.570	3.570	727,969.50	762,969.50	1,490,939.00	183,126.89	1,307,812.11
7/15/2015				727,344.75	727,344.75			
1/15/2016	40,000	3.800	3.800	727,344.75	767,344.75	1,494,689.50	183,587.55	1,311,101.95
7/15/2016				726,584.75	726,584.75			
1/15/2017	30,000	4.050	4.050	726,584.75	756,584.75	1,483,169.50	182,172.59	1,300,996.91
7/15/2017				725,977.25	725,977.25			
1/15/2018	30,000	4.230	4.230	725,977.25	755,977.25	1,481,954.50	182,023.36	1,299,931.14
7/15/2018				725,342.75	725,342.75			
1/15/2019	35,000	4.390	4.390	725,342.75	760,342.75	1,485,685.50	182,481.62	1,303,203.88
7/15/2019				724,574.50	724,574.50			
1/15/2020	35,000	4.510	4.510	724,574.50	759,574.50	1,484,149.00	182,292.90	1,301,856.10
7/15/2020				723,785.25	723,785.25			
1/15/2021	40,000	4.630	4.630	723,785.25	763,785.25	1,487,570.50	182,713.15	1,304,857.35
7/15/2021				722,859.25	722,859.25			
1/15/2022	50,000	4.720	4.720	722,859.25	772,859.25	1,495,718.50	183,713.94	1,312,004.56
7/15/2022				721,679.25	721,679.25			
1/15/2023	5,565,000	4.810	4.810	721,679.25	6,286,679.25	7,008,358.50	860,812.50	6,147,546.00
7/15/2023				587,841.00	587,841.00			
1/15/2024	6,555,000	4.890	4.890	587,841.00	7,142,841.00	7,730,682.00	949,533.00	6,781,149.00
7/15/2024				427,571.25	427,571.25			
1/15/2025	8,300,000	4.970	4.970	427,571.25	8,727,571.25	9,155,142.50	1,124,494.57	8,030,647.93
7/15/2025				221,316.25	221,316.25			
1/15/2026	8,765,000	5.050	5.050	221,316.25	8,986,316.25	9,207,632.50	1,130,941.73	8,076,690.77
7/15/2026				0.00	0.00			
1/15/2027				0.00	0.00			
7/15/2027				0.00	0.00			
1/15/2028				0.00	0.00			
7/15/2028				0.00	0.00			
1/15/2029				0.00	0.00			
7/15/2029				0.00	0.00			
1/15/2030				0.00	0.00			
7/15/2030				0.00	0.00			
1/15/2031				0.00	0.00			
7/15/2031				0.00	0.00			
1/15/2032				0.00	0.00			
TOTALS	29,595,000			21,659,383.22	51,254,383.22	51,254,383.22	6,295,399.06	44,958,984.15

PE% 26.15% (Recalculated)

CARF% 46.97%

Public Financial Management, Inc.

BETHLEHEM AREA SCHOOL DISTRICT SERIES AAA OF 2009 Composition of the Issue

SOURCES:

Bonds	29,595,000.00	
Accrued Interest	0.00	
	<u>0.00</u>	
Total	29,595,000.00	

USES:

Estimated Amount to Prepay 2005 Bonds	25,095,000.00	Estimate
Estimated Swap Termination Amount	3,715,000.00	Estimate
Underwriter's Discount	162,772.50	Estimate
Bond Insurance	512,543.83	Estimate
Original Issue Discount/(Premium)	0.00	Estimate
Bond Counsel	20,000.00	Estimate
Solicitor	10,000.00	Estimate
Financial Advisor	20,000.00	Estimate
Credit Rating	12,000.00	Estimate
Financial Printing & Word Processing	5,000.00	Estimate
Paying Agent	2,000.00	Estimate
Redemption Agent	1,000.00	Estimate
Miscellaneous Expenses/Rounding	39,683.67	
	<u>39,683.67</u>	
Total	29,595,000.00	

Note: Assumes proportionate share of the swap is terminated, remaining portion transferred to new variable rate deal

Dated Date 11/1/2009

Settlement Date 11/1/2009

Yield of the Issue	5.113297
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EXHIBIT B

BETHLEHEM AREA SCHOOL DISTRICT
Northampton and Lehigh Counties, Pennsylvania
\$34,995,000 Maximum Aggregate Principal Amount
General Obligation Bonds
Annual Principal Payment Schedule*

School District Fiscal Year <u>(Ending June 30)</u>**	Maximum Yield to <u>Maturity (%)</u>	Principal Maturity or Mandatory Sinking Fund <u>Payment Amount (\$)</u>
2010	6.50%	60,000
2011	6.50%	60,000
2012	6.50%	60,000
2013	6.50%	60,000
2014	6.50%	60,000
2015	6.50%	60,000
2016	6.50%	60,000
2017	6.50%	60,000
2018	6.50%	60,000
2019	6.50%	60,000
2020	6.50%	60,000
2021	6.50%	60,000
2022	6.50%	60,000
2023	6.50%	6,790,000
2024	6.50%	7,775,000
2025	6.50%	9,590,000
2026	6.50%	10,060,000

*Includes principal maturities and mandatory sinking fund redemptions.

**Payment dates expected _____.

EXHIBIT B

Page 1 of 1

(FORM OF BOND)

Number

\$

%

CUSIP

PRINCIPAL SUM: _____ DOLLARS (\$ _____)

751949.4

registered owner named hereon, or registered assigns, on the maturity date stated hereon, upon presentation and surrender hereof, the principal sum stated hereon, unless this General Obligation Bond, Series ___ of 200___ (the "Bond"), shall be redeemable and duly shall have been called for earlier redemption and payment of the redemption price shall have been made or provided for, and to pay initially on _____, and thereafter semiannually on June 1 and December 1 of each year, to the registered owner hereof, interest on said principal sum, at the rate per annum stated hereon, until said principal sum has been paid or provision for payment thereof duly has been made. Interest on this Bond shall be payable from the interest payment date next preceding the date of registration and authentication of this Bond, unless: (a) this Bond is registered and authenticated as of an interest payment date, in which event this Bond shall bear interest from such interest payment date; or (b) this Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event this Bond shall bear interest from such interest payment date; or (c) this Bond is registered and authenticated on or prior to the Record Date next preceding _____, in which event this Bond shall bear interest from _____; or (d) as shown by the records of the Paying Agent (hereinafter defined), interest on this Bond shall be in default, in which event this Bond shall bear interest from the date to which interest was last paid on this Bond. The interest on this Bond is payable by check drawn on _____ (the "Paying Agent"), or its successor. The principal of and premium, if any, on this Bond, when due, are payable upon surrender hereof at the designated corporate trust office of the Paying Agent. Payment of the interest hereon shall be made to the registered owner hereof whose name and address shall

appear, at the close of business on the fifteenth (15th) day next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of this Bond subsequent to such Record Date and prior to such interest payment date, unless the Issuer shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name this Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of this Bond not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose name this Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing. Principal, premium, if any, and interest with respect to this Bond are payable in lawful money of the United States of America.

This Bond is one of a series of bonds of the Issuer, known generally as "General Obligation Bonds, Series __ of 200__" (the "Bonds"), all of like date and tenor, except as to numbers, denominations, dates of maturity, rates of interest, and provisions for redemption, in the maximum aggregate principal amount of _____ Dollars (\$_____).

The Bonds have been authorized for issuance in accordance with provisions of the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act"), of the Commonwealth, and by virtue of a duly adopted resolution (the "Resolution") of the Issuer. The Debt Act, as such shall have been in effect when the Bonds were authorized, and the Resolution shall constitute a contract between the Issuer and registered owners, from time to time, of the Bonds.

The Issuer has covenanted, in the Resolution, to and with registered owners, from time to time, of the Bonds that shall be outstanding, from time to time, pursuant to the Resolution, that the Issuer shall: (i) include the amount of the debt service for the Bonds, for each fiscal year of the Issuer in which such sums are payable, in its budget for that year, (ii) appropriate such amounts from its general revenues for the payment of such debt service, and (iii) duly and punctually pay or cause to be paid, from the sinking fund established under the Resolution or any other of its revenues or funds, the principal of and interest on each of the Bonds at the dates and place and in the manner stated therein, according to the true intent and meaning thereof; and, for such budgeting, appropriation and payment, the Issuer has pledged and does pledge, irrevocably, its full faith, credit and taxing power.

This Bond shall not be entitled to any benefit under the Resolution, nor shall it be valid, obligatory or enforceable for any purpose, until this Bond shall have been authenticated by the Paying Agent.

The Bonds are issuable only in the form of registered bonds, without coupons, in the denominations of \$5,000 principal amount or any integral multiple thereof. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate upon surrender of such Bonds to the Paying Agent, with written instructions satisfactory to the Paying Agent.

The Issuer and the Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof, premium, if any, and interest due hereon

and for all other purposes, and the Issuer and the Paying Agent shall not be affected by any notice to the contrary.

This Bond may be transferred by the registered owner hereof upon surrender of this Bond to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of this Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive.

The Issuer and the Paying Agent shall not be required to issue or to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day of mailing of the applicable notice of redemption, as hereinafter provided, or to register the transfer of or exchange any portion of any bond selected for redemption until after the redemption date.

The Bonds stated to mature on or after _____, are subject to redemption prior to maturity, at the option of the Issuer, as a whole, on _____, or on any date thereafter, upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption.

The Bonds stated to mature on or after ____, are subject to redemption prior to maturity, at the option of the Issuer, from time to time, in part, in any order of maturity selected by the Issuer, on _____, or on any date thereafter. If less than all Bonds of any particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent. Any such redemption shall be upon payment of the principal amount to be redeemed, together with accrued interest thereon to the date fixed for redemption.

The Bonds stated to mature on ____, and on ____, are subject to mandatory redemption prior to maturity, in the amounts and on _____ of the years set forth in the following schedules as drawn by lot by the Paying Agent in behalf of the Issuer:

<u>Bonds Maturing on ____ :</u>	
<u>Year</u>	<u>Amount</u>
	\$ ____ ; and
<u>Bonds Maturing on ____ :</u>	
<u>Year</u>	<u>Amount</u>
	\$ ____ .

Any such redemption shall be upon application of money available for the purpose in the Mandatory Sinking Fund established under the Resolution and shall be upon payment of the principal amount to be redeemed, together with accrued interest thereon to the date fixed for redemption. In lieu of such mandatory redemption, the Paying Agent, as sinking fund depositary, in behalf of the Issuer, may purchase, from money available for the purpose in the Sinking Fund established under the Resolution, at a price not to exceed the principal amount plus accrued interest,

or the Issuer may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

If this Bond is of a denomination larger than \$5,000, a portion of this Bond may be redeemed. For the purposes of redemption, this Bond shall be treated as representing the number of Bonds that is equal to the principal amount hereof divided by \$5,000, each \$5,000 portion of this Bond being subject to redemption. In the case of partial redemption of this Bond, payment of the redemption price shall be made only upon surrender of this Bond in exchange for Bonds of authorized denominations of the same maturity and interest rate and in aggregate principal amount equal to the unredeemed portion of the principal amount hereof; Provided, however, that should this Bond be registered in the name of The Depository Trust Company ("DTC") or Cede & Co., as nominee for DTC, or any other nominee of DTC, or any other successor securities depository or its nominee, this Bond need not be surrendered for payment and exchange in the event of a partial redemption hereof and the records of the Paying Agent shall be conclusive as to the amount of this Bond which shall have been redeemed.

Notice of redemption shall be deposited in first class mail not less than 30 days prior to the date fixed for redemption and shall be addressed to the registered owners of the Bonds to be redeemed at their addresses shown on the registration books kept by the Paying Agent as of the day such Bonds are selected for redemption. Failure to mail any notice of redemption or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

EXHIBIT C

Page 7 of 12

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal, premium, if any, and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption, together with the redemption premium, if any.

The Issuer, in the Resolution, has established a sinking fund with the Paying Agent, as the sinking fund depository, into which funds for the payment of the principal of and the interest on the Bonds shall be deposited not later than the date fixed for the disbursement thereof. The Issuer has covenanted, in the Resolution, to make payments from such sinking fund or from any other of its revenues or funds, at such times and in such annual amounts as shall be sufficient for prompt and full payment of all obligations of this Bond.

It hereby is certified that: (i) all acts, conditions and things required to be done, to happen or to be performed as conditions precedent to and in issuance of this Bond or in creation of the debt of which this Bond is evidence have been done, have happened or have been performed in due and regular form and manner, as required by law; and (ii) the debt represented by this Bond, together with any other indebtedness of the Issuer, is not in excess of any limitation imposed by the Debt Act upon the incurring of debt by the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by the manual signature of the President of the Board of School Directors, and its official seal to be affixed hereto and the manual signature of the Secretary of the Board of School Directors to be affixed hereto in attestation thereof, all as of _____, ____.

BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania

By: _____
President of the Board of School Directors

ATTEST:

Secretary of the Board of School Directors

(SEAL)

(FORM OF PAYING AGENT'S CERTIFICATE)

CERTIFICATE OF AUTHENTICATION; CERTIFICATE AS TO OPINION; AND
CERTIFICATE AS TO INSURANCE

It is certified that:

(i) This Bond is one of the Bonds described in the within-mentioned
Resolution;

(ii) An original Opinion issued by Rhoads & Sinon LLP, dated and delivered on
the date of the original delivery of, and payment for, such Bonds that is on file at such designated
corporate trust office where the same may be inspected; and

(iii) _____ has issued its municipal bond insurance policy, as stated
in the Statement of Insurance printed upon this Bond, a copy of which policy is on file at such
designated corporate trust office where the same may be inspected.

_____, as Paying Agent

By: _____
Authorized Representative

Date of Registration and Authentication:

(FORM OF ASSIGNMENT)

ASSIGNMENT

FOR VALUE RECEIVED, _____, the undersigned, hereby sells, assigns and transfers unto

Name (the "Transferee")

Address

Social Security or Federal Employer Identification No. _____ the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____, as attorney, to transfer the within Bond on the books kept for registration thereof with full power of substitution in the premises.

Date: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an institution that is a participant in a signature guarantee program recognized by the Securities Transfer Association.

NOTICE: No transfer will be made in the name of the Transferee unless the signature(s) to this assignment correspond(s) with the name(s) appearing upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and date of the trust and the name of the trustee must be supplied.

(FORM OF STATEMENT OF INSURANCE)

STATEMENT OF INSURANCE

CERTIFICATE

I, the undersigned, (Assistant) Secretary of the Board of School Directors of BETHLEHEM AREA SCHOOL DISTRICT, Northampton and Lehigh Counties, Pennsylvania (the "School District"), certify that: the foregoing is a true and correct copy of a Resolution that duly was adopted by affirmative vote of a majority of all members of the Board of School Directors of the School District at a meeting duly held on September 21, 2009; said Resolution duly has been recorded in the minute book of the Board of School Directors of the School District; a notice with respect to the intent to adopt said Resolution has been published as required by law; said Resolution was available for inspection by any interested citizen requesting the same in accordance with the requirements of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania and such notice; and said Resolution has not been amended, altered, modified or repealed as of the date of this Certificate.

I further certify that the Board of School Directors of the School District met the advance notice and public comment requirements of the Sunshine Act, 65 Pa.C.S. §701 *et seq.*, by advertising the time and place of said meeting, by posting prominently a notice of said meeting at the principal office of the School District or at the public building in which said meeting was held, and by providing a reasonable opportunity for public comment prior to adoption of said Resolution, all as required by such Act.

I further certify that: the total number of members of the Board of School Directors of the School District is nine (9); the vote of members of the Board of School Directors of the School District upon said Resolution was called and duly was recorded upon the minutes of said meeting; and members of the Board of School Directors of the School District voted upon said Resolution in the following manner:

Loretta M. Leeson
Judith A. Dexter
Rosario S. Amato
Michele Cann
Irene Follweiler
Craig T. Haytmanek
Charlene A. Koch
Eugene C. McKeon
Benjamin M. Tenaglia, III

IN WITNESS WHEREOF, I set my hand and affix the official seal of the School District, this 21st day of September, 2009.

(Assistant) Secretary of the Board of
School Directors

(SEAL)

15. *Bid Award – Bids Opened September 9, 2009 – Deicing Salt and Antiskid Materials*

INFORMATION:

Bids were received and publicly opened at noon, Wednesday, September 9, 2009, for:

Deicing Salt and Antiskid Materials

The bids have been tabulated and reviewed by the appropriate administrative and supervisory personnel. The recommendation of award is based upon the lowest responsible bidder meeting specifications. (The Tabulation of Bids is attached.)

Items will be purchased on an as-needed basis throughout the year.

RECOMMENDATION:

That the administration be authorized to award a contract to the lowest responsible bidders meeting specifications as indicated on the attached Tabulation of Bids.

Deicing Salt and Antiskid Materials

Cargill, Inc.
24950 Country Club Boulevard #450
North Olmsted, Ohio 44070

International Salt Company
655 Northern Boulevard
Clarks Summit, Pennsylvania 18411

Northeast Chemical & Supply Company
800 East Bertsch Street
P.O. Box 52
Lansford, Pennsylvania 18232

Cabinet Code: NE

Account Code: 10-2600610-000-648-0000

Account Balance: \$24,000

BETHLEHEM AREA SCHOOL DISTRICT
Bethlehem, Pennsylvania

Bid Opening: September 9, 2009

September 21, 2009

**TABULATION OF BIDS
FOR
DEICING SALT AND ANTISKID MATERIALS**

	Deicing Salt Per Ton*	Deicing Salt 50 lb. Bag	Calcium Chloride Pellets 50 lb. Bag	Antiskid Material - Fine Cinders Per Ton
American Rock Salt	\$82.29	No Bid	No Bid	No Bid
Cargill, Inc.	82.29	No Bid	No Bid	No Bid
Eastern Salt Company, Inc.	85.00	No Bid	No Bid	No Bid
International Salt Company	84.25	\$5.25	\$10.80	No Bid
Northeast Chemical & Supply Company	No Bid	3.98	11.99	No Bid

BID AWARD

12 specifications mailed
5 bids received
* coin toss

16. *Bid Award – Bids Opened September 9, 2009 – Fuel Oil - Number 2***INFORMATION:**

Bids were received and publicly opened at noon Wednesday, September 9, 2009, for:

Fuel Oil - Number 2

The bids have been tabulated and reviewed by the appropriate administrative and supervisory personnel. The recommendation of award is based upon the lowest responsible bidder meeting specifications. (The Tabulation of Bids is attached.)

RECOMMENDATION:

That the administration be authorized to award a one-year contract to the lowest responsible bidder meeting specifications as indicated on the attached Tabulation of Bids subject to proper execution of contract documents and performance bond as required in the bid specifications.

Fuel Oil - Number 2

Petroleum Traders Corporation
7120 Pointe Inverness Way
Fort Wayne, Indiana 46804

Price Fluctuation
Based on the
Delivery Date
Posted Price
as Specified

per gallon +\$0.0312

Cabinet Code: NA

Account Code: 10-2600624-school-000-0000

Account Balance: \$150,000

BETHLEHEM AREA SCHOOL DISTRICT
Bethlehem, Pennsylvania

Bid Opening: September 9, 2009

September 21, 2009

**TABULATION OF BIDS
FOR
FUEL OIL - NUMBER 2**

	ISObunkers LLC	Petroleum Traders Corporation
Firm Price for the contract period Price per gallon	\$2.0614	No Bid
Fluctuating Price for the contract period Net differential to posted price	+.0679	+.0312

BID AWARD

14 specifications mailed
2 bids received

17. *Bid Award – Bids Opened September 9, 2009 – Snow Removal*

INFORMATION:

Bids were received and publicly opened at noon, Wednesday, September 9, 2009 for:

Snow Removal

The bids have been tabulated and reviewed by the appropriate administrative and supervisory personnel. The recommendation of award is based upon the lowest responsible bidder meeting specifications. (The Tabulation of Bids is attached.)

RECOMMENDATION:

That the administration be authorized to award a contract to the lowest responsible bidder meeting specifications as indicated on the attached Tabulation of Bids.

Snow Removal

Searock's Lawn Care
534 Bauer Road
Bath, Pennsylvania 18014

Cabinet Code: NF

Account Code: 10-2600412-000-000-0000

Account Balance: \$30,000

BETHLEHEM AREA SCHOOL DISTRICT
Bethlehem, Pennsylvania

Bid Opening: September 9, 2009

September 21, 2009

**TABULATION OF BIDS
FOR
SNOW REMOVAL**

	M & M Site Maintenance	Searock's Lawn Care	Spengler's Lawn & Tree Care	A.J. Trunzo, Inc.
	Cost per Hour			
1 - "Rubber-tired" Front End Loader with operator - 1-yard (minimum)	\$115	\$102	\$130	\$120
1 - 3/4 ton Truck with Plow and operator	95	75	85	90
1 - One (1) ton Truck with Plow and operator	105	78	95	90
1 - Truck Tri-Axle Dump - 30-yard capacity, with operator	100	74	95	85
1 - Truck Tandem-Axle Dump - 20-yard capacity, with operator	85	64	85	75
1 - Truck Single-Axle Dump - 10-yard capacity, with operator	75	54	80	70
1 - Dump Truck with Salter - 6-yard capacity, with operator	135	99	55	108

BID AWARD

11 specifications mailed
4 bids received

18. *Bid Award – Bids Opened September 14, 2009 – Xerographic Paper – White*

INFORMATION:

Bids were received and publicly opened at noon, Monday, September 14, 2009, for:

Xerographic Paper – White

The bids have been tabulated and reviewed by the appropriate administrative and supervisory personnel. The recommendation of award is based upon the lowest responsible bidder meeting specifications. (The Tabulation of Bids is attached.)

RECOMMENDATION:

That the administration be authorized to award a contract to the lowest responsible bidder meeting specifications as indicated on the attached Tabulation of Bids.

Xerographic Paper – White

RIS Paper Company
1531 Boettler Road, Suite E
Uniontown, Ohio 44685

\$60,177.60

Account Code: 10-0171000-000-000-00

Xerographic Paper is inventoried and charged to building budgets as paper is requisitioned from the maintenance warehouse.

BETHLEHEM AREA SCHOOL DISTRICT
Bethlehem, Pennsylvania

Bid Opening: September 14, 2009

September 21, 2009

**TABULATION OF BIDS
FOR
XEROGRAPHIC PAPER – WHITE**

	Cost for 2,520 Cartons (3 Truckloads)
CMF Business Supplies, Inc.	\$67,754.40
Chemstat Products, Inc.	69,174.00
Elliott Printing Services	69,274.80
Office Service Company	65,973.60
Paper Mart, Inc.	62,395.20
RIS Paper Company	60,177.60
Unisource Worldwide, Inc.	64,940.40
Xerox Corporation	62,974.80

BID AWARD

18 specifications mailed
8 bids received

19. *Treasurer's Report*

RECOMMENDATION:

That the Board of School Directors approves the Treasurer's Report dated August 31, 2009.

BETHLEHEM AREA SCHOOL DISTRICT
Bethlehem, Pennsylvania

REPORT OF THE TREASURER
August 1 through August 31, 2009

BEGINNING CASH AND INVESTMENT BALANCE

Wachovia Bank - Cash Management	4,828,090.17
Bank of America - General Account	550,018.21
Pennsylvania School District Liquid Asset Fund	2,643,431.53
Wachovia - Worker's Comp Trust Fund	641,267.64
Pennsylvania Local Government Investment Trust	77,881.20
Pennsylvania State Treasurer Invest Program	11,779.40
Bank of America Money Market	1,636.49
PSDLAF - Term Investments	8,500,000.00
PSDLAF - 2009B Bond Fund	10,822,758.30
Scholarship Fund	46,068.15
KNBT Bank - Scholarship Fund	116,801.99
M&T Investment Group - 2007A Bond Fund	3,690,538.79

<u>TOTAL CASH AND INVESTMENT BALANCE</u>	\$	31,930,271.87
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MONTHLY RECEIPTS

Local Sources	55,424,951.94
State Sources	2,727,099.24
Federal Sources	1,142,113.47
Other Financing Sources	13,847.09

\$	<u>59,308,011.74</u>
----	----------------------

MONTHLY DISBURSEMENTS

Monthly Bills Paid	8,004,226.44
Payroll	4,781,111.89
Debt Service	544,005.66

\$	<u>13,329,343.99</u>
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TOTAL FUNDS AVAILABLE

\$	<u><u>77,908,939.62</u></u>
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ENDING CASH AND INVESTMENT BALANCE

		<u>Interest Rate</u>
Wachovia Bank - Cash Management	24,808,384.48	0.750%
Bank of America - General Account	549,228.71	0.350%
Pennsylvania School District Liquid Asset Fund	28,353,528.45	varies .123 to .453%
Wachovia - Worker's Comp Trust Fund	640,302.96	0.020%
Pennsylvania Local Government Investment Trust	77,908.75	0.420%
Pennsylvania State Treasurer Invest Program	314,309.24	0.313%
Bank of America Money Market	1,636.66	0.120%
PSDLAF - Term Investments	8,500,000.00	see attachment
PSDLAF - 2009B Bond Fund	10,822,758.30	see attachment
Scholarship Fund	46,068.15	1.200%
KNBT Bank - Scholarship Fund	116,801.99	1.489%
M&T Investment Group - 2007A Bond Fund	3,678,011.93	4.690%

<u>TOTAL CASH AND INVESTMENT BALANCE</u>	\$	<u><u>77,908,939.62</u></u>
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Interest Received for August: to be posted in September accounting period	\$	23,903.94
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Respectfully Submitted,

Anne M. Morton
Treasurer

**Bethlehem Area School District
Capital Reserve Fund
For the Period of July 29, 2009 thru August 31, 2009**

Fund Balance at July 29, 2009		\$	1,121,341.67
2008-2009 Revenue Received-Interest Income		\$	-
Expenditures			
Financial Management System	\$	40,872.60	
(software, hardware, support services)			
Roof Repairs-Farmersville	\$	290,348.50	
Roof Repairs-Asa Packer	\$	195,120.00	
Asa Packer Fire Alarm System	\$	15,057.00	
Professional Services	\$	3,502.53	
		\$	<u>544,900.63</u>
Fund Balance at August 31, 2009		\$	576,441.04

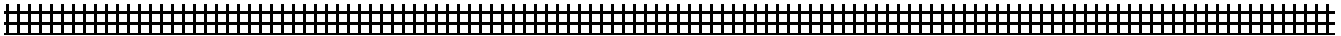
The following projects have been approved by the board but have not been completed:

Financial Management System	\$	103,900.12	
Pro. Svs. Roof Repairs	\$	4,169.28	
Pro. Svs. Alarm System	\$	2,379.97	
Asa Packer Roof Repair	\$	67,180.00	
Farmersville Roof Repair	\$	49,781.50	
Freemansburg Roof Repair	\$	92,450.00	
Asa Packer Fire Alarm System	\$	16,283.00	
		\$	336,143.87
Estimated Unencumbered Fund Balance		\$	240,297.17

**Bethlehem Area School District
2007A Bond Fund
For the Period of August 1, 2009 thru August 31, 2009**

Beginning Balance-July 31, 2009	\$ 3,690,538.79
Change in Market Value	
Pending Reimbursement to the General Fund	\$ 1,450,000.00
Ending Balance-August 31, 2009	<u>\$ 2,240,538.79</u>

Note :



**Bethlehem Area School District
2009B Bond Fund
For the Period of August 1, 2009 thru August 31, 2009**

Beginning Balance-July 31, 2009	\$ 10,822,758.30
Change in Market Value (recorded quarterly)	
Reimbursement to the General Fund	
Ending Balance-August 31, 2009	<u>\$ 10,822,758.30</u>

20. *Monthly Bills*

RECOMMENDATION:

That the bills, which have been reviewed as to correctness by the appropriate Business Office staff and verified by the treasurer, be approved for payment. A copy of the bill list is available in the Business Office of the Education Center, 1516 Sycamore Street, Bethlehem, Pennsylvania, for review.

21. *Budget Information*

INFORMATION:

Presented for information is the statement of the Condition of the Budget by major accounts.

2009-2010 REVENUES

Description	A	B	C	D	E	F	G
	2009-2010					2008-2009	
	Budget	Realized 31-Aug-09	Unrealized \$ (B-A = C)	Unrealized % (C/ A = D)	Projected June 30, 2010	Realized June, 2009	Realized August, 2008
CURRENT REAL ESTATE	105,712,300	(632)	(105,712,932)	-100.00%			(9,741)
INTERIM REAL ESTATE	1,000,000	0	(1,000,000)	-100.00%			0
PUBLIC UTILITY REALTY	153,000	0	(153,000)	-100.00%			
PAYMENTS IN LIEU OF TAX	121,000	37,848	(83,152)	-68.72%			23,011
UNDISTRIBUTED TAXES	0	59,089,727	59,089,727	-			63,555,976
PER CAPITA TAX SECT 679	240,000	1,511	(238,490)	-99.37%			6
PER CAPITA TAX ACT 511	240,000	1,511	(238,490)	-99.37%			6
LOCAL SERVICES TAX	300,000	20,451	(279,549)	-93.18%			87,422
EARNED INCOME TAX	11,000,000	2,085,566	(8,914,434)	-81.04%			2,199,406
REAL ESTATE TRANSFER TAX	1,800,000	369,046	(1,430,954)	-79.50%			471,978
MERCANTILE TAX	2,100,000	0	(2,100,000)	-100.00%			1,373,651
DEL. REAL ESTATE	2,900,000	651,683	(2,248,317)	-77.53%			1,151,451
DEL. PER CAPITA SECT 679	60,000	23,419	(36,581)	-60.97%			1,939
DEL. LOCAL SERVICES TAX			-	-			
DEL. MERCANTILE TAX	350,000	52,850	(297,150)	-84.90%			106,368
TOTAL LOCAL TAX SOURCES	\$ 125,976,300	\$ 62,332,978	\$ (63,643,322)	-50.52%	\$ -	\$ -	\$ 68,961,473
INTEREST ON INVESTMENTS	850,000	12,110	(837,890)	-98.58%			23,984
DRIVER ED LAB FEES	-	50	50				2,550
RENTALS	10,000	14,225	4,225	42.25%			1,200
CONTRIBUTIONS	92,000		(92,000)	-100.00%			0
TUITION FROM PATRONS	375,000	57,339	(317,661)	-84.71%			34,455
SRVCS. / OTH LOC GOV UNITS	22,000		(22,000)	-100.00%			24,087
MISCELLANEOUS REVENUE	150,000	5,383	(144,617)	-96.41%			8,897
REFUNDS FROM PRIOR YEAR EXP		575					51,949
TOTAL OTHER LOCAL SOURCES	\$ 1,499,000	\$ 89,682	\$ (1,409,893)	-94.06%	\$ -	\$ -	\$ 147,122
TOTAL LOCAL SOURCES	\$ 127,475,300	\$ 62,422,660	\$ (65,053,215)	-51.03%	\$ -	\$ -	\$ 69,108,594
BASIC INSTRUCTIONAL SUBSIDY	28,075,451		(28,075,451)	-100.00%			3,463,367
CHARTER SCHOOLS	1,378,200		(1,378,200)	-100.00%			223,316
TUITION : ORPHANS/CHILDREN	350,000		(350,000)	-100.00%			
HOMEBOUND INSTRUCTION			-				
VOCATIONAL EDUCATION	185,000		(185,000)	-100.00%			28,408
DRIVER EDUCATION	10,605		(10,605)	-100.00%			
MIGRATORY CHILDREN	3,520		(3,520)	-100.00%			
SPECIAL EDUCATION	6,536,961		(6,536,961)	-100.00%			980,788
TRANSPORTATION	2,268,600		(2,268,600)	-100.00%			144,801
RENTALS AND SINKING FUND	1,550,000		(1,550,000)	-100.00%			
HEALTH SERVICES	400,000		(400,000)	-100.00%			
PROPERTY TAX RED. ALLOCATION	4,733,333	2,366,666	(2,366,667)	-50.00%			2,360,030
SOCIAL SECURITY	3,249,078		(3,249,078)	-100.00%			567,340

2009-2010 REVENUES

Description	A	B	C	D	E	F	G
	2009-2010					2008-2009	
	Budget	Realized 31-Aug-09	Unrealized \$ (B-A = C)	Unrealized % (C/ A = D)	Projected June 30, 2010	Realized June, 2009	Realized August, 2008
PSERS - PENSION CONTRIBUTION IMPACT AID	2,030,142 50,000		(2,030,142) (50,000)	-100.00% -100.00%			
TOTAL STATE & FEDERAL SOURCES	\$ 50,820,890	\$ 2,366,666	\$ (48,454,224)	-95.34%	\$ -	\$ -	\$ 7,768,050
PROCEEDS FROM EXTENDED TERM FINANCING INTERFUND TRANSFERS SALE OF FIXED ASSETS INDIRECT COSTS	275,000 92,000	13,847	(275,000) (78,153) -	-100.00% -84.95%			10,470
TOTAL OTHER SOURCES	\$ 367,000	\$ 13,847	\$ (353,153)	-96.23%	\$ -	\$ -	\$ 10,470
TOTAL REVENUE	\$ 178,663,190	\$ 64,803,173	\$ (113,860,592)	-63.73%	\$ -	\$ -	\$ 76,887,114
UNRESERVED FUND BALANCE			-				
TOTAL FUND APPROPRIATED BALANCE	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
TOTAL DISTRICT REVENUE	\$ 178,663,190	\$ 64,803,173	\$ (113,860,592)	-63.73%	\$ -	\$ -	\$ 76,887,114

2009-2010 EXPENDITURES BY PROGRAM

Includes Year-To-Date August 2009 Information

			2009-2010					2008-2009	2008-2009	
PROGRAM	PROGRAM CODE		A	B	C	D	E	F	G	H
		Responsible Office	2009-2010 APPROVED BUDGET	2009-2010 AMENDED BUDGET	2009-2010 PROJECTED EXPENDITURES JUNE 30, 2010	2009-2010 UNEXPENDED BUDGET \$ (B - C = D)	2009-2010 UNEXPENDED BUDGET % (D / B = E)	2009-2010 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of August 2009	2008-2009 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of August , 2008	2008-2009 EXPENDED BUDGET FINAL ACTUAL EXPENDITURES as of June, 2009
BUILDING ALLOCATION	100	PRIN	1,375,330	1,375,330		1,375,330	100.00%	410,957	494,630	
BOARD	AA	SUPT	399,050	399,050		399,050	100.00%	28,862	30,517	
CABINET	AB	SUPT	1,027,005	1,027,005		1,027,005	100.00%	165,462	190,738	
BUDGETARY RESERVE	AC	SUPT	2,075,377	2,075,377		2,075,377	100.00%	0	0	
SUPT OFFICE-EQUIPMENT REPLACEMENT RESERVE	AD	SUPT	0	0		0	0.00%	0	0	
SUPERINTENDENT'S OFFICE	AE	SUPT	149,500	149,500		149,500	100.00%	2,616	2,123	
BUILDING STAFF	AF	SUPT	6,437,036	6,437,036		6,437,036	100.00%	842,721	795,811	
PUBLIC RELATIONS	AN	SUPT	29,500	29,500		29,500	100.00%	20,199	15,466	
STAFFING-TEACHERS	CA	HR	58,279,215	58,279,215		58,279,215	100.00%	15,847	9,309	
CHILD ACCOUNTING DEPARTMENT	CD	HR	246,384	246,384		246,384	100.00%	38,767	30,841	
STAFFING-TEACHER ASSISTANTS	CE	HR	2,877,483	2,877,483		2,877,483	100.00%	2,750	0	
STAFFING-SUBSTITUTES	CG	HR	1,273,000	1,273,000		1,273,000	100.00%	36,915	39,329	
HUMAN RESOURCES DEPARTMENT	CK	HR	365,239	365,239		365,239	100.00%	44,839	75,898	
STUDENT ACTIVITIES	D1	C&I	127,198	127,198		127,198	100.00%	4,850	9,611	
CREDIT ACQUISITION PROGRAM	D2	C&I	52,500	52,500		52,500	100.00%	618	42,854	
CURRICULUM ENRICHMENT ACTIVITIES	D3	C&I	18,000	18,000		18,000	100.00%	0	26	
CAREER ACADEMY/RASA/ALTERNATIVE EDUCATION	D4	C&I	278,351	278,351		278,351	100.00%	5,501	4,987	
TESTING - K-12	D5	C&I	30,000	30,000		30,000	100.00%	0	0	
ACADEMIC INTERVENTIONS	DA	C&I	100,000	100,000		100,000	100.00%	0	5,027	
MUSICAL INSTRUMENT REPAIR	DD	C&I	37,000	37,000		37,000	100.00%	684	5,360	
DEPARTMENT OF INSTRUCTION	DE	C&I	224,000	224,000		224,000	100.00%	19,107	42,190	
READING RECOVERY/PROJECT READ	DF	C&I	23,500	23,500		23,500	100.00%	1,074	2,498	
INSTRUCTIONAL MTLs RESERVE	DG	C&I	500,000	500,000		500,000	100.00%	303,171	403,023	
EQUIPMENT REPAIR	DM	C&I	13,000	13,000		13,000	100.00%	300	9,250	
PLANETARIUM	DO	C&I	2,444	2,444		2,444	100.00%	0	0	
SUMMER SCHOOL - SECONDARY	DQ	C&I	25,000	25,000		25,000	100.00%	59,112	14,584	
DRIVER EDUCATION	DS	C&I	10,000	10,000		10,000	100.00%	0	0	
ASST SUPERINTENDENT FOR CURR & INSTRUCT	DT	C&I	384,807	384,807		384,807	100.00%	36,497	65,897	
INTERSCHOLASTIC ATHLETICS	DU	C&I	1,410,529	1,410,529		1,410,529	100.00%	0	0	
INTRAMURALS	DV	C&I	18,477	18,477		18,477	100.00%	0	2,499	
ATTENDANCE SERVICES	E4	STD SVCS	71,191	71,191		71,191	100.00%	1,134	0	
MINORITY AFFAIRS/GOV. PROGRAMS/GRANTS	EB	STD SVCS	29,799	29,799		29,799	100.00%	3,252	3,292	

2009-2010 EXPENDITURES BY PROGRAM

Includes Year-To-Date August 2009 Information

			2009-2010					2008-2009	2008-2009	
PROGRAM	PROGRAM CODE	Responsible Office	A	B	C	D	E	F	G	H
			2009-2010 APPROVED BUDGET	2009-2010 AMENDED BUDGET	2009-2010 PROJECTED EXPENDITURES JUNE 30, 2010	2009-2010 UNEXPENDED BUDGET \$ (B - C = D)	2009-2010 UNEXPENDED BUDGET % (D / B = E)	2009-2010 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of August 2009	2008-2009 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of August , 2008	2008-2009 EXPENDED BUDGET FINAL ACTUAL EXPENDITURES as of June, 2009
SPARK - EARLY CHILDHOOD/SUMMER	EC	STD SVCS	0	0		0	0.00%	9,453	8,275	
SCHOOL RESOURCE OFFICERS	EF	STD SVCS	262,000	262,000		262,000	100.00%	0	0	
HOMEBOUND INSTRUCT/REGULAR ED.	EG	STD SVCS	155,000	155,000		155,000	100.00%	320	0	
HEALTH SERVICES - MEDICAL	EH	STD SVCS	51,480	51,480		51,480	100.00%	391	9,470	
HEALTH SERVICES - DENTAL	EJ	STD SVCS	10,364	10,364		10,364	100.00%	0	440	
STUDENT SERVICES	EK	STD SVCS	160,631	160,631		160,631	100.00%	30,098	59	
GUIDANCE (SUMMER)	ET	STD SVCS	35,000	35,000		35,000	100.00%	18,379	19,137	
ENGLISH ACQUISITION	EY	STD SVCS	236,439	236,439		236,439	100.00%	22,292	48,372	
BUSINESS DEPT-ACCOUNTS PAYABLE	GA	F&A	939,073	939,073		939,073	100.00%	108,664	201,663	
BUSINESS DEPT-ACCOUNTS RECEIVABLE	GB	F&A	1,003,687	1,003,687		1,003,687	100.00%	108,472	141,032	
DEBT SERVICE	GC	F&A	22,791,340	22,791,340		22,791,340	100.00%	523,227	8,021,073	
EMPLOYEE BENEFITS	GD	F&A	30,646,020	30,646,020		30,646,020	100.00%	1,435,408	411,481	
INSURANCE	GE	F&A	583,500	583,500		583,500	100.00%	568,486	53	
INTERSYSTEM PAYMENTS	GF	F&A	22,712,285	22,712,285		22,712,285	100.00%	3,182,469	10,413,022	
PHOTOCOPIERS	GP	F&A	587,692	587,692		587,692	100.00%	133,779	74,700	
SPECIAL EDUCATION	LF	SPEC ED	445,512	445,512		445,512	100.00%	54,360	95,633	
HOMEBOUND INSTRUCTION / SPECIAL ED.	LG	SPEC ED	30,000	30,000		30,000	100.00%	0	0	
MAINTENANCE / CUSTODIAL DEPARTMENT	NA	B&G	10,901,889	10,901,889		10,901,889	100.00%	1,034,870	926,635	
MAINTENANCE DEPT - SUPPLIES	NE	B&G	490,000	490,000		490,000	100.00%	155,490	183,185	
MAINTENANCE DEPT - CONTRACTED SERVICES	NF	B&G	1,023,118	1,023,118		1,023,118	100.00%	538,488	433,147	
TRANSPORTATION DEPARTMENT	NT	B&G	4,730,292	4,730,292		4,730,292	100.00%	146,990	575,574	
TECHNICAL SERVICES	TK	TECH	674,585	674,585		674,585	0.00%	471,822	238,279	
INFO & COMMUNICATIONS TECHNOLOGY DEPT.	TL	TECH	1,436,858	1,436,858		1,436,858	100.00%	857,288	1,161,092	
DATA PROCESSING DEPARTMENT	TN	TECH	866,510	866,510		866,510	100.00%	266,136	227,981	
TOTALS			\$178,663,190	\$178,663,190	\$0	\$178,663,190	100.00%	\$11,712,117	\$25,486,063	\$0