MEMORANDUM

August 12, 2011

TO: **BOARD OF SCHOOL DIRECTORS**

FROM: **STACY M. GOBER, BOARD SECRETARY**

SUBJECT: **REGULAR MONTHLY MEETING – August 15, 2011**

The Regular Meeting of the Board of School Directors of the Bethlehem Area School District for August will be held on ***Monday, August 15, 2011, at 7:00 p.m. in the Auditorium of East Hills Middle School, 2005 Chester Road, Bethlehem, PA 18017.*** The agenda is attached.

SMG:bac
Attachments
pc: Dr. Roy

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 – August 15, 2011

1. Roll Call
2. Pledge of Allegiance
3. Silent Meditation
4. PFM Presentation – *Mr. Shearer*
5. Courtesy of the Floor to Visitors (30 minutes allowed)
6. Reports of Student Representatives
7. Approval of Minutes
   June 8, 2011 – Budget Hearing
8. Approval of Committee Minutes
   July 18, 2011 – Board Finance Committee Meeting
   August 1, 2011 – Board Facilities Committee Meeting
   August 8, 2011 – Board Human Resources Committee Meeting
9. Financial Report/Payment of Bills
   Treasurer's Reports – Item 18 – Page 22
   Monthly Bills – Item – Page 19 – Page 23
   Budget Information (Information Only) – Item 20 – Page 24
10. President's Communication/Special Meetings
11. Superintendent's Report/Federal Program Update
12. Unfinished Business
    Apple Lease Restructuring (Tabled at July 25, 2011, Regular Board Meeting)
13. Recommendations of the Administration
14. Reports of Committees
15. New and Miscellaneous Business
16. Courtesy of the Floor to Visitors (30 minutes allowed)
17. Open Forum
18. Adjournment

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° Information Item Only

1. *Accountability Block Grant (ABG) Supplemental Funding*

INFORMATION:

The Pennsylvania Department of Education has announced the availability of ABG Supplemental funding for the Bethlehem Area School District. An electronic eGrant application has been created for the District to apply for funds in the amount of $665,439 for the 2011-2012 school year.

The 2011-2012 budget approved by the Board of School Directors included this supplemental funding to restore full day kindergarten classes, replace READ 180 computers, and restore the School Resource Officers at both high schools.

This item was reviewed with Board at the August 8, 2011, Board Finance Committee Meeting.

RECOMMENDATION:

That the Board of School Directors authorizes the administration to submit an application for Accountability Block Grant Supplemental funding in the amount of $665,439 for the 2011-2012 school year.

Account Code and Name: General Fund 1100120 Regular Instruction Salary
Account Balance: $227,360
Account Code and Name: General Fund 1100200 Regular Instruction Benefits
Account Balance: $105,080
Account Code and Name: General Fund 1190750 Other Instruction Equipment
Account Balance: $171,530
Account Code and Name: General Fund 2660350 Security Resource Officers
Account Balance: $180,000

2. *High School Night School Program for the 2011-2012 School Year*

INFORMATION:

A committee of administrators met to review the current high school night school program. Attached is an outline of the program for the 2011-2012 school year.

This item was reviewed with the Board at the August 8, 2011, Board Finance Committee Meeting.

RECOMMENDATION:

That the Board of School Directors approves the attached High School Night School Program for the 2011-2012 school year effective September 27, 2011, through January 12, 2012, for the first semester, and February 7, 2012, through May 22, 2012, for the second semester.

Self-Sustaining Program
Paid by Tuition from Students

High School Night School Program
Fifteen weeks, two sessions per week @ three hours per session
First Semester: September 27, 2011- January 12, 2012
Second Semester: February 7, 2012 – May 22, 2012

Length of Course

A full credit course will provide instruction on Tuesday and Thursday afternoons for a total of thirty sessions at three hours of instruction per session, for a total of ninety (90) hours of instruction.

A half credit course will provide instruction on Tuesdays and Thursday afternoons for a total of fifteen sessions at three hours of instruction per session, for a total of forty-five (45) hours of instruction.

Location and Hours of Program

The Night School Program will be held at Liberty High School in rooms yet to be determined. Classes will meet Tuesdays and Thursday for three hours from 3:00 p.m. until 6:00 p.m.

Teacher Stipend

Faculty will be paid 90 hours at the current hourly leadership rate effective September 1, 2011, for a full credit course.

Faculty will be paid 45 hours at the current hourly leadership rate effective September 1, 2011, for a one-half credit course.

Minimum Registration

A minimum of twenty-five (25) students will be required to conduct a course. A course maximum of thirty (30) students will be established. A teacher may choose to teach a class with more than thirty (30) students on an individual basis with no increase in stipend.

Insufficient Registration

Teachers will be given the option of teaching a course at a prorated reduction, if registration is below the required number.

Full Credit Courses Offered

Full credit courses may be offered in English 9, 10, 11, Algebra 1, Geometry, Algebra 2, World Cultures, U.S. History 10, U.S. History 11, Biology, Chemistry, and Physics. Depending on need the following courses may be accommodated in the ninety (90) hour format (English 12, Pre-Calculus, Mathematics Concepts, and/or Government/Economics). Availability of courses is contingent upon sufficient student enrollment and securing a certified teacher.

One Half Credit Courses Offered

Health 9, Health 10, Physical Education 9, 10, and 11. Depending on need the following course may be accommodated in the forty-five (45) hour format (Physical Education 12).

Absences

Only two absences will be permitted in a full credit course. A late to class will be considered a one half day absence. Any total of absences and/or lates to class exceeding two will result in the student being removed from a full credit class. Tuition is non-refundable. All students must take the end of course final assessment.

Only one absence will be permitted in a one half credit course. Any total of absences and/or lates to class exceeding one will result in the students being removed from a one half credit class. Tuition is non-refundable. All students must take the end of course final assessment.

Cost

Students will be charged $220 per full credit course. Students will be charged $110 per half credit course. Full payment will be due at registration, no exceptions.

Financial Hardship

Cases of financial hardship will be considered on an individual basis in consultation with the high school administration. Pertinent information including academic record in all subjects, code of conduct record, citizenship, attendance, participation in extra-curricular activities, and general attitude will be reviewed in evaluating the request for financial hardship consideration. A $75 per course non-refundable deposit will be required for any student granted a waiver or reduction in cost due to financial hardship.

Administration & Security

Facilitator responsibilities include conducting registration, developing the academic schedule, monitoring attendance, handling discipline situations, keeping payroll records, as well as other duties associated within the program. The facilitator will be required to work from 2:45 p.m. until 6:15 p.m. on days the program is in session, plus conduct registration prior to the beginning of the program. The facilitator will be paid $4,725 per semester

A monitor will be hired to provide for student safety at the pay rate applicable effective September 1, 2011, for 3.5 hours per session for 32 sessions.

High School Night School Proposed Budget

When: Tuesdays and Thursdays
Dates: First Semester: September 27, 2011 – January 12, 2012
Second Semester: February 7, 2012 – May 22, 2012
Where: Liberty High School
Time: 3:00 PM – 6:00 PM (student)
3:00 PM – 6:00 PM (teacher)
Classes: 3:00 PM – 6:00 PM
Director: Dr. Dean M. Donaher
Coordinator: TBA
Hall Monitor: TBA
Teachers: As determined by student registration

If a minimum 7 class sections were to be conducted the budget estimates would be:

Expenditures

7 teachers @ $4,050 per teacher*	$28,350
1 coordinator*	4,725
1 hall monitor approximately $13 hour* for 3.5 hours per day for 32 days =	1,456
Supplies and Postage =	500
Total Expenditures	$35,031

Revenues:

(25 students per section) X (7 sections) = (175 student slots) X ($220 / student) = $38,500

Please keep in mind:

- Student slots (175) would be a minimum number required to support the program. Additional students greater than 25 per class would provide additional support.

* Calculated costs include benefits as well as salary.

3. *Textbook Adoption for English Language Arts*

INFORMATION:

At the July 11, 2011, Board Curriculum Committee Meeting, information was presented to the Board regarding a textbook adoption for a new Critical Literacy 11 course at the high schools. The textbook was reviewed and recommended by the committee of department teachers/chairs and meet all district and national standards for suitability.

Courses (Approved in 2011-2012 Program of Studies)	Book Information	# of Books	Unit Price	Total Cost
Critical Literacy 11	*Writing Source* 2012 Student Handbook	175	$40.40	$7,070.00 + shipping

The textbooks were available for public review since July's Board Curriculum Committee Meeting.

This agenda item was reviewed with the Board at the August 1, 2011, Board Curriculum Committee Meeting.

RECOMMENDATION:

That the Board of School Directors approves the purchase of new high school textbooks for Critical Literacy 11.

Account Code and Name: General Fund 1100-640 Regular Education Instruction Books and Materials
Account Balance: $208,500

4. *Athletic Ambulance Service for the 2011-2012 School Year*

INFORMATION:

Ambulance service is needed at various athletic and co-curricular activities during the 2011-2012 school year. For this purpose, the administration contacted three (3) providers. One provider could not meet our needs and two providers submitted proposals. The City of Bethlehem was selected for the varsity football games due to the higher level of care provided. Varsity football games have athletes, large crowds, and the continuity of effort between the Emergency Services and the City Police Officers on duty during the games to take into consideration. For sub varsity games, Hecktown Volunteer Ambulance Corps provides the necessary support for the athletes and smaller crowds at the game.

This item was reviewed with the Board at the August 8, 2011, Board Finance Committee Meeting.

RECOMMENDATION:

That the Board of School Directors awards the following one-year contracts for various athletic and co-curricular activities for the 2011-2012 school year:

a. For ambulance service for high school varsity football games during the 2011-2012 school year to the City of Bethlehem, 10 East Church Street, Bethlehem, Pennsylvania at $90 per hour of service.

b. For high school sub varsity (junior varsity, freshman) and middle school football games to Hecktown Volunteer Ambulance Corps, P.O. Box 22106 Lehigh Valley, Pennsylvania at $165 per middle school doubleheader (2.5 hrs) and $225 per junior high/junior varsity doubleheader (3.5 hrs).

Account Code and Name: Athletics 3250330 Medical/Ambulance
Account Balance: $53,346.20

5. Medical and Dental Contracts for the 2011-2012 School Year

INFORMATION:

All school districts alone or jointly with other districts or joint school boards shall employ school physicians and school dentists but only with the approval of the Secretary of Health, and shall compensate them on a basis agreed upon by the school physician or school dentist and the employing district or joint school board.

This item was reviewed with the Board at the August 8, 2011, Board Finance Committee Meeting.

RECOMMENDATION:

That the Board of School Directors approves contracts with the following Medical Doctors and Dentists for the 2011–2012 school year at the rates designated. There is no increase over the 2010-2011 year.

a. Dr. Bonnie Coyle and her staff from Community Health St. Luke's Hospital HealthStarI, medical van - $10 per physical for mandated school exams, working paper physicals, and staff physicals (upon request). In addition, Dr. Coyle will act as the chief school physician providing resource services on a voluntary basis.

b. Dr. James Manley - $10 per physical for mandated school exams and working paper physicals.

c. Dr. Cheryl Kienzle - $10 per physical for mandated school exams.

d. Dr. Mark Parsons - $4 per mandated dental screening.

e. Dr. Mark Unger - $4 per mandated dental screening.

f. St. Luke's HealthStarII (Dental Van) - $4 per mandated dental screening

Account Code and Name: General Fund 2420330 Medical Professional Services
General Fund 2430330 Dental Professional Services
Account Balances: Medical $15,000
Dental $10,450

6. *Memorandum of Agreement Between the Bethlehem Area School District and Viamedia for Advertising at the Bethlehem Area School District Stadium*

INFORMATION:

In 2003, the Bethlehem Area School District (BASD) Athletic Department and a small group of private citizens began to plan for athletic upgrades for both Freedom and Liberty High Schools that were to have no impact on the BASD tax base. A five-year agreement between the Lehigh Valley Business Education Partnership (LVBEP), the BASD, and then Target Select Marketing (now Viamedia) was also included in this agreement approved at the Regular Board Meeting on February 28, 2005, for the sales and maintenance of the advertising portion of the project. On July 18, 2011, Viamedia approached the district to secure an agreement to continue servicing and meeting the advertising needs of the project as well as to generate revenue for future investment in stadium facilities. Viamedia fulfilled its contractual obligations under the original agreement, but due to economic conditions, the projected revenue was lower than anticipated and a balance of approximately $250,000 remains. While this debt is of no risk to the district as it is fiscally backed by Viamedia, a vehicle of advertising revenue remains necessary to assist in paying off the debt.

RECOMMENDATION:

That the Board of School Directors endorses the attached Memorandum of Agreement between the Bethlehem Area School District and Viamedia to permit the marketing of the stadium for the next five years to include signage, achievement stars, step front advertisement, scoreboards with both electronic and manual advertisements, and other forms of reasonable marketing.

MEMORANDUM OF AGREEMENT
BETWEEN
THE BETHLEHEM AREA SCHOOL DISTRICT
AND
VIA MEDIA
FOR ADVERTISING AT BASD STADIUM

WHEREAS, The Board of School Directors of the Bethlehem Area School District (Board) previously entered into an agreement on February 28, 2005, by and between the Board, Louis Pecktor of Ashley Development, Todd Donnelly of Target Select (now Viamedia), and the Lehigh Valley Business Education Partnership for construction of a synthetic turf field at BASD stadium; herein referred to as "Phase 1"; and

WHEREAS, funding for Phase 1 was supplied entirely by philanthropy and marketing of the stadium/athletic field advertising and individual and business supporters of the project; and

WHEREAS, The Board intends to enter into an agreement to continue the marketing plan of Phase 1 by extending advertising rights to Viamedia.

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

1. Viamedia shall have the exclusive right to market advertising in BASD stadium located at the corner of Elizabeth Avenue and Grenadier Boulevard, herein called "the Premises," for a period of 5 years.

2. Advertising upon the Premises must be consistent with BASD academic standards and goals, as well as with BASD non-discrimination policies and age-appropriateness. Viamedia shall be prohibited from promoting any advertisement upon the Premises that:

(a) is not in compliance with any applicable statutes, regulations, ordinances or orders of any governmental authority;

(b) advocates or campaigns for a particular political candidate or party;

(c) promotes or denigrates a particular religion or religious practice;

(d) is derogatory based on gender or toward any ethnic, religious or racial group;

(e) promotes or encourages hostility, disorder, violence, or disregard for violation of legal obligations;

(f) is libelous, or interferes with or advocates interference with the rights of any individual or the operation of BASD;

(g) promotes the use of tobacco products, alcoholic beverages, illegal substances, or paraphernalia;

(h) is obscene or pornographic in the context of being inconsistent with prevailing standards;

(i) is not in the best interest of the BASD students, staff or schools, in the opinion of the Superintendent or designees upon consultation with the Solicitor or other BASD legal counsel in order to ensure legality;

(j) violates applicable copyrights, trademarks, or other protected interests; and/or

(k) may interfere with or violate exclusive agreements between BASD and their products or service providers.

3. BASD reserves the right to approve or reject all advertising materials displayed or messages aired on school property or associated with school activities. Upon submission of proposed advertisements from Viamedia, BASD will provide approval or rejection of advertising within 5 business days.

4. BASD covenants and agrees that it shall indemnify and save harmless Viamedia against and from, and Viamedia shall not be liable to BASD for, any and all claims by or on behalf of any person arising in any manner whatsoever from, out of or in connection with:

(a) any failure by BASD to perform any of the terms or conditions of this MOA required to be performed by BASD;

(b) any failure by BASD to comply with any applicable statutes, regulations, ordinances or orders of any governmental authority; or

(c) any accident, death, injury or damage, loss or theft of property in or about the Premises resulting from any act or omission by BASD, its agents, contractors, or employees, unless such accident, death, injury, damage, loss or theft is caused by the gross negligence or willful misconduct of Viamedia, or its agents, employees, or volunteers and from and against all costs, reasonable attorney fees, expenses and liabilities incurred in or as a result of any such claim or action or proceeding brought against Viamedia by reason of any such claim. BASD, upon notice from Viamedia, covenants to resist or defend such action or proceeding by legal counsel reasonably satisfactory to BASD.

5. Viamedia covenants and agrees that it shall indemnify and save harmless BASD against and from, and BASD shall not be liable to Viamedia for, any and all claims by or on behalf of any person arising in any manner whatsoever from, out of or in connection with:

(a) the presence of market advertising provided by Viamedia on BASD property;

(b) any failure by Viamedia to perform any of the terms or conditions of this MOA required to be performed by Viamedia;

(c) any failure by Viamedia to comply with any applicable statutes, regulations, ordinances or orders of any governmental authority; or

(d) any accident, death, injury or damage, loss or theft of property in or about the Premises resulting from any act or omission by Viamedia, its agents, contractors, or employees, unless such accident, death, injury, damage, loss or theft is caused by the gross negligence or willful misconduct of BASD, or its agents, employees, or volunteers and from and against all costs, reasonable

attorney fees, expenses and liabilities incurred in or as a result of any such claim or action or proceeding brought against BASD by reason of any such claim. Viamedia, upon notice from BASD, covenants to resist or defend such action or proceeding by legal counsel reasonably satisfactory to Viamedia.

6. Nothing in this MOA shall be construed to waive or reduce the immunities from civil liability granted by or to enlarge the limitations on immunity imposed by the Political Subdivisions Tort Claims Act.

7. The agreement may not be transferred, resold, or assigned by Viamedia, without the express written consent of the BASD.

8. BASD will not restrict the fees Viamedia charges for advertising, marketing, or promotions to advertisers participating in the marketing plan.

9. Copies of all contracts for participating advertisers will be forwarded to the Athletics Departments of the BASD and remain on file for the period of the agreement.

10. All sign-based advertisers participating in the marketing plan will have their signs displayed at all activities held in the Premises, inclusive of those activities held by renters or leasers of the properties. In the event that a sign needs to be removed or covered during a rented or leased activity, an upfront agreement of payment will be identified and recovered from the said renter or leaser in addition to the rental or lease fee for the use of the stadium. BASD has sole discretion to determine whether a sign needs to be removed or covered. BASD shall have sole discretion regarding payment from renter or leaser. Viamedia shall have sole discretion as to whether payment is credited or reimbursed to the advertiser.

11. BASD reserves the right to assign, control, and program all activities and events held at the Premises.

12. All other products or services that Viamedia wishes to present or bid on for the BASD outside of those contained in this agreement will be addressed through the BASD administration, their designated department, or designated representative(s).

13. Quarterly meeting will be scheduled between the BASD Athletic Departments and Viamedia or their representatives to monitor the marketing plan's progress, make recommendations, and discuss changes that may be needed to ensure the success of the program.

14. Viamedia shall bear sole responsibility for all costs and expenses associated with the installation, maintenance, and removal of advertising materials upon the Premises.

15. Advertising revenue shall be used to pay remaining debt on loans secured under Phase 1 as those loans have been modified, amended or refinanced and secure additional capital for future investment in the BASD subject to Board approval. Additional funds collected will be remitted back to the BASD at the conclusion of the agreement.

16. BASD retains the right to terminate this MOA in event that Viamedia defaults under the terms and obligations of this agreement.

17. This Agreement may be modified by the parties at any time after execution, but such modification shall be valid only if in writing and executed with the same formality as this Agreement.

18. This Agreement is entered into in the County of Northampton, Commonwealth of Pennsylvania, and shall be interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania. The parties agree to submit themselves to the exclusive jurisdiction of the Commonwealth of Pennsylvania and the exclusive venue of Northampton County for any action in law or equity to interpret, enforce or defend a breach thereof or action seeking a declaratory judgment or injunction.

19. This Agreement contains the entire understanding of the parties. There are no representations, warranties, promises or undertakings, oral or otherwise, than those expressly set forth herein.

20. The failure of either party to insist upon strict performance of any of the provisions of this Agreement shall not affect the right of such party thereafter to enforce same nor shall the waiver of any breach of any of the provisions be construed as a waiver of any subsequent default of same or similar nature, nor shall it be construed as a waiver of strict performance of any other provisions.

21. The parties agree that all terms and conditions set forth in this Agreement shall be considered confidential, and that details of the terms of this Agreement, shall not be disclosed to third parties, other than affiliates, employees, agents or contractors who have a need to know such information in the scope of their employment or engagement, without the prior written consider of all other parties, unless required by law. The parties may disclose to one another information that is confidential in nature. In order to receive confidential treatment, all such information (hereinafter referred to as “Information”) shall be either (i) clearly marked as confidential if written, or clearly identified as confidential if oral or (ii) reasonably understood by the recipient, based on the nature of the Information or the circumstances of disclosure, to be in need of confidential treatment or proprietary to the discloser. The parties agree not to disclose any Information to any third party, to keep Information in a secure place available only to employees, affiliates or agents who are subject to obligations of confidentiality no less restrictive than set forth herein, who need to know the Information for purposes of the business dealing between the parties, and to use Information only in connection with such business dealings.

22. All notices and statements required or permitted under this Agreement shall be in writing, sent by United States Registered or Certified Mail, postage prepaid or any nationally recognized overnight carrier, addressed as follows:

As to BASD: 1516 Sycamore Street, Bethlehem, PA 18017
ATTN: Superintendent of Schools

As to Viamedia: 3910 Adler Place, Suite 100, Bethlehem, PA 18017
ATTN: Todd Donnelly

Either party may at any time, in the manner set forth for giving notices to the other, designate a different name and/or address to which notices to it shall be sent.

23. This Agreement shall be effective August 16, 2011, and is binding upon the parties, their successors, or assigns.

24. Should any article, section or clause of this Agreement be declared illegal by a court of competent jurisdiction, said article, section or clause, as the case may be, shall be automatically deleted from this Agreement to the extent that it violated the law. The remaining articles, sections and clauses shall remain in full force and effect for the duration of the Agreement if not affected by the deleted article, section or clause. If at any time thereafter such article, section or clause shall no longer conflict with the law, then it shall be deemed restored in full force and effect as if it had never been in conflict with the law.

25. Viamedia and participating advertisers are strictly prohibited from using BASD's name for commercial purposes.

IN WITNESS WHEREOF, The parties hereto have caused their names to be subscribed by their duly authorized officers and representatives this 15th day of August 2011.

WITNESS:

By _____
Stacy M. Gober
Board Secretary

By _____
Michele T. Cann
Board President

By _____
Todd Donnelly
Viamedia

7. *Student Discipline – #0958112 – Petition*

INFORMATION:

The Board of School Directors of the Bethlehem Area School District has received and reviewed the following petition to return from expulsion from one student.

RECOMMENDATION:

That the Board of School Directors adopts the petition relating to Student Number 0958112.

8. *Conference/Staff Trip Attendance*

RECOMMENDATION:

Staff Attendance

1. Theodore Schaffer — August 8-11, 2011
Advanced Placement Summer Institute
for Environmental Science
Edison, New Jersey — General Fund 2271320 = $850.00
General Fund 2271580 = $296.00
$1,146.00

Code	Amount	Balance
Estimated Expenses: Registration Registration = $850.00 (General Fund – 2271320) Transportation and Meals Rental Vehicle = 4/days x $39/day = $156.00 Gas = $20/day x 4/days = $80.00 Meals = 4/lunches x $15/day = $60.00 (General Fund – 2271580) Approval of this conference was reviewed with the Board at the August 1, 2011, Board Curriculum Committee Meeting.	$850.00 $296.00	$47,046.00 $35,399.00

2. Dr. Jack Silva — September 27-30, 2011
Lehigh University School Study Council
Study Tour
Washington, D.C. — General Fund 2834320 = $750.00

Code	Amount	Balance
Estimated Expenses: Registration Registration = $750.00 Registration fee includes lodging, meals, and transportation costs (General Fund – 2834320)	$750.00	$35,022.00

9. *Resignations*

RECOMMENDATION:

A. Instructional

	NAME	ASSIGNMENT	REASON	EFFECTIVE
1.	Baker, Jayme	Freedom (.5) Mathematics Teacher	Personal	June 11, 2011
2.	Cruz, Randy	Academic Integration Specialist	Personal	June 11, 2011
3.	Dolan, Karen	Liberty English Teacher	Retirement	June 11, 2011
4.	Hilton, Jana	Calypso Grade 2 Teacher	Personal	June 11, 2011
5.	Knowles, Jessica	Freedom Science Teacher	Personal	June 11, 2011

B. Noninstructional

	NAME	ASSIGNMENT	REASON	EFFECTIVE
1.	Ackernecht, Ralph	Northeast C-1 Custodian	Retirement	November 10, 2011
2.	Gilman, Fatima	Nitschmann General Kitchen Help	Personal	August 16, 2011
3.	Westwood, Cindy	Liberty General Kitchen Help	Personal	June 8, 2011

10. *Furlough*

The following noninstructional staff member has been furloughed effective August 10, 2011:

	EMPLOYEE NUMBER	ASSIGNMENT
1.	104395	East Hills, Teacher Assistant

11. *Leaves of Absence*

RECOMMENDATION:

A. Instructional

	NAME	ASSIGNMENT	REASON	EFFECTIVE
1.	Dieter, Karen	Fountain Hill (.5) Reading Teacher	Family Medical/ Childrearing Leave of Absence	Family Medical Leave of Absence effective August 24, 2011, until the end of the day on November 17, 2011 Childrearing Leave of Absence effective November 18, 2011, until the end of the first semester of the 2011-2012 school year
2.	Flores, Rebecca	Farmersville Grade 2 Teacher	Family Medical Leave of Absence, continuing/ Childrearing Leave of Absence	Family Medical Leave of Absence effective August 24, 2011, until the end of the day on September 22, 2011 Childrearing Leave of Absence effective September 23, 2011, until the end of the first semester of the 2011-2012 school year
3.	Getz, Julie	Nitschmann English Teacher	Family Medical/ Childrearing Leave of Absence	Family Medical Leave of Absence effective August 24, 2011, until the end of the day on November 17, 2011 Childrearing Leave of Absence effective November 18, 2011, until the end of the first semester of the 2011-2012 school year
4.	Graner, Lauren	East Hills Grade 6 Teacher	Family Medical Leave of Absence	August 24, 2011, until the end of the day on October 7, 2011

11. *Leaves of Absence*

RECOMMENDATION:

A. Instructional (continued)

	NAME	ASSIGNMENT	REASON	EFFECTIVE
5.	Guerra, Nicolette	Freedom Health and Physical Education Teacher	Family Medical Leave of Absence	September 20, 2011, until the end of the day on October 4, 2011
6.	McCann, Julie	Spring Garden, Kindergarten/ Reading Teacher	Family Medical Leave of Absence	August 24, 2011, until the end of the day on November 17, 2011
7.	Noller, Kerrin	District-wide Psychologist	Childrearing Leave of Absence	August 24, 2011, until the end of the 2011-2012 school year
8.	Pretopapa, Alesha	Freedom Special Education Teacher	General Leave of Absence	August 24, 2011, until the end of the 2011-2012 school year
9.	Skrapits, Arilys	Fountain Hill Grade 3 Teacher	Family Medical/ Childrearing Leave of Absence	Family Medical Leave of Absence effective August 24, 2011, until the end of the day on November 17, 2011 Childrearing Leave of Absence effective November 18, 2011, until the end of the day on November 23, 2011
10.	Spirk, Nicole	Fountain Hill Grade 4 Teacher	Family Medical Leave of Absence	August 24, 2011, until the end of the day on September 16, 2011
11.	Wieand, Lindsay	Freedom English Teacher	Family Medical Leave of Absence	August 24, 2011, until the end of the day on October 31, 2011

12. *Nominations*

RECOMMENDATION:

A. Instructional

The following instructional staff have been recalled for the 2011-2012 school year. Salaries are based on the Collective Bargaining Agreement Salary Schedule:

	EMPLOYEE	**ASSIGNMENT**
1.	Chemidlin, Lisa	Farmersville, Grade 2, First Semester
2.	Deater, Anthony	Broughal, (.5) Social Studies Teacher
3.	Eisenhard, Jennifer	Asa Packer, Grade 3 Teacher
4.	Kenney, Joseph	Farmersville, Grade 4 Teacher, effective September 26, 2011
5.	Latham, Laurie	SPARK, PreKindergarten
6.	Leeson, Maureen	Liberty, Chemistry Teacher
7.	Meila, Jeffrey	Governor Wolf, Grade 5 Teacher
8.	Patti, Nicole	Liberty, (.5) Mathematics Teacher
9.	Schellhaas, Ashley	William Penn, Grade 4 Teacher
10.	Tsihlis, Kimberly	Marvine, Grade 4
11.	Zellner, Tracy	Marvine, Grade 5
12.	Dos Santos, Danielle	Calypso, Grade 2
13.	Young, Melissa	Nitschmann, (.5)/Northeast, (.5) Family and Consumer Science Teacher (.8 of original position was furloughed)

B. N

Noninstructional

	EMPLOYEE	**ASSIGNMENT**	
1.	The following noninstructional meet and discuss staff have been recalled for the 2011-2012 school year as grant funding has become available through the Pennsylvania Department of Welfare Northampton (Marvine) Family Center Grant:		
	a. Ettwein, Nancy	Family Development Specialist	$30,783.00
	b. Maldonado, Lissette	Family Development Specialist	$35,863.00
	c. Pedrosa, Sandra	Family Development Specialist	$34,335.00
	d. Velasquez, Carolina	Family Development Specialist	$30,783.00

12. *Nominations*

RECOMMENDATION:

B. Noninstructional (continued)

	NAME	ASSIGNMENT	SALARY	EFFECTIVE
2.	Breiner, Susan	Part-time Bus Driver	$16.18 per hour	To be determined upon completion of training/testing
3.	Brown, Vernice	Part-time Bus Driver	$16.18 per hour	To be determined upon completion of training/testing
4.	Calderon, Luz	Part-time Bus Driver	$16.18 per hour	To be determined upon completion of training/testing
5.	Evans, Janelle	Child Care Assistant Center Supervisor, 5.5 hours daily, split shift, 12 months	$11.72 per hour	August 25, 2011
6.	Gibbons, James	Part-time Bus Driver	$16.18 per hour	To be determined upon completion of training/testing
7.	Maurer, Nina	Dining Services Assistant Supervisor	$37,368, prorated Noninstructional Meet and Discuss, Category M, Step 15	August 16, 2011
8.	Mills, Kimberly	Child Care Center Supervisor	$29,409, prorated Noninstructional Meet and Discuss, Category K, Step 3	August 22, 2011
9.	Murtha, Colleen	Child Care Assistant Center Supervisor, 5 hours daily, split shift, 12 months	$11.72 per hour	August 25, 2011
10.	Putnam, Myriam	Part-time Bus Driver	$16.18 per hour	To be determined upon completion of training/testing
11.	Rosado, Germain	Freedom Supplemental Custodian	$9.00 per hour	August 16, 2011

12. *Nominations*

RECOMMENDATION:

C. Miscellaneous

	NAME	ASSIGNMENT	SALARY
1.	Jordan, Diane	Assistant Athletic Director Freedom	$10,000.00 (2011-2012)
2.	Michael, Erin	Assistant Athletic Director Liberty	$10,000.00 (2011-2012)
3.	Spina, Vincent	Coach – Head Football East Hills	$3,286.00
4.	Bell, Donald	Coach – Assistant Football East Hills	$2,136.00
5.	Villano, Melanie	Coach – Assistant Girls Basketball Freedom	$4,272.00
6.	Artim, Lindsey	Coach – (.5) Assistant Field Hockey Freedom	$1,735.50
7.	Sonon, Charles	Coach – Assistant Football Freedom	$6,289.00
8.	Cygan, Jane	Coach – (.5) Assistant Field Hockey Liberty	$2,044.00
9.	Jordan, Diane	Department Chairperson – Freedom Business	$3,356.00
10.	Moran, Michael	Department Chairperson – Freedom Fine and Practical Arts	$3,356.00
11.	Baylis, Cynthia	Department Chairperson – Freedom Foreign Language	$3,356.00
12.	Callahan, Bryan	Department Chairperson – Freedom Health and Physical Education	$3,356.00
13.	Ziegler, George	Department Chairperson – Freedom Language Arts	$3,356.00
14.	Young, Jeffrey	Department Chairperson – Freedom Mathematics	$3,356.00
15.	Baltz, Eric	Department Chairperson – Freedom Science	$3,356.00
16.	Roman, Donna	Department Chairperson – Freedom Social Studies	$3,356.00
17.	Calvo, Maureen	Department Chairperson – Freedom Special Education	$3,356.00
18.	Martucci, Gregory	Department Chairperson – Liberty Business	$3,356.00

12. *Nominations*

RECOMMENDATION:

C. Miscellaneous (continued)

	NAME	ASSIGNMENT	SALARY
19.	Donnelly, Samuella	Department Chairperson – Liberty English as a Second Language	$3,356.00
20.	Long, Kevin	Department Chairperson – Liberty Fine and Practical Arts	$3,356.00
21.	Norwood, Samuel	Department Chairperson – Liberty Foreign Language	$3,356.00
22.	Karam, Joseph	Department Chairperson – Liberty Health and Physical Education	$3,356.00
23.	Chickey, Natalie	Department Chairperson – Liberty Language Arts	$3,356.00
24.	Frank, Judson	Department Chairperson – Liberty Mathematics	$3,356.00
25.	Guarriello, Beth	Department Chairperson – Liberty Science	$3,356.00
26.	Markovich, Anthony	Department Chairperson – Liberty Social Studies	$3,356.00
27.	Burke, Stacey	Department Chairperson – Liberty Special Education	$2,587.00
28.	Baltz, Eric Caffrey, Marnie Chabot, Sandra Erdman, Karla George, Crystal Laughlin, Paula Lechner, Cathy Lynn, Karen Muller, Michael Muth, Diane Pfizenmayer, Lisa Rex, Kristen Schoeneberger, Troy Stenson, Katrina Walleasa, John Weber, Craig Ziegler, George	Detention Proctors – Freedom	$33.79 per hour

12. *Nominations*

RECOMMENDATION:

C. Miscellaneous (continued)

	NAME	ASSIGNMENT	SALARY
29.	Cleffi, Michael Dectis, Nicholas Giannantonio, Amy Hinkel, Amanda Hrycyszyn, Marlice Swift, Donna Venanzi, Michael	Detention Proctors, Liberty	$33.79 per hour
30.	Vilcant, Kindlyne	Intern Psychologist 2011-2012 school year (ACCESS funded)	$7,500.00
31.	Snell, Sarah	Intramural Supervisor (.5) Broughal	$1,827.00
32.	John, George	Intramural Supervisor (.5) East Hills	$1,827.00
33.	Muller, Laurie	Intramural Supervisor (.5) Nitschmann	$1,827.00
34.	Shive, Linda	Intramural Supervisor (.5) Northeast	$1,827.00
35.	Lyons, Tammy	Webmaster, Asa Packer	$637.00
36.	DiCicco, Anthony	Webmaster, Calypso	$637.00
37.	Sosa, Lynn	Webmaster, Clearview	$637.00
38.	Gilboy, Tara	Webmaster, Donegan	$637.00
39.	Braun, Regina	Webmaster, Farmersville	$637.00
40.	Braun, Thomas	Webmaster, (.5) Fountain Hill	$318.50
41.	Ginsberg, Jeremy	Webmaster, (.5) Fountain Hill	$318.50
42.	Henninger, Jennifer	Webmaster, Freemansburg	$637.00
43.	Hawke, Elizabeth	Webmaster, Govenor Wolf	$637.00
44.	Ronyack, Jane	Webmaster, Hanover	$637.00
45.	Bellucci, Eric	Webmaster, James Buchanan	$637.00
46.	Sylva, Diadra	Webmaster, Lincoln	$637.00
47.	Hoke, Judith	Webmaster, Marvine	$637.00
48.	Sassaman, Melissa	Webmaster, Miller Heights	$637.00
49.	Cassidy, Jane	Webmaster, Spring Garden	$637.00
50.	Grube, Kimberly	Webmaster, Thomas Jefferson	$637.00
51.	Beller, Rebecca	Webmaster, William Penn	$637.00
52.	Bothwell, Dawn	Webmaster, (.5) Broughal	$378.50

12. *Nominations*

RECOMMENDATION:

C. Miscellaneous (continued)

	NAME	ASSIGNMENT	SALARY
53.	Gross, Maryann	Webmaster, (.5) Broughal	$330.50
54.	Dutton, Tammy	Webmaster, East Hills	$757.00
55.	Ellis, Lara	Webmaster, Nitschmann	$757.00
56.	Beck, David	Webmaster, Northeast	$757.00
57.	Bachman, Michael	Webmaster, Freedom	$2,609.00
58.	Gori, Michael	Webmaster, Liberty	$3,077.00

D. Substitutes

INSTRUCTIONAL	NONINSTRUCTIONAL
Clymer, Jill	Hahalis, Stratonikh (Niki)
Liberto, Kelly	Labukas, Rosemarie
Little, Richard	Timar, John, Jr.
Mohap, Jackie	
O'Connor, Amy	
Pfingstl, Danielle	
Stone, Colleen	
Torres, Andrea	

13. *Reassignments*

RECOMMENDATION:

A. Noninstructional

	NAME	FROM/TO	SALARY	EFFECTIVE
1.	Gilman, Fatima	From: Marvine (.5) Supplemental Custodian To: Liberty (.5)/ Lincoln (.5) Supplemental Custodian	$9.00 per hour	August 16, 2011
2.	Smith, Thomas	From: Freedom Supplemental Custodian To: Asa Packer, C-1 Custodian	$14.83 per hour	August 16, 2011

14. *Memorandums of Agreement Between the Board of School Directors of the Bethlehem Area School District and the Bethlehem Education Association*

INFORMATION:

The attached Memorandums of Agreement are contracted settlements reached between the Bethlehem Education Association and the District.

The purpose of the first Memorandum of Agreement is for permission for the addition of an early morning instructional period designated as "Block 0" being instituted for the 2011-2012 school year at Liberty High School.

The purpose of the second Memorandum of Agreement is to continue to implement the Teacher Performance Appraisal Plan Professional Rating Report as developed during the 2006-2007 school year and implemented during the 2007-2008 school year.

The purpose of the third Memorandum of Agreement is to clarify preparation periods and unassigned time for SPARK teachers.

These Memorandums of Agreement were reviewed by the Board at the August 8, 2011, Board Human Resources Committee Meeting.

RECOMMENDATION:

That the Board of School Directors approves the following Memorandums of Agreement between the Board of School Directors of the Bethlehem Area School District and the Bethlehem Education Association:

a. For an additional "Block 0" at Liberty High School.

b. For continuation of the Teacher Performance Appraisal Professional Rating Report during the 2011-2012 school year.

c. For agreement with regards to preparation periods and unassigned times for SPARK teachers.

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 an alteration to the school work day at Liberty High School during the 2011-2012 school year.

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

1. At Liberty High School, the addition of an early morning instructional period designated as "Block 0.

2. Each bargaining unit member assigned to teach "Blocks 0-3" shall have volunteered to teach in that assignment.

3. Bargaining unit members selecting to begin the workday during "Block 0" will teach through "Block 3" only.

4. Bargaining unit members opting to teach "Blocks 0-3" agree to accept this assignment for the 2011-2012 school year only.

5. Except as listed above, all other Articles of the Collective Bargaining Agreement 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 15th day of August 2011.

BETHLEHEM AREA SCHOOL DISTRICT	BETHLEHEM EDUCATION ASSOCIATION
_____	_____
WITNESS:	WITNESS:
_____	_____

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 implementation of the Teacher Performance Appraisal Plan Professional Rating Report,

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

1. For the 2011-2012 school year, the District will be permitted to utilize the Professional Employee Rating Report as detailed in the Teacher Performance Appraisal Plan developed during the 2006-2007 school year.
2. For the 2011-2012 school year, the Professional Rating Report will replace PDE 5501.
3. All other contractual language related to Article IX Personnel Files and Teachers' Competence, and Exhibit "D" Teacher Evaluation General Guidelines for Professional Improvement Plans for "Continuing" Performance Concerns, shall remain in full force.
4. The Bethlehem Education Association retains its contractual right to grieve any overall unsatisfactory rating on the Professional Rating Report as well as all other sections of Article IX, and Exhibit "D" of the Collective Bargaining Agreement.

In WITNESS WHEREOF, The parties hereto have caused their names to be subscribed by their duly authorized officers and representatives this 15th day of August 2011.

BETHLEHEM AREA SCHOOL DISTRICT	BETHLEHEM EDUCATION ASSOCIATION
_____	_____
WITNESS:	WITNESS:
_____	_____

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 Period 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 15th day August 2011.

BETHLEHEM AREA SCHOOL DISTRICT	BETHLEHEM EDUCATION ASSOCIATION
_____	_____
WITNESS:	WITNESS:
_____	_____

15. *Financial Software – Central Susquehanna Intermediate Unit #16*

INFORMATION:

As a result of the Operations Review, the Davison Group, Inc. identified key components of a plan that that would improve efficiencies and operations in the Business Office and Human Resources Department. Discussions revolved around the immediate and long-term goals of the District in relation to financial software. While no financial software package on the market is going to align perfectly with the needs of the District, the software selection must be based on a set of uniform criteria that allows for a comparison of similar features. Therefore, a needs assessment was developed to determine the key components that were critical for comprehensive, accurate, and timely reporting of District payroll, human resources, and financial information. A working set of topics for analysis was organized into a list to include project scope, a cost analysis and comparison, other resource savings, roles and responsibilities, data conversion and migration, implementation, disaster recovery, training, testing, quality measurement, report requirements, and support.

Various software vendors were identified based on discussions with other Pennsylvania school districts resulting in a software review with pricing obtained from three vendors, SunGard K-12 Public Sector, Central Susquehanna Intermediate Unit, and Keystone Information Systems, Inc. Team members gathered various facts and attributes of each software package identifying key strengths and weaknesses with two vendors chosen to deliver an online demonstration of their product where all Business Office and Human Resource staff attended, as well as Data Processing staff and administration. Based on the results of the feedback from the staff, productivity increases, and improved process efficiencies can be expected from the utilization of a less complex system that what is currently in use. The software selection that best fits the needs of the District at this point in time was determined after reviewing the completed staff evaluation rubrics, comparing costs, implementation plans, technical support options and discussion with other school references. The evaluation team recommends that the Bethlehem Area School District utilize the software provided by Central Susquehanna Intermediate Unit #16 as the financial software of choice for implementation immediately. The software costs are $62,469.75 for all modules with one time licensing and data conversion estimated $16,000-$20,000.

RECOMMENDATION:

That the Board of School Directors authorizes the administration to enter into an agreement with Central Susquehanna Intermediate Unit #16 for the utilization of their financial software to include the Fund Accounting, Payroll, Personnel, Fixed Assets, Bidding, Inventory, Fixed Assets, and Online Employee Portal modules.

Account Code and Name: General Fund 2840618 Data Processing Admin Software
Account Balance: $82,538*
***Budgetary Transfer Pending October 2011 from General Fund 2840430 Data Processing Repairs and Maintenance**

16. *Risograph Machine Lease Renewal – Stratix Systems*

INFORMATION:

In August 2005, the Bethlehem Area School District entered into a 63-month renewable lease with Stratix Systems for 11 Risograph machines located in our schools. The lease agreement renews automatically for a year and did so in October 2010. Monthly lease payments are $737 per month ($8,844 per year). Not included in the current lease payment is the cost of an annual maintenance agreement of $13,197 per year. This makes the total cost $22,041 per year for the use of the machines.

A survey was taken of the school principals and the general consensus was that the machines serve a specific purpose, are used regularly, and that they would like to keep the machines in the schools. These machines serve a different function than a copy machine and if used properly, cost less per copy. Our copy count on the machines is approximately 1.7 million total.

Stratix Systems has proposed a new 63-month lease agreement for 11 Ricoh Priport DX 3343 Duplicator machines at $1,080 per month, which would include total maintenance. The total cost of the machines under the new lease would be $12,960 per year instead of $22,041, a savings of $9,081 per year. The new machines would be installed and any old supplies on hand that cannot be used in the new machines would be credited back to us at our purchase price.

This item was reviewed with the Board at the August 8, 2011, Board Finance Committee Meeting.

RECOMMENDATION:

That the Board of School Directors authorizes the execution and signature of the Total Service Agreement with Stratix Systems for a 63-month lease, payable quarterly, beginning on or about August 29, 2011, for 63 months. The number of copies included per quarter is 444,105 and any overages are charged at $.003 per copy. There is a $150 charge to remove the old machines.

Account Code and Name: General Fund 2500442 Rental Equipment – Business Office
Account Balance: $162,145

17. *Resolutions to Refund the District's 2007 Variable Rate Bonds with Variable Rate and Fixed Rate Bonds, Terminate a Portion of the Related Swap and Confirm a Prior Transfer of the Swaption in 2007*

INFORMATION:

Public Financial Management at the August 8, 2011, Board Finance Committee Meeting recommended the refinancing of the District's 2007 variable rate bonds with approximately 50 percent fixed rate and 50 percent variable rate, with a corresponding partial termination of the related swap, with the remaining swap to be assigned to the Bethlehem Area School District Authority.

RECOMMENDATION:

That the Board of School Directors adopts each of the four resolutions implementing the recommendations of the District's financial advisor as follows:

Resolution 1: Approving a new fixed rate bond issue to refund approximately 50 percent of the District's 2007 variable rate bonds and pay a swap termination payment of up to a specified percentage of the refunded bonds.

Resolution 2: Approving a general obligation note of the School District to support a variable rate loan from Wachovia Bank to the BASD Authority to refund approximately 50 percent of the 2007 Bonds.

Resolution 3: Approving the termination of about half of the 2007 Bond Swap and assigning the remainder to the Authority, including an updated Interest Rate Management Plan.

Resolution 4: Approving the transfer of the existing swaption from the District's 1997 Bonds to the 2007A Bonds (this is a clean-up resolution requested by Pa DCED).

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-SEVEN MILLION DOLLARS ($37,000,000), TO UNDERTAKE THE FOLLOWING: (1) CURRENTLY REFUND A PORTION OF THE GENERAL OBLIGATION BONDS, SERIES OF 2007 OF THE SCHOOL DISTRICT; (2) MAKE A PARTIAL TERMINATION PAYMENT REQUIRED UNDER THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT IDENTIFIED WITH THE 2007 BONDS, AND (3) PAY RELATED COSTS; ACCEPTING A PROPOSAL TO PURCHASE THE BONDS, 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 DEPOSITARY; PROVIDING FOR THE REDEMPTION AND RETIREMENT OF THE 2007 BONDS, AND APPROVING 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-15388, 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 8, 2003, with JP Morgan Chase Bank, N.A. ("JP Morgan"), under the terms of which the School District pays a fixed rate of interest and JP Morgan pays a variable rate of interest from January 4, 2007 until January 1, 2032, on the $55,000,000 notional amount of bonds of the School District authorized under the 2003 Parameters Debt Resolution (the "Fixed Payer Swap"), unless earlier terminated; and

WHEREAS, The Fixed Payer Swap was amended on November 24, 2004, to change the formula for the variable rate payments by JP Morgan; and

WHEREAS, The School District issued on January 4, 2007, its General Obligation Bonds (Weekly Rate Mode), Series of 2007, in the original aggregate principal amount of $55,000,000 (the "2007 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 2007 Bonds (the "Refunded 2007 Bonds"), and to 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 JP Morgan allocable to the notional amount equal to the Refunded 2007 Bonds under the terms of the Fixed Payer Swap does not exceed ____% of the principal amount of the Refunded 2007 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-seven Million Dollars ($37,000,000) (the "Bonds"), with the proceeds to be applied to (i) currently refund the Refunded 2007 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 "Proposal for the Purchase of Bonds", dated this date (the "Proposal"), has been received from the Financial Advisor, containing the financial parameters for, and conditions to, the underwriting and issuance of the Bonds (the "Bond Parameters"), which will be supplemented by an addendum to the Proposal (the "Addendum") containing the final terms and to identify the underwriter 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, and Buffalo, New York, 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 2007 Bonds, vary between a remaining useful life of at least five (5) years and a remaining useful life of at least nineteen (19) 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 to accept and execute the Proposal, and the Bonds shall be awarded in accordance with the terms and conditions thereof, 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, 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 Financial Advisor 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 2007 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 2007 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 2007 Bonds to redeem the Refunded

2007 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, 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 2007 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 2007 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 2007 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 2007 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 15th day of August, 2011.

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)

822545.2

EXHIBIT A

Refunding Report

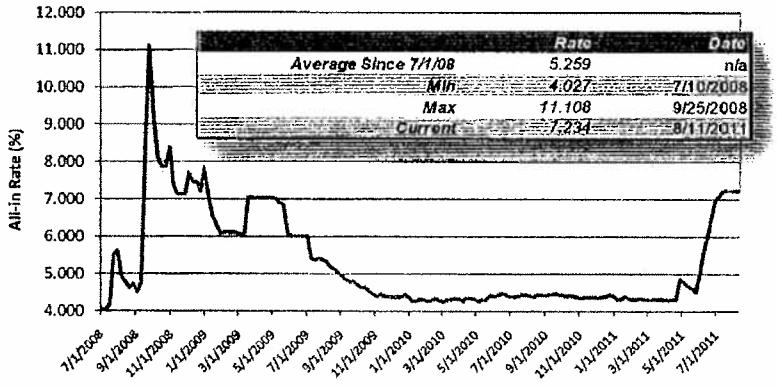
BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2007 VRDB

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Payment Date	Principal	Estimated Rate [1]	Remaining Fiscal Year Interest [2]	Remaining Fiscal Year Debt Service [2]	State Aid [3]	Local Effort
6/30/2012	1/1/2012	5,000	8.000	2,565,566.67	2,570,566.67	(38,818.37)	2,531,748.30
6/30/2013	1/1/2013	5,000	8.000	4,397,833.33	4,402,833.33	(66,256.33)	4,336,577.00
6/30/2014	1/1/2014	5,000	8.000	4,397,433.33	4,402,433.33	(66,250.34)	4,336,182.99
6/30/2015	1/1/2015	5,000	8.000	4,397,033.33	4,402,033.33	(66,244.35)	4,335,788.98
6/30/2016	1/1/2016	5,000	8.000	4,396,633.33	4,401,633.33	(66,238.36)	4,335,394.97
6/30/2017	1/1/2017	5,000	8.000	4,396,233.33	4,401,233.33	(66,232.37)	4,335,000.96
6/30/2018	1/1/2018	5,000	8.000	4,395,833.33	4,400,833.33	(66,226.38)	4,334,606.95
6/30/2019	1/1/2019	5,000	8.000	4,395,433.33	4,400,433.33	(66,220.39)	4,334,212.94
6/30/2020	1/1/2020	5,000	8.000	4,395,033.33	4,400,033.33	(66,214.40)	4,333,818.93
6/30/2021	1/1/2021	5,000	8.000	4,394,633.33	4,399,633.33	(66,208.41)	4,333,424.92
6/30/2022	1/1/2022	5,000	8.000	4,394,233.33	4,399,233.33	(66,202.42)	4,333,030.91
6/30/2023	1/1/2023	3,045,000	8.000	4,292,500.00	7,337,500.00	(307,471.62)	7,030,028.38
6/30/2024	1/1/2024	3,185,000	8.000	4,044,233.33	7,229,233.33	(314,935.10)	6,914,298.23
6/30/2025	1/1/2025	3,335,000	8.000	3,784,433.33	7,119,433.33	(323,024.53)	6,796,408.81
6/30/2026	1/1/2026	3,495,000	8.000	3,512,300.00	7,007,300.00	(331,727.92)	6,675,572.08
6/30/2027	1/1/2027	3,665,000	8.000	3,227,033.33	6,892,033.33	(341,033.31)	6,551,000.02
6/30/2028	1/1/2028	3,835,000	8.000	2,928,166.67	6,763,166.67	(350,135.04)	6,413,031.63
6/30/2029	1/1/2029	4,020,000	8.000	2,615,200.00	6,635,200.00	(360,223.61)	6,274,976.39
6/30/2030	1/1/2030	4,215,000	8.000	2,287,100.00	6,502,100.00	(370,884.23)	6,131,215.77
6/30/2031	1/1/2031	12,760,000	8.000	1,665,066.67	14,425,066.67	(1,044,024.33)	13,381,042.34
6/30/2032	1/1/2032	13,370,000	8.000	623,933.33	13,993,933.33	(1,077,151.74)	12,916,781.59
	TOTALS	54,980,000		75,505,866.67	130,485,866.67	(5,521,723.60)	124,964,143.07

PE% 17.40% Temp
AR% 45.90% (2010 - 2011)

[1] ASSUMED RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate	(0.400)
Pay Variable Rate Bonds & Admin	3.500
Future LOC Contingency	0.755
ALL-IN ASSUMED RATE	8.000

NOTES
[1] Assumes rate of 8.00% for life of Bonds
[2] Does not include debt service or local effort payments already made during the current fiscal year
[3] Local effort based on underlying VRDB rate, assumed to be 1.50% for the life of the Bonds



	Rate	Date
Average Since 7/1/08	5.259	n/a
Min	4.027	7/10/2008
Max	11.108	9/25/2008
Current	7.234	8/11/2011

HISTORIC RATES	
Date	All-In Rate
7/14/2011	7.239
7/7/2011	7.088
6/30/2011	6.984
6/23/2011	6.484
6/16/2011	5.984
6/9/2011	5.584
6/2/2011	4.984
5/26/2011	4.523
5/19/2011	4.623
5/12/2011	4.673
5/5/2011	4.773
4/28/2011	4.853
4/21/2011	4.323
4/14/2011	4.313
4/7/2011	4.303
3/31/2011	4.312
3/24/2011	4.322
3/17/2011	4.322
3/10/2011	4.312
3/3/2011	4.302
2/24/2011	4.313
2/17/2011	4.333
2/10/2011	4.323
2/3/2011	4.313
1/27/2011	4.343
1/20/2011	4.393
1/13/2011	4.323
1/6/2011	4.323

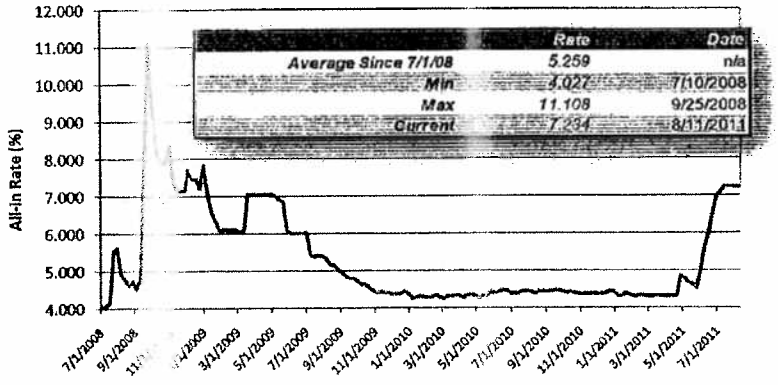
BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2007 VRDB
Bonds to be refunded by BASD Authority Series A of 2011 Bonds (Variable Rate)

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Payment Date	Principal	Estimated Rate [1]	Remaining Fiscal Year Interest [2]	Remaining Fiscal Year Debt Service [2]	State Aid [3]	Local Effort
6/30/2012	8/1/2012		8.000	1,392,533.33	1,392,533.33	(20,853.01)	1,371,680.32
6/30/2013	8/1/2013		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2014	8/1/2014		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2015	8/1/2015		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2016	8/1/2016		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2017	8/1/2017		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2018	8/1/2018		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2019	8/1/2019		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2020	8/1/2020		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2021	8/1/2021		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2022	8/1/2022		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2023	8/1/2023		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2024	8/1/2024		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2025	8/1/2025		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2026	8/1/2026		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2027	8/1/2027		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2028	8/1/2028		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2029	8/1/2029		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2030	8/1/2030	3,710,000	8.000	2,263,533.33	5,973,533.33	(330,198.99)	5,643,334.34
6/30/2031	8/1/2031	12,760,000	8.000	1,665,066.67	14,425,066.67	(1,044,024.33)	13,381,042.34
6/30/2032	8/1/2032	13,370,000	8.000	623,933.33	13,993,933.33	(1,077,151.74)	12,916,781.59
TOTAL		29,840,000		46,527,466.67	76,367,466.67	(3,079,944.44)	73,287,522.23

PE% 17.00% Temp
AR% 43.00% (2010 - 2011)

[1] ASSUMED RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate	(0.400)
Pay Variable Rate Bonds & Admin	3.500
Future LOC Contingency	0.755
ALL-IN ASSUMED RATE	8.000

NOTES
[1] Assumes rate of 8.000% for life of Bonds
[2] Does not include debt service or local effort payments already made during the current fiscal year
[3] Local effort based on underlying VRDB rate, assumed to be 1.50% for the life of the Bonds



	Rate	Date
Average Since 7/1/08	5.259	n/a
Min	3.027	7/10/2008
Max	11.108	9/25/2008
Current	7.234	8/11/2011

HISTORIC RATES	
Date	All-In Rate
7/14/2011	7.238
7/7/2011	7.088
6/30/2011	6.984
6/23/2011	6.484
6/16/2011	5.984
6/9/2011	5.684
6/2/2011	4.984
5/26/2011	4.523
5/19/2011	4.623
5/12/2011	4.673
5/5/2011	4.773
4/28/2011	4.853
4/21/2011	4.323
4/14/2011	4.313
4/7/2011	4.303
3/31/2011	4.312
3/24/2011	4.322
3/17/2011	4.322
3/10/2011	4.312
3/3/2011	4.302
2/24/2011	4.313
2/17/2011	4.333
2/10/2011	4.323
2/3/2011	4.313
1/27/2011	4.343
1/20/2011	4.393
1/13/2011	4.323
1/6/2011	4.323

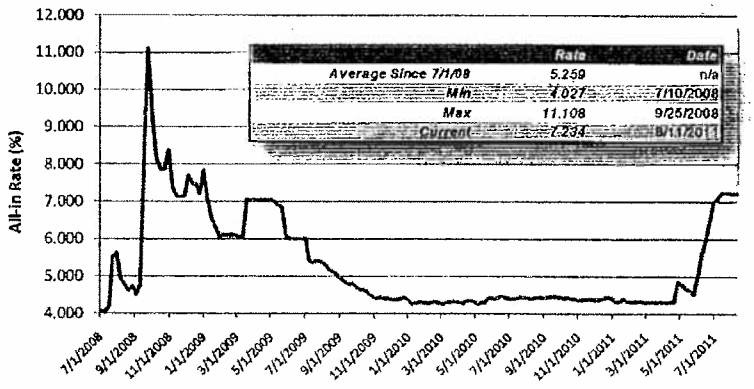
BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2007 VRDB
Bonds to be refunded by BASD Series of 2011 Bonds (Fixed Rate)

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Payment Date	Principal	Estimated Rate [1]	Remaining Fiscal Year Interest [2]	Remaining Fiscal Year Debt Service [2]	State Aid [3]	Local Effort
6/30/2012	1/1/2012	5,000	8.000	1,173,033.33	1,178,033.33	(17,965.36)	1,160,067.98
6/30/2013	1/1/2013	5,000	8.000	2,010,633.33	2,015,633.33	(30,508.31)	1,985,125.02
6/30/2014	1/1/2014	5,000	8.000	2,010,233.33	2,015,233.33	(30,502.32)	1,984,731.01
6/30/2015	1/1/2015	5,000	8.000	2,009,833.33	2,014,833.33	(30,496.33)	1,984,337.00
6/30/2016	1/1/2016	5,000	8.000	2,009,433.33	2,014,433.33	(30,490.34)	1,983,942.99
6/30/2017	1/1/2017	5,000	8.000	2,009,033.33	2,014,033.33	(30,484.35)	1,983,548.98
6/30/2018	1/1/2018	5,000	8.000	2,008,633.33	2,013,633.33	(30,478.36)	1,983,154.97
6/30/2019	1/1/2019	5,000	8.000	2,008,233.33	2,013,233.33	(30,472.37)	1,982,760.96
6/30/2020	1/1/2020	5,000	8.000	2,007,833.33	2,012,833.33	(30,466.38)	1,982,366.95
6/30/2021	1/1/2021	5,000	8.000	2,007,433.33	2,012,433.33	(30,460.39)	1,981,972.94
6/30/2022	1/1/2022	5,000	8.000	2,007,033.33	2,012,033.33	(30,454.40)	1,981,578.93
6/30/2023	1/1/2023	3,045,000	8.000	1,905,300.00	4,950,300.00	(271,723.60)	4,678,576.40
6/30/2024	1/1/2024	3,185,000	8.000	1,657,033.33	4,842,033.33	(279,187.08)	4,562,846.26
6/30/2025	1/1/2025	3,335,000	8.000	1,397,233.33	4,732,233.33	(287,276.50)	4,444,956.83
6/30/2026	1/1/2026	3,495,000	8.000	1,125,100.00	4,620,100.00	(295,979.90)	4,324,120.10
6/30/2027	1/1/2027	3,665,000	8.000	839,833.33	4,504,833.33	(305,285.29)	4,199,548.04
6/30/2028	1/1/2028	3,835,000	8.000	540,966.67	4,375,966.67	(314,387.02)	4,061,579.65
6/30/2029	1/1/2029	4,020,000	8.000	228,000.00	4,248,000.00	(324,475.59)	3,923,524.41
6/30/2030	1/1/2030	505,000	8.000	23,566.67	528,566.67	(40,685.24)	487,881.43
6/30/2031	1/1/2031		8.000	0.00	0.00		
6/30/2032	1/1/2032		8.000	0.00	0.00		
	TOTALS	25,140,000		28,978,400.00	54,118,400.00	(2,441,779.16)	51,676,620.84

PE% 17.40% Temp
AR% 45.90% (2010 - 2011)

[1] ASSUMED RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate	(0.400)
Pay Variable Rate Bonds & Admin	3.500
Future LOC Contingency	0.755
ALL-IN ASSUMED RATE	8.000

NOTES:
[1] Assumes rate of 8.00% for life of Bonds
[2] Does not include debt service or local effort payments already made during the current fiscal year
[3] Local effort based on underlying VROB rate, assumed to be 1.50% for the life of the Bonds



HISTORIC RATES	
Date	All-in Rate
7/14/2011	7.238
7/7/2011	7.086
6/30/2011	6.984
6/23/2011	6.484
6/16/2011	5.984
6/9/2011	5.584
6/2/2011	4.984
5/26/2011	4.523
5/19/2011	4.623
5/12/2011	4.673
5/5/2011	4.773
4/28/2011	4.853
4/21/2011	4.323
4/14/2011	4.313
4/7/2011	4.303
3/31/2011	4.312
3/24/2011	4.322
3/17/2011	4.322
3/10/2011	4.312
3/3/2011	4.302
2/24/2011	4.313
2/17/2011	4.333
2/10/2011	4.323
2/3/2011	4.313
1/27/2011	4.343
1/20/2011	4.393
1/13/2011	4.323
1/6/2011	4.323

BETHLEHEM AREA SCHOOL DISTRICT
AMOUNT TO PREPAY BONDS

1	2	3	4
Date	Principal	Interest[1]	Required
11/1/2011	54,980,000.00	0.00	54,980,000.00
TOTALS	54,980,000.00	0.00	54,980,000.00

[1] Assumes District makes regularly scheduled 11/1/2011 monthly payment

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
(Bethlehem Area School District Refunding Project)
Series A of 2011

Settle 11/1/2011
Dated 11/1/2011

1	2	3	4	5	6	7	8	9	10
Fiscal Year Ending	Date	Principal	Estimated Rate [1]	Interest	Fiscal Year Debt Service	State Aid [2]	Proposed Local Effort	Existing Local Effort	Local Effort Savings
6/30/2012	1/1/2012	5,000	4.800	839,900.00	844,900.00	(67,478.78)	777,421.22	1,371,680.32	594,259.10
6/30/2013	1/1/2013	5,000	4.800	1,439,660.00	1,444,660.00	(115,379.22)	1,329,280.78	2,351,451.98	1,022,171.19
6/30/2014	1/1/2014	5,000	4.800	1,439,420.00	1,444,420.00	(115,360.05)	1,329,059.95	2,351,451.98	1,022,392.03
6/30/2015	1/1/2015	5,000	4.800	1,439,180.00	1,444,180.00	(115,340.88)	1,328,839.12	2,351,451.98	1,022,612.86
6/30/2016	1/1/2016	5,000	4.800	1,438,940.00	1,443,940.00	(115,321.71)	1,328,618.29	2,351,451.98	1,022,833.69
6/30/2017	1/1/2017	5,000	4.800	1,438,700.00	1,443,700.00	(115,302.54)	1,328,397.46	2,351,451.98	1,023,054.52
6/30/2018	1/1/2018	5,000	4.800	1,438,460.00	1,443,460.00	(115,283.38)	1,328,176.62	2,351,451.98	1,023,275.35
6/30/2019	1/1/2019	5,000	4.800	1,438,220.00	1,443,220.00	(115,264.21)	1,327,955.79	2,351,451.98	1,023,496.19
6/30/2020	1/1/2020	5,000	4.800	1,437,980.00	1,442,980.00	(115,245.04)	1,327,734.96	2,351,451.98	1,023,717.02
6/30/2021	1/1/2021	5,000	4.800	1,437,740.00	1,442,740.00	(115,225.87)	1,327,514.13	2,351,451.98	1,023,937.85
6/30/2022	1/1/2022	5,000	4.800	1,437,500.00	1,442,500.00	(115,206.71)	1,327,293.30	2,351,451.98	1,024,158.68
6/30/2023	1/1/2023	5,000	4.800	1,437,260.00	1,442,260.00	(115,187.54)	1,327,072.46	2,351,451.98	1,024,379.52
6/30/2024	1/1/2024	5,000	4.800	1,437,020.00	1,442,020.00	(115,168.37)	1,326,851.63	2,351,451.98	1,024,600.35
6/30/2025	1/1/2025	5,000	4.800	1,436,780.00	1,441,780.00	(115,149.20)	1,326,630.80	2,351,451.98	1,024,821.18
6/30/2026	1/1/2026	5,000	4.800	1,436,540.00	1,441,540.00	(115,130.03)	1,326,409.97	2,351,451.98	1,025,042.01
6/30/2027	1/1/2027	5,000	4.800	1,436,300.00	1,441,300.00	(115,110.87)	1,326,189.13	2,351,451.98	1,025,262.84
6/30/2028	1/1/2028	5,000	4.800	1,436,060.00	1,441,060.00	(115,091.70)	1,325,968.30	2,351,451.98	1,025,483.68
6/30/2029	1/1/2029	5,000	4.800	1,435,820.00	1,440,820.00	(115,072.53)	1,325,747.47	2,351,451.98	1,025,704.51
6/30/2030	1/1/2030	2,095,000	4.800	1,393,780.00	3,488,780.00	(278,634.90)	3,210,145.10	5,643,334.34	2,433,189.25
6/30/2031	1/1/2031	13,620,000	4.800	1,062,720.00	14,682,720.00	(1,172,650.12)	13,510,069.88	13,381,042.34	(129,027.54)
6/30/2032	1/1/2032	14,195,000	4.800	397,460.00	14,592,460.00	(1,165,441.41)	13,427,018.59	12,916,781.59	(510,237.00)
	TOTALS	30,000,000		28,135,440.00	58,135,440.00	(4,643,045.05)	53,492,394.95	73,287,522.23	19,795,127.28

PE% 17.40% (Estimated)
AR% 45.90% (2010 - 2011)

[1] ASSUMED INTEREST RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate (60% of 1 Month LIBOR + 0.345%)	(0.457) *As of 7/18*
Pay FRN Base Rate (68% of 1 Month LIBOR)	0.127 *As of 7/18*
Pay FRN Spread (75 bps)	0.750 *Estimated*
Contingency	0.235 *Estimated*
ALL-IN RATE	**4.800** *Estimated*

BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2011
Fixed Rate Bond Issue

Settle 11/1/2011
Dated 11/1/2011

1	2	3	4	5	6	7	8	9	10	11
Date	Principal	Coupon	Yield	Interest	Semi-Annual Debt Service	Fiscal Year Debt Service	State Aid	Proposed Local Effort	Existing Local Effort	Local Effort Savings
1/1/2012	680,000	1.700	1.700	248,263.67	928,263.67	928,263.67	(56,880.75)	871,382.92	1,160,067.98	288,685.06
7/1/2012				739,011.00	739,011.00					
1/1/2013	5,000	1.850	1.850	739,011.00	744,011.00	1,483,022.00	(90,874.40)	1,392,147.60	1,985,125.02	592,977.42
7/1/2013				738,964.75	738,964.75					
1/1/2014	5,000	1.990	1.990	738,964.75	743,964.75	1,482,929.50	(90,868.73)	1,392,060.77	1,984,731.01	592,670.24
7/1/2014				738,915.00	738,915.00					
1/1/2015	5,000	2.170	2.170	738,915.00	743,915.00	1,482,830.00	(90,862.63)	1,391,967.37	1,984,337.00	592,369.63
7/1/2015				738,860.75	738,860.75					
1/1/2016	5,000	2.500	2.500	738,860.75	743,860.75	1,482,721.50	(90,855.98)	1,391,865.52	1,983,942.99	592,077.47
7/1/2016				738,798.25	738,798.25					
1/1/2017	5,000	2.850	2.850	738,798.25	743,798.25	1,482,596.50	(90,848.32)	1,391,748.18	1,983,548.98	591,800.80
7/1/2017				738,727.00	738,727.00					
1/1/2018	5,000	3.190	3.190	738,727.00	743,727.00	1,482,454.00	(90,839.59)	1,391,614.41	1,983,154.97	591,540.56
7/1/2018				738,647.25	738,647.25					
1/1/2019	5,000	3.500	3.500	738,647.25	743,647.25	1,482,294.50	(90,829.82)	1,391,464.68	1,982,760.96	591,296.28
7/1/2019				738,559.75	738,559.75					
1/1/2020	5,000	3.720	3.720	738,559.75	743,559.75	1,482,119.50	(90,819.10)	1,391,300.40	1,982,366.95	591,066.55
7/1/2020				738,466.75	738,466.75					
1/1/2021	5,000	3.880	3.880	738,466.75	743,466.75	1,481,933.50	(90,807.70)	1,391,125.80	1,981,972.94	590,847.14
7/1/2021				738,369.75	738,369.75					
1/1/2022	5,000	4.060	4.060	738,369.75	743,369.75	1,481,739.50	(90,795.81)	1,390,943.69	1,981,578.93	590,635.24
7/1/2022				738,268.25	738,268.25					
1/1/2023	3,690,000	4.230	4.230	738,268.25	4,428,268.25	5,166,536.50	(316,587.27)	4,849,949.23	4,678,576.40	(171,372.83)
7/1/2023				660,224.75	660,224.75					
1/1/2024	3,830,000	4.370	4.370	660,224.75	4,490,224.75	5,150,449.50	(315,601.52)	4,834,847.98	4,562,846.26	(272,001.72)
7/1/2024				576,539.25	576,539.25					
1/1/2025	4,015,000	4.490	4.490	576,539.25	4,591,539.25	5,168,078.50	(316,681.76)	4,851,396.74	4,444,956.83	(406,439.91)
7/1/2025				486,402.50	486,402.50					
1/1/2026	4,175,000	4.580	4.580	486,402.50	4,661,402.50	5,147,805.00	(315,439.47)	4,832,365.53	4,324,120.10	(508,245.43)
7/1/2026				390,795.00	390,795.00					
1/1/2027	4,305,000	4.670	4.670	390,795.00	4,695,795.00	5,086,590.00	(311,688.43)	4,774,901.57	4,199,548.04	(575,353.52)
7/1/2027				290,273.25	290,273.25					
1/1/2028	4,475,000	4.760	4.760	290,273.25	4,765,273.25	5,055,546.50	(309,786.20)	4,745,760.30	4,061,579.65	(684,180.66)
7/1/2028				183,768.25	183,768.25					
1/1/2029	4,665,000	4.850	4.850	183,768.25	4,848,768.25	5,032,536.50	(308,376.22)	4,724,160.28	3,923,524.41	(800,635.87)
7/1/2029				70,642.00	70,642.00					
1/1/2030	2,860,000	4.940	4.940	70,642.00	2,930,642.00	3,001,284.00	(183,908.18)	2,817,375.82	487,881.43	(2,329,494.39)
7/1/2030										
1/1/2031										
7/1/2031										
1/1/2032										
TOTALS	32,745,000			21,816,730.67	54,561,730.67	54,561,730.67	(3,343,351.89)	51,218,378.78	51,676,620.84	458,242.06

PE% 13.35% (Recalculated)
AR% 45.90% (2010 - 2011)

BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2011
Composition of the Issue

SOURCES:	FIXED	VARIABLE	TOTAL
Bonds	32,745,000.00	30,000,000.00	62,745,000.00
Accrued Interest	0.00	0.00	0.00
Total	32,745,000.00	30,000,000.00	62,745,000.00

USES:	FIXED	VARIABLE	TOTAL
Estimated Amount to Prepay 2007 VRDB	25,140,000.00	29,840,000.00	54,980,000.00
Estimated Partial Swap Termination Amount	6,830,000.00	0.00	6,830,000.00
Underwriter's Discount	261,960.00	0.00	261,960.00
Bond Insurance	409,212.98	0.00	409,212.98
Original Issue Discount/(Premium)	0.00	0.00	0.00
Costs of Issuance	100,000.00	150,000.00	250,000.00
Miscellaneous Expenses/Rounding	3,827.02	10,000.00	13,827.02
Total	32,745,000.00	30,000,000.00	62,745,000.00

Dated Date	11/1/2011
Settlement Date	11/1/2011

FIXED RATE PORTION ONLY	
Yield of the Issue (Including Swap)	7.159332
Yield of the Issue (excluding Swap)	4.756138

EXHIBIT B

BETHLEHEM AREA SCHOOL DISTRICT
Northampton and Lehigh Counties, Pennsylvania
$37,000,000 Maximum Aggregate Principal Amount
General Obligation Bonds
Annual Principal Payment Schedule*

School District Fiscal Year (Ending June 30)	Maximum Yield to Maturity	Principal Maturity or Mandatory Sinking Fund Payment Amount
2012	6%	$ 800,000
2013	6%	$ 25,000
2014	6%	$ 25,000
2015	6%	$ 25,000
2016	6%	$ 25,000
2017	6%	$ 25,000
2018	6%	$ 25,000
2019	6%	$ 25,000
2020	6%	$ 25,000
2021	6%	$ 25,000
2022	6%	$ 25,000
2023	6%	$4,185,000
2024	6%	$4,325,000
2025	6%	$4,510,000
2026	6%	$4,670,000
2027	6%	$4,800,000
2028	6%	$4,970,000
2029	6%	$5,160,000
2030	6%	$3,330,000

*Includes principal maturities and mandatory sinking fund redemptions.

822545.2

EXHIBIT C

(FORM OF BOND)

[The following Legend is to be printed on any Bonds registered in the name of The Depository Trust Company or Cede & Co., its nominee: **"Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein."**]

Number $

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
COUNTIES OF NORTHAMPTON AND LEHIGH
BETHLEHEM AREA SCHOOL DISTRICT
GENERAL OBLIGATION BOND, SERIES OF 2011

INTEREST RATE	MATURITY DATE	DATED DATE OF SERIES	CUSIP
%			

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS ($_____)

BETHLEHEM AREA SCHOOL DISTRICT, Northampton and Lehigh Counties, Pennsylvania (the "Issuer"), a school district existing under laws of the Commonwealth of Pennsylvania (the "Commonwealth"), for value received, promises to pay to the order of the

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 2011 (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 semiannually on January 1 and July 1 of each year, beginning January 1, 2012, 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 January 1, 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 Manufacturers and Traders Trust Company (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 2011" (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:

Bonds Maturing on ___:

Year	Amount
	$; and

Bonds Maturing on ___:

Year	Amount
	$.

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.

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 depositary, 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

_____ (the "Transferee")
Name

_____
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 August 15, 2011; 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:

Michele Cann	-
William J. Burkhardt	-
Rosario S. Amato	-
Michael E. Faccinetto	-
Irene Follweiler	-
Loretta M. Leeson	-
Eugene C. McKeon	-
Aurea E. Ortiz	-
Benjamin M. Tenaglia III	-

IN WITNESS WHEREOF, I set my hand and affix the official seal of the School District, this 15th day of August, 2011.

_____

(Assistant) Secretary of the Board of School Directors

(SEAL)

822545.2

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 2011, IN THE MAXIMUM 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 2007, AND PAY RELATED EXPENSES; ACCEPTING A NOTE PURCHASE AGREEMENT FROM THE BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY TO PURCHASE THE 2011A NOTE; SETTING FORTH THE TERMS AND SUBSTANTIAL FORM OF THE 2011A NOTE AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THIS SCHOOL DISTRICT IN SUPPORT OF THE 2011A 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 2011A 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-15388, dated December 30, 2003; and

WHEREAS, On January 4, 2007, the School District issued its General Obligation Bonds (Weekly Mode), Series of 2007, in the aggregate principal amount of $55,000,000 (the "2007 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 2007 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 2011, in the principal amount of $35,000,000 (the "2011A 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 2011A Note, which are assigned as security for the BASDA Bonds, and the payments due under the terms of a Loan Agreement (the "2011A 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 2011A Note by negotiation is in the best financial interest of the School District, and (2) the 2011A 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 2011A Note to the date of delivery thereof; and

WHEREAS, A Note Purchase Agreement (the "Proposal") to purchase the 2011A 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 2011A Note to BASDA pursuant to the Proposal and the 2011A 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 2011A 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 2011A Note is attached to the 2011A Loan Agreement, and is a part of **Exhibit B.**

SECTION 2. The realistic, remaining useful lives of the capital facilities originally financed by the 2007 Bonds vary between a useful life of at least five (5) years and an useful life of at least twenty-one (21) years, with the principal amounts due under the 2011A Note equal to the separate cost of each project being retired prior to the end of such remaining useful life. The refunding of the 2007 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 2011A Note will begin within two years from the date the 2011A 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 2011A Note to the date of delivery thereof.

SECTION 4. The principal of the 2011A 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 2011A Loan Agreement, and in documents related to the BASDA Bonds, the payments due under the 2011A 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 2011A Note shall not exceed 15%, except in the event the BASDA Bonds bear interest at the Bank Bond Rate (as defined in the 2011A Loan Agreement) in which event the interest rate payable on the 2011A Note shall not exceed 25%. Schedules illustrating the payments due on the 2011A Note at such maximum rates are included in **Exhibit C**.

SECTION 5. The 2011A Note shall be subject to optional and mandatory redemption on the dates and under terms described in the form of the 2011A Note and in the 2011A Loan Agreement.

SECTION 6. Manufacturers and Traders Trust Company (the "Paying Agent"), having a corporate trust office in Harrisburg, Pennsylvania, and Buffalo, New York, is appointed to serve as the paying agent for the 2011A Note.

SECTION 7. The 2011A 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 2011A Note.

SECTION 8. The School District covenants to and with BASDA or other registered owner, from time to time, of the 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 2011A Note, after execution and attestation thereof, to BASDA, as provided in the 2011A 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 2011A Note or from other funds of the School District available for the purpose, of the costs and expenses of issuance of the 2011A 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 2011A 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 2007 Bonds within 90 days of the issuance date of the 2011A Note, in accordance with the rights and privileges reserved to the School District in the 2007 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 2011A Note, the appropriate application and other documents and information necessary to obtain stated reimbursement with respect to the debt service on the 2011A 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 15th day of August, 2011.

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

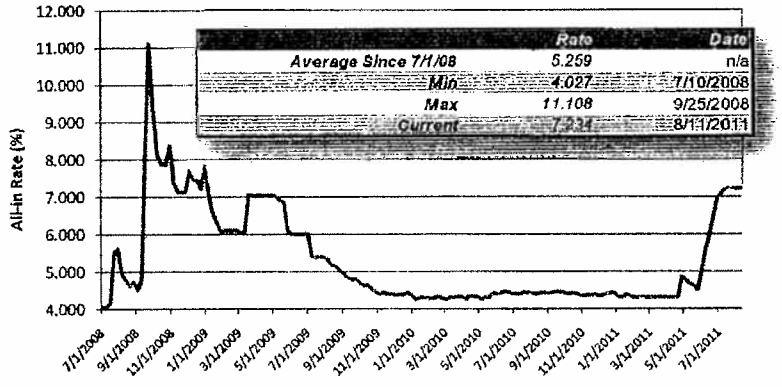
BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2007 VRDB

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Payment Date	Principal	Estimated Rate [1]	Remaining Fiscal Year Interest [2]	Remaining Fiscal Year Debt Service [2]	State Aid [3]	Local Effort
6/30/2012	1/1/2012	5,000	8.000	2,565,566.67	2,570,566.67	(38,818.37)	2,531,748.30
6/30/2013	1/1/2013	5,000	8.000	4,397,833.33	4,402,833.33	(66,256.33)	4,336,577.00
6/30/2014	1/1/2014	5,000	8.000	4,397,433.33	4,402,433.33	(66,250.34)	4,336,182.99
6/30/2015	1/1/2015	5,000	8.000	4,397,033.33	4,402,033.33	(66,244.35)	4,335,788.98
6/30/2016	1/1/2016	5,000	8.000	4,396,633.33	4,401,633.33	(66,238.36)	4,335,394.97
6/30/2017	1/1/2017	5,000	8.000	4,396,233.33	4,401,233.33	(66,232.37)	4,335,000.96
6/30/2018	1/1/2018	5,000	8.000	4,395,833.33	4,400,833.33	(66,226.38)	4,334,606.95
6/30/2019	1/1/2019	5,000	8.000	4,395,433.33	4,400,433.33	(66,220.39)	4,334,212.94
6/30/2020	1/1/2020	5,000	8.000	4,395,033.33	4,400,033.33	(66,214.40)	4,333,818.93
6/30/2021	1/1/2021	5,000	8.000	4,394,633.33	4,399,633.33	(66,208.41)	4,333,424.92
6/30/2022	1/1/2022	5,000	8.000	4,394,233.33	4,399,233.33	(66,202.42)	4,333,030.91
6/30/2023	1/1/2023	3,045,000	8.000	4,292,500.00	7,337,500.00	(307,471.62)	7,030,028.38
6/30/2024	1/1/2024	3,185,000	8.000	4,044,233.33	7,229,233.33	(314,935.10)	6,914,298.23
6/30/2025	1/1/2025	3,336,000	8.000	3,784,433.33	7,119,433.33	(323,024.53)	6,796,408.81
6/30/2026	1/1/2026	3,495,000	8.000	3,512,300.00	7,007,300.00	(331,727.92)	6,675,572.08
6/30/2027	1/1/2027	3,665,000	8.000	3,227,033.33	6,892,033.33	(341,033.31)	6,551,000.02
6/30/2028	1/1/2028	3,835,000	8.000	2,928,166.67	6,763,166.67	(350,135.04)	6,413,031.63
6/30/2029	1/1/2029	4,020,000	8.000	2,615,200.00	6,635,200.00	(360,223.61)	6,274,976.39
6/30/2030	1/1/2030	4,215,000	8.000	2,287,100.00	6,502,100.00	(370,884.23)	6,131,215.77
6/30/2031	1/1/2031	12,760,000	8.000	1,665,066.67	14,425,066.67	(1,044,024.33)	13,381,042.34
6/30/2032	1/1/2032	13,370,000	8.000	623,933.33	13,993,933.33	(1,077,151.74)	12,916,781.59
	TOTALS	54,980,000		75,505,866.67	130,485,866.67	(5,521,723.60)	124,964,143.07

PE% 17.40% Temp
AR% 45.90% (2010 - 2011)

[1] ASSUMED RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate	(0.400)
Pay Variable Rate Bonds & Admin	3.500
Future LOC Contingency	0.755
ALL-IN ASSUMED RATE	8.000

NOTES
[1] Assumes rate of 8.00% for life of Bonds
[2] Does not include debt service or local effort payments already made during the current fiscal year
[3] Local effort based on underlying VRDB rate, assumed to be 1.50% for the life of the Bonds



HISTORIC RATES	
Date	All-in Rate
7/14/2011	7.238
7/7/2011	7.088
6/30/2011	6.984
6/23/2011	6.484
6/16/2011	5.984
6/9/2011	5.584
6/2/2011	4.984
5/26/2011	4.523
5/19/2011	4.623
5/12/2011	4.673
5/5/2011	4.773
4/28/2011	4.853
4/21/2011	4.323
4/14/2011	4.313
4/7/2011	4.303
3/31/2011	4.312
3/24/2011	4.322
3/17/2011	4.322
3/10/2011	4.312
3/3/2011	4.302
2/24/2011	4.313
2/17/2011	4.333
2/10/2011	4.323
2/3/2011	4.313
1/27/2011	4.343
1/20/2011	4.393
1/13/2011	4.323
1/6/2011	4.323

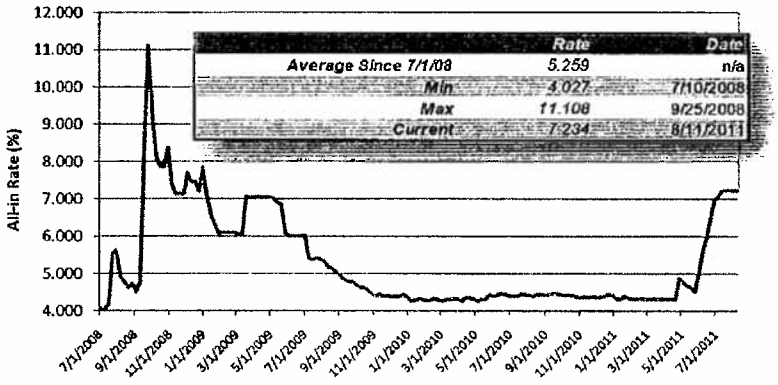
BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2007 VRDB
Bonds to be refunded by BASD Authority Series A of 2011 Bonds (Variable Rate)

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Payment Date	Principal	Estimated Rate [1]	Remaining Fiscal Year Interest [2]	Remaining Fiscal Year Debt Service [2]	State Aid [3]	Local Effort
6/30/2012	1/1/2012		8.000	1,392,533.33	1,392,533.33	(20,853.01)	1,371,680.32
6/30/2013	1/1/2013		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2014	1/1/2014		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2015	1/1/2015		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2016	1/1/2016		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2017	1/1/2017		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2018	1/1/2018		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2019	1/1/2019		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2020	1/1/2020		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2021	1/1/2021		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2022	1/1/2022		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2023	1/1/2023		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2024	1/1/2024		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2025	1/1/2025		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2026	1/1/2026		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2027	1/1/2027		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2028	1/1/2028		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2029	1/1/2029		8.000	2,387,200.00	2,387,200.00	(35,748.02)	2,351,451.98
6/30/2030	1/1/2030	3,710,000	8.000	2,263,533.33	5,973,533.33	(330,198.99)	5,643,334.34
6/30/2031	1/1/2031	12,760,000	8.000	1,665,066.67	14,425,066.67	(1,044,024.33)	13,381,042.34
6/30/2032	1/1/2032	13,370,000	8.000	623,933.33	13,993,933.33	(1,077,151.74)	12,916,781.59
	TOTALS	29,840,000		46,527,466.67	76,367,466.67	(3,079,944.44)	73,287,522.23

PE%	17.40%	Temp
AR%	45.90%	(2010 - 2011)

[1] ASSUMED RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate	(0.400)
Pay Variable Rate Bonds & Admin	3.500
Future LOC Contingency	0.755
ALL-IN ASSUMED RATE	8.000

NOTES:
[1] Assumes rate of 8.00% for life of Bonds
[2] Does not include debt service or local effort payments already made during the current fiscal year
[3] Local effort based on underlying VRDB rate, assumed to be 1.50% for the life of the Bonds



	Rate	Date
Average Since 7/1/08	5.259	n/a
Min	4.027	7/10/2008
Max	11.108	9/25/2008
Current	7.234	8/11/2011

HISTORIC RATES	
Date	All-in Rate
7/14/2011	7.238
7/7/2011	7.088
6/30/2011	6.984
6/23/2011	6.484
6/16/2011	5.984
6/9/2011	5.584
6/2/2011	4.984
5/26/2011	4.523
5/19/2011	4.623
5/12/2011	4.673
5/5/2011	4.773
4/28/2011	4.853
4/21/2011	4.323
4/14/2011	4.313
4/7/2011	4.303
3/31/2011	4.312
3/24/2011	4.322
3/17/2011	4.322
3/10/2011	4.312
3/3/2011	4.302
2/24/2011	4.313
2/17/2011	4.333
2/10/2011	4.323
2/3/2011	4.313
1/27/2011	4.343
1/20/2011	4.393
1/13/2011	4.323
1/6/2011	4.323

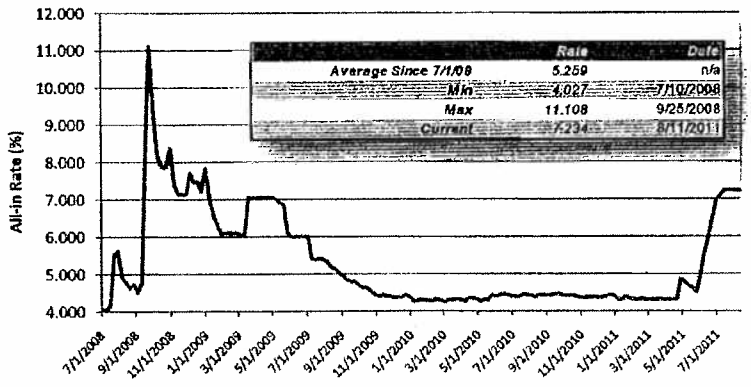
BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2007 VRDB
Bonds to be refunded by BASD Series of 2011 Bonds (Fixed Rate)

1	2	3	4	5	6	7	8
Fiscal Year Ending	Principal Payment Date	Principal	Estimated Rate [1]	Remaining Fiscal Year Interest [2]	Remaining Fiscal Year Debt Service [2]	State Aid [3]	Local Effort
6/30/2012	1/1/2012	5,000	8.000	1,173,033.33	1,178,033.33	(17,965.36)	1,160,067.98
6/30/2013	1/1/2013	5,000	8.000	2,010,633.33	2,015,633.33	(30,508.31)	1,985,125.02
6/30/2014	1/1/2014	5,000	8.000	2,010,233.33	2,015,233.33	(30,502.32)	1,984,731.01
6/30/2015	1/1/2015	5,000	8.000	2,009,833.33	2,014,833.33	(30,496.33)	1,984,337.00
6/30/2016	1/1/2016	5,000	8.000	2,009,433.33	2,014,433.33	(30,490.34)	1,983,942.99
6/30/2017	1/1/2017	5,000	8.000	2,009,033.33	2,014,033.33	(30,484.35)	1,983,548.98
6/30/2018	1/1/2018	5,000	8.000	2,008,633.33	2,013,633.33	(30,478.36)	1,983,154.97
6/30/2019	1/1/2019	5,000	8.000	2,008,233.33	2,013,233.33	(30,472.37)	1,982,760.96
6/30/2020	1/1/2020	5,000	8.000	2,007,833.33	2,012,833.33	(30,466.38)	1,982,366.95
6/30/2021	1/1/2021	5,000	8.000	2,007,433.33	2,012,433.33	(30,460.39)	1,981,972.94
6/30/2022	1/1/2022	5,000	8.000	2,007,033.33	2,012,033.33	(30,454.40)	1,981,578.93
6/30/2023	1/1/2023	3,045,000	8.000	1,905,300.00	4,950,300.00	(271,723.60)	4,678,576.40
6/30/2024	1/1/2024	3,185,000	8.000	1,657,033.33	4,842,033.33	(279,187.08)	4,562,846.26
6/30/2025	1/1/2025	3,335,000	8.000	1,397,233.33	4,732,233.33	(287,276.50)	4,444,956.83
6/30/2026	1/1/2026	3,495,000	8.000	1,125,100.00	4,620,100.00	(295,979.90)	4,324,120.10
6/30/2027	1/1/2027	3,665,000	8.000	839,833.33	4,504,833.33	(305,285.29)	4,199,548.04
6/30/2028	1/1/2028	3,835,000	8.000	540,966.67	4,375,966.67	(314,387.02)	4,061,579.65
6/30/2029	1/1/2029	4,020,000	8.000	228,000.00	4,248,000.00	(324,476.59)	3,923,524.41
6/30/2030	1/1/2030	505,000	8.000	23,566.67	528,566.67	(40,685.24)	487,881.43
6/30/2031	1/1/2031		8.000	0.00	0.00		
6/30/2032	1/1/2032		8.000	0.00	0.00		
	TOTALS	25,140,000		28,978,400.00	54,118,400.00	(2,441,779.16)	51,676,620.84

PE%	17.40%	Temp
AR%	45.90%	(2010 - 2011)

[1] ASSUMED RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate	(0.400)
Pay Variable Rate Bonds & Admin	3.500
Future LOC Contingency	0.755
ALL-IN ASSUMED RATE	8.000

NOTES
[1] Assumes rate of 8.00% for life of Bonds
[2] Does not include debt service or local effort payments already made during the current fiscal year
[3] Local effort based on underlying VRDB rate, assumed to be 1.50% for the life of the Bonds



HISTORIC RATES	
Date	All-in Rate
7/14/2011	7.238
7/7/2011	7.088
6/30/2011	6.984
6/23/2011	6.484
6/16/2011	5.984
6/9/2011	5.584
6/2/2011	4.984
5/26/2011	4.523
5/19/2011	4.623
5/12/2011	4.673
5/5/2011	4.773
4/28/2011	4.853
4/21/2011	4.323
4/14/2011	4.313
4/7/2011	4.303
3/31/2011	4.312
3/24/2011	4.322
3/17/2011	4.322
3/10/2011	4.312
3/3/2011	4.302
2/24/2011	4.315
2/17/2011	4.333
2/10/2011	4.323
2/3/2011	4.313
1/27/2011	4.343
1/20/2011	4.393
1/13/2011	4.323
1/6/2011	4.323

BETHLEHEM AREA SCHOOL DISTRICT
AMOUNT TO PREPAY BONDS

1	2	3	4
Date	Principal	Interest[1]	Required
11/1/2011	54,980,000.00	0.00	54,980,000.00
TOTALS	54,980,000.00	0.00	54,980,000.00

[1] Assumes District makes regularly scheduled 11/1/2011 monthly payment

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
(Bethlehem Area School District Refunding Project)
Series A of 2011

Settle Dated 11/1/2011
11/1/2011

1	2	3	4	5	6	7	8	9	10
Fiscal Year Ending	Date	Principal	Estimated Rate [1]	Interest	Fiscal Year Debt Service	State Aid [2]	Proposed Local Effort	Existing Local Effort	Local Effort Savings
6/30/2012	1/1/2012	5,000	4.800	839,900.00	844,900.00	(67,478.78)	777,421.22	1,371,680.32	594,259.10
6/30/2013	1/1/2013	5,000	4.800	1,439,660.00	1,444,660.00	(115,379.22)	1,329,280.78	2,351,451.98	1,022,171.19
6/30/2014	1/1/2014	5,000	4.800	1,439,420.00	1,444,420.00	(115,360.05)	1,329,059.95	2,351,451.98	1,022,392.03
6/30/2015	1/1/2015	5,000	4.800	1,439,180.00	1,444,180.00	(115,340.88)	1,328,839.12	2,351,451.98	1,022,612.86
6/30/2016	1/1/2016	5,000	4.800	1,438,940.00	1,443,940.00	(115,321.71)	1,328,618.29	2,351,451.98	1,022,833.69
6/30/2017	1/1/2017	5,000	4.800	1,438,700.00	1,443,700.00	(115,302.54)	1,328,397.46	2,351,451.98	1,023,054.52
6/30/2018	1/1/2018	5,000	4.800	1,438,460.00	1,443,460.00	(115,283.38)	1,328,176.62	2,351,451.98	1,023,275.35
6/30/2019	1/1/2019	5,000	4.800	1,438,220.00	1,443,220.00	(115,264.21)	1,327,955.79	2,351,451.98	1,023,496.19
6/30/2020	1/1/2020	5,000	4.800	1,437,980.00	1,442,980.00	(115,245.04)	1,327,734.96	2,351,451.98	1,023,717.02
6/30/2021	1/1/2021	5,000	4.800	1,437,740.00	1,442,740.00	(115,225.87)	1,327,514.13	2,351,451.98	1,023,937.85
6/30/2022	1/1/2022	5,000	4.800	1,437,500.00	1,442,500.00	(115,206.71)	1,327,293.30	2,351,451.98	1,024,158.68
6/30/2023	1/1/2023	5,000	4.800	1,437,260.00	1,442,260.00	(115,187.54)	1,327,072.46	2,351,451.98	1,024,379.52
6/30/2024	1/1/2024	5,000	4.800	1,437,020.00	1,442,020.00	(115,168.37)	1,326,851.63	2,351,451.98	1,024,600.35
6/30/2025	1/1/2025	5,000	4.800	1,436,780.00	1,441,780.00	(115,149.20)	1,326,630.80	2,351,451.98	1,024,821.18
6/30/2026	1/1/2026	5,000	4.800	1,436,540.00	1,441,540.00	(115,130.03)	1,326,409.97	2,351,451.98	1,025,042.01
6/30/2027	1/1/2027	5,000	4.800	1,436,300.00	1,441,300.00	(115,110.87)	1,326,189.13	2,351,451.98	1,025,262.84
6/30/2028	1/1/2028	5,000	4.800	1,436,060.00	1,441,060.00	(115,091.70)	1,325,968.30	2,351,451.98	1,025,483.68
6/30/2029	1/1/2029	5,000	4.800	1,435,820.00	1,440,820.00	(115,072.53)	1,325,747.47	2,351,451.98	1,025,704.51
6/30/2030	1/1/2030	2,095,000	4.800	1,393,780.00	3,488,780.00	(278,634.90)	3,210,145.10	5,643,334.34	2,433,189.25
6/30/2031	1/1/2031	13,620,000	4.800	1,062,720.00	14,682,720.00	(1,172,650.12)	13,510,069.88	13,381,042.34	(129,027.54)
6/30/2032	1/1/2032	14,195,000	4.800	397,460.00	14,592,460.00	(1,165,441.41)	13,427,018.59	12,916,781.59	(510,237.00)
	TOTALS	30,000,000		28,135,440.00	58,135,440.00	(4,643,045.05)	53,492,394.95	73,287,522.23	19,795,127.28

PE% 17.40% (Estimated)
AR% 45.90% (2010 - 2011)

[1] ASSUMED INTEREST RATE	
Pay Fixed Swap Rate	4.145
Receive Variable Swap Rate (60% of 1 Month LIBOR + 0.345%)	(0.457) *As of 7/18*
Pay FRN Base Rate (68% of 1 Month LIBOR)	0.127 *As of 7/18*
Pay FRN Spread (75 bps)	0.750 *Estimated*
Contingency	0.235 *Estimated*
ALL-IN RATE	**4.800** *Estimated*

BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2011
Fixed Rate Bond Issue

Settle 11/1/2011
Dated 11/1/2011

1	2	3	4	5	6	7	8	9	10	11
Date	Principal	Coupon	Yield	Interest	Semi-Annual Debt Service	Fiscal Year Debt Service	State Aid	Proposed Local Effort	Existing Local Effort	Local Effort Savings
1/1/2012	680,000	1.700	1.700	248,263.67	928,263.67	928,263.67	(56,880.75)	871,382.92	1,160,067.98	288,685.06
7/1/2012				739,011.00	739,011.00					
1/1/2013	5,000	1.850	1.850	739,011.00	744,011.00	1,483,022.00	(90,874.40)	1,392,147.60	1,985,125.02	592,977.42
7/1/2013				738,964.75	738,964.75					
1/1/2014	5,000	1.990	1.990	738,964.75	743,964.75	1,482,929.50	(90,868.73)	1,392,060.77	1,984,731.01	592,670.24
7/1/2014				738,915.00	738,915.00					
1/1/2015	5,000	2.170	2.170	738,915.00	743,915.00	1,482,830.00	(90,862.63)	1,391,967.37	1,984,337.00	592,369.63
7/1/2015				738,860.75	738,860.75					
1/1/2016	5,000	2.500	2.500	738,860.75	743,860.75	1,482,721.50	(90,855.98)	1,391,865.52	1,983,942.99	592,077.47
7/1/2016				738,798.25	738,798.25					
1/1/2017	5,000	2.850	2.850	738,798.25	743,798.25	1,482,596.50	(90,848.32)	1,391,748.18	1,983,548.98	591,800.80
7/1/2017				738,727.00	738,727.00					
1/1/2018	5,000	3.190	3.190	738,727.00	743,727.00	1,482,454.00	(90,839.59)	1,391,614.41	1,983,154.97	591,540.56
7/1/2018				738,647.25	738,647.25					
1/1/2019	5,000	3.500	3.500	738,647.25	743,647.25	1,482,294.50	(90,829.82)	1,391,464.68	1,982,760.96	591,296.28
7/1/2019				738,559.75	738,559.75					
1/1/2020	5,000	3.720	3.720	738,559.75	743,559.75	1,482,119.50	(90,819.10)	1,391,300.40	1,982,366.95	591,066.55
7/1/2020				738,466.75	738,466.75					
1/1/2021	5,000	3.880	3.880	738,466.75	743,466.75	1,481,933.50	(90,807.70)	1,391,125.80	1,981,972.94	590,847.14
7/1/2021				738,369.75	738,369.75					
1/1/2022	5,000	4.060	4.060	738,369.75	743,369.75	1,481,739.50	(90,795.81)	1,390,943.69	1,981,578.93	590,635.24
7/1/2022				738,268.25	738,268.25					
1/1/2023	3,690,000	4.230	4.230	738,268.25	4,428,268.25	5,166,536.50	(316,587.27)	4,849,949.23	4,678,576.40	(171,372.83)
7/1/2023				660,224.75	660,224.75					
1/1/2024	3,830,000	4.370	4.370	660,224.75	4,490,224.75	5,150,449.50	(315,601.52)	4,834,847.98	4,562,846.26	(272,001.72)
7/1/2024				576,539.25	576,539.25					
1/1/2025	4,015,000	4.490	4.490	576,539.25	4,591,539.25	5,168,078.50	(316,681.76)	4,851,396.74	4,444,956.83	(406,439.91)
7/1/2025				486,402.50	486,402.50					
1/1/2026	4,175,000	4.580	4.580	486,402.50	4,661,402.50	5,147,805.00	(315,439.47)	4,832,365.53	4,324,120.10	(508,245.43)
7/1/2026				390,795.00	390,795.00					
1/1/2027	4,305,000	4.670	4.670	390,795.00	4,695,795.00	5,086,590.00	(311,688.43)	4,774,901.57	4,199,548.04	(575,353.52)
7/1/2027				290,273.25	290,273.25					
1/1/2028	4,475,000	4.760	4.760	290,273.25	4,765,273.25	5,055,546.50	(309,786.20)	4,745,760.30	4,061,579.65	(684,180.66)
7/1/2028				183,768.25	183,768.25					
1/1/2029	4,665,000	4.850	4.850	183,768.25	4,848,768.25	5,032,536.50	(308,376.22)	4,724,160.28	3,923,524.41	(800,635.87)
7/1/2029				70,642.00	70,642.00					
1/1/2030	2,860,000	4.940	4.940	70,642.00	2,930,642.00	3,001,284.00	(183,908.18)	2,817,375.82	487,881.43	(2,329,494.39)
7/1/2030										
1/1/2031										
7/1/2031										
1/1/2032										
TOTALS	32,745,000			21,816,730.67	54,561,730.67	54,561,730.67	(3,343,351.89)	51,218,378.78	51,676,620.84	458,242.06

PE% 13.35% (Recalculated)
AR% 45.90% (2010 - 2011)

BETHLEHEM AREA SCHOOL DISTRICT
SERIES OF 2011
Composition of the Issue

SOURCES:	FIXED	VARIABLE	TOTAL
Bonds	32,745,000.00	30,000,000.00	62,745,000.00
Accrued Interest	0.00	0.00	0.00
Total	32,745,000.00	30,000,000.00	62,745,000.00

USES:	FIXED	VARIABLE	TOTAL
Estimated Amount to Prepay 2007 VRDB	25,140,000.00	29,840,000.00	54,980,000.00
Estimated Partial Swap Termination Amount	6,830,000.00	0.00	6,830,000.00
Underwriter's Discount	261,960.00	0.00	261,960.00
Bond Insurance	409,212.98	0.00	409,212.98
Original Issue Discount/(Premium)	0.00	0.00	0.00
Costs of Issuance	100,000.00	150,000.00	250,000.00
Miscellaneous Expenses/Rounding	3,827.02	10,000.00	13,827.02
Total	32,745,000.00	30,000,000.00	62,745,000.00

Dated Date	11/1/2011
Settlement Date	11/1/2011

FIXED RATE PORTION ONLY	
Yield of the Issue (including Swap)	7.159332
Yield of the Issue (excluding Swap)	4.756138

EXHIBIT B

2011A LOAN AGREEMENT, INCLUDING FORM OF 2011A NOTE

LOAN AGREEMENT

Between

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY

and

BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania

Dated as of
September , 2011

Relating to

$35,000,000 Maximum Principal Amount of

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY

School Revenue Bonds

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THIS LOAN AGREEMENT ("Agreement") is dated as of September , 2011 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 August 15, 2011, to issue $35,000,000 maximum aggregate 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 September , 2011 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 2007 (the "2007 Bonds"), in the original aggregate principal amount of $55,000,000, of the School District and, further, the Issuer, at the request of the School District, 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 2007 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 JP Morgan Chase Bank, N.A. (the "Counterparty") (collectively, together with an amended Confirmation dated September , 2011 (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 2007 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 2011, in the 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 any other swap transactions relating to the Bonds, and (iii) in connection with any applicable Insurance Policy and any applicable 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.

"Agreement" has the meaning set forth in the introductory paragraph hereof.

"Authorities Act" has the meaning set forth in the recitals hereof.

"Authorized Representative" means the person at the time designated to act on behalf of the Issuer or the School District by written certificate last furnished to the Trustee, the Bond Insurer (if any) and the Bank (if any) containing the specimen signature of such person and duly signed on behalf of the Issuer or the School District, as applicable. Such certificate may designate an alternate or alternates.

"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 the principal of, premium (if any), and interest (including Periodic Payments due on the Fixed Payer Swap) on any and all Bonds by their terms (including any Bank Bonds (if any) at the Bank Bonds Rate, as those phrases are defined in the Indenture) whether upon special optional tender, mandatory tender, maturity, redemption or acceleration.

"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 any agreement pursuant to which the purchaser thereunder has agreed to purchase (for resale or its own account) one or more Bonds upon issuance or remarketing thereof by the Issuer, as such agreements may have been amended and supplemented from time to time.

"Bonds" has the meaning set forth in the recitals hereof.

"Commonwealth" has the meaning set forth in the recitals hereof.

"Confirmation" has the meaning set forth in the recitals hereof.

"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 2007 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;

(b) any other costs or expenses associated with the Refunding Project permitted to be financed or refinanced under the Debt Act.

"Counterparty" has the meaning set forth in the recitals hereof.

"DCED" means the Pennsylvania Department of Community and Economic Development.

"Debt Act" has the meaning set forth in the introductory paragraph hereof.

"Debt Service" means, for any period, the interest (including Periodic Payments due on the Fixed Payer Swap), and 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.

"Debt Service Fund" has the meaning set forth in the Indenture.

"Department" means the Department of Community and Economic Development of the Commonwealth.

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

"Fixed Payer Swap" has the meaning set forth in the recitals hereof.

"Floating Mode" has the meaning set forth in the Indenture.

"Indenture" has the meaning set forth in the recitals hereof.

"Initial Bond Purchase Agreement" means the Bond Purchase Agreement, dated September , 2011, among the Issuer, the School District and RBC Capital Markets Corporation as the initial purchaser (and Holder) of the Bonds in the Floating Mode, including any amendments, extensions or substitutions therefor duly executed by the Issuer, the School District and the Purchaser.

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

"Issue Date" has the meaning set forth in the Indenture.

"Issuer" has the meaning set forth in the introductory paragraph hereof.

"Liquidity Facility" means any Standby Bond Purchase Agreement, Letter of Credit or similar agreement, acceptable to applicable Bond Insurer (if any), 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 of 2010, in the principal amount of $35,000,000, 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 from the Counterparty) under the Fixed Payer Swap which shall be paid by the School District hereunder on behalf of the Issuer, which shall constitute interest on the Bonds and the Note.

"Purchaser" has the meaning set forth in the Indenture.

"Rate Mode" has the meaning set forth in the Indenture.

"Refunding Project" has the meaning set forth in the recitals hereof.

"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 by its Board on August 15, 2011, 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" has the meaning set forth in the introductory paragraph hereof.

"School District's Agreements" means this Agreement, the Note, the payment obligations under the Fixed Payer Swap, any applicable Bond Purchase Agreement (including the Initial Bond Purchase Agreement), any applicable Liquidity Facility and any applicable Insurance Policy.

"Settlement Fund" has the meaning set forth in the Indenture.

"Trustee" has the meaning set forth in the recitals hereof.

"2007 Bonds" has the meaning set forth in the recitals hereof.

"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, the Initial Bond Purchase 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, the Initial Bond Purchase Agreement, 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 the Initial Bond Purchase Agreement 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 (if any), and (iv) to a Bank under a Liquidity Facility (if any).

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 Initial Bond Purchase Agreement 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 (if any), 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, including the Initial Bond Purchase Agreement. Subject to and upon compliance with the applicable provisions of the Indenture, the 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 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 (including accelerated principal payments) and interest (which shall include the alternate interest rates specified herein or the Indenture and Periodic Payments on the Fixed Payer Swap), that shall be due on or with respect to the Bonds. Such payments shall be made by the School District on or before noon of the third Business Day prior to (i) the day on which corresponding payments of the Bonds are due under the Indenture or (ii) 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 (iii) 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 Initial Bond Purchase Agreement, 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, the Initial Bond Purchase Agreement, 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 pay or cause to be paid Base Loan Payments to the Trustee in addition to the scheduled Base Loan Payments required to be made under Section 4.2 hereof 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; provided, further, while Bonds are in the Floating Mode, the Bonds may not be optionally redeemed, in whole or in part, except as permitted by the terms of such Bonds, the Indenture and the Initial Bond Purchase Agreement. 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 (including, without limitation, the accelerated mandatory sinking fund requirements of the Bonds while they bear interest in a Floating Mode described in Section 3.01(a)(ii) of the Indenture).

(c) Acceleration Due to Scheduled or Special Tender of the Bonds. The Note shall be subject to acceleration of, and increase in, Base Loan Payments to provide for the scheduled or special tender of the Bonds and increased interest rates as set forth in the Indenture and the Initial Bond Purchase Agreement.

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 (including the Initial Bond Purchase Agreement), 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 (including the Initial Bond Purchase Agreement), 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 (if any), 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 (if any), 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 (if any), any amounts due and owing under a Liquidity Facility; (f) to the Purchaser, any amounts due and owing under the Initial Bond Purchase Agreement; and (g) 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 (if any), a Bank (if any), a Bond Insurer (if any) 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 (if any) in accordance with the terms of an Insurance Policy and the Purchaser or any subsequent Holder of the Bonds during the initial Floating Rate Period in accordance with the terms of the Initial Bond Purchase Agreement; 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 (including the Purchaser), a Bank (if any), the Counterparty and a Bond Insurer (if any) 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.

The School District further covenants and agrees that: (i) it shall use all legally available funds of the School District to the payment of any Settlement Amount when due, (ii) to the extent legally available funds are insufficient to pay any Settlement Amount when due, the School District shall include the amount of such unpaid Settlement Amount 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 revenue to the payment of such Settlement Amount; and (iv) shall duly and punctually pay or cause to be paid any Settlement Amount at the dates and places and in the manner stated in the Fixed Payer Swap according to the true intent and meaning thereof. The School District represents and warrants that such obligations are enforceable in contract or through an action in mandamus to compel the School District and its officials to fulfill such obligations and the Trustee agrees to undertake such enforcement at the direction of the Counterparty whether or not an Event of Default has occurred under this Agreement.

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 (if any), the Purchaser or any subsequent Holder of the Bonds during the initial Floating Rate Period, as applicable, under the terms of the Initial Bond Purchase Agreement, or a Bank (if any), 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 (if any), a Bond Insurer (if any), the Purchaser or any subsequent Holder of the Bonds during the initial Floating Rate Period, as applicable, under the terms of the Initial Bond Purchase Agreement and a Bank (if any) 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 I48 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; provided, however, while Bonds are in the Floating Mode, the Bonds may not be optionally redeemed, in whole or in part, except (i) as permitted by the terms of such Bonds, the Indenture and the Initial Bond Purchase Agreement and (ii) on or prior to such redemption, the Authority has optionally terminated the Fixed Payer Swap such that the remaining notional amount of the Fixed Payer Swap will not exceed the outstanding principal amount of the Bonds following such optional redemption and the School District has provided sufficient Loan Payments to the Trustee for payment of any Settlement Amount due in connection with such termination. 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 Bond Insurer (if any) 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 due 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 and any Settlement Amount

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 the 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 (if any), 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 (if any).

SECTION 7.5 Notice of Default.

The School District shall notify the Trustee, the Issuer, a Bond Insurer (if any), the Counterparty, a Bank (if any) 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 (if any) or a Liquidity Facility (if any), 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 (if any), the Purchaser and the Counterparty.

In addition to any other notices required under this Agreement (i) a Bond Insurer (if any) shall be provided all information required by the applicable Insurance Commitment, (ii) the Purchaser under conditions described in the Indenture, shall be provided the notices hereunder in the manner described in the Indenture and (iii) the School District shall provide all information to the Counterparty as required under the Fixed Payer Swap.

(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 One M&T Plaza, 7th Floor Buffalo, NY 14203 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:	JP Morgan Chase Bank, N.A. Attention: Municipal Operations Telephone:

Fax:

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 (if any) 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 (if any) 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 (if any) 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 (if any), any Bond Insurer (if any) and any Bank (if any) 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 (if any) 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; provided, further, however, that prior to the expiration of the Initial Bond Purchase Agreement, this Agreement may not be amended without the prior written consent of the Purchaser or any subsequent Holder of Bonds in the Floating Mode.

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) prior to the expiration of the Initial Bond Purchase Agreement, prior written consent of the Purchaser or any subsequent Holder of the Bonds during the initial Floating Rate Period, 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 (if any), the Counterparty, a Bond Insurer (if any) 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. Bank and Bond Insurer.

(i) References to the Bond Insurer set forth herein shall only apply if an Insurance Policy is in effect and the Bond Insurer has not defaulted on its obligations thereunder and (ii) references to the Bank set forth herein shall only have effect if a Liquidity Facility is in effect and the Bank has not defaulted on its obligations thereunder. Notwithstanding anything set forth herein to the contrary, no Insurance Policy or Liquidity Facility shall be in effect during the initial Floating Rate Period.

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.

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

[SEAL]

EXHIBIT A

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA

BETHLEHEM AREA SCHOOL DISTRICT
(NORTHAMPTON AND LEHIGH COUNTIES, PENNSYLVANIA)
GENERAL OBLIGATION NOTE, SERIES A OF 2011

Final Maturity Date: January 1, 2030

Date of Initial Delivery: September , 2011

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, upon mandatory redemption (including any accelerated mandatory sinking fund redemptions that may be required under the Indenture or the Bonds), 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 (if any) (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 September , 2011, 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 twenty-five percent (25%), per annum, for so long as the Bonds and the Fixed Payer Swap are Outstanding.

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 September , 2011, 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 (as defined in the Indenture), 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 or Floating 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. This Note shall also be subject to acceleration or mandatory prepayment on the initial Special Mandatory Tender Date, in the event that all of the Bonds are not successfully remarketed in another Rate Mode on the initial Special Mandatory Tender Date in accordance with the terms of Section 3.01(a)(ii) of the Indenture.

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; provided, further, that while Bonds are in the Floating Mode, the Bonds may not be optionally redeemed, in whole or in part, except as permitted by the terms of such Bonds and the Indenture; provided, further, that the Bonds may not be optionally redeemed prior to October 5, 2011 and pay all amounts due under the Fixed Payer Swap in connection therewith pursuant to the terms of the Fixed Payer Swap.

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 September , 2011.

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.

Mandatory (Sinking Fund) Redemption Schedule
(subject to the terms of the applicable Bonds, the Indenture and the Resolution)

Mandatory Redemption Date	Redemption Amount
January 1, 2012	
January 1, 2013	
January 1, 2014	
January 1, 2015	
January 1, 2016	
January 1, 2017	
January 1, 2018	
January 1, 2019	
January 1, 2020	
January 1, 2021	
January 1, 2022	
January 1, 2023	
January 1, 2024	
January 1, 2025	
January 1, 2026	
January 1, 2027	
January 1, 2028	
January 1, 2029	
January 1, 2030	

EXHIBIT C

MAXIMUM SCHEDULED PAYMENT OBLIGATIONS UNDER (1) THE MAXIMUM INTEREST RATE ON THE 2011A NOTE (12%), (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
(Bethlehem Area School District Refunding Project)
Series A of 2011

MAX PARAMETERS

1	2	3	4	5	6
Fiscal Year Ending	Date	Maximum Principal	Maximum Rate	Interest	Fiscal Year Debt Service
6/30/2012	1/1/2012	25,000	12.000	2,448,750.00	2,473,750.00
6/30/2013	1/1/2013	25,000	12.000	4,195,750.00	4,220,750.00
6/30/2014	1/1/2014	25,000	12.000	4,192,750.00	4,217,750.00
6/30/2015	1/1/2015	25,000	12.000	4,189,750.00	4,214,750.00
6/30/2016	1/1/2016	25,000	12.000	4,186,750.00	4,211,750.00
6/30/2017	1/1/2017	25,000	12.000	4,183,750.00	4,208,750.00
6/30/2018	1/1/2018	25,000	12.000	4,180,750.00	4,205,750.00
6/30/2019	1/1/2019	25,000	12.000	4,177,750.00	4,202,750.00
6/30/2020	1/1/2020	25,000	12.000	4,174,750.00	4,199,750.00
6/30/2021	1/1/2021	25,000	12.000	4,171,750.00	4,196,750.00
6/30/2022	1/1/2022	25,000	12.000	4,168,750.00	4,193,750.00
6/30/2023	1/1/2023	25,000	12.000	4,165,750.00	4,190,750.00
6/30/2024	1/1/2024	25,000	12.000	4,162,750.00	4,187,750.00
6/30/2025	1/1/2025	25,000	12.000	4,159,750.00	4,184,750.00
6/30/2026	1/1/2026	25,000	12.000	4,156,750.00	4,181,750.00
6/30/2027	1/1/2027	25,000	12.000	4,153,750.00	4,178,750.00
6/30/2028	1/1/2028	25,000	12.000	4,150,750.00	4,175,750.00
6/30/2029	1/1/2029	25,000	12.000	4,147,750.00	4,172,750.00
6/30/2030	1/1/2030	3,035,000	12.000	3,994,250.00	7,029,250.00
6/30/2031	1/1/2031	15,470,000	12.000	3,008,300.00	18,478,300.00
6/30/2032	1/1/2032	16,045,000	12.000	1,123,150.00	17,168,150.00
	TOTALS	35,000,000		81,494,200.00	116,494,200.00

BETHLEHEM AREA SCHOOL DISTRICT AUTHORITY
(Bethlehem Area School District Refunding Project)
Series A of 2011

MAX PARAMETERS

1	2	3	4	5	6
Fiscal Year Ending	Date	Maximum Principal	Maximum Rate	Interest	Fiscal Year Debt Service
6/30/2012	1/1/2012	25,000	25.000	5,101,562.50	5,126,562.50
6/30/2013	1/1/2013	25,000	25.000	8,741,145.83	8,766,145.83
6/30/2014	1/1/2014	25,000	25.000	8,734,895.83	8,759,895.83
6/30/2015	1/1/2015	25,000	25.000	8,728,645.83	8,753,645.83
6/30/2016	1/1/2016	25,000	25.000	8,722,395.83	8,747,395.83
6/30/2017	1/1/2017	25,000	25.000	8,716,145.83	8,741,145.83
6/30/2018	1/1/2018	25,000	25.000	8,709,895.83	8,734,895.83
6/30/2019	1/1/2019	25,000	25.000	8,703,645.83	8,728,645.83
6/30/2020	1/1/2020	25,000	25.000	8,697,395.83	8,722,395.83
6/30/2021	1/1/2021	25,000	25.000	8,691,145.83	8,716,145.83
6/30/2022	1/1/2022	25,000	25.000	8,684,895.83	8,709,895.83
6/30/2023	1/1/2023	25,000	25.000	8,678,645.83	8,703,645.83
6/30/2024	1/1/2024	25,000	25.000	8,672,395.83	8,697,395.83
6/30/2025	1/1/2025	25,000	25.000	8,666,145.83	8,691,145.83
6/30/2026	1/1/2026	25,000	25.000	8,659,895.83	8,684,895.83
6/30/2027	1/1/2027	25,000	25.000	8,653,645.83	8,678,645.83
6/30/2028	1/1/2028	25,000	25.000	8,647,395.83	8,672,395.83
6/30/2029	1/1/2029	25,000	25.000	8,641,145.83	8,666,145.83
6/30/2030	1/1/2030	3,035,000	25.000	8,321,354.17	11,356,354.17
6/30/2031	1/1/2031	15,470,000	25.000	6,267,291.67	21,737,291.67
6/30/2032	1/1/2032	16,045,000	25.000	2,339,895.83	18,384,895.83
	TOTALS	35,000,000		169,779,583.33	204,779,583.33

BETHLEHEM AREA SCHOOL DISTRICT
SERIES A OF 2011 NOTE — *Settle* 11/1/2014
TERM OUT SCHEDULE — *Dated* 11/1/2014

1	2	3	4	5	6
Date	Principal	Max Rate	Interest	Semi-Annual Debt Service	Fiscal Year Debt Service
5/1/2015	5,833,333	25.000	4,375,000.00	10,208,333.33	10,208,333.33
11/1/2015	5,833,333	25.000	3,645,833.33	9,479,166.67	
5/1/2016	5,833,333	25.000	2,916,666.67	8,750,000.00	18,229,166.67
11/1/2016	5,833,333	25.000	2,187,500.00	8,020,833.33	
5/1/2017	5,833,333	25.000	1,458,333.33	7,291,666.67	15,312,500.00
11/1/2017	5,833,333	25.000	729,166.67	6,562,500.00	
5/1/2018					6,562,500.00
TOTALS	35,000,000		15,312,500.00	50,312,500.00	50,312,500.00

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 15th day of August, 2011, 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:

Michele Cann	-
William J. Burkhardt	-
Rosario S. Amato	-
Michael E. Faccinetto	-
Irene Follweiler	-
Loretta M. Leeson	-
Eugene C. McKeon	-
Aurea E. Ortiz	-
Benjamin M. Tenaglia III	-

IN WITNESS WHEREOF, I set my hand and affix the official seal of the School District, this 15th day of August, 2011.

_____

(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 A QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT (INTEREST RATE SWAP AGREEMENT) ORIGINALLY UNDERTAKEN IN CONNECTION WITH THE GENERAL OBLIGATION BONDS, SERIES OF 2007, 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 2011 TO BE ISSUED BY THE SCHOOL DISTRICT TO SUCH AUTHORITY; SETTING FORTH THE SUBSTANTIAL FORM OF SAID AMENDMENT TO THE SWAP AGREEMENT AND A NOVATION OR RELATED AGREEMENT; APPROVING A NEW INTEREST RATE MANAGEMENT PLAN AND RELATED MAXIMUM PAYMENT SCHEDULE FOR SUCH SWAP AGREEMENT 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-15388, 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 8, 2003, with JP Morgan Chase Bank, N.A. ("JP Morgan"), under the terms of which the School District pays a fixed rate of interest and JP Morgan pays a variable rate of interest from January 4, 2007 until January 1, 2032, on the $55,000,000 notional amount of bonds of the School District authorized under the 2003 Parameters Debt Resolution (the "Fixed Payer Swap"), unless earlier terminated; and

WHEREAS, The Fixed Payer Swap was amended on November 24, 2004, to change the formula for the variable rate payments by JP Morgan; and

WHEREAS, The School District issued on January 4, 2007, its General Obligation Bonds (Weekly Mode), Series of 2007, in the original aggregate principal amount of $55,000,000 (the "2007 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 4, 2007, began paying JP Morgan a fixed rate of 4.145% on a notional amount equal to the principal outstanding on the 2007 Bonds, and JP Morgan began paying the

School District a variable rate equal to 60% of one month LIBOR plus 0.346%, on the same notional amount, until the final maturity date of all outstanding 2007 Bonds; and

WHEREAS, By separate action this date, the School District has incurred nonelectoral indebtedness to be represented by fixed rate, general obligation bonds (the "2011 Fixed Rate Bonds") to refund and retire a portion of the outstanding 2007 Bonds, and terminate that notional amount of the Fixed Payer Swap which relates to the 2007 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 2007 Bonds not refunded by the 2011 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 "20011A Loan Agreement") and under a General Obligation Note, Series A of 2011 (the "2011A 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 2011A Loan Agreement), (2) any payments due under the Fixed Payer Swap, (3) other costs and expenses due under the 2011A Note in connection with the BASDA Bonds and the 2011A Loan Agreement; and

WHEREAS, this School District desires to transfer the Fixed Payer Swap to corresponding principal amounts of BASDA Bonds and the School District's 2011A Note, in lieu of the 2007 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 "2011 IRMP"), prepared by Public Financial Management Inc., an Independent Financial Advisor as defined by the Debt Act (the "Financial Advisor"), which will replace previous IRMP for the Fixed Payer Swap (the "Swap"), in light of the issuance of the BASDA Bonds, the 2011A Note and the 2011A Fixed Rate Bonds, and the refunding of the 2007 Bonds, and approve an amendment to the Swap 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 Swap, 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 Resolution authorizing the Fixed Payer 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 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 2. The Board hereby requests BASDA, in accordance with the 2011A Note Resolution, to issue the BASDA Bonds in accordance with the financing plan of this School District described in the 2011 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 2011A Loan Agreement and the 2011A 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 3. The Board hereby approves the 2011 IRMP attached hereto as **Appendix A**, which shall replace previous IRMP of the School District in respect of the Fixed Payer Swap.

SECTION 4. 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 JP Morgan 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 5. 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 6. The maximum annual payment obligations of the School District, with respect to the 2011A Note, and on the Swap, which shall be payable by the School District, if and as necessary, are set forth in the 2011 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 2011A Note is 12%, except as provided in the 2011A Loan Agreement for the Bank Bonds rate which is 25%, and (ii) on the Fixed Payer Swap is 4.145%. The 2003 Parameters Debt Resolution, as well as the resolution approving the Swap, shall be deemed to be amended to be consistent with this Section.

SECTION 7. BASDA is requested to adopt the 2011 IRMP and to enter into said amendment to the Fixed Payer Swap, 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 8. Officers and agents of the School District shall file appropriate proceedings regarding the amendment to the Swap with the Department of Community and Economic Development, as may be required by the Debt Act.

SECTION 9. 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 10. 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 2007 Bonds, and the related amendments to the Swaps.

SECTION 11. 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 12. 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 13. This Resolution shall be effective for all purposes immediately upon its adoption.

SECTION 14. 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 15. 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 15th day of August, 2011.

BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania

By:_____
(Vice) President

ATTEST:

_____
Secretary

(SEAL)

APPENDIX A

2011 INTEREST RATE MANAGEMENT PLAN

Bethlehem Area School District
Northampton and Lehigh Counties, Pennsylvania
August 15, 2011 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 versions adopted on March 16, 2009, September 21, 2009 and March 21, 2011.

On December 18, 2003, the School District (on a future start basis) entered into an "interest rate management agreement" ("IRMA"), as defined in the Debt Act, with JP Morgan Chase Bank, N.A. ("JP Morgan"), hereinafter referred to as the "2007 Fixed Payer Swap". The terms of the 2007 Fixed Payer Swap called for the District to pay to JP Morgan a fixed rate of 4.145% and for JP Morgan to pay to the District a variable rate of 60% of 1 Month LIBOR plus 0.346%. The 2007 Fixed Payer Swap was intended by the District to manage interest rates and costs associated with the $55,000,000 Variable Rate Demand Bonds, Series of 2007 (the "2007 Bonds"), issued by the School District on January 4, 2007.

The School District intends to refund and retire a portion of the 2007 Bonds with new fixed rate General Obligation Bonds, Series of 2011 ("2011 Bonds") in the maximum principal amount of $37,000,000 (current estimated principal amount is $32,745,000). A portion of the proceeds of the 2011 Bonds will be used to refund and retire a portion of the 2007 Bonds (the "Fixed Refunded 2007 Bonds"). The amount of the Fixed Refunded 2007 Bonds is shown in Schedule 2B. A portion of the proceeds of the 2011 Bonds will also be used to pay the termination payment required to terminate a portion of the Fixed Payer Swap related to the Fixed Refunded 2007 Bonds, as permitted by the Debt Act. Any termination payments due under the Fixed Payer Swap would be subordinate in payment to the debt service and periodic payments, as described in the Debt Act.

The School District, through the Bethlehem Area School District Authority (the "BASD Authority"), intends to refund and retire a portion of the 2007 Bonds (the "Variable Refunded 2007 Bonds") with School Revenue Bonds (Bethlehem Area School District Refunding Project), Series A of 2011 ("2011A BASD Authority Bonds") in the maximum principal amount of $35,000,000 (current estimated principal amount is $30,000,000). The approximate amount of the Variable Refunded 2007 Bonds being refunding by the 2011A BASD Authority Bonds is shown on Schedule 2B, and represents the balance of the 2007 Bonds not being refunded from proceeds from the School District's 2011 Bonds.

The 2011A BASD Authority Bonds will be purchased directly by Wells Fargo Bank, N.A. ("Wells Fargo"). The 2011A BASD Authority Bonds will be issued initially in the Floating Mode, with the interest rate determined monthly equal to the Index Rate (which is 68% of 1 Month LIBOR plus an Applicable Spread), in accordance with the terms of a Trust Indenture (the "Indenture") between the BASD Authority and Manufacturer's and Traders Trust Company (the "Trustee"), as trustee for the 2011A BASD Authority Bonds. The Applicable Spread is currently proposed to be 0.75%, and subject to change in the event of a downgrade in the credit rating of the Pennsylvania State Subsidy Intercept Program, as described further in the Indenture. The initial Floating Rate Period ends on a date approximately 3 years later, which will constitute a Special Mandatory Tender Date when the Bonds are subject to mandatory tender, conversion and remarketing to another purchaser and Rate Mode, including the Weekly Mode, the Fixed Mode or another Floating Mode.

Under the terms of a Novation Agreement (or similar transfer agreement) and an amendment to the 2007 Fixed Payer Swap Confirmation, the portion of the Fixed Payer Swap which was associated with the Variable Refunded 2007 Bonds will now be associated with the 2011A BASD Authority Bonds and will hereinafter be referred to as the "2011A Fixed Payer Swap". JP Morgan will still pay to the District a variable rate of 60% of 1 Month LIBOR plus 0.346% and the District will pay to JP Morgan a fixed rate of 4.145% on the reduced notional amount. The 2011A Fixed Payer Swap will have an outstanding notional amount of $29,840,000 and has a termination date of January 1, 2032, which is the final maturity of the 2011A BASD Authority Bonds.

The School District will concurrently issue its General Obligation Note, Series A of 2011 (the "2011A Note") to the BASD Authority. The 2011A Note payments by the School District to the BASD Authority will be sum of the debt service and expenses payable on the 2011A BASD Authority Bonds as well as the periodic payments due on the 2011A Fixed Payer Swap. Any termination payments due under the 2011A Fixed Payer Swap would be subordinate in payment to the debt service and periodic payments, as described in the Debt Act.

On December 18, 2003, the School District entered into a fixed to floating rate IRMA (commonly known as a Swaption), with Morgan Stanley Capital Services, Inc. ("Morgan Stanley"), hereinafter referred to as the "2003 Swaption". Under the terms of the 2003 Swaption, Morgan Stanley has the option to require the School District to begin making variable rate 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 of 1997 (the "1997 Bonds"). Morgan Stanley may exercise the 2003 Swaption every March 1 and September 1 (Bermuda Style Option) through the termination date of September 1, 2016.

On June 1, 2007 the School District refunded and retired its 1997 Bonds with a portion of the proceeds of its General Obligation Bonds, Series A of 2007 (the "2007A Bonds"), initially issued in the principal amount of $61,630,000. Under the terms of an amendment to the 2003 Swaption Confirmation (or similar transfer agreement), the 2003 Swaption will now be associated with the 2007A Bonds. As of August 15, 2011, Morgan Stanley has not exercised the 2003 Swaption. The 2003 Swaption currently has an outstanding notional amount of $38,735,000 and has a termination date of September 1, 2016, which is the final maturity date of the 2007A Bonds.

I. Debt Outstanding and Proposed New Debt

Following the refunding and retirement of the 2007 Bonds and the issuance of the 2011 Bonds, 2011A BASD Authority Bonds, and 2011A Note, the District will have total direct debt outstanding of $297,115,000, consisting of $196,655,000 or 66.19% fixed rate debt and $100,460,000 or 33.81% variable rate debt.

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 District will continue to be obligated under four IRMAs following the conclusion of the transactions described above. They are described in Schedule 2A.

The notional amount of the 2011A Fixed Payer Swap is shown in Schedule 2B, which includes the original notional amount of the 2007 Fixed Payer Swap as well as the portion of the 2007 Fixed Payer Swap being terminated by a portion of the proceeds of the 2011 Bonds.

III. Swap Fees Paid or Payable

The amounts of all consulting, advisory, brokerage or similar fees payable directly by the District, or by BASDA, JP Morgan or any other party in connection with the partial termination and transfer of the 2007 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 District directly or through BASDA, following the current transactions, are shown in Schedules 4A and 4B attached hereto and incorporated herein by this reference.

V. Risk Analysis – 2011A Fixed Payer Swap

Schedule 5A contains a summary of the risks inherent to the 2011A Fixed Payer, paid by or through the District. Schedules 5B, 5C, and 5D illustrate 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 and 6B attached hereto and incorporated herein by this reference.

VI. Risk Analysis – IRMAs Outstanding

As set forth on Schedule 2A, the School District will have four IRMAs remaining after the current transactions are consummated. For the purposes of the Risk Analysis, the schedules illustrating the applicable risk scenarios for the three remaining IRMAs besides the 2011A Fixed Payer Swap, are as follows:

- 2003 Swaption: Schedules 7A, 7B, 7C, and 7D
- 2010 Fixed Payer Swap: Schedules 8A, 8B, 8C, 8D, 8E, and 8F
- 2011 Fixed Payer Swap Schedules 9A, 9B, 9C, 9D, 9E, and 9F

VII. Monitoring of 2011A Fixed Payer Swap

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 Assistant to the Superintendent for Finance and Administration of the School District at least on an annual basis (or other basis, if so directed by the Assistant to the Superintendent for Finance and Administration and/or the Board of Directors).

Schedule 1A
Current Estimated Debt Service
Outstanding Bonds

1	2	3	4	5	6	7	8	9	10	11	12
	FIXED RATE BONDS							VARIABLE RATE (WITH FIXED PAY SWAPS)			
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	G.O. Bonds Series of 2010	ESTIMATED G.O. Bonds Series of 2011 [1]	G.O. Note Series of 2010 [2]	G.O. Note Series of 2011 [3]	ESTIMATED G.O. Note Series A of 2011 [4]	Total Debt Service
6/30/2012	631,350	8,245,000	4,719,431	580,400	840,569	1,394,238	928,264	1,669,607	1,835,655	844,900	**21,689,413**
6/30/2013	629,543	8,248,125	4,717,231	580,400	836,819	1,404,160	1,483,022	1,669,329	1,835,429	1,444,660	**22,848,718**
6/30/2014	606,693	8,814,625	4,185,519	580,400	837,075	1,398,860	1,482,930	1,669,052	1,835,203	1,444,420	**22,854,776**
6/30/2015	603,640	8,817,875	4,187,106	580,400	840,338	1,398,650	1,482,830	1,668,774	1,834,977	1,444,180	**22,858,770**
6/30/2016	599,505	8,820,625	4,189,931	580,400	836,819	1,403,400	1,482,722	1,668,497	1,834,751	1,443,940	**22,860,589**
6/30/2017	994,035	1,060,875	11,495,331	580,400	841,526	1,392,988	1,482,597	1,668,219	1,834,524	1,443,700	**22,794,195**
6/30/2018	1,043,615		12,502,456	580,400	839,434	1,392,838	1,482,454	1,667,942	1,834,298	1,443,460	**22,786,897**
6/30/2019	1,038,015		9,562,581	3,523,400	840,439	1,392,673	1,482,295	1,667,664	1,834,072	1,443,220	**22,784,358**
6/30/2020			7,309,956	6,748,200	839,369	1,392,498	1,482,120	1,667,387	1,833,846	1,442,980	**22,716,355**
6/30/2021			8,955,081	5,105,000	841,294	1,392,298	1,481,934	1,667,109	1,833,620	1,442,740	**22,719,075**
6/30/2022			14,056,525		836,575	1,407,098	1,481,740	1,666,832	1,833,393	1,442,500	**22,724,662**
6/30/2023			2,411,544		839,869	6,916,298	5,166,537	1,666,554	3,084,049	1,442,260	**21,527,110**
6/30/2024			1,775,122		826,006	7,629,038	5,150,450	1,666,277	3,077,504	1,442,020	**21,566,416**
6/30/2025					805,769	9,013,850	5,168,079	1,665,999	3,552,528	1,441,780	**21,648,004**
6/30/2026					794,000	9,056,763	5,147,805	1,665,722	3,546,916	1,441,540	**21,652,745**
6/30/2027					780,419		5,086,590	8,210,507	6,106,319	1,441,300	**21,625,135**
6/30/2028					765,419		5,055,547	8,273,089	6,096,382	1,441,060	**21,631,496**
6/30/2029					753,834		5,032,537	8,335,395	6,076,718	1,440,820	**21,639,304**
6/30/2030							3,001,284	8,718,407	6,555,349	3,488,780	**21,763,820**
6/30/2031									6,573,730	14,682,720	**21,256,450**
6/30/2032									6,660,014	14,592,460	**21,252,474**
6/30/2033											
6/30/2034											
6/30/2035											
TOTAL	6,146,395	44,007,125	90,067,816	19,439,400	14,795,571	47,985,645	54,561,731	58,552,363	71,509,277	58,135,440	**465,200,762**
Principal*:	4,915,000	38,735,000	66,765,000	14,410,000	10,240,000	28,845,000	32,745,000	29,995,000	40,465,000	30,000,000	**297,115,000**

[1] Assumes estimated principal amount and estimated interest rates
[2] Interest Rate assumed at 5.550%, which includes 3.900% Fixed Swap Rate + 150 bps FRN spread and 15 bps miscellaneous
[3] Interest Rate assumed at 4.524%, which includes 3.744% Fixed Swap Rate + 75 bps FRN spread.
[4] Assumes estimated interest rate of 4.800%

* Outstanding as of August 10, 2011

Schedule 1B
Current Maximum Debt Service
Outstanding Bonds

1	2	3	4	5	6	7	8	9	10	11	12
	FIXED RATE BONDS							VARIABLE RATE (WITH FIXED PAY SWAPS)			
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	G.O. Bonds Series of 2010	G.O. Bonds Series of 2011 [1]	G.O. Note Series of 2010 [2]	G.O. Note Series of 2011 [3]	G.O. Note Series A of 2011 [4]	Total Debt Service
6/30/2012	631,350	8,245,000	4,719,431	580,400	840,569	1,394,238	928,264	3,604,150	4,860,850	2,104,750	**27,909,001**
6/30/2013	629,543	8,248,125	4,717,231	580,400	836,819	1,404,160	1,483,022	3,603,550	4,860,250	3,604,150	**29,967,250**
6/30/2014	606,693	8,814,625	4,185,519	580,400	837,075	1,398,860	1,482,930	3,602,950	4,859,650	3,603,550	**29,972,251**
6/30/2015	603,640	8,817,875	4,187,106	580,400	840,338	1,398,650	1,482,830	3,602,350	4,859,050	3,602,950	**29,975,189**
6/30/2016	599,505	8,820,625	4,189,931	580,400	836,819	1,403,400	1,482,722	3,601,750	4,858,450	3,602,350	**29,975,952**
6/30/2017	994,035	1,060,875	11,495,331	580,400	841,526	1,392,988	1,482,597	3,601,150	4,857,850	3,601,750	**29,908,502**
6/30/2018	1,043,615		12,502,456	580,400	839,434	1,392,838	1,482,454	3,600,550	4,857,250	3,601,150	**29,900,147**
6/30/2019	1,038,015		9,562,581	3,523,400	840,439	1,392,673	1,482,295	3,599,950	4,856,650	3,600,550	**29,896,552**
6/30/2020			7,309,956	6,748,200	839,369	1,392,498	1,482,120	3,599,350	4,856,050	3,599,950	**29,827,492**
6/30/2021			8,955,081	5,105,000	841,294	1,392,298	1,481,934	3,598,750	4,855,450	3,599,350	**29,829,156**
6/30/2022			14,056,525		836,575	1,407,098	1,481,740	3,598,150	4,854,850	3,598,750	**29,833,687**
6/30/2023			2,411,544		839,869	6,916,298	5,166,537	3,597,550	6,015,700	3,598,150	**28,545,647**
6/30/2024			1,775,122		826,006	7,629,038	5,150,450	3,596,950	5,907,450	3,597,550	**28,482,565**
6/30/2025					805,769	9,013,850	5,168,079	3,596,350	6,242,050	3,596,950	**28,423,047**
6/30/2026					794,000	9,056,763	5,147,805	3,595,750	6,086,700	3,596,350	**28,277,368**
6/30/2027					780,419		5,086,590	9,960,150	8,306,350	3,595,750	**27,729,259**
6/30/2028					765,419		5,055,547	9,578,300	7,924,700	3,595,150	**26,919,115**
6/30/2029					753,834		5,032,537	9,166,800	7,517,250	3,594,550	**26,064,971**
6/30/2030							3,001,284	9,036,150	7,555,700	5,579,450	**25,172,584**
6/30/2031									7,108,700	16,276,800	**23,385,500**
6/30/2032									6,701,350	15,188,650	**21,890,000**
6/30/2033											
6/30/2034											
6/30/2035											
TOTAL	6,146,395	44,007,125	90,067,816	19,439,400	14,795,571	47,985,645	54,561,731	91,740,650	122,802,300	100,338,600	**591,885,232**
Principal*:	4,915,000	38,735,000	66,765,000	14,410,000	10,240,000	28,845,000	32,745,000	29,995,000	40,465,000	30,000,000	**297,115,000**

[1] Assumes estimated principal amount and estimated interest rates
[2] Assumes max rate of 12.00%
[3] Assumes max rate of 12.00%
[4] Assumes max rate of 12.00%

* Outstanding as of August 10, 2011

Schedule 2A
Outstanding Qualified Interest Rate Management Agreements

"2003 Swaption" See "Overview of Current Transactions"

"2010 Fixed Payer Swap" On December 23, 2003, the School District (on a future start basis) entered into an IRMA (the "2005 Fixed Payer Swap") 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 School District pays Morgan Stanley a fixed rate of 3.900%, while Morgan Stanley pays the School District 60% of 1-month LIBOR plus a fixed spread of 0.345%.

On January 5, 2010, a portion of the 2005 Bonds and related portion of the 2005 Fixed Payer Swap was refunded and terminated with proceeds of the District's fixed rate General Obligation Bonds, Series of 2010, issued in the amount of $28,850,000. A portion of the proceeds from the 2010 Bonds terminated a portion of the 2005 Fixed Payer Swap relating to the 2011 through a portion of the 2027 maturities. The remaining portion of the 2005 Bonds was refunded with the BASD Authority School Revenue Bonds (Bethlehem Area School District Refunding Project), Series of 2010 ("2010 BASD Authority Bonds") in the principal amount of $30,000,000.

The 2010 BASD Authority Bonds were purchased directly by RBC Capital Markets ("RBC"). The 2010 BASD Authority Bonds were issued initially in the Floating Mode, with the interest rate determined weekly equal to the Index Rate (which is SIFMA plus an Applicable Spread), in accordance with the terms of a Trust Indenture (the "Indenture") between the BASD Authority and Manufacturer's and Traders Trust Company (the "Trustee"), as trustee for the 2010 BASD Authority Bonds. The balance of the 2005 Fixed Payer Swap, not terminated by the 2010 Bonds, was transferred to the 2010 BASD Authority Bonds via a Novation Agreement. The remaining balance of the 2005 Fixed Payer Swap relating to the 2010 Note is hereinafter referred to as the "2010 Fixed Payer Swap". The 2010 Fixed Payer Swap currently has an outstanding notional amount of $29,630,000 and has a final maturity date of January 1, 2030, which is the final maturity date of the 2010 BASD Authority Bonds.

"2011 Fixed Payer Swap" On November 22, 2005, through the Shippensburg Borough Authority ("SBA"), the School District (on a future start basis) entered into an "interest rate management agreement" ("IRMA"), as defined in the Debt Act, with JP Morgan Chase Bank, N.A. ("JP Morgan"), hereinafter referred to as the "2007 SBA Fixed Payer Swap". The terms of the 2007 SBA Fixed Payer Swap called for the District, under a General Obligation Note Series of 2007 ("2007 Note") issued to SBA, to pay to JP Morgan a fixed rate of 3.774% and for JP Morgan to pay to the District a variable rate of 68% of 1 Month LIBOR. The 2007 SBA Fixed Payer Swap was intended by the District to manage interest rates and costs associated with the $40,000,000 Variable Rate Demand Revenue Bonds (Bethlehem Area School District Project), Series of 2007 (the "2007 SBA Bonds") issued by the SBA.

On May 1, 2009, the District, through the BASD Authority, incorporated by the District, refunded and retired the 2007 SBA Bonds with the School Revenue Bonds (Bethlehem Area School District Refunding Project), Series of 2009 ("2009 BASD Authority Bonds") in the amount of $40,280,000. The 2007 SBA Fixed Payer Swap was assigned to the BASD Authority under the terms of a Novation Agreement.

On April 28, 2011, the District, through the BASD Authority, refunded and retired the 2009 BASD Authority Bonds with its School Revenue Bonds (Bethlehem Area School District Refunding Project), Series of 2011 ("2011 BASD Authority Bonds") in the amount of $40,470,000. The 2007 SBA Fixed Payer Swap, under the terms of an amendment to the IRMA Confirmation, became associated with the 2011 BASD Authority Bonds and will hereinafter be referred to as the "2011 Fixed Payer Swap". JP Morgan will still pay to the District a variable rate of 68% of 1 Month LIBOR and the District will pay to JP Morgan a fixed rate of 3.774%. The 2011 Fixed Payer Swap currently has an outstanding notional amount of $39,980,000 and has a final maturity date of July 1, 2031 which is the final maturity date of the 2011 BASD Authority Bonds.

"2011A Fixed Payer Swap" See "Overview of Current Transactions"

Schedule 2B
Summary of Fixed Payer Swap Terminated by 2011 Bonds

Date	*Existing 2007 Fixed Payer Swap*		*Terminated Portion of 2007 Fixed Payer Swap*		*2011A Fixed Payer Swap*	
	Maturity	*Balance*	*Maturity*	*Balance*	*Maturity*	*Balance*
8/15/2011		54,980,000		25,140,000		29,840,000
1/1/2012	5,000	54,975,000	5,000	25,135,000		29,840,000
1/1/2013	5,000	54,970,000	5,000	25,130,000		29,840,000
1/1/2014	5,000	54,965,000	5,000	25,125,000		29,840,000
1/1/2015	5,000	54,960,000	5,000	25,120,000		29,840,000
1/1/2016	5,000	54,955,000	5,000	25,115,000		29,840,000
1/1/2017	5,000	54,950,000	5,000	25,110,000		29,840,000
1/1/2018	5,000	54,945,000	5,000	25,105,000		29,840,000
1/1/2019	5,000	54,940,000	5,000	25,100,000		29,840,000
1/1/2020	5,000	54,935,000	5,000	25,095,000		29,840,000
1/1/2021	5,000	54,930,000	5,000	25,090,000		29,840,000
1/1/2022	5,000	54,925,000	5,000	25,085,000		29,840,000
1/1/2023	3,045,000	51,880,000	3,045,000	22,040,000		29,840,000
1/1/2024	3,185,000	48,695,000	3,185,000	18,855,000		29,840,000
1/1/2025	3,335,000	45,360,000	3,335,000	15,520,000		29,840,000
1/1/2026	3,495,000	41,865,000	3,495,000	12,025,000		29,840,000
1/1/2027	3,665,000	38,200,000	3,665,000	8,360,000		29,840,000
1/1/2028	3,835,000	34,365,000	3,835,000	4,525,000		29,840,000
1/1/2029	4,020,000	30,345,000	4,020,000	505,000		29,840,000
1/1/2030	4,215,000	26,130,000	505,000		3,710,000	26,130,000
1/1/2031	12,760,000	13,370,000			12,760,000	13,370,000
1/1/2032	13,370,000				13,370,000	

Schedule 3
Summary of Fees Paid in Connection with the Partial Termination and Transfer of the 2007 Fixed Payer Swap

	Fees Paid
PFM Asset Management, LLC Swap Advisor	$40,000
Rhoads & Sinon LLP Swap Counsel	$40,000
King, Spry, Herman, Freund & Faul, LLC Solicitor	$20,000

Schedule 4A
2011A Fixed Payer Swap
Estimated Periodic Scheduled Payments

1	2	3	4	5	6
			Receive	Pay	
Fiscal Year Ending	Principal Date	Notional	60% of 1-Month LIBOR + 0.346% (1) 2.750%	Fixed Swap Rate (2) 4.145%	Fiscal Year Total
6/30/2012	1/1/2012	29,840,000	(547,066.67)	824,578.67	277,512.00
6/30/2013	1/1/2013	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2014	1/1/2014	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2015	1/1/2015	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2016	1/1/2016	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2017	1/1/2017	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2018	1/1/2018	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2019	1/1/2019	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2020	1/1/2020	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2021	1/1/2021	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2022	1/1/2022	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2023	1/1/2023	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2024	1/1/2024	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2025	1/1/2025	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2026	1/1/2026	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2027	1/1/2027	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2028	1/1/2028	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2029	1/1/2029	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2030	1/1/2030	29,840,000	(769,587.50)	1,159,978.25	390,390.75
6/30/2031	1/1/2031	26,130,000	(543,125.00)	818,637.50	275,512.50
6/30/2032	1/1/2032	13,370,000	(183,837.50)	277,093.25	93,255.75
	TOTALS		(15,993,816.67)	24,107,043.67	8,113,227.00

(1) For these purposes, 60% of 1-Month LIBOR + 0.346% assumed at 2.750%, received monthly

(2) For these purposes, Fixed Swap Rate assumed at 4.145%, paid monthly

Schedule 4B
2011A Fixed Payer Swap
Maximum Periodic Scheduled Payments

1	2	3	4	5	6
			Receive	Pay	
Fiscal Year Ending	Principal Date	Notional	60% of 1-Month LIBOR + 0.346% (1)	Fixed Swap Rate (2)	Fiscal Year Total
			0.000%	4.145%	
6/30/2012	1/1/2012	29,840,000	0.00	824,578.67	824,578.67
6/30/2013	1/1/2013	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2014	1/1/2014	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2015	1/1/2015	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2016	1/1/2016	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2017	1/1/2017	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2018	1/1/2018	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2019	1/1/2019	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2020	1/1/2020	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2021	1/1/2021	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2022	1/1/2022	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2023	1/1/2023	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2024	1/1/2024	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2025	1/1/2025	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2026	1/1/2026	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2027	1/1/2027	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2028	1/1/2028	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2029	1/1/2029	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2030	1/1/2030	29,840,000	0.00	1,159,978.25	1,159,978.25
6/30/2031	1/1/2031	26,130,000	0.00	818,637.50	818,637.50
6/30/2032	1/1/2032	13,370,000	0.00	277,093.25	277,093.25
	TOTALS		0.00	24,107,043.67	24,107,043.67

(1) For these purposes, 60% of 1-Month LIBOR + 0.346% assumed at 0.000%, received monthly

(2) For these purposes, Fixed Swap Rate assumed at 4.145%, paid monthly

Schedule 5A
Risk Summary for 2011A 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 termination payments owed.	See Schedule 5B for the potential termination 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 2011A Fixed Payer Swap.	Could result in a realized fixed rate on the 2011A 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 2011 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 2011A 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 2011A 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 2011A 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 procure 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.*
*** Note: Under the initial Index Mode of the 2011A BASD Authority Bonds, the District will be paying 68% of 1 Month LIBOR plus 0.75%, which would eliminate Tax Risk and mitigate Basis Risk as it relates to the 2011A Fixed Payer Swap and 2011A BASD Authority Bonds. If the 2011A BASD Authority Bonds are remarketed into a different mode or type of Floating Mode (i.e. SIFMA instead of LIBOR), then the District would retain Tax Risk and Basis Risk.*

Schedule 5B
Termination Values
2011A Fixed Payer Swap

Schedule 5C
Tax Risk: Present Value Analysis
2011A Fixed Payer Swap

Schedule 5D
Tax Risk: Annual Cash Flows
2011A Fixed Payer Swap

Schedule 6A
2011A Fixed Payer Swap and the 2011A BASD Authority Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2011A BASD Authority Bonds			2011A Fixed Payer Swap			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (68% of 1 Month LIBOR) (1)	FRN Spread (Current) (2)	Notional	60% of 1-Month LIBOR + 0.346% (3)	Fixed Swap Rate (4)	Fiscal Year Total
			2.750%	0.750%		2.750%	4.145%	
6/30/2012	1/1/2012	5,000	549,931.25	149,981.25	29,840,000	(547,066.67)	824,578.67	982,424.50
6/30/2013	1/1/2013	5,000	824,793.75	224,943.75	29,840,000	(820,600.00)	1,236,868.00	1,471,005.50
6/30/2014	1/1/2014	5,000	824,656.25	224,906.25	29,840,000	(820,600.00)	1,236,868.00	1,470,830.50
6/30/2015	1/1/2015	5,000	824,518.75	224,868.75	29,840,000	(820,600.00)	1,236,868.00	1,470,655.50
6/30/2016	1/1/2016	5,000	824,381.25	224,831.25	29,840,000	(820,600.00)	1,236,868.00	1,470,480.50
6/30/2017	1/1/2017	5,000	824,243.75	224,793.75	29,840,000	(820,600.00)	1,236,868.00	1,470,305.50
6/30/2018	1/1/2018	5,000	824,106.25	224,756.25	29,840,000	(820,600.00)	1,236,868.00	1,470,130.50
6/30/2019	1/1/2019	5,000	823,968.75	224,718.75	29,840,000	(820,600.00)	1,236,868.00	1,469,955.50
6/30/2020	1/1/2020	5,000	823,831.25	224,681.25	29,840,000	(820,600.00)	1,236,868.00	1,469,780.50
6/30/2021	1/1/2021	5,000	823,693.75	224,643.75	29,840,000	(820,600.00)	1,236,868.00	1,469,605.50
6/30/2022	1/1/2022	5,000	823,556.25	224,606.25	29,840,000	(820,600.00)	1,236,868.00	1,469,430.50
6/30/2023	1/1/2023	5,000	823,418.75	224,568.75	29,840,000	(820,600.00)	1,236,868.00	1,469,255.50
6/30/2024	1/1/2024	5,000	823,281.25	224,531.25	29,840,000	(820,600.00)	1,236,868.00	1,469,080.50
6/30/2025	1/1/2025	5,000	823,143.75	224,493.75	29,840,000	(820,600.00)	1,236,868.00	1,468,905.50
6/30/2026	1/1/2026	5,000	823,006.25	224,456.25	29,840,000	(820,600.00)	1,236,868.00	1,468,730.50
6/30/2027	1/1/2027	5,000	822,868.75	224,418.75	29,840,000	(820,600.00)	1,236,868.00	1,468,555.50
6/30/2028	1/1/2028	5,000	822,731.25	224,381.25	29,840,000	(820,600.00)	1,236,868.00	1,468,380.50
6/30/2029	1/1/2029	5,000	822,593.75	224,343.75	29,840,000	(820,600.00)	1,236,868.00	1,468,205.50
6/30/2030	1/1/2030	2,095,000	793,718.75	216,468.75	29,840,000	(769,587.50)	1,159,978.25	3,495,578.25
6/30/2031	1/1/2031	13,620,000	577,637.50	157,537.50	26,130,000	(543,125.00)	818,637.50	14,630,687.50
6/30/2032	1/1/2032	14,195,000	195,181.25	53,231.25	13,370,000	(183,837.50)	277,093.25	14,536,668.25
	TOTALS	30,000,000	16,119,262.50	4,396,162.50		(15,993,816.67)	24,107,043.67	58,628,652.00

(1) For these purposes, FRN Base Index (68% of 1 Month LIBOR) assumed at 2.750%, paid monthly

(2) For these purposes, FRN Spread (Current) assumed at 0.750%, 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 6B
2011A Fixed Payer Swap and the 2011A BASD Authority Bonds
Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2011A BASD Authority Bonds			2011A Fixed Payer Swap			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (68% of 1 Month LIBOR) (1)	FRN Spread (Current) (2)	Notional	60% of 1-Month LIBOR + 0.346% (3)	Fixed Swap Rate (4)	Fiscal Year Total
			25.000%			0.000%	4.145%	
6/30/2012	1/1/2012	5,000	4,999,375.00	0.00	29,840,000	0.00	824,578.67	5,828,953.67
6/30/2013	1/1/2013	5,000	7,498,125.00	0.00	29,840,000	0.00	1,236,868.00	8,739,993.00
6/30/2014	1/1/2014	5,000	7,496,875.00	0.00	29,840,000	0.00	1,236,868.00	8,738,743.00
6/30/2015	1/1/2015	5,000	7,495,625.00	0.00	29,840,000	0.00	1,236,868.00	8,737,493.00
6/30/2016	1/1/2016	5,000	7,494,375.00	0.00	29,840,000	0.00	1,236,868.00	8,736,243.00
6/30/2017	1/1/2017	5,000	7,493,125.00	0.00	29,840,000	0.00	1,236,868.00	8,734,993.00
6/30/2018	1/1/2018	5,000	7,491,875.00	0.00	29,840,000	0.00	1,236,868.00	8,733,743.00
6/30/2019	1/1/2019	5,000	7,490,625.00	0.00	29,840,000	0.00	1,236,868.00	8,732,493.00
6/30/2020	1/1/2020	5,000	7,489,375.00	0.00	29,840,000	0.00	1,236,868.00	8,731,243.00
6/30/2021	1/1/2021	5,000	7,488,125.00	0.00	29,840,000	0.00	1,236,868.00	8,729,993.00
6/30/2022	1/1/2022	5,000	7,486,875.00	0.00	29,840,000	0.00	1,236,868.00	8,728,743.00
6/30/2023	1/1/2023	5,000	7,485,625.00	0.00	29,840,000	0.00	1,236,868.00	8,727,493.00
6/30/2024	1/1/2024	5,000	7,484,375.00	0.00	29,840,000	0.00	1,236,868.00	8,726,243.00
6/30/2025	1/1/2025	5,000	7,483,125.00	0.00	29,840,000	0.00	1,236,868.00	8,724,993.00
6/30/2026	1/1/2026	5,000	7,481,875.00	0.00	29,840,000	0.00	1,236,868.00	8,723,743.00
6/30/2027	1/1/2027	5,000	7,480,625.00	0.00	29,840,000	0.00	1,236,868.00	8,722,493.00
6/30/2028	1/1/2028	5,000	7,479,375.00	0.00	29,840,000	0.00	1,236,868.00	8,721,243.00
6/30/2029	1/1/2029	5,000	7,478,125.00	0.00	29,840,000	0.00	1,236,868.00	8,719,993.00
6/30/2030	1/1/2030	2,095,000	7,215,625.00	0.00	29,840,000	0.00	1,159,978.25	10,470,603.25
6/30/2031	1/1/2031	13,620,000	5,251,250.00	0.00	26,130,000	0.00	818,637.50	19,689,887.50
6/30/2032	1/1/2032	14,195,000	1,774,375.00	0.00	13,370,000	0.00	277,093.25	16,246,468.25
	TOTALS	30,000,000	146,538,750.00	0.00		0.00	24,107,043.67	200,645,793.67

(1) For these purposes, FRN Base Index (68% of 1 Month LIBOR) assumed at 25.000%, paid monthly

(2) For these purposes, FRN Spread (Current) assumed at 0.000%, 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

---2003 Swaption---

Schedule 7A
Risk Summary – 2003 Swaption

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2003 Swaption 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 Swaption.	Could result in a higher rate paid on the 2003 Swaption.	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 Swaption, 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 Swaption, Monitor.
4) Counterparty Credit (Default) Risk	Risk of a payment default on the 2003 Swaption 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

Schedule 7C
2003 Swaption and 2007A Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2007A BONDS			2003 SWAPTION			
		Pay		Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	Rate	Fixed Rate Interest	Notional	Fixed Swap Rate	SIFMA (1)	Fiscal Year Total
						3.280%	2.700%	
6/30/2012	9/1/2011	6,470,000	5.000%	1,775,000.00	38,735,000	(1,164,400.00)	958,500.00	8,039,100.05
6/30/2013	9/1/2012	6,805,000	5.000%	1,443,125.00	32,265,000	(946,690.00)	779,287.50	8,080,722.55
6/30/2014	9/1/2013	7,735,000	5.000%	1,079,625.00	25,460,000	(708,234.00)	582,997.50	8,689,388.55
6/30/2015	9/1/2014	8,135,000	5.000%	682,875.00	17,725,000	(447,966.00)	368,752.50	8,738,661.55
6/30/2016	9/1/2015	8,555,000	5.000%	265,625.00	9,590,000	(174,250.00)	143,437.50	8,789,812.55
6/30/2017	9/1/2016	1,035,000	5.000%	25,875.00	1,035,000	(16,974.00)	13,972.50	1,057,873.55
	TOTALS	38,735,000		5,272,125.00		(3,458,514.00)	2,846,947.50	43,395,558.80

(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
		2007A BONDS			2003 SWAPTION			
		Pay		Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	Rate	Fixed Rate Interest	Notional	Fixed Swap Rate	SIFMA (1)	Fiscal Year Total
						3.280%	25.000%	
6/30/2012	9/1/2011	6,470,000	5.000%	1,775,000.00	38,735,000	(1,164,400.00)	8,875,000.00	15,955,600.05
6/30/2013	9/1/2012	6,805,000	5.000%	1,443,125.00	32,265,000	(946,690.00)	7,215,625.00	14,517,060.05
6/30/2014	9/1/2013	7,735,000	5.000%	1,079,625.00	25,460,000	(708,234.00)	5,398,125.00	13,504,516.05
6/30/2015	9/1/2014	8,135,000	5.000%	682,875.00	17,725,000	(447,966.00)	3,414,375.00	11,784,284.05
6/30/2016	9/1/2015	8,555,000	5.000%	265,625.00	9,590,000	(174,250.00)	1,328,125.00	9,974,500.05
6/30/2017	9/1/2016	1,035,000	5.000%	25,875.00	1,035,000	(16,974.00)	129,375.00	1,173,276.05
	TOTALS	38,735,000		5,272,125.00		(3,458,514.00)	26,360,625.00	66,909,236.30

(1) For these purposes, SIFMA assumed at max rate of 25.000%, paid semi-annually

---2010 Fixed Payer Swap---

Schedule 8A
Risk Summary – 2010 Fixed Payer Swap

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2010 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 2010 Fixed Payer Swap.	Could result in a realized fixed rate on the 2010 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 2010 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 2010 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 2010 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 2010 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
2010 Fixed Payer Swap

Schedule 8C
Tax Risk: Present Value Analysis
2010 Fixed Payer Swap

Schedule 8D
Tax Risk: Annual Cash Flows
2010 Fixed Payer Swap

Schedule 8E
2010 Fixed Payer Swap and 2010 BASD Authority Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2010 BASD Authority Bonds			2010 Fixed Payer			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (SIFMA) (1) 2.700%	FRN Spread (Current Estimate) (2) 1.500%	Notional	60% of 1-Month LIBOR + 0.345% (3) 2.750%	Fixed Swap Rate (4) 3.900%	Fiscal Year Total
6/30/2011	1/1/2011	5,000	809,932.50	449,962.50	29,630,000	(814,825.00)	1,155,570.00	1,605,640.00
6/30/2012	1/1/2012	5,000	809,797.50	449,887.50	29,630,000	(814,825.00)	1,155,570.00	1,605,430.00
6/30/2013	1/1/2013	5,000	809,662.50	449,812.50	29,630,000	(814,825.00)	1,155,570.00	1,605,220.00
6/30/2014	1/1/2014	5,000	809,527.50	449,737.50	29,630,000	(814,825.00)	1,155,570.00	1,605,010.00
6/30/2015	1/1/2015	5,000	809,392.50	449,662.50	29,630,000	(814,825.00)	1,155,570.00	1,604,800.00
6/30/2016	1/1/2016	5,000	809,257.50	449,587.50	29,630,000	(814,825.00)	1,155,570.00	1,604,590.00
6/30/2017	1/1/2017	5,000	809,122.50	449,512.50	29,630,000	(814,825.00)	1,155,570.00	1,604,380.00
6/30/2018	1/1/2018	5,000	808,987.50	449,437.50	29,630,000	(814,825.00)	1,155,570.00	1,604,170.00
6/30/2019	1/1/2019	5,000	808,852.50	449,362.50	29,630,000	(814,825.00)	1,155,570.00	1,603,960.00
6/30/2020	1/1/2020	5,000	808,717.50	449,287.50	29,630,000	(814,825.00)	1,155,570.00	1,603,750.00
6/30/2021	1/1/2021	5,000	808,582.50	449,212.50	29,630,000	(814,825.00)	1,155,570.00	1,603,540.00
6/30/2022	1/1/2022	5,000	808,447.50	449,137.50	29,630,000	(814,825.00)	1,155,570.00	1,603,330.00
6/30/2023	1/1/2023	5,000	808,312.50	449,062.50	29,630,000	(814,825.00)	1,155,570.00	1,603,120.00
6/30/2024	1/1/2024	5,000	808,177.50	448,987.50	29,630,000	(814,825.00)	1,155,570.00	1,602,910.00
6/30/2025	1/1/2025	5,000	808,042.50	448,912.50	29,630,000	(814,825.00)	1,155,570.00	1,602,700.00
6/30/2026	1/1/2026	5,000	807,907.50	448,837.50	29,630,000	(814,825.00)	1,155,570.00	1,602,490.00
6/30/2027	1/1/2027	6,705,000	717,322.50	398,512.50	29,630,000	(722,356.25)	1,024,432.50	8,122,911.25
6/30/2028	1/1/2028	7,150,000	530,280.00	294,600.00	22,905,000	(529,512.50)	750,945.00	8,196,312.50
6/30/2029	1/1/2029	7,620,000	330,885.00	183,825.00	15,605,000	(324,225.00)	459,810.00	8,270,295.00
6/30/2030	1/1/2030	8,445,000	114,007.50	63,337.50	7,975,000	(109,656.25)	155,512.50	8,668,201.25
	TOTALS	30,000,000	14,635,215.00	8,130,675.00		(14,722,950.00)	20,879,820.00	58,922,760.00

(1) For these purposes, FRN Base Index (SIFMA) assumed at 2.700%, paid monthly

(2) For these purposes, FRN Spread (Current Estimate) assumed at 1.500%, paid monthly

(3) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 2.750%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

Schedule 8F
2010 Fixed Payer Swap and 2010 BASD Authority Bonds
Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8
		2010 BASD Authority Bonds		2010 Fixed Payer			
		Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	2010 BASD Authority Max Rate (1)	Notional	60% of 1-Month LIBOR + 0.345% (2)	Fixed Swap Rate (3)	Fiscal Year Total
			12.000%		0.000%	3.900%	
6/30/2011	1/1/2011	5,000	3,599,700.00	29,630,000	0.00	1,155,570.00	4,760,270.00
6/30/2012	1/1/2012	5,000	3,599,100.00	29,630,000	0.00	1,155,570.00	4,759,670.00
6/30/2013	1/1/2013	5,000	3,598,500.00	29,630,000	0.00	1,155,570.00	4,759,070.00
6/30/2014	1/1/2014	5,000	3,597,900.00	29,630,000	0.00	1,155,570.00	4,758,470.00
6/30/2015	1/1/2015	5,000	3,597,300.00	29,630,000	0.00	1,155,570.00	4,757,870.00
6/30/2016	1/1/2016	5,000	3,596,700.00	29,630,000	0.00	1,155,570.00	4,757,270.00
6/30/2017	1/1/2017	5,000	3,596,100.00	29,630,000	0.00	1,155,570.00	4,756,670.00
6/30/2018	1/1/2018	5,000	3,595,500.00	29,630,000	0.00	1,155,570.00	4,756,070.00
6/30/2019	1/1/2019	5,000	3,594,900.00	29,630,000	0.00	1,155,570.00	4,755,470.00
6/30/2020	1/1/2020	5,000	3,594,300.00	29,630,000	0.00	1,155,570.00	4,754,870.00
6/30/2021	1/1/2021	5,000	3,593,700.00	29,630,000	0.00	1,155,570.00	4,754,270.00
6/30/2022	1/1/2022	5,000	3,593,100.00	29,630,000	0.00	1,155,570.00	4,753,670.00
6/30/2023	1/1/2023	5,000	3,592,500.00	29,630,000	0.00	1,155,570.00	4,753,070.00
6/30/2024	1/1/2024	5,000	3,591,900.00	29,630,000	0.00	1,155,570.00	4,752,470.00
6/30/2025	1/1/2025	5,000	3,591,300.00	29,630,000	0.00	1,155,570.00	4,751,870.00
6/30/2026	1/1/2026	5,000	3,590,700.00	29,630,000	0.00	1,155,570.00	4,751,270.00
6/30/2027	1/1/2027	6,705,000	3,188,100.00	29,630,000	0.00	1,024,432.50	10,917,532.50
6/30/2028	1/1/2028	7,150,000	2,356,800.00	22,905,000	0.00	750,945.00	10,257,745.00
6/30/2029	1/1/2029	7,620,000	1,470,600.00	15,605,000	0.00	459,810.00	9,550,410.00
6/30/2030	1/1/2030	8,445,000	506,700.00	7,975,000	0.00	155,512.50	9,107,212.50
	TOTALS	30,000,000	65,045,400.00		0.00	20,879,820.00	115,925,220.00

(1) For these purposes, 2010 BASD Authority Max Rate assumed at 12.000%, paid monthly

(2) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 0.000%, received monthly

(3) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

---2011 Fixed Payer Swap---

Schedule 9A
Risk Summary – 2011 Fixed Payer Swap

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2011 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 9B for the potential payments owed.	See Schedule 9B 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 2011 Fixed Payer Swap.	Could result in a realized fixed rate on the 2011 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 2011 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 2011 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 2011 Fixed Payer Swap that is higher than the nominal rate in the contract.	See Schedule 9C and 9D.	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 2011 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 9B 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.*
*** Note: Under the initial Index Mode of the 2011 BASD Authority Bonds, the District will be paying 68% of 1 Month LIBOR plus 0.75%, which would eliminate Tax Risk and mitigate Basis Risk as it relates to the 2011 Fixed Payer Swap and 2011 BASD Authority Bonds. If the 2011 BASD Authority Bonds are remarketed into a different mode or type of Floating Mode (i.e. SIFMA instead of LIBOR), then the District would retain Tax Risk and Basis Risk.*

Schedule 9B
Termination Values
2011 Fixed Payer Swap

Schedule 9C
Tax Risk: Present Value Analysis
2011 Fixed Payer Swap

Schedule 9D
Tax Risk: Annual Cash Flows
2011 Fixed Payer Swap

Schedule 9E
2011 Fixed Payer Swap and 2011 BASD Authority Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2011 BASD Authority Bonds			2011 Fixed Payer			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (68% of 1 Month LIBOR) (1) 2.750%	FRN Spread (Current Estimate) (2) 0.750%	Notional	68% of 1-Month LIBOR (3) 2.750%	Fixed Swap Rate (4) 3.774%	Fiscal Year Total
6/30/2011	7/1/2011	5,000	188,578.96	51,430.63	39,985,000	(1,099,587.50)	1,509,033.90	654,455.98
6/30/2012	7/1/2012	5,000	1,112,787.50	303,487.50	39,980,000	(1,099,450.00)	1,508,845.20	1,830,670.20
6/30/2013	7/1/2013	5,000	1,112,650.00	303,450.00	39,975,000	(1,099,312.50)	1,508,656.50	1,830,444.00
6/30/2014	7/1/2014	5,000	1,112,512.50	303,412.50	39,970,000	(1,099,175.00)	1,508,467.80	1,830,217.80
6/30/2015	7/1/2015	5,000	1,112,375.00	303,375.00	39,965,000	(1,099,037.50)	1,508,279.10	1,829,991.60
6/30/2016	7/1/2016	5,000	1,112,237.50	303,337.50	39,960,000	(1,098,900.00)	1,508,090.40	1,829,765.40
6/30/2017	7/1/2017	5,000	1,112,100.00	303,300.00	39,955,000	(1,098,762.50)	1,507,901.70	1,829,539.20
6/30/2018	7/1/2018	5,000	1,111,962.50	303,262.50	39,950,000	(1,098,625.00)	1,507,713.00	1,829,313.00
6/30/2019	7/1/2019	5,000	1,111,825.00	303,225.00	39,945,000	(1,098,487.50)	1,507,524.30	1,829,086.80
6/30/2020	7/1/2020	5,000	1,111,687.50	303,187.50	39,940,000	(1,098,350.00)	1,507,335.60	1,828,860.60
6/30/2021	7/1/2021	5,000	1,111,550.00	303,150.00	39,935,000	(1,098,212.50)	1,507,146.90	1,828,634.40
6/30/2022	7/1/2022	1,310,000	1,111,412.50	303,112.50	39,930,000	(1,098,075.00)	1,506,958.20	3,133,408.20
6/30/2023	7/1/2023	1,365,000	1,075,387.50	293,287.50	36,595,000	(1,006,362.50)	1,381,095.30	3,108,407.80
6/30/2024	7/1/2024	1,925,000	1,037,850.00	283,050.00	33,130,000	(911,075.00)	1,250,326.20	3,585,151.20
6/30/2025	7/1/2025	2,010,000	984,912.50	268,612.50	29,525,000	(811,937.50)	1,114,273.50	3,565,861.00
6/30/2026	7/1/2026	4,775,000	929,637.50	253,537.50	25,775,000	(708,812.50)	972,748.50	6,222,111.00
6/30/2027	7/1/2027	4,990,000	798,325.00	217,725.00	21,880,000	(601,700.00)	825,751.20	6,230,101.20
6/30/2028	7/1/2028	5,205,000	661,100.00	180,300.00	17,830,000	(490,325.00)	672,904.20	6,228,979.20
6/30/2029	7/1/2029	5,950,000	517,962.50	141,262.50	13,625,000	(374,687.50)	514,207.50	6,748,745.00
6/30/2030	7/1/2030	6,250,000	354,337.50	96,637.50	9,255,000	(254,512.50)	349,283.70	6,795,746.20
6/30/2031	7/1/2031	6,635,000	182,462.50	49,762.50	4,715,000	(129,662.50)	177,944.10	6,915,506.60
	TOTALS	40,470,000	18,963,653.96	5,171,905.63		(18,475,050.00)	25,354,486.80	71,484,996.38

(1) For these purposes, FRN Base Index (68% of 1 Month LIBOR) assumed at 2.750%, paid monthly

(2) For these purposes, FRN Spread (Current Estimate) assumed at 0.750%, 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 9F
2011 Fixed Payer Swap and 2011 BASD Authority Bonds
Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8
		2011 BASD Authority Bonds		2011 Fixed Payer			
		Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	2011 BASD Authority Max Rate (1) 25.000%	Notional	68% of 1-Month LIBOR (2) 0.000%	Fixed Swap Rate (3) 3.774%	Fiscal Year Total
6/30/2011	7/1/2011	5,000	1,714,354.17	39,985,000	0.00	1,509,033.90	3,228,388.07
6/30/2012	7/1/2012	5,000	10,116,250.00	39,980,000	0.00	1,508,845.20	11,630,095.20
6/30/2013	7/1/2013	5,000	10,115,000.00	39,975,000	0.00	1,508,656.50	11,628,656.50
6/30/2014	7/1/2014	5,000	10,113,750.00	39,970,000	0.00	1,508,467.80	11,627,217.80
6/30/2015	7/1/2015	5,000	10,112,500.00	39,965,000	0.00	1,508,279.10	11,625,779.10
6/30/2016	7/1/2016	5,000	10,111,250.00	39,960,000	0.00	1,508,090.40	11,624,340.40
6/30/2017	7/1/2017	5,000	10,110,000.00	39,955,000	0.00	1,507,901.70	11,622,901.70
6/30/2018	7/1/2018	5,000	10,108,750.00	39,950,000	0.00	1,507,713.00	11,621,463.00
6/30/2019	7/1/2019	5,000	10,107,500.00	39,945,000	0.00	1,507,524.30	11,620,024.30
6/30/2020	7/1/2020	5,000	10,106,250.00	39,940,000	0.00	1,507,335.60	11,618,585.60
6/30/2021	7/1/2021	5,000	10,105,000.00	39,935,000	0.00	1,507,146.90	11,617,146.90
6/30/2022	7/1/2022	1,310,000	10,103,750.00	39,930,000	0.00	1,506,958.20	12,920,708.20
6/30/2023	7/1/2023	1,365,000	9,776,250.00	36,595,000	0.00	1,381,095.30	12,522,345.30
6/30/2024	7/1/2024	1,925,000	9,435,000.00	33,130,000	0.00	1,250,326.20	12,610,326.20
6/30/2025	7/1/2025	2,010,000	8,953,750.00	29,525,000	0.00	1,114,273.50	12,078,023.50
6/30/2026	7/1/2026	4,775,000	8,451,250.00	25,775,000	0.00	972,748.50	14,198,998.50
6/30/2027	7/1/2027	4,990,000	7,257,500.00	21,880,000	0.00	825,751.20	13,073,251.20
6/30/2028	7/1/2028	5,205,000	6,010,000.00	17,830,000	0.00	672,904.20	11,887,904.20
6/30/2029	7/1/2029	5,950,000	4,708,750.00	13,625,000	0.00	514,207.50	11,172,957.50
6/30/2030	7/1/2030	6,250,000	3,221,250.00	9,255,000	0.00	349,283.70	9,820,533.70
6/30/2031	7/1/2031	6,635,000	1,658,750.00	4,715,000	0.00	177,944.10	8,471,694.10
	TOTALS	40,470,000	172,396,854.17		0.00	25,354,486.80	238,221,340.97

(1) For these purposes, 2011 BASD Authority Max Rate assumed at 25.000%, paid monthly

(2) For these purposes, 68% of 1-Month LIBOR assumed at 0.000%, received monthly

(3) For these purposes, Fixed Swap Rate assumed at 3.774%, paid monthly

APPENDIX B

AMENDED CONFIRMATION TO FIXED PAYER SWAP

AND RELATED ISDA MASTER AGREEMENT

AND SCHEDULE

(Multicurrency—Cross Border)

ISDA®

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of December 8, 2003

JPMORGAN CHASE BANK ("PARTY A") and BETHLEHEM AREA SCHOOL DISTRICT ("PARTY B")

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 14 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 purpose 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.

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(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 Offices through which the parties make and receive payments or deliveries.

(d) *Deduction or Withholding for Tax.*

(i) *Gross-Up.* All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) *Liability.* If:—

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) ***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 and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) 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.

(e) *Payer Tax Representation.* Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) *Payee Tax Representations.* Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

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 or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case 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.

(d) *Tax Agreement.* It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) *Payment of Stamp Tax.* Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated,

organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other 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(e) 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(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) 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 (other than a representation under Section 3(e) or (f)) 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, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) 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) *Tax Event.* Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a Substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) *Tax Event Upon Merger.* The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) *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

(v) *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) ***Transfer to Avoid Termination Event.*** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into Transactions with the transferee on the terms proposed.

(iii) ***Two Affected Parties.*** If an Illegality under Section 5(b)(i)(1) or a Tax Event 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.

(iv) ***Right to Terminate.*** If:—

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, 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 under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or 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(e) 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) in the Termination Currency, 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 Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of 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 Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of 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 Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of 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

Subject to Section 6(b)(ii), 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 or 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. Contractual Currency

(a) ***Payment in the Contractual Currency.*** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) ***Judgments.*** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) ***Separate Indemnities.*** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) ***Evidence of Loss.*** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. 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.

10. Offices; Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. 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 and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document

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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.

12. 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.

13. 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) *Service of Process.* Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any

reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) *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.

14. 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, Tax Event or Tax Event Upon Merger, 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.

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

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"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)(iv).

"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).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) 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 and, if different, in the principal financial centre, if any, of the currency of such payment, (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, the Termination Currency Equivalent of 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 11. 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).

"Office" means a branch or office of a party, which may be such party's head or home office.

"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.

"Relevant Jurisdiction" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"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 Termination Currency Equivalent of 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.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

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

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

"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 Currency" has the meaning specified in the Schedule.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Tax Event or a Tax Event Upon Merger 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 Termination Currency Equivalents 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.

JPMORGAN CHASE BANK	BETHLEHEM AREA SCHOOL DISTRICT
By:	By: .....
Name:	Name:
Title:	Title:
Date:	Date:

ISDA® 1992

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 Termination Currency Equivalents 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.

JPMORGAN CHASE BANK	BETHLEHEM AREA SCHOOL DISTRICT
By: A Beissel	By:
Name: ANNA MARIA BEISSEL	Name:
Title: VICE PRESIDENT	Title:
Date: 12/23/03	Date:

ISDA® 1992

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 Termination Currency Equivalents 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.

JPMORGAN CHASE BANK

By: .....
Name:
Title:
Date:

BETHLEHEM AREA SCHOOL DISTRICT

By: .....
Name:
Title:
Date:

EXECUTION COPY

SCHEDULE
to the
MASTER AGREEMENT

dated as of December 8, 2003

between

JPMorgan Chase Bank ("Party A")	**and**	**BETHLEHEM AREA SCHOOL DISTRICT ("Party B")**

Part I. Termination Provisions.

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

Section 5(a)(v) (Default under Specified Transaction), Not applicable.

Section 5(a)(vi) (Cross Default), Not applicable.

Section 5(a)(vii) (Bankruptcy), Not applicable.

Section 5(b)(iv) (Credit Event Upon Merger), Not applicable.

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

Section 5(a)(v) (Default under Specified Transaction), Not applicable.

Section 5(a)(vi) (Cross Default), Not applicable.

Section 5(a)(vii) (Bankruptcy), Not applicable.

Section 5(b)(iv) (Credit Event Upon Merger), Not applicable.

(b) "***Specified Transaction***" will have the meaning set forth in Section 14.

(c) The "***Cross-Default***" provisions of Section 5(a)(vi) will apply to Party A and to Party B. In that connection:

(i) "*Specified Indebtedness*" will have the meaning specified in Section 14, except that with respect to Party A, such term shall not include obligations in respect of deposits received in the ordinary course of Party A's banking business; and

(ii) "*Threshold Amount*" means, with respect to Party A, an amount equal to three percent of the shareholders' equity of Party A, and with respect to Party B, US$1,000,000.

(d) The "*Credit Event Upon Merger*" provisions of Section 5(b)(iv) will apply to Party A and to Party B. In that connection, if Party A or Party B, as the case may be, has a Credit Rating, then the words "materially weaker" in line 5 of Section 5(b)(iv) shall mean that the Credit Rating of Party A or of Party B, as the case may be, shall be rated lower than "Baa1" by Moody's, or lower than "BBB+" by S&P or, in the event that such Credit Rating is not provided by either Moody's or S&P but rather is provided by another Rating Agency, lower than a rating equivalent to the foregoing by such Rating Agency.

(e) The "*Automatic Early Termination*" provision of Section 6(a) will not apply to Party A or Party B.

(f) *Payments on Early Termination.* For the purpose of Section 6(e) of this Agreement:

(i) Market Quotation will apply.

(ii) The Second Method will apply.

(g) "*Termination Currency*" means United States Dollars.

(h) *Events of Default.*

(i) **Failure to Pay or Deliver.** Section 5(a)(i) of this Agreement is hereby amended to read in its entirety as follows:

"(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(e) required to be made by it if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;"

(ii) **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 Party B, (i) there shall be appointed or designated with respect to Party B, 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 Party B, or (ii) there shall be declared or introduced for consideration by Party B or by any legislative or regulatory body with competent jurisdiction over Party B, the existence of a state of financial emergency or similar state of financial distress in respect of Party B;"

(iii) **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 Party B, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, Party B) 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 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, transferee or successor entity of its obligations under this Agreement."

(iv) **Additional Event of Default.** The following shall constitute an Event of Default by Party B and shall be added as Section 5(a)(ix) of the Agreement:

"(ix) ***State Intercept Program.*** It shall be an Event of Default with respect to Party B hereunder if the State Intercept Program is suspended, withdrawn or otherwise terminated, or a moratorium occurs or similar action is taken which has the effect of preventing the State from making payments thereunder, or if the State fails to make a payment in respect of debt or a "qualified interest rate management agreement" (in accordance with provisions of Section 633 of the Pennsylvania Public School Code of 1949, as amended and in the case of a qualified interest rate management

agreement, Section 8283(c) of the Local Government Unit Debt Act, as amended) of any other school district organized under the laws of the State within such period of time and pursuant to such procedures as are provided under the terms of the State Intercept Program and any other applicable law."

(i) ***Additional Termination Events.*** Additional Termination Event will apply. The following shall constitute an Additional Termination Event and shall be added as Sections 5(b)(v) of the Agreement:—

"(v) ***Credit Event.*** The occurrence at any time of a Credit Event with respect to a party shall be an Additional Termination Event with respect to such party, in which case such party shall be the Affected Party and all Transactions will be Affected Transactions. As used herein, the term "Credit Event" shall mean:

(i) with respect to Party A, that the Credit Rating (as defined in Part VI(l)) of Party A shall cease to be at least "Baa1" from Moody's or "BBB+" from S&P, or that Party A shall cease to have a Credit Rating from Moody's or S&P or such ratings are withdrawn or suspended for a reason other than that Party A has elected, with the prior written consent of the Credit Support Provider of Party B, 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 A (i) transfers all of its rights and obligations hereunder to another entity which is a bank, financial institution, insurance company, broker dealer or other similar capital market participant reasonably acceptable to Party B, or (ii) executes a collateral agreement with Party B providing for the collateralization of Party A's obligations under the Agreement; provided that the collateral, collateral levels and terms of such collateral agreement shall be reasonably acceptable to Party B; and

(ii) with respect to Party B, that the Credit Rating (as defined in Part VI(k)) of Party B, shall cease to be at least "Baa1" from Moody's or "BBB+" from S&P, or that Party B shall cease to have a Credit Rating from Moody's or S&P or such ratings are 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 such Transaction in form and substance and issued or otherwise provided by an entity acceptable to Party A in its sole discretion.

(j) ***Actions Upon Party B's Failure to Pay.*** Notwithstanding anything to the contrary contained in Section 6 of this Agreement (i) if Party B either fails to pay or provide for the payment of periodic scheduled payments pursuant to Section 2(a)(iii) of this Agreement, Party A's sole remedy is to notify the State's Secretary of Education of such failure whereupon the provisions of 53 P.S.§8283(c)(3) shall be applicable; and (ii) upon the occurrence of an Event of Default pursuant to Section 5(a)(i) of this Agreement, by Party B, Party A's sole remedy hereunder is to bring an action in a State Court of Common Pleas to recover any amount due under this Agreement, pursuant to 53 P.S.§8283(b).

Part II. Tax Representations.

None.

Part III. Agreement to Deliver Documents.

For purposes of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents:

Party required to deliver document	Document / Certificate / Opinion	Date by which To be delivered	Covered by Section 3(d) Representation
Party B	Opinion of counsel substantially in the form attached hereto as Exhibit I	Upon execution and delivery of this Agreement	No
Party A	Opinion of counsel substantially in the form attached hereto as Exhibit II	Upon execution and delivery of this Agreement	No
Party B	Certified copies of all resolutions adopted or other actions taken to authorize the execution, delivery and performance of this Agreement, along with such other documents, certificates, or other information with respect to such authorization as the other party or parties may reasonably request	Upon execution and delivery of this Agreement	Yes
Party B	Certificate of authority and specimen signatures of individuals executing this Agreement and any Confirmation	Upon execution and delivery of this Agreement	Yes
Party A	Annual report of JPMorgan Chase & Co.	Upon request	Yes
Party B	Annual Report of Party B containing consolidated financial statements certified by independent certified public accountants and prepared in accordance with accounting principles generally accepted in the United States for government entities	As soon as available, and in any event within 120 days after the end of each of its fiscal years	Yes

Each party agrees to deliver documents or certificates confirming any such document or certificate at such times prior to the execution of any Transaction as shall be reasonably requested by the other party.

Part IV. Security and Source of Payment of Party B's Obligations.

(a) *Agreements.*

(i) The introductory clause of Section 4 of this Agreement is hereby amended to read in its entirety as follows:—

"Each party agrees with the other (or, in the case of Sections 4(f), (g) and (h), Party B agrees with Party A) 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:—"

(ii) Section 4(a) of this Agreement is hereby amended to read in its entirety as follows:

"(a) **Furnish Specific Information.** It will deliver, or cause to be delivered, to the other party in certain cases under subparagraph (iii) below, to such governmental or taxing authority as the other party reasonably directs:—

(iii) Section 4 of this Agreement is hereby amended by adding the following subsections "(f)" and "(g)" thereto:—

"(f) ***Security and Source of Payment of Party B's Obligations.*** Party B's obligations hereunder are a general obligation of Party B payable from Party B's general revenues. 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 appropriate such amounts from its general revenues to the payment of such periodic scheduled amounts; and (iii) 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, 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.

(h) ***Notice of Incipient Illegality.*** If an Incipient Illegality occurs, Party B will, promptly upon becoming aware of it, notify the Party A, 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."

Part V. Miscellaneous.

(a) ***Addresses for Notices.*** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A:

Any notice relating to a particular Transaction shall be delivered to the address or facsimile or telex number specified in the Confirmation of such Transaction. Any notice delivered for purposes of Sections 5 and 6 of this Agreement shall be delivered to the following address:

JPMorgan Chase Bank
Attention: Legal Department-Derivatives Practice Group
270 Park Avenue, 41st Floor
New York, New York 10017-2070
Facsimile No.: (212) 270-3625

A copy of all financial statements and certificates delivered pursuant to Part IV of this Schedule shall be delivered to the following address:

JPMorgan Chase Bank
Attention: Municipal Derivatives Credit Group
270 Park Avenue, 22nd Floor
New York, New York 10017-2070
Telephone No.: (212) 270-2361
Facsimile No.: (212) 270-2642

Address for notices or communications to Party B:

Bethlehem Area School District
Stanley Majewski
1516 Sycamore Street
Bethlehem, PA 18017-6099
Telephone No. (610) 861-0500
Facsimile No. (610) 861-8107

(b) ***Offices.*** The provisions of Section 10(a) will apply to this Agreement.

(c) ***Multibranch Party.*** For the purpose of Section 10 of this Agreement:

Party A is a Multibranch Party and may act through its New York and London office.

Party B is not a Multibranch Party.

(d) ***Calculation Agent.*** The Calculation Agent is 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.

(e) ***Credit Support Documents.*** With respect to Party A, none. With respect to Party B, the Swap Resolution, shall constitute a "Credit Support Document" for all purposes of this Agreement.

(f) ***Credit Support Provider.*** "Credit Support Provider" means (i) in relation to Party A, none, and (ii) in relation to Party B, none.

(g) ***Governing Law.*** This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of New York (without reference to choice of law doctrine); *provided, however*, that any matters relating to (i) the power and authority of Party B to enter into and perform its obligations under this Agreement, and (ii) the application of the State Intercept Program to the payment obligations of Party B in respect of this Agreement, shall be governed by the laws of the State.

(h) ***Netting of Payments.*** Subparagraph (ii) of Section 2(c) of this Agreement will apply to all Transactions executed under this Agreement.

(i) ***Relationship Between Parties.*** The following representation shall be inserted as a new Section 3(g) of this Agreement:

> "(g) ***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."

PART VI. Other Provisions; Definitions

(a) ***Set-off.*** (i) Any amount (the "Early Termination Amount") payable to one party (the "Payee") by the other party (such party, the "Payer") under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5(b)(iv) has occurred, will, at the option of the party ("X") other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by its set-off against any Other Payment Amount (as hereinafter defined). As used herein, "Other Payment Amount" shall mean any payment obligation of any description whatsoever (whether arising at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the

currency, place of payment or booking office of the obligation or whether the relevant party is legally or beneficially the holder of the obligation) arising under any other agreement between the Payee and the Payer or any instrument or undertaking issued or executed or guaranteed by the Payee to, or in favor of, the Payer or any bond, note, or other debt instrument issued or guaranteed by the Payee and owned or held beneficially by the Payer as a result of the purchase thereof by or on behalf of the Payer, whether directly from the issuer or in the secondary market (and the Other Payment Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this section.

For this purpose, either the Early Termination Amount or the Other Payment Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If an obligation is unascertained, X 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.

Nothing in this section shall be effective to create a charge or other security interest. This section 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).

(ii) Notwithstanding anything to the contrary set forth in this Agreement, a party (the "Delivering Party") may, in its discretion, satisfy, in whole or in part, any payment obligation arising under Section 6 in respect of any Early Termination Date which is designated or occurs as a result of an Event of Default in respect of which the other party is the Defaulting Party or which is designated as a result of a Termination Event in respect of which the other party is the sole Affected Party by delivering to such other party (the "Receiving Party"), or for the account of the Receiving Party, bond(s), note(s), or other debt instrument(s) issued or guaranteed by the Receiving Party and owned or held legally or beneficially by or on behalf of the Delivering Party in a face amount equal to the entirety or relevant part, as the case may be, of the amount of such payment obligation. Any bond, note, or other debt instrument denominated in a currency other than the Termination Currency shall, for this purpose, be valued in an amount of Termination Currency determined by the Delivering Party based upon a currency exchange rate determined in a commercially reasonable manner. Any delivery by a Delivering Party shall be made in the manner customary for the relevant bond, note, or debt instrument (including, without limitation, through a

depository institution or clearance system) or, if the Delivering Party deems such delivery to be impractical, in a commercially reasonable manner determined by the Delivering Party.

(b) ***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 suit, action or proceeding relating to this Agreement or any Credit Support Document. Each party (i) certifies that no representative, agent or attorney of the other party or any Credit Support Provider has represented, expressly or otherwise, that such other party would not, in the event of such a suit, action or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party have been induced to enter into this Agreement and provide for any Credit Support Document, as applicable, by, among other things, the mutual waivers and certifications in this Section.

(c) ***Jurisdiction.*** Section 13(b) of this Agreement is hereby amended to read in its entirety as follows:

> "(b) ***Jurisdiction***. Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Agreement or any documents related hereto ("Proceedings") shall be brought in the courts of the State and the United States District Court for the District in which Party B is located and, by execution and delivery of this Agreement the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum nonconveniens, which they now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.
>
> Notwithstanding anything to the contrary contained herein, any action brought by Party A against Party B to enforce Party A's rights under 53 P.S. §§8283(a) and (b) shall be brought in a State Court of Common Pleas.

(d) ***Waiver of Immunities.*** Section 11(c) of this Agreement is hereby amended to read it its entirety as follows:

> "(c) Neither party is entitled to claim immunity from claims arising out of the Agreement with respect to itself or its revenues or assets 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) and (iv) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled, except in the context of 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 its contractual obligations under this Agreement in the future it will not, to the extent permitted by law, assert any such immunity."

(e) ***Telephonic Recording.*** Each party (i) consents to the recording of the telephone conversations of trading, marketing and operations personnel of the parties and their Affiliates in connection with this Agreement or any potential Transaction and (ii) agrees to obtain any necessary consent of, and give notice of such recording to, such personnel of it and its Affiliates.

(f) ***Obligations.*** Section 2(a)(iii) of this Agreement 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, 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."

(g) ***Absence of Litigation.*** Section 3(c) of this Agreement is amended by deleting the words "or, to its knowledge, threatened" in the first line thereof.

(h) ***Eligible Contract Participant.*** Party A represents to Party B (which representation will be deemed to be repeated by Party A on each date on which a Transaction is entered into) that it is an "eligible contract participant" as defined in the Commodity Futures Modernization Act of 2000. Party B represents to Party A (which representation will be deemed to be repeated by Party A on each date on which a Transaction is entered into) that it is a public instrumentality and body corporate and politic of the State.

(i) ***ISDA Definitions.*** Reference is hereby made to the 1992 ISDA U.S. Municipal Counterparty Definitions (the "1992 Muni Definitions") and the 2000 ISDA Definitions and the Annex to the 2000 ISDA Definitions (the "2000 Definitions" and, together with the 1992 Muni Definitions, the "ISDA Definitions"), in each case as published by the International Swaps and Derivatives Association, Inc., which are hereby incorporated by reference herein. Any capitalized terms used and not otherwise defined herein and which are contained in the ISDA Definitions shall have the meanings set forth therein.

(j) ***Scope of Agreement.*** The parties agree that this Agreement shall apply only to the Initial Transaction and no other Transaction between the parties, unless this Agreement is amended to provide otherwise by a written instrument executed and delivered by both parties.

(k) ***Inconsistency.*** In the event of any inconsistency between or among any of the following documents, the relevant document first listed below shall govern: (i) a Confirmation; (ii) the Schedule; (iii) the ISDA Definitions; and (iv) the printed form of ISDA Master Agreement. In the event of any inconsistency between the 1992 Muni Definitions and the 2000 Definitions, the 1992 Muni Definitions shall prevail.

(l) ***Definitions.*** Section 14 of this Agreement is hereby amended to add or amend the following definitions in their appropriate alphabetical order:

"***Affiliate***" will have the meaning specified in Section 14 of this Agreement.

"***Credit Rating***" means (i) with respect to Party A, any public rating by Moody's, S&P or any other Rating Agency of Party A's long term, unsecured and unsubordinated indebtedness or deposits, and (ii) with respect to Party B, any public rating by Moody's, S&P or any other Rating Agency of any unenhanced, long-term, general obligation bonds or other indebtedness of Party B taking into account the State Intercept Program, to the extent such debt is subject to the State Intercept Program.

"***GAAP***" means accounting principles that are generally accepted in the United States and consistently applied.

"***Incipient Illegality***" means (a) the enactment by any legislative body with competent jurisdiction over Party B of legislation which, if adopted as law, would render unlawful the performance by Party B 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 Party B with any other material provision of this Agreement relating to such Transaction, (b) any assertion in any proceeding, forum or action by Party B, in respect of Party B or in respect of any other school district or similar entity organized under the laws of the State to the effect that performance under this Agreement or any similar arrangement with respect to such other school district or similar entity, is unlawful, or (c) the occurrence with respect to Party B, of any event that constitutes an Illegality.

"***Moody's***" means Moody's Investors Service, Inc., or any successor thereto.

"***Rating Agency***" means any nationally recognized credit rating agency other than Moody's and S&P.

"***Related Bonds***" means Party B's $55,000,000 General Obligation Bonds, Series of 2005 and Party B's $55,000,000 General Obligation Bonds, Series of 2007.

"***S&P***" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., or any successor thereto.

"***State***" means the Commonwealth of Pennsylvania.

"***State Intercept Program***" means the program described in 24 P.S. §6-633, as supplemented by 53 P.S. §8283(c) whereby upon failure by Party B to make any payment of regularly scheduled payments hereunder, the State is required to withhold out of any State appropriation of funds to Party B the amount of any such failure and pay the same directly to Party A.

"***Swap Resolution***" means, the Resolution adopted by Party B prior to date of execution of this Schedule, authorizing among other things, Party B's consummation of the Transaction.

"***Transaction***" shall have the meaning set forth in the introductory clause of this Agreement.

(m) ***Assignment.*** Neither party may assign this Agreement or any Transaction hereunder without the written consent of the other party, which consent shall not be unreasonably withheld.

Remainder of page intentionally left blank.

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

JPMORGAN CHASE BANK

By:_____
Name:
Title:

BETHLEHEM AREA SCHOOL DISTRICT

By:_____
Name:
Title:

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

JPMORGAN CHASE BANK

By: _____
Name: ANNA MARIA BEISSEL
Title: VICE PRESIDENT

BETHLEHEM AREA SCHOOL DISTRICT

By: _____
Name:
Title:

374257:v2

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

JPMORGAN CHASE BANK

By:_____
Name:
Title:

BETHLEHEM AREA SCHOOL DISTRICT

By:_____
Name:
Title:

JP MORGAN
24 November 2004

Bethlehem Area School District
Stanley J. Majewski
1516 Sycamore Street
Bethlehem, PA 18017-6099
Fax: 610-861-8107
Tel: 610-861-0500

Re: Swap Transaction (Our ref. no. 2000005037915)

Amended and Restated

Ladies and Gentlemen:

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between:

JPMORGAN CHASE BANK, N.A. (successor by conversion to JPMorgan Chase Bank)

and

BETHLEHEM AREA SCHOOL DISTRICT

on the Trade Date and identified by the JPMorgan Deal Number specified herein (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions, incorporating the June 2000 version of the Annex (the "2000 Definitions") and the 1992 ISDA U.S. Municipal Counterparty Definitions (the "1992 Muni Definitions"), each as amended and supplemented through the date of this Confirmation (as published by the International Swaps and Derivatives Association, Inc.), are incorporated into this Confirmation. In the event of any inconsistency between the 2000 Definitions and the 1992 Muni Definitions, the 1992 Muni Definitions will govern and in the event of any inconsistency between the 1992 Muni 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 ("Agreement") between JPMorgan Chase Bank, N.A. (successor by conversion to JPMorgan Chase Bank) ("JPMorgan") and BETHLEHEM AREA SCHOOL DISTRICT (the "Counterparty"). The principal amount of bonds, notes or lease rental debt to which this Transaction relates is equal to the notional amount set forth in part 2 of this Confirmation. The term of this Transaction is set forth in part 2 of this Confirmation, which is not later than the scheduled final maturity date of the bonds, notes or lease rental debt to which it relates. 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:

JPMorgan Deal Number:	2000005037915
Trade Date:	18 December 2003
Amendment Date:	**18 November 2004**
Effective Date:	January 4, 2007
Termination Date:	January 1, 2032
Notional Amount:	US $55,000,000 subject to reduction as set forth on Annex I attached hereto. For each Amortization Period set forth on Annex I, the Notional Amount for such Amortization Period shall be effective from and including the first day of such Amortization Period to but not including the last day of such Amortization Period, subject to adjustment in accordance with the Modified Following Business Day Convention
Fixed Amounts:	
Fixed Rate Payer:	Counterparty BASD

Fixed Rate Payer Payment Dates:	The 1st day of each calendar month, commencing February 1, 2007 to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Fixed Rate:	4.145%
Fixed Rate Day Count Fraction:	30/360
Floating Amounts:	
Floating Rate Payer:	JPMorgan
Floating Rate Payer Payment Dates:	The 1st day of each calendar month, commencing February 1, 2007 to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate Option:	**60% of USD-LIBOR-BBA**
Designated Maturity:	1 Month
Spread:	**Plus 34.6 basis points**
Floating Rate Day Count Fraction:	Actual/Actual
Reset Dates:	Two Business Days prior to the first day of each Calculation Period.
Compounding:	Inapplicable
Payment Business Day Locations for Counterparty:	London, New York
Payment Business Day Locations for JPMorgan:	London, New York
Payments will be:	Net

Bonds:	$55,000,000 Bethlehem Area School District General Obligation Bonds, Series 2007

3. Account Details

Payments to JPMorgan

Account for payments in USD:	
Favour:	JPMORGAN CHASE BANK, N.A. - NEW YORK
ABA/Bank No.:	021 000 238
Account No.:	999 97 979
Reference:	JPMorgan Deal No. 85001958

Payments to Counterparty:

Account for payments in USD:	
Favour:	BETHLEHEM AREA SCHOOL DISTRICT
ABA/Bank No.:	_____
FUNB #:	_____
FFC:	_____
Attn:	_____

4. Offices

(a) The Office of JPMorgan for the Transaction is NEW YORK, c/o JPMorgan Chase Bank, 500 Stanton Christiana Road, 2/OPS2, Newark, DE 19713; and

(b) The Office of the Counterparty for the Transaction is Bethlehem, PA

All enquiries regarding confirmations should be sent to:

JPMorgan Chase Bank
500 Stanton Christiana Road, 2/OPS2, Newark ,DE 19713

Attention:	**Documentation Control**
Telephone:	**1-302-634-4960**
Facsimile:	**1-302-634-4928/ 4929/ 4930**

Please quote the JPMorgan Deal Number indicated above.

5. Other Provisions:

Optional Termination	At the Counterparty's option as set forth below: Counterparty shall have the right to terminate this Transaction by providing (i) at least two (2) Business Day's prior written notice to JPMorgan of its election to terminate this Transaction (such date of termination the "Optional Termination Date") and (ii) evidence reasonably satisfactory to JPMorgan that Counterparty has or will have on the termination date available funds with which to pay any amount due to JPMorgan in connection with such early termination. In the case of a partial termination, the notice shall also state the portion of the Notional Amount of the Transaction to be terminated. On the Optional Termination Date set forth in such notice, an amount, determined by JPMorgan, in good faith, shall be payable by JPMorgan or the Counterparty, as the case may be, in respect of such termination. If such amount is not acceptable to the Counterparty, then JPMorgan shall determine such amount pursuant to Section 6 of the Agreement as if (a) the Optional Termination Date is the Early Termination Date for this Transaction (or the portion of the Notional Amount being terminated), (b) Counterparty is the sole Affected Party (for all purposes other than the election to terminate) in the event such redemption or early retirement was not scheduled to occur, (c) this Transaction (or the portion of the Notional Amount being terminated) is the sole Affected Transaction, (d) Market Quotation and Second Method are selected for purposes of Payments on Early Termination, and (e) in the case of a partial termination, the portion of the Notional Amount to be terminated on the Early Termination Date shall be the amount so designated in the aforementioned notice by the Counterparty, and the parties shall execute an amendment to the Confirmation relating to this Transaction to amend the Notional Amount to reflect such reduction. Notwithstanding anything herein to the contrary, the parties will

	be obligated to pay any accrued amounts that would otherwise be due on the Optional Termination Date.
Termination upon Redemption or Prior Retirement of Debt:	Prior to the redemption or early retirement of the bonds, notes or lease rental debt to which this Transaction relates (other than as a result of a mandatory sinking fund redemption thereof), JPMorgan and the Counterparty shall, on any Business Day, terminate this Transaction in whole or in part (the "Optional Termination Date"). In the case of a partial termination, the notice shall also state the portion of the Notional Amount of the Transaction to be terminated. The amount due with respect to any such termination in whole or in part shall be determined pursuant to Section 6 of the Agreement as if (a) the Optional Termination Date is the Early Termination Date for this Transaction (or the portion of the Notional Amount being terminated), (b) Counterparty is the sole Affected Party (for all purposes other than the election to terminate) in the event such redemption or early retirement was not scheduled to occur, (c) this Transaction (or the portion of the Notional Amount being terminated) is the sole Affected Transaction, (d) Market Quotation and Second Method are selected for purposes of Payments on Early Termination, and (e) in the case of a partial termination, the portion of the Notional Amount to be terminated on the Early Termination Date shall be the amount so designated in the aforementioned notice by the Counterparty, and the parties shall execute an amendment to the Confirmation relating to this Transaction to amend the Notional Amount to reflect such reduction. Notwithstanding anything herein to the contrary, the parties will be obligated to pay any accrued amounts that would otherwise be due on the Optional Termination Date. The Counterparty agrees that, prior to designating an Optional Termination Date as provided herein it shall provide evidence satisfactory to JPMorgan of

	Counterparty's ability to pay any Settlement Amount which may be due to JPMorgan as a result of such Early Termination.
Additional Termination Event	The following shall constitute an Additional Termination Event and shall be added as Section 5(b)(vi) of the Agreement: (vi) 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 Approval pursuant to Section 8204 is not received within 45 days of the date hereof, 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 45 days of the date hereof. For the purpose of the foregoing Termination Event, the Affected Party shall be Counterparty and the Transaction evidenced by this Confirmation shall be the Affected Transaction.
Fees associated with November 18, 2004 Amendment and Restatement	**In connection with the transaction described herein at the request of the Counterparty, JPMorgan will pay the following fees:** **(i) an advisory fee in the amount of $132,000.00 (the present value of 2 bps) to Arthurs Lestrange & Company, Inc., as Financial Advisor;** **(ii) a fee in the amount of $132,000.00 (the present value of 2 bps) to Access Financial Markets, as Structuring Agent** **(iii) a legal fee in the amount of $21,250 to Hartman Underhill & Brubaker LLP** **(iv) a solicitor fee in the amount of $10,000 to Sweet, Stevens, Tucker & Katz LLP**

6. Documents to be delivered:

Each party shall deliver to the other, at the time of its execution of this Confirmation, evidence of the specimen signature and incumbency of each person who is executing the Confirmation on the party's behalf, unless such evidence has previously been supplied in connection with this Agreement and remains true and in effect.

7. Representations.

Each party will be deemed to represent to the other party on the date on which it enters into a Swap Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Swap Transaction):

(a) *Non-Reliance.* It is acting for its own account, and it has made its own independent decision to enter into that Swap Transaction and as to whether that Swap Transaction is appropriate or proper for it based upon its own judgement 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 Swap Transaction; it being understood that information and explanations related to the terms and conditions of a Swap Transaction shall not be considered investment advice or a recommendation to enter into that Swap 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 Swap Transaction.

(b) *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 Swap Transaction. It is capable of assuming, and assumes the risks of that Swap Transaction.

(c) *Status of Parties.* The other party is not acting as a fiduciary for or an adviser to it in respect of that Swap Transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us or by sending to us a letter, telex or facsimile substantially similar to this letter, which letter, telex or facsimile sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. When referring to this Confirmation, please indicate: JPMorgan Deal Number(s): 2000005037915

JPMorgan Chase Bank, N.A.

Carmine Pilla

Name: Carmine Pilla

Title: Vice President

Accepted and confirmed as of the date first written:
BETHLEHEM AREA SCHOOL DISTRICT

Name:

Title:

Your reference number:

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us or by sending to us a letter, telex or facsimile substantially similar to this letter, which letter, telex or facsimile sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. When referring to this Confirmation, please indicate: JPMorgan Deal Number(s): 2000005037915

JPMorgan Chase Bank, N.A.

Carmine Pilla

Name: Carmine Pilla

Title: Vice President

Accepted and confirmed as of the date first written:
BETHLEHEM AREA SCHOOL DISTRICT

Name: Joseph L. Craig

Title: Board President

Your reference number:

ANNEX I

Amortization Schedule

Period Start Date	Period End Date	Notional Amount
1/1/2007	1/1/2008	55,000,000
1/1/2008	1/1/2009	54,995,000
1/1/2009	1/1/2010	54,990,000
1/1/2010	1/1/2011	54,985,000
1/1/2011	1/1/2012	54,980,000
1/1/2012	1/1/2013	54,975,000
1/1/2013	1/1/2014	54,970,000
1/1/2014	1/1/2015	54,965,000
1/1/2015	1/1/2016	54,960,000
1/1/2016	1/1/2017	54,955,000
1/1/2017	1/1/2018	54,950,000
1/1/2018	1/1/2019	54,945,000
1/1/2019	1/1/2020	54,940,000
1/1/2020	1/1/2021	54,935,000
1/1/2021	1/1/2022	54,930,000
1/1/2022	1/1/2023	54,925,000
1/1/2023	1/1/2024	51,880,000
1/1/2024	1/1/2025	48,695,000
1/1/2025	1/1/2026	45,360,000
1/1/2026	1/1/2027	41,865,000
1/1/2027	1/1/2028	38,200,000
1/1/2028	1/1/2029	34,365,000
1/1/2029	1/1/2030	30,345,000
1/1/2030	1/1/2031	26,130,000
1/1/2031	1/1/2032	13,370,000

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 15th day of August, 2011, 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:

Michele Cann	-
William J. Burkhardt	-
Rosario S. Amato	-
Michael E. Faccinetto	-
Irene Follweiler	-
Loretta M. Leeson	-
Eugene C. McKeon	-
Aurea E. Ortiz	-
Benjamin M. Tenaglia III	-

IN WITNESS WHEREOF, I set my hand and affix the official seal of the School District, this 15th day of August, 2011.

_____

(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 AND RATIFYING THE AMENDMENT OF A QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT (SWAPTION AGREEMENT) TRANSFERRING SAID SWAPTION AGREEMENT FROM THE SCHOOL DISTRICT'S GENERAL OBLIGATION BONDS, SERIES OF 1997, TO THE SCHOOL DISTRICT'S GENERAL OBLIGATION BONDS, SERIES A OF 2007; SETTING FORTH THE SUBSTANTIAL FORM OF SAID AMENDMENT TO THE SWAPTION AGREEMENT; APPROVING AN INTEREST RATE MANAGEMENT PLAN AND RELATED MAXIMUM PAYMENT SCHEDULES AND DEFINING THE RELATED BONDS; AND AUTHORIZING APPROPRIATE OFFICERS AND AGENTS OF THE SCHOOL DISTRICT TO TAKE RELATED ACTIONS.

WHEREAS, The Bethlehem Area School District, in Northampton and Lehigh Counties, Pennsylvania (the "School District") is a public school district 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 District adopted a Resolution on July 30, 1997 (the "1997 Bonds Resolution"), incurring and securing nonelectoral debt in the amount of $80,570,000, evidenced by its General Obligation Bonds, Series of 1997 (the "1997 Bonds"); and

WHEREAS, The proceedings of the School District regarding the 1997 Bonds under the Debt Act were approved by the Department of Community and Economic Development under Approval No. GOB-13037, dated August 19, 1997; and

WHEREAS, On December 18, 2003, the School District approved an Interest Rate Management Plan (the "1997 IRMP"), as defined by the Debt Act, and a proposed Qualified Interest Rate Management Agreement, as defined by the Debt Act ("QIRMA"), with Morgan Stanley Capital Services Inc. (together with its successors and assigns, "Morgan Stanley"), under which Morgan Stanley, on any March 1 or September 1, until September 1, 2016, may exercise its option to require the School District to pay Morgan Stanley a variable interest rate equal to the Securities Industry and Financial Markets Association Municipal Swap Index and for Morgan Stanley to pay to the School District a fixed interest rate equal to 3.28%, in each case on a net payment basis every March 1 and September 1 until September 1, 2016, based on annual notional amounts set forth in a schedule attached to the QIRMA, so that the notional amount of the QIRMA at no time exceeds the outstanding principal amount of the 1997 Bonds (the "Swaption"); and

WHEREAS, The School District, by its Resolution adopted on August 12, 2006, authorized the refunding of the 1997 Bonds, by incurring nonelectoral debt to be evidenced by its General Obligation Bonds, Series A of 2007, in the original maximum aggregate principal amount of $66,000,000 (the "2007A Bonds"); and

WHEREAS, The proceedings of the School District regarding the 2007A Bonds under the Debt Act were approved by the Department of Community and Economic Development under Approval No. GOB-16377, dated September 14, 2006, and the 2007A Bonds were issued on June 5, 2007; and

WHEREAS, The Board of the School District desires to authorize and ratify the amendment of the Swaption at the time the 1997A Bonds were issued to define the 2007A Bonds as the "Related Bonds" under the Swaption, as well as any debt obligations of the School District hereafter issued to refund the 2007A Bonds (the "Swaption Amendment"); and

WHEREAS, Public Financial Management, Inc., as financial advisor to the School District (the "Financial Advisor"), has updated the School District's Interest Rate Management Plan as recently as March 21, 2011 (the "2011 IRMP"); and

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

NOW, THEREFORE, BE IT ADOPTED, by the Board of the School District, as follows:

SECTION 1. The Board hereby approves and ratifies the Swaption Amendment. The Board also reaffirms the School District's obligations under the 2007A Bonds Resolution and the resolutions originally approving the Swaption and the Swaption Amendment.

SECTION 2. The Board hereby approves and ratifies the 2011 IRMP attached hereto as **Appendix A**, in connection with the issuance of the 2007A Bonds and the Swaption Amendment.

SECTION 3. The Board hereby authorizes a First Amendment to Swap Confirmation, implementing the Swap Amendment, substantially in the form attached hereto as **Appendix B**.

SECTION 4. The maximum annual obligations of the School District, with respect to the 2007A Bonds and the Swaption, which shall be payable, if and as necessary, are set

forth in the 2011 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 2007A Bonds is 5%; and (ii) on the Swaption is 25%. The 2007A Bonds Resolution, as well as the resolutions approving the Swaption, shall be deemed to be amended to be consistent with this Resolution.

SECTION 5. Officers and agents of the School District shall file appropriate proceedings regarding the Swaption Amendment with the Department of Community and Economic Development, as may be required by the Debt Act.

SECTION 6. 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. Officers or agents of the School District are authorized and directed to arrange for the advertisement of such notices.

SECTION 7. 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 amendments to the Swaption.

SECTION 8. 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 9. This Resolution shall be effective for all purposes immediately upon its adoption.

SECTION 10. 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 11. 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 ADOPTED, by the Board of the Bethlehem Area School District, in lawful session duly assembled, this _____ day of _____, 2011.

BETHLEHEM AREA SCHOOL DISTRICT,
Northampton and Lehigh Counties, Pennsylvania

By:_____
(Vice) President

ATTEST:

_____
Secretary

(SEAL)

APPENDIX A

2011 INTEREST RATE MANAGEMENT PLAN

[SEE ATTACHED PAGES]

Bethlehem Area School District
Northampton and Lehigh Counties, Pennsylvania
August 15, 2011 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 versions adopted on March 16, 2009, September 21, 2009 and March 21, 2011.

On December 18, 2003, the School District (on a future start basis) entered into an "interest rate management agreement" ("IRMA"), as defined in the Debt Act, with JP Morgan Chase Bank, N.A. ("JP Morgan"), hereinafter referred to as the "2007 Fixed Payer Swap". The terms of the 2007 Fixed Payer Swap called for the District to pay to JP Morgan a fixed rate of 4.145% and for JP Morgan to pay to the District a variable rate of 60% of 1 Month LIBOR plus 0.346%. The 2007 Fixed Payer Swap was intended by the District to manage interest rates and costs associated with the $55,000,000 Variable Rate Demand Bonds, Series of 2007 (the "2007 Bonds"), issued by the School District on January 4, 2007.

The School District intends to refund and retire a portion of the 2007 Bonds with new fixed rate General Obligation Bonds, Series of 2011 ("2011 Bonds") in the maximum principal amount of $37,000,000 (current estimated principal amount is $32,745,000). A portion of the proceeds of the 2011 Bonds will be used to refund and retire a portion of the 2007 Bonds (the "Fixed Refunded 2007 Bonds"). The amount of the Fixed Refunded 2007 Bonds is shown in Schedule 2B. A portion of the proceeds of the 2011 Bonds will also be used to pay the termination payment required to terminate a portion of the Fixed Payer Swap related to the Fixed Refunded 2007 Bonds, as permitted by the Debt Act. Any termination payments due under the Fixed Payer Swap would be subordinate in payment to the debt service and periodic payments, as described in the Debt Act.

The School District, through the Bethlehem Area School District Authority (the "BASD Authority"), intends to refund and retire a portion of the 2007 Bonds (the "Variable Refunded 2007 Bonds") with School Revenue Bonds (Bethlehem Area School District Refunding Project), Series A of 2011 ("2011A BASD Authority Bonds") in the maximum principal amount of $35,000,000 (current estimated principal amount is $30,000,000). The approximate amount of the Variable Refunded 2007 Bonds being refunding by the 2011A BASD Authority Bonds is shown on Schedule 2B, and represents the balance of the 2007 Bonds not being refunded from proceeds from the School District's 2011 Bonds.

The 2011A BASD Authority Bonds will be purchased directly by Wells Fargo Bank, N.A. ("Wells Fargo"). The 2011A BASD Authority Bonds will be issued initially in the Floating Mode, with the interest rate determined monthly equal to the Index Rate (which is 68% of 1 Month LIBOR plus an Applicable Spread), in accordance with the terms of a Trust Indenture (the "Indenture") between the BASD Authority and Manufacturer's and Traders Trust Company (the "Trustee"), as trustee for the 2011A BASD Authority Bonds. The Applicable Spread is currently proposed to be 0.75%, and subject to change in the event of a downgrade in the credit rating of the Pennsylvania State Subsidy Intercept Program, as described further in the Indenture. The initial Floating Rate Period ends on a date approximately 3 years later, which will constitute a Special Mandatory Tender Date when the Bonds are subject to mandatory tender, conversion and remarketing to another purchaser and Rate Mode, including the Weekly Mode, the Fixed Mode or another Floating Mode.

Under the terms of a Novation Agreement (or similar transfer agreement) and an amendment to the 2007 Fixed Payer Swap Confirmation, the portion of the Fixed Payer Swap which was associated with the Variable Refunded 2007 Bonds will now be associated with the 2011A BASD Authority Bonds and will hereinafter be referred to as the "2011A Fixed Payer Swap". JP Morgan will still pay to the District a variable rate of 60% of 1 Month LIBOR plus 0.346% and the District will pay to JP Morgan a fixed rate of 4.145% on the reduced notional amount. The 2011A Fixed Payer Swap will have an outstanding notional amount of $29,840,000 and has a termination date of January 1, 2032, which is the final maturity of the 2011A BASD Authority Bonds.

The School District will concurrently issue its General Obligation Note, Series A of 2011 (the "2011A Note") to the BASD Authority. The 2011A Note payments by the School District to the BASD Authority will be sum of the debt service and expenses payable on the 2011A BASD Authority Bonds as well as the periodic payments due on the 2011A Fixed Payer Swap. Any termination payments due under the 2011A Fixed Payer Swap would be subordinate in payment to the debt service and periodic payments, as described in the Debt Act.

On December 18, 2003, the School District entered into a fixed to floating rate IRMA (commonly known as a Swaption), with Morgan Stanley Capital Services, Inc. ("Morgan Stanley"), hereinafter referred to as the "2003 Swaption". Under the terms of the 2003 Swaption, Morgan Stanley has the option to require the School District to begin making variable rate 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 of 1997 (the "1997 Bonds"). Morgan Stanley may exercise the 2003 Swaption every March 1 and September 1 (Bermuda Style Option) through the termination date of September 1, 2016.

On June 1, 2007 the School District refunded and retired its 1997 Bonds with a portion of the proceeds of its General Obligation Bonds, Series A of 2007 (the "2007A Bonds"), initially issued in the principal amount of $61,630,000. Under the terms of an amendment to the 2003 Swaption Confirmation (or similar transfer agreement), the 2003 Swaption will now be associated with the 2007A Bonds. As of August 15, 2011, Morgan Stanley has not exercised the 2003 Swaption. The 2003 Swaption currently has an outstanding notional amount of $38,735,000 and has a termination date of September 1, 2016, which is the final maturity date of the 2007A Bonds.

I. Debt Outstanding and Proposed New Debt

Following the refunding and retirement of the 2007 Bonds and the issuance of the 2011 Bonds, 2011A BASD Authority Bonds, and 2011A Note, the District will have total direct debt outstanding of $297,115,000, consisting of $196,655,000 or 66.19% fixed rate debt and $100,460,000 or 33.81% variable rate debt.

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 District will continue to be obligated under four IRMAs following the conclusion of the transactions described above. They are described in Schedule 2A.

The notional amount of the 2011A Fixed Payer Swap is shown in Schedule 2B, which includes the original notional amount of the 2007 Fixed Payer Swap as well as the portion of the 2007 Fixed Payer Swap being terminated by a portion of the proceeds of the 2011 Bonds.

III. Swap Fees Paid or Payable

The amounts of all consulting, advisory, brokerage or similar fees payable directly by the District, or by BASDA, JP Morgan or any other party in connection with the partial termination and transfer of the 2007 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 District directly or through BASDA, following the current transactions, are shown in Schedules 4A and 4B attached hereto and incorporated herein by this reference.

V. Risk Analysis – 2011A Fixed Payer Swap

Schedule 5A contains a summary of the risks inherent to the 2011A Fixed Payer, paid by or through the District. Schedules 5B, 5C, and 5D illustrate 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 and 6B attached hereto and incorporated herein by this reference.

VI. Risk Analysis – IRMAs Outstanding

As set forth on Schedule 2A, the School District will have four IRMAs remaining after the current transactions are consummated. For the purposes of the Risk Analysis, the schedules illustrating the applicable risk scenarios for the three remaining IRMAs besides the 2011A Fixed Payer Swap, are as follows:

- 2003 Swaption: Schedules 7A, 7B, 7C, and 7D
- 2010 Fixed Payer Swap: Schedules 8A, 8B, 8C, 8D, 8E, and 8F
- 2011 Fixed Payer Swap Schedules 9A, 9B, 9C, 9D, 9E, and 9F

VII. Monitoring of 2011A Fixed Payer Swap

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 Assistant to the Superintendent for Finance and Administration of the School District at least on an annual basis (or other basis, if so directed by the Assistant to the Superintendent for Finance and Administration and/or the Board of Directors).

Schedule 1A
Current Estimated Debt Service
Outstanding Bonds

1	2	3	4	5	6	7	8	9	10	11	12
	FIXED RATE BONDS							VARIABLE RATE (WITH FIXED PAY SWAPS)			
							ESTIMATED			ESTIMATED	
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	G.O. Bonds Series of 2010	G.O. Bonds Series of 2011 [1]	G.O. Note Series of 2010 [2]	G.O. Note Series of 2011 [3]	G.O. Note Series A of 2011 [4]	Total Debt Service
6/30/2012	631,350	8,245,000	4,719,431	580,400	840,569	1,394,238	928,264	1,669,607	1,835,655	844,900	**21,689,413**
6/30/2013	629,543	8,248,125	4,717,231	580,400	836,819	1,404,160	1,483,022	1,669,329	1,835,429	1,444,660	**22,848,718**
6/30/2014	606,693	8,814,625	4,185,519	580,400	837,075	1,398,860	1,482,930	1,669,052	1,835,203	1,444,420	**22,854,776**
6/30/2015	603,640	8,817,875	4,187,106	580,400	840,338	1,398,650	1,482,830	1,668,774	1,834,977	1,444,180	**22,858,770**
6/30/2016	599,505	8,820,625	4,189,931	580,400	836,819	1,403,400	1,482,722	1,668,497	1,834,751	1,443,940	**22,860,589**
6/30/2017	994,035	1,060,875	11,495,331	580,400	841,526	1,392,988	1,482,597	1,668,219	1,834,524	1,443,700	**22,794,195**
6/30/2018	1,043,615		12,502,456	580,400	839,434	1,392,838	1,482,454	1,667,942	1,834,298	1,443,460	**22,786,897**
6/30/2019	1,038,015		9,562,581	3,523,400	840,439	1,392,673	1,482,295	1,667,664	1,834,072	1,443,220	**22,784,358**
6/30/2020			7,309,956	6,748,200	839,369	1,392,498	1,482,120	1,667,387	1,833,846	1,442,980	**22,716,355**
6/30/2021			8,955,081	5,105,000	841,294	1,392,298	1,481,934	1,667,109	1,833,620	1,442,740	**22,719,075**
6/30/2022			14,056,525		836,575	1,407,098	1,481,740	1,666,832	1,833,393	1,442,500	**22,724,662**
6/30/2023			2,411,544		839,869	6,916,298	5,166,537	1,666,554	3,084,049	1,442,260	**21,527,110**
6/30/2024			1,775,122		826,006	7,629,038	5,150,450	1,666,277	3,077,504	1,442,020	**21,566,416**
6/30/2025					805,769	9,013,850	5,168,079	1,665,999	3,552,528	1,441,780	**21,648,004**
6/30/2026					794,000	9,056,763	5,147,805	1,665,722	3,546,916	1,441,540	**21,652,745**
6/30/2027					780,419		5,086,590	8,210,507	6,106,319	1,441,300	**21,625,135**
6/30/2028					765,419		5,055,547	8,273,089	6,096,382	1,441,060	**21,631,496**
6/30/2029					753,834		5,032,537	8,335,395	6,076,718	1,440,820	**21,639,304**
6/30/2030							3,001,284	8,718,407	6,555,349	3,488,780	**21,763,820**
6/30/2031									6,573,730	14,682,720	**21,256,450**
6/30/2032									6,660,014	14,592,460	**21,252,474**
6/30/2033											
6/30/2034											
6/30/2035											
TOTAL	6,146,395	44,007,125	90,067,816	19,439,400	14,795,571	47,985,645	54,561,731	58,552,363	71,509,277	58,135,440	**465,200,762**
Principal*	4,915,000	38,735,000	56,765,000	14,410,000	10,240,000	28,845,000	32,745,000	29,995,000	40,465,000	30,000,000	**297,115,000**

[1] *Assumes estimated principal amount and estimated interest rates*
[2] *Interest Rate assumed at 5.550%, which includes 3.900% Fixed Swap Rate + 150 bps FRN spread and 15 bps miscellaneous*
[3] *Interest Rate assumed at 4.524%, which includes 3.744% Fixed Swap Rate + 75 bps FRN spread.*
[4] *Assumes estimated interest rate of 4.800%*

* Outstanding as of August 10, 2011

Schedule 1B
Current Maximum Debt Service
Outstanding Bonds

1	2	3	4	5	6	7	8	9	10	11	12
	FIXED RATE BONDS							VARIABLE RATE (WITH FIXED PAY SWAPS)			
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	G.O. Bonds Series of 2010	G.O. Bonds Series of 2011 [1]	G.O. Note Series of 2010 [2]	G.O. Note Series of 2011 [3]	G.O. Note Series A of 2011 [4]	Total Debt Service
6/30/2012	631,350	8,245,000	4,719,431	580,400	840,569	1,394,238	928,264	3,604,150	4,860,850	2,104,750	**27,909,001**
6/30/2013	629,543	8,248,125	4,717,231	580,400	836,819	1,404,160	1,483,022	3,603,550	4,860,250	3,604,150	**29,967,250**
6/30/2014	606,693	8,814,625	4,185,519	580,400	837,075	1,398,860	1,482,930	3,602,950	4,859,650	3,603,550	**29,972,251**
6/30/2015	603,640	8,817,875	4,187,106	580,400	840,338	1,398,650	1,482,830	3,602,350	4,859,050	3,602,950	**29,975,189**
6/30/2016	599,505	8,820,625	4,189,931	580,400	836,819	1,403,400	1,482,722	3,601,750	4,858,450	3,602,350	**29,975,952**
6/30/2017	994,035	1,060,875	11,495,331	580,400	841,526	1,392,988	1,482,597	3,601,150	4,857,850	3,601,750	**29,908,502**
6/30/2018	1,043,615		12,502,456	580,400	839,434	1,392,838	1,482,454	3,600,550	4,857,250	3,601,150	**29,900,147**
6/30/2019	1,038,015		9,562,581	3,523,400	840,439	1,392,673	1,482,295	3,599,950	4,856,650	3,600,550	**29,896,552**
6/30/2020			7,309,956	6,748,200	839,369	1,392,498	1,482,120	3,599,350	4,856,050	3,599,950	**29,827,492**
6/30/2021			8,955,081	5,105,000	841,294	1,392,298	1,481,934	3,598,750	4,855,450	3,599,350	**29,829,156**
6/30/2022			14,056,525		836,575	1,407,098	1,481,740	3,598,150	4,854,850	3,598,750	**29,833,687**
6/30/2023			2,411,544		839,869	6,916,298	5,166,537	3,597,550	6,015,700	3,598,150	**28,545,647**
6/30/2024			1,775,122		826,006	7,629,038	5,150,450	3,596,950	5,907,450	3,597,550	**28,482,565**
6/30/2025					805,769	9,013,850	5,168,079	3,596,350	6,242,050	3,596,950	**28,423,047**
6/30/2026					794,000	9,056,763	5,147,805	3,595,750	6,086,700	3,596,350	**28,277,368**
6/30/2027					780,419		5,086,590	9,960,150	8,306,350	3,595,750	**27,729,259**
6/30/2028					765,419		5,055,547	9,578,300	7,924,700	3,595,150	**26,919,115**
6/30/2029					753,834		5,032,537	9,166,800	7,517,250	3,594,550	**26,064,971**
6/30/2030							3,001,284	9,036,150	7,555,700	5,579,450	**25,172,584**
6/30/2031									7,108,700	16,276,800	**23,385,500**
6/30/2032									6,701,350	15,188,650	**21,890,000**
6/30/2033											
6/30/2034											
6/30/2035											
TOTAL	6,146,395	44,007,125	90,067,816	19,439,400	14,795,571	47,985,645	54,561,731	91,740,650	122,802,300	100,338,600	**591,885,232**
Principal*:	4,915,000	38,735,000	66,765,000	14,410,000	10,240,000	28,845,000	32,745,000	29,995,000	40,465,000	30,000,000	**297,115,000**

[1] Assumes estimated principal amount and estimated interest rates
[2] Assumes max rate of 12.00%
[3] Assumes max rate of 12.00%
[4] Assumes max rate of 12.00%

* Outstanding as of August 10, 2011

Schedule 2A
Outstanding Qualified Interest Rate Management Agreements

"2003 Swaption" See "Overview of Current Transactions"

"2010 Fixed Payer Swap" On December 23, 2003, the School District (on a future start basis) entered into an IRMA (the "2005 Fixed Payer Swap") 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 School District pays Morgan Stanley a fixed rate of 3.900%, while Morgan Stanley pays the School District 60% of 1-month LIBOR plus a fixed spread of 0.345%.

On January 5, 2010, a portion of the 2005 Bonds and related portion of the 2005 Fixed Payer Swap was refunded and terminated with proceeds of the District's fixed rate General Obligation Bonds, Series of 2010, issued in the amount of $28,850,000. A portion of the proceeds from the 2010 Bonds terminated a portion of the 2005 Fixed Payer Swap relating to the 2011 through a portion of the 2027 maturities. The remaining portion of the 2005 Bonds was refunded with the BASD Authority School Revenue Bonds (Bethlehem Area School District Refunding Project), Series of 2010 ("2010 BASD Authority Bonds") in the principal amount of $30,000,000.

The 2010 BASD Authority Bonds were purchased directly by RBC Capital Markets ("RBC"). The 2010 BASD Authority Bonds were issued initially in the Floating Mode, with the interest rate determined weekly equal to the Index Rate (which is SIFMA plus an Applicable Spread), in accordance with the terms of a Trust Indenture (the "Indenture") between the BASD Authority and Manufacturer's and Traders Trust Company (the "Trustee"), as trustee for the 2010 BASD Authority Bonds. The balance of the 2005 Fixed Payer Swap, not terminated by the 2010 Bonds, was transferred to the 2010 BASD Authority Bonds via a Novation Agreement. The remaining balance of the 2005 Fixed Payer Swap relating to the 2010 Note is hereinafter referred to as the "2010 Fixed Payer Swap". The 2010 Fixed Payer Swap currently has an outstanding notional amount of $29,630,000 and has a final maturity date of January 1, 2030, which is the final maturity date of the 2010 BASD Authority Bonds.

"2011 Fixed Payer Swap" On November 22, 2005, through the Shippensburg Borough Authority ("SBA"), the School District (on a future start basis) entered into an "interest rate management agreement" ("IRMA"), as defined in the Debt Act, with JP Morgan Chase Bank, N.A. ("JP Morgan"), hereinafter referred to as the "2007 SBA Fixed Payer Swap". The terms of the 2007 SBA Fixed Payer Swap called for the District, under a General Obligation Note Series of 2007 ("2007 Note") issued to SBA, to pay to JP Morgan a fixed rate of 3.774% and for JP Morgan to pay to the District a variable rate of 68% of 1 Month LIBOR. The 2007 SBA Fixed Payer Swap was intended by the District to manage interest rates and costs associated with the $40,000,000 Variable Rate Demand Revenue Bonds (Bethlehem Area School District Project), Series of 2007 (the "2007 SBA Bonds") issued by the SBA.

On May 1, 2009, the District, through the BASD Authority, incorporated by the District, refunded and retired the 2007 SBA Bonds with the School Revenue Bonds (Bethlehem Area School District Refunding Project), Series of 2009 ("2009 BASD Authority Bonds") in the amount of $40,280,000. The 2007 SBA Fixed Payer Swap was assigned to the BASD Authority under the terms of a Novation Agreement.

On April 28, 2011, the District, through the BASD Authority, refunded and retired the 2009 BASD Authority Bonds with its School Revenue Bonds (Bethlehem Area School District Refunding Project), Series of 2011 ("2011 BASD Authority Bonds") in the amount of $40,470,000. The 2007 SBA Fixed Payer Swap, under the terms of an amendment to the IRMA Confirmation, became associated with the 2011 BASD Authority Bonds and will hereinafter be referred to as the "2011 Fixed Payer Swap". JP Morgan will still pay to the District a variable rate of 68% of 1 Month LIBOR and the District will pay to JP Morgan a fixed rate of 3.774%. The 2011 Fixed Payer Swap currently has an outstanding notional amount of $39,980,000 and has a final maturity date of July 1, 2031 which is the final maturity date of the 2011 BASD Authority Bonds.

"2011A Fixed Payer Swap" See "Overview of Current Transactions"

Schedule 2B
Summary of Fixed Payer Swap Terminated by 2011 Bonds

	Existing 2007 Fixed Payer Swap		*Terminated Portion of 2007 Fixed Payer Swap*		*2011A Fixed Payer Swap*	
Date	*Maturity*	*Balance*	*Maturity*	*Balance*	*Maturity*	*Balance*
8/15/2011		54,980,000		25,140,000		29,840,000
1/1/2012	5,000	54,975,000	5,000	25,135,000		29,840,000
1/1/2013	5,000	54,970,000	5,000	25,130,000		29,840,000
1/1/2014	5,000	54,965,000	5,000	25,125,000		29,840,000
1/1/2015	5,000	54,960,000	5,000	25,120,000		29,840,000
1/1/2016	5,000	54,955,000	5,000	25,115,000		29,840,000
1/1/2017	5,000	54,950,000	5,000	25,110,000		29,840,000
1/1/2018	5,000	54,945,000	5,000	25,105,000		29,840,000
1/1/2019	5,000	54,940,000	5,000	25,100,000		29,840,000
1/1/2020	5,000	54,935,000	5,000	25,095,000		29,840,000
1/1/2021	5,000	54,930,000	5,000	25,090,000		29,840,000
1/1/2022	5,000	54,925,000	5,000	25,085,000		29,840,000
1/1/2023	3,045,000	51,880,000	3,045,000	22,040,000		29,840,000
1/1/2024	3,185,000	48,695,000	3,185,000	18,855,000		29,840,000
1/1/2025	3,335,000	45,360,000	3,335,000	15,520,000		29,840,000
1/1/2026	3,495,000	41,865,000	3,495,000	12,025,000		29,840,000
1/1/2027	3,665,000	38,200,000	3,665,000	8,360,000		29,840,000
1/1/2028	3,835,000	34,365,000	3,835,000	4,525,000		29,840,000
1/1/2029	4,020,000	30,345,000	4,020,000	505,000		29,840,000
1/1/2030	4,215,000	26,130,000	505,000		3,710,000	26,130,000
1/1/2031	12,760,000	13,370,000			12,760,000	13,370,000
1/1/2032	13,370,000				13,370,000	

Schedule 3
Summary of Fees Paid in Connection with the Partial Termination and Transfer of the 2007 Fixed Payer Swap

	Fees Paid
PFM Asset Management, LLC Swap Advisor	$40,000
Rhoads & Sinon LLP Swap Counsel	$40,000
King, Spry, Herman, Freund & Faul, LLC Solicitor	$20,000

Schedule 4A
2011A Fixed Payer Swap
Estimated Periodic Scheduled Payments

1	2	3	4	5	6
			Receive	Pay	
Fiscal Year Ending	Principal Date	Notional	60% of 1-Month LIBOR + 0.346% (1)	Fixed Swap Rate (2)	Fiscal Year Total
			2.750%	4.145%	
6/30/2012	1/1/2012	29,840,000	(547,066.67)	824,578.67	277,512.00
6/30/2013	1/1/2013	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2014	1/1/2014	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2015	1/1/2015	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2016	1/1/2016	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2017	1/1/2017	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2018	1/1/2018	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2019	1/1/2019	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2020	1/1/2020	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2021	1/1/2021	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2022	1/1/2022	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2023	1/1/2023	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2024	1/1/2024	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2025	1/1/2025	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2026	1/1/2026	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2027	1/1/2027	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2028	1/1/2028	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2029	1/1/2029	29,840,000	(820,600.00)	1,236,868.00	416,268.00
6/30/2030	1/1/2030	29,840,000	(769,587.50)	1,159,978.25	390,390.75
6/30/2031	1/1/2031	26,130,000	(543,125.00)	818,637.50	275,512.50
6/30/2032	1/1/2032	13,370,000	(183,837.50)	277,093.25	93,255.75
	TOTALS		(15,993,816.67)	24,107,043.67	8,113,227.00

(1) For these purposes, 60% of 1-Month LIBOR + 0.346% assumed at 2.750%, received monthly

(2) For these purposes, Fixed Swap Rate assumed at 4.145%, paid monthly

Schedule 4B
2011A Fixed Payer Swap
Maximum Periodic Scheduled Payments

1	2	3	4	5	6
			Receive	Pay	
Fiscal Year Ending	Principal Date	Notional	60% of 1-Month LIBOR + 0.346% (1)	Fixed Swap Rate (2)	Fiscal Year Total
			0.000%	4.145%	
6/30/2012	1/1/2012	29,840,000	0.00	824,578.67	824,578.67
6/30/2013	1/1/2013	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2014	1/1/2014	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2015	1/1/2015	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2016	1/1/2016	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2017	1/1/2017	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2018	1/1/2018	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2019	1/1/2019	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2020	1/1/2020	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2021	1/1/2021	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2022	1/1/2022	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2023	1/1/2023	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2024	1/1/2024	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2025	1/1/2025	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2026	1/1/2026	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2027	1/1/2027	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2028	1/1/2028	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2029	1/1/2029	29,840,000	0.00	1,236,868.00	1,236,868.00
6/30/2030	1/1/2030	29,840,000	0.00	1,159,978.25	1,159,978.25
6/30/2031	1/1/2031	26,130,000	0.00	818,637.50	818,637.50
6/30/2032	1/1/2032	13,370,000	0.00	277,093.25	277,093.25
	TOTALS		0.00	24,107,043.67	24,107,043.67

(1) For these purposes, 60% of 1-Month LIBOR + 0.346% assumed at 0.000%, received monthly

(2) For these purposes, Fixed Swap Rate assumed at 4.145%, paid monthly

Schedule 5A
Risk Summary for 2011A 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 termination payments owed.	See Schedule 5B for the potential termination 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 2011A Fixed Payer Swap.	Could result in a realized fixed rate on the 2011A 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 2011 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 2011A 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 2011A 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 2011A 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 procure 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.*
*** Note: Under the initial Index Mode of the 2011A BASD Authority Bonds, the District will be paying 68% of 1 Month LIBOR plus 0.75%, which would eliminate Tax Risk and mitigate Basis Risk as it relates to the 2011A Fixed Payer Swap and 2011A BASD Authority Bonds. If the 2011A BASD Authority Bonds are remarketed into a different mode or type of Floating Mode (i.e. SIFMA instead of LIBOR), then the District would retain Tax Risk and Basis Risk.*

Schedule 5B
Termination Values
2011A Fixed Payer Swap

Schedule 5C
Tax Risk: Present Value Analysis
2011A Fixed Payer Swap

Schedule 5D
Tax Risk: Annual Cash Flows
2011A Fixed Payer Swap

Schedule 6A
2011A Fixed Payer Swap and the 2011A BASD Authority Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2011A BASD Authority Bonds			2011A Fixed Payer Swap			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (68% of 1 Month LIBOR) (1) 2.750%	FRN Spread (Current) (2) 0.750%	Notional	60% of 1-Month LIBOR + 0.346% (3) 2.750%	Fixed Swap Rate (4) 4.145%	Fiscal Year Total
6/30/2012	1/1/2012	5,000	549,931.25	149,981.25	29,840,000	(547,066.67)	824,578.67	982,424.50
6/30/2013	1/1/2013	5,000	824,793.75	224,943.75	29,840,000	(820,600.00)	1,236,868.00	1,471,005.50
6/30/2014	1/1/2014	5,000	824,656.25	224,906.25	29,840,000	(820,600.00)	1,236,868.00	1,470,830.50
6/30/2015	1/1/2015	5,000	824,518.75	224,868.75	29,840,000	(820,600.00)	1,236,868.00	1,470,655.50
6/30/2016	1/1/2016	5,000	824,381.25	224,831.25	29,840,000	(820,600.00)	1,236,868.00	1,470,480.50
6/30/2017	1/1/2017	5,000	824,243.75	224,793.75	29,840,000	(820,600.00)	1,236,868.00	1,470,305.50
6/30/2018	1/1/2018	5,000	824,106.25	224,756.25	29,840,000	(820,600.00)	1,236,868.00	1,470,130.50
6/30/2019	1/1/2019	5,000	823,968.75	224,718.75	29,840,000	(820,600.00)	1,236,868.00	1,469,955.50
6/30/2020	1/1/2020	5,000	823,831.25	224,681.25	29,840,000	(820,600.00)	1,236,868.00	1,469,780.50
6/30/2021	1/1/2021	5,000	823,693.75	224,643.75	29,840,000	(820,600.00)	1,236,868.00	1,469,605.50
6/30/2022	1/1/2022	5,000	823,556.25	224,606.25	29,840,000	(820,600.00)	1,236,868.00	1,469,430.50
6/30/2023	1/1/2023	5,000	823,418.75	224,568.75	29,840,000	(820,600.00)	1,236,868.00	1,469,255.50
6/30/2024	1/1/2024	5,000	823,281.25	224,531.25	29,840,000	(820,600.00)	1,236,868.00	1,469,080.50
6/30/2025	1/1/2025	5,000	823,143.75	224,493.75	29,840,000	(820,600.00)	1,236,868.00	1,468,905.50
6/30/2026	1/1/2026	5,000	823,006.25	224,456.25	29,840,000	(820,600.00)	1,236,868.00	1,468,730.50
6/30/2027	1/1/2027	5,000	822,868.75	224,418.75	29,840,000	(820,600.00)	1,236,868.00	1,468,555.50
6/30/2028	1/1/2028	5,000	822,731.25	224,381.25	29,840,000	(820,600.00)	1,236,868.00	1,468,380.50
6/30/2029	1/1/2029	5,000	822,593.75	224,343.75	29,840,000	(820,600.00)	1,236,868.00	1,468,205.50
6/30/2030	1/1/2030	2,095,000	793,718.75	216,468.75	29,840,000	(769,587.50)	1,159,978.25	3,495,578.25
6/30/2031	1/1/2031	13,620,000	577,637.50	157,537.50	26,130,000	(543,125.00)	818,637.50	14,630,687.50
6/30/2032	1/1/2032	14,195,000	195,181.25	53,231.25	13,370,000	(183,837.50)	277,093.25	14,536,668.25
	TOTALS	30,000,000	16,119,262.50	4,396,162.50		(15,993,816.67)	24,107,043.67	58,628,652.00

(1) For these purposes, FRN Base Index (68% of 1 Month LIBOR) assumed at 2.750%, paid monthly

(2) For these purposes, FRN Spread (Current) assumed at 0.750%, 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 6B
2011A Fixed Payer Swap and the 2011A BASD Authority Bonds
Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2011A BASD Authority Bonds			2011A Fixed Payer Swap			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (68% of 1 Month LIBOR) (1) 25.000%	FRN Spread (Current) (2)	Notional	60% of 1-Month LIBOR + 0.346% (3) 0.000%	Fixed Swap Rate (4) 4.145%	Fiscal Year Total
6/30/2012	1/1/2012	5,000	4,999,375.00	0.00	29,840,000	0.00	824,578.67	5,828,953.67
6/30/2013	1/1/2013	5,000	7,498,125.00	0.00	29,840,000	0.00	1,236,868.00	8,739,993.00
6/30/2014	1/1/2014	5,000	7,496,875.00	0.00	29,840,000	0.00	1,236,868.00	8,738,743.00
6/30/2015	1/1/2015	5,000	7,495,625.00	0.00	29,840,000	0.00	1,236,868.00	8,737,493.00
6/30/2016	1/1/2016	5,000	7,494,375.00	0.00	29,840,000	0.00	1,236,868.00	8,736,243.00
6/30/2017	1/1/2017	5,000	7,493,125.00	0.00	29,840,000	0.00	1,236,868.00	8,734,993.00
6/30/2018	1/1/2018	5,000	7,491,875.00	0.00	29,840,000	0.00	1,236,868.00	8,733,743.00
6/30/2019	1/1/2019	5,000	7,490,625.00	0.00	29,840,000	0.00	1,236,868.00	8,732,493.00
6/30/2020	1/1/2020	5,000	7,489,375.00	0.00	29,840,000	0.00	1,236,868.00	8,731,243.00
6/30/2021	1/1/2021	5,000	7,488,125.00	0.00	29,840,000	0.00	1,236,868.00	8,729,993.00
6/30/2022	1/1/2022	5,000	7,486,875.00	0.00	29,840,000	0.00	1,236,868.00	8,728,743.00
6/30/2023	1/1/2023	5,000	7,485,625.00	0.00	29,840,000	0.00	1,236,868.00	8,727,493.00
6/30/2024	1/1/2024	5,000	7,484,375.00	0.00	29,840,000	0.00	1,236,868.00	8,726,243.00
6/30/2025	1/1/2025	5,000	7,483,125.00	0.00	29,840,000	0.00	1,236,868.00	8,724,993.00
6/30/2026	1/1/2026	5,000	7,481,875.00	0.00	29,840,000	0.00	1,236,868.00	8,723,743.00
6/30/2027	1/1/2027	5,000	7,480,625.00	0.00	29,840,000	0.00	1,236,868.00	8,722,493.00
6/30/2028	1/1/2028	5,000	7,479,375.00	0.00	29,840,000	0.00	1,236,868.00	8,721,243.00
6/30/2029	1/1/2029	5,000	7,478,125.00	0.00	29,840,000	0.00	1,236,868.00	8,719,993.00
6/30/2030	1/1/2030	2,095,000	7,215,625.00	0.00	29,840,000	0.00	1,159,978.25	10,470,603.25
6/30/2031	1/1/2031	13,620,000	5,251,250.00	0.00	26,130,000	0.00	818,637.50	19,689,887.50
6/30/2032	1/1/2032	14,195,000	1,774,375.00	0.00	13,370,000	0.00	277,093.25	16,246,468.25
	TOTALS	30,000,000	146,538,750.00	0.00		0.00	24,107,043.67	200,645,793.67

(1) For these purposes, FRN Base Index (68% of 1 Month LIBOR) assumed at 25.000%, paid monthly

(2) For these purposes, FRN Spread (Current) assumed at 0.000%, 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

---2003 Swaption---

Schedule 7A
Risk Summary – 2003 Swaption

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2003 Swaption 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 Swaption.	Could result in a higher rate paid on the 2003 Swaption.	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 Swaption, 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 Swaption, Monitor.
4) Counterparty Credit (Default) Risk	Risk of a payment default on the 2003 Swaption 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

Schedule 7C
2003 Swaption and 2007A Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2007A BONDS			2003 SWAPTION			
		Pay		Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	Rate	Fixed Rate Interest	Notional	Fixed Swap Rate	SIFMA (1)	Fiscal Year Total
						3.280%	2.700%	
6/30/2012	9/1/2011	6,470,000	5.000%	1,775,000.00	38,735,000	(1,164,400.00)	958,500.00	8,039,100.05
6/30/2013	9/1/2012	6,805,000	5.000%	1,443,125.00	32,265,000	(946,690.00)	779,287.50	8,080,722.55
6/30/2014	9/1/2013	7,735,000	5.000%	1,079,625.00	25,460,000	(708,234.00)	582,997.50	8,689,388.55
6/30/2015	9/1/2014	8,135,000	5.000%	682,875.00	17,725,000	(447,966.00)	368,752.50	8,738,661.55
6/30/2016	9/1/2015	8,555,000	5.000%	265,625.00	9,590,000	(174,250.00)	143,437.50	8,789,812.55
6/30/2017	9/1/2016	1,035,000	5.000%	25,875.00	1,035,000	(16,974.00)	13,972.50	1,057,873.55
	TOTALS	38,735,000		5,272,125.00		(3,458,514.00)	2,846,947.50	43,395,558.80

(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
		2007A BONDS			2003 SWAPTION			
		Pay		Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	Rate	Fixed Rate Interest	Notional	Fixed Swap Rate	SIFMA (1)	Fiscal Year Total
						3.280%	25.000%	
6/30/2012	9/1/2011	6,470,000	5.000%	1,775,000.00	38,735,000	(1,164,400.00)	8,875,000.00	15,955,600.05
6/30/2013	9/1/2012	6,805,000	5.000%	1,443,125.00	32,265,000	(946,690.00)	7,215,625.00	14,517,060.05
6/30/2014	9/1/2013	7,735,000	5.000%	1,079,625.00	25,460,000	(708,234.00)	5,398,125.00	13,504,516.05
6/30/2015	9/1/2014	8,135,000	5.000%	682,875.00	17,725,000	(447,966.00)	3,414,375.00	11,784,284.05
6/30/2016	9/1/2015	8,555,000	5.000%	265,625.00	9,590,000	(174,250.00)	1,328,125.00	9,974,500.05
6/30/2017	9/1/2016	1,035,000	5.000%	25,875.00	1,035,000	(16,974.00)	129,375.00	1,173,276.05
	TOTALS	38,735,000		5,272,125.00		(3,458,514.00)	26,360,625.00	66,909,236.30

(1) For these purposes, SIFMA assumed at max rate of 25.000%, paid semi-annually

---2010 Fixed Payer Swap---

Schedule 8A
Risk Summary – 2010 Fixed Payer Swap

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2010 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 2010 Fixed Payer Swap.	Could result in a realized fixed rate on the 2010 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 2010 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 2010 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 2010 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 2010 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
2010 Fixed Payer Swap

Schedule 8C
Tax Risk: Present Value Analysis
2010 Fixed Payer Swap

Schedule 8D
Tax Risk: Annual Cash Flows
2010 Fixed Payer Swap

Schedule 8E
2010 Fixed Payer Swap and 2010 BASD Authority Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2010 BASD Authority Bonds			2010 Fixed Payer			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (SIFMA) (1)	FRN Spread (Current Estimate) (2)	Notional	60% of 1-Month LIBOR + 0.345% (3)	Fixed Swap Rate (4)	Fiscal Year Total
			2.700%	1.500%		2.750%	3.900%	
6/30/2011	1/1/2011	5,000	809,932.50	449,962.50	29,630,000	(814,825.00)	1,155,570.00	1,605,640.00
6/30/2012	1/1/2012	5,000	809,797.50	449,887.50	29,630,000	(814,825.00)	1,155,570.00	1,605,430.00
6/30/2013	1/1/2013	5,000	809,662.50	449,812.50	29,630,000	(814,825.00)	1,155,570.00	1,605,220.00
6/30/2014	1/1/2014	5,000	809,527.50	449,737.50	29,630,000	(814,825.00)	1,155,570.00	1,605,010.00
6/30/2015	1/1/2015	5,000	809,392.50	449,662.50	29,630,000	(814,825.00)	1,155,570.00	1,604,800.00
6/30/2016	1/1/2016	5,000	809,257.50	449,587.50	29,630,000	(814,825.00)	1,155,570.00	1,604,590.00
6/30/2017	1/1/2017	5,000	809,122.50	449,512.50	29,630,000	(814,825.00)	1,155,570.00	1,604,380.00
6/30/2018	1/1/2018	5,000	808,987.50	449,437.50	29,630,000	(814,825.00)	1,155,570.00	1,604,170.00
6/30/2019	1/1/2019	5,000	808,852.50	449,362.50	29,630,000	(814,825.00)	1,155,570.00	1,603,960.00
6/30/2020	1/1/2020	5,000	808,717.50	449,287.50	29,630,000	(814,825.00)	1,155,570.00	1,603,750.00
6/30/2021	1/1/2021	5,000	808,582.50	449,212.50	29,630,000	(814,825.00)	1,155,570.00	1,603,540.00
6/30/2022	1/1/2022	5,000	808,447.50	449,137.50	29,630,000	(814,825.00)	1,155,570.00	1,603,330.00
6/30/2023	1/1/2023	5,000	808,312.50	449,062.50	29,630,000	(814,825.00)	1,155,570.00	1,603,120.00
6/30/2024	1/1/2024	5,000	808,177.50	448,987.50	29,630,000	(814,825.00)	1,155,570.00	1,602,910.00
6/30/2025	1/1/2025	5,000	808,042.50	448,912.50	29,630,000	(814,825.00)	1,155,570.00	1,602,700.00
6/30/2026	1/1/2026	5,000	807,907.50	448,837.50	29,630,000	(814,825.00)	1,155,570.00	1,602,490.00
6/30/2027	1/1/2027	6,705,000	717,322.50	398,512.50	29,630,000	(722,356.25)	1,024,432.50	8,122,911.25
6/30/2028	1/1/2028	7,150,000	530,280.00	294,600.00	22,905,000	(529,512.50)	750,945.00	8,196,312.50
6/30/2029	1/1/2029	7,620,000	330,885.00	183,825.00	15,605,000	(324,225.00)	459,810.00	8,270,295.00
6/30/2030	1/1/2030	8,445,000	114,007.50	63,337.50	7,975,000	(109,656.25)	155,512.50	8,668,201.25
	TOTALS	30,000,000	14,635,215.00	8,130,675.00		(14,722,950.00)	20,879,820.00	58,922,760.00

(1) For these purposes, FRN Base Index (SIFMA) assumed at 2.700%, paid monthly

(2) For these purposes, FRN Spread (Current Estimate) assumed at 1.500%, paid monthly

(3) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 2.750%, received monthly

(4) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

Schedule 8F
2010 Fixed Payer Swap and 2010 BASD Authority Bonds
Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8
		2010 BASD Authority Bonds		2010 Fixed Payer			
		Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	2010 BASD Authority Max Rate (1) 12.000%	Notional	60% of 1-Month LIBOR + 0.345% (2) 0.000%	Fixed Swap Rate (3) 3.900%	Fiscal Year Total
6/30/2011	1/1/2011	5,000	3,599,700.00	29,630,000	0.00	1,155,570.00	4,760,270.00
6/30/2012	1/1/2012	5,000	3,599,100.00	29,630,000	0.00	1,155,570.00	4,759,670.00
6/30/2013	1/1/2013	5,000	3,598,500.00	29,630,000	0.00	1,155,570.00	4,759,070.00
6/30/2014	1/1/2014	5,000	3,597,900.00	29,630,000	0.00	1,155,570.00	4,758,470.00
6/30/2015	1/1/2015	5,000	3,597,300.00	29,630,000	0.00	1,155,570.00	4,757,870.00
6/30/2016	1/1/2016	5,000	3,596,700.00	29,630,000	0.00	1,155,570.00	4,757,270.00
6/30/2017	1/1/2017	5,000	3,596,100.00	29,630,000	0.00	1,155,570.00	4,756,670.00
6/30/2018	1/1/2018	5,000	3,595,500.00	29,630,000	0.00	1,155,570.00	4,756,070.00
6/30/2019	1/1/2019	5,000	3,594,900.00	29,630,000	0.00	1,155,570.00	4,755,470.00
6/30/2020	1/1/2020	5,000	3,594,300.00	29,630,000	0.00	1,155,570.00	4,754,870.00
6/30/2021	1/1/2021	5,000	3,593,700.00	29,630,000	0.00	1,155,570.00	4,754,270.00
6/30/2022	1/1/2022	5,000	3,593,100.00	29,630,000	0.00	1,155,570.00	4,753,670.00
6/30/2023	1/1/2023	5,000	3,592,500.00	29,630,000	0.00	1,155,570.00	4,753,070.00
6/30/2024	1/1/2024	5,000	3,591,900.00	29,630,000	0.00	1,155,570.00	4,752,470.00
6/30/2025	1/1/2025	5,000	3,591,300.00	29,630,000	0.00	1,155,570.00	4,751,870.00
6/30/2026	1/1/2026	5,000	3,590,700.00	29,630,000	0.00	1,155,570.00	4,751,270.00
6/30/2027	1/1/2027	6,705,000	3,188,100.00	29,630,000	0.00	1,024,432.50	10,917,532.50
6/30/2028	1/1/2028	7,150,000	2,356,800.00	22,905,000	0.00	750,945.00	10,257,745.00
6/30/2029	1/1/2029	7,620,000	1,470,600.00	15,605,000	0.00	459,810.00	9,550,410.00
6/30/2030	1/1/2030	8,445,000	506,700.00	7,975,000	0.00	155,512.50	9,107,212.50
	TOTALS	30,000,000	65,045,400.00		0.00	20,879,820.00	115,925,220.00

(1) For these purposes, 2010 BASD Authority Max Rate assumed at 12.000%, paid monthly

(2) For these purposes, 60% of 1-Month LIBOR + 0.345% assumed at 0.000%, received monthly

(3) For these purposes, Fixed Swap Rate assumed at 3.900%, paid monthly

---2011 Fixed Payer Swap---

Schedule 9A
Risk Summary – 2011 Fixed Payer Swap

	Brief Definition/Explanation	Risk Analysis	Example	Mitigation
1) Termination Risk*	Risk that the School District is forced to liquidate the 2011 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 9B for the potential payments owed.	See Schedule 9B 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 2011 Fixed Payer Swap.	Could result in a realized fixed rate on the 2011 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 2011 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 2011 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 2011 Fixed Payer Swap that is higher than the nominal rate in the contract.	See Schedule 9C and 9D.	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 2011 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 9B 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.*
*** Note: Under the initial Index Mode of the 2011 BASD Authority Bonds, the District will be paying 68% of 1 Month LIBOR plus 0.75%, which would eliminate Tax Risk and mitigate Basis Risk as it relates to the 2011 Fixed Payer Swap and 2011 BASD Authority Bonds. If the 2011 BASD Authority Bonds are remarketed into a different mode or type of Floating Mode (i.e. SIFMA instead of LIBOR), then the District would retain Tax Risk and Basis Risk.*

Schedule 9B
Termination Values
2011 Fixed Payer Swap

Schedule 9C
Tax Risk: Present Value Analysis
2011 Fixed Payer Swap

Schedule 9D
Tax Risk: Annual Cash Flows
2011 Fixed Payer Swap

Schedule 9E
2011 Fixed Payer Swap and 2011 BASD Authority Bonds
Estimated Periodic Scheduled Payments

1	2	3	4	5	6	7	8	9
		2011 BASD Authority Bonds			2011 Fixed Payer			
		Pay	Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	FRN Base Index (68% of 1 Month LIBOR) (1)	FRN Spread (Current Estimate) (2)	Notional	68% of 1-Month LIBOR (3)	Fixed Swap Rate (4)	Fiscal Year Total
			2.750%	0.750%		2.750%	3.774%	
6/30/2011	7/1/2011	5,000	188,578.96	51,430.63	39,985,000	(1,099,587.50)	1,509,033.90	654,455.98
6/30/2012	7/1/2012	5,000	1,112,787.50	303,487.50	39,980,000	(1,099,450.00)	1,508,845.20	1,830,670.20
6/30/2013	7/1/2013	5,000	1,112,650.00	303,450.00	39,975,000	(1,099,312.50)	1,508,656.50	1,830,444.00
6/30/2014	7/1/2014	5,000	1,112,512.50	303,412.50	39,970,000	(1,099,175.00)	1,508,467.80	1,830,217.80
6/30/2015	7/1/2015	5,000	1,112,375.00	303,375.00	39,965,000	(1,099,037.50)	1,508,279.10	1,829,991.60
6/30/2016	7/1/2016	5,000	1,112,237.50	303,337.50	39,960,000	(1,098,900.00)	1,508,090.40	1,829,765.40
6/30/2017	7/1/2017	5,000	1,112,100.00	303,300.00	39,955,000	(1,098,762.50)	1,507,901.70	1,829,539.20
6/30/2018	7/1/2018	5,000	1,111,962.50	303,262.50	39,950,000	(1,098,625.00)	1,507,713.00	1,829,313.00
6/30/2019	7/1/2019	5,000	1,111,825.00	303,225.00	39,945,000	(1,098,487.50)	1,507,524.30	1,829,086.80
6/30/2020	7/1/2020	5,000	1,111,687.50	303,187.50	39,940,000	(1,098,350.00)	1,507,335.60	1,828,860.60
6/30/2021	7/1/2021	5,000	1,111,550.00	303,150.00	39,935,000	(1,098,212.50)	1,507,146.90	1,828,634.40
6/30/2022	7/1/2022	1,310,000	1,111,412.50	303,112.50	39,930,000	(1,098,075.00)	1,506,958.20	3,133,408.20
6/30/2023	7/1/2023	1,365,000	1,075,387.50	293,287.50	36,595,000	(1,006,362.50)	1,381,095.30	3,108,407.80
6/30/2024	7/1/2024	1,925,000	1,037,850.00	283,050.00	33,130,000	(911,075.00)	1,250,326.20	3,585,151.20
6/30/2025	7/1/2025	2,010,000	984,912.50	268,612.50	29,525,000	(811,937.50)	1,114,273.50	3,565,861.00
6/30/2026	7/1/2026	4,775,000	929,637.50	253,537.50	25,775,000	(708,812.50)	972,748.50	6,222,111.00
6/30/2027	7/1/2027	4,990,000	798,325.00	217,725.00	21,880,000	(601,700.00)	825,751.20	6,230,101.20
6/30/2028	7/1/2028	5,205,000	661,100.00	180,300.00	17,830,000	(490,325.00)	672,904.20	6,228,979.20
6/30/2029	7/1/2029	5,950,000	517,962.50	141,262.50	13,625,000	(374,687.50)	514,207.50	6,748,745.00
6/30/2030	7/1/2030	6,250,000	354,337.50	96,637.50	9,255,000	(254,512.50)	349,283.70	6,795,746.20
6/30/2031	7/1/2031	6,635,000	182,462.50	49,762.50	4,715,000	(129,662.50)	177,944.10	6,915,506.60
	TOTALS	40,470,000	18,963,653.96	5,171,905.63		(18,475,050.00)	25,354,486.80	71,484,996.38

(1) For these purposes, FRN Base Index (68% of 1 Month LIBOR) assumed at 2.750%, paid monthly

(2) For these purposes, FRN Spread (Current Estimate) assumed at 0.750%, 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 9F
2011 Fixed Payer Swap and 2011 BASD Authority Bonds
Maximum Periodic Scheduled Payments

1	2	3	4	5	6	7	8
		2011 BASD Authority Bonds		2011 Fixed Payer			
		Pay	Pay		Receive	Pay	
Fiscal Year Ending	Principal Date	Principal	2011 BASD Authority Max Rate (1) 25.000%	Notional	68% of 1-Month LIBOR (2) 0.000%	Fixed Swap Rate (3) 3.774%	Fiscal Year Total
6/30/2011	7/1/2011	5,000	1,714,354.17	39,985,000	0.00	1,509,033.90	3,228,388.07
6/30/2012	7/1/2012	5,000	10,116,250.00	39,980,000	0.00	1,508,845.20	11,630,095.20
6/30/2013	7/1/2013	5,000	10,115,000.00	39,975,000	0.00	1,508,656.50	11,628,656.50
6/30/2014	7/1/2014	5,000	10,113,750.00	39,970,000	0.00	1,508,467.80	11,627,217.80
6/30/2015	7/1/2015	5,000	10,112,500.00	39,965,000	0.00	1,508,279.10	11,625,779.10
6/30/2016	7/1/2016	5,000	10,111,250.00	39,960,000	0.00	1,508,090.40	11,624,340.40
6/30/2017	7/1/2017	5,000	10,110,000.00	39,955,000	0.00	1,507,901.70	11,622,901.70
6/30/2018	7/1/2018	5,000	10,108,750.00	39,950,000	0.00	1,507,713.00	11,621,463.00
6/30/2019	7/1/2019	5,000	10,107,500.00	39,945,000	0.00	1,507,524.30	11,620,024.30
6/30/2020	7/1/2020	5,000	10,106,250.00	39,940,000	0.00	1,507,335.60	11,618,585.60
6/30/2021	7/1/2021	5,000	10,105,000.00	39,935,000	0.00	1,507,146.90	11,617,146.90
6/30/2022	7/1/2022	1,310,000	10,103,750.00	39,930,000	0.00	1,506,958.20	12,920,708.20
6/30/2023	7/1/2023	1,365,000	9,776,250.00	36,595,000	0.00	1,381,095.30	12,522,345.30
6/30/2024	7/1/2024	1,925,000	9,435,000.00	33,130,000	0.00	1,250,326.20	12,610,326.20
6/30/2025	7/1/2025	2,010,000	8,953,750.00	29,525,000	0.00	1,114,273.50	12,078,023.50
6/30/2026	7/1/2026	4,775,000	8,451,250.00	25,775,000	0.00	972,748.50	14,198,998.50
6/30/2027	7/1/2027	4,990,000	7,257,500.00	21,880,000	0.00	825,751.20	13,073,251.20
6/30/2028	7/1/2028	5,205,000	6,010,000.00	17,830,000	0.00	672,904.20	11,887,904.20
6/30/2029	7/1/2029	5,950,000	4,708,750.00	13,625,000	0.00	514,207.50	11,172,957.50
6/30/2030	7/1/2030	6,250,000	3,221,250.00	9,255,000	0.00	349,283.70	9,820,533.70
6/30/2031	7/1/2031	6,635,000	1,658,750.00	4,715,000	0.00	177,944.10	8,471,694.10
	TOTALS	40,470,000	172,396,854.17		0.00	25,354,486.80	238,221,340.97

(1) For these purposes, 2011 BASD Authority Max Rate assumed at 25.000%, paid monthly

(2) For these purposes, 68% of 1-Month LIBOR assumed at 0.000%, received monthly

(3) For these purposes, Fixed Swap Rate assumed at 3.774%, paid monthly

APPENDIX B

FORM OF FIRST AMENDMENT TO SWAP CONFIRMATION

(Local Currency—Single Jurisdiction)

ISDA®

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.

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(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

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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

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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

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(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.

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(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;

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(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 sane 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.

By: _____
Name:
Title: NINA C. SIMMONS
Date: VICE PRESIDENT

BETHLEHEM AREA SCHOOL DISTRICT

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

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:-

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Sec. 3(d) Representation
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

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Sec. 3(d) Representation
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

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Sec. 3(d) Representation
	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.		

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Sec. 3(d) Representation
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

EXHIBIT A-1

FORM OF OPINION OF OUTSIDE COUNSEL
FOR PARTY A
[LETTERHEAD OF CADWALADER, WICKERSHAM & TAFT]

[Date]

[Name]
[Address]

Ladies and Gentlemen:

We act as a counsel to Morgan Stanley Capital Services Inc. ("MSCS") in connection with certain matters. We have been requested by MSCS to review the documents referred to herein and to render the opinion expressed herein. In such connection, we have reviewed, (i) an ISDA Master Agreement dated as of _____, 200_ (including the Schedule and Credit Support Annex thereto) and (ii) a Confirmation dated _____, 200_, (collectively, the "Agreement") between MSCS and _____ (the "Counterparty"). In these regards, we have reviewed original, conformed, reproduction, or specimen copies, identified to our satisfaction, of the Agreement and other relevant documents, and have made such examination of applicable law as we have deemed necessary for the purpose of rendering the opinion expressed herein.

Based upon the foregoing, we are of the opinion, subject to the qualifications expressed herein, that the Agreement constitutes the legal and binding agreement of MSCS and is enforceable against MSCS in accordance with its terms.

The opinion expressed herein is subject to the following qualifications:

(A) We are licensed to practice law in the State of New York, for purposes of the opinion expressed herein we do not purport to be experts on any law other than the law of the State of New York and the federal law of the United States of America, and we do not express any opinion herein concerning any law other than the substantive law of the State of New York and of the United States of America (as applicable, without regard to conflict of law principles).

(B) In our review of the documents referred to in the first paragraph of this letter, we have assumed and have not independently verified that all signatures are genuine, that all documents submitted to or obtained by us as originals are authentic, and that all documents submitted to or obtained by us as conformed, reproduction, or specimen copies conform to the original documents and all such originals are authentic.

(C) As to certain matters of fact, we have relied upon and have not independently verified statements, representations, and warranties of MSCS and its representatives, including statements, representations, and warranties contained in the Agreement, and have assumed and have not independently verified that all such statements, representations, and warranties are true, accurate, and complete.

(D) In rendering the opinions expressed herein, we have relied upon the opinions expressed in the letter dated the date hereof of Mark Steffensen, Esq., Counsel to MSCS, addressed to the Counterparty in connection with the Agreement, and we have assumed and have not independently verified under the law of any jurisdiction that all such opinions are valid, reasonable, true, accurate, and complete.

(E) We have assumed and have not independently verified under the law of any jurisdiction the legal capacity, power, and authority of the Counterparty to execute, deliver, and perform its obligations under the Agreement, and of the individuals who executed and delivered the Agreement on behalf of the Counterparty to do so. We have also assumed and have not independently verified under the law of any jurisdiction that the Agreement constitutes the legal, valid, and binding agreement of the Counterparty and is enforceable against the Counterparty in accordance with its terms. In addition, we have relied upon and have not independently verified statements, representations, and warranties of the Counterparty and its representatives, including statements, representations, and warranties contained in the Agreement, and have assumed and have not independently verified that all such statements, representations, and warranties are true, accurate, and complete.

(F) The enforceability of each of the Agreement and the rights and remedies thereunder are subject to, and may be limited by: (i) applicable bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship, or other similar laws from time to time in effect relating to or affecting generally the enforcement of creditors' rights; (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing (regardless of whether considered in a proceeding at law or in equity); (iii) the availability of equitable remedies; (iv) the discretion of a court or other authority or body to grant, impose, or render remedies under specific circumstances; (v) Sections 9-406 and 9-408 of the New York Uniform Commercial Code to the extent the Agreement purports to prohibit, restrict, or require the consent of the other party for, the transfer of, or the creation, attachment or perfection of a security interest in, the Agreement or an interest therein; (vi) limitations imposed by public policy, although we are not aware of any such limitations that would be relevant to the enforceability of the Agreement; (vii) each party to the Agreement acting in a commercially reasonable manner and in good faith in performing its obligations and exercising its rights and remedies thereunder; and (viii) the discretion of a court or other authority or body to invalidate or decline to enforce any right, remedy, or provision of the Agreement (including without limitation the termination payment provisions of the Agreement) determined by it to be a penalty.

(G) We express no opinion herein as to (i) whether a court or other authority or body located outside of the State of New York would enforce the governing law and submission to jurisdiction provisions of the Agreement and (ii) the creation, legality, validity, perfection, enforceability, or priority of any lien, security interest, or other encumbrance created or purported to be created pursuant to the agreement.

We are furnishing this letter to you solely for your benefit in connection with the transactions referred to herein. This letter is not to be relied upon, used, circulated, quoted or otherwise referred to by any other person or for any other purpose without our prior written consent. In addition, we disclaim any obligation to update this opinion letter for changes in fact or law, or otherwise.

Very truly yours,

EXHIBIT A-2

FORM OF OPINION OF INTERNAL COUNSEL FOR PARTY A

[DATE]

[COUNTERPARTY]
[ADDRESS]

Ladies and Gentlemen:

As Counsel to Morgan Stanley Capital Services Inc., a Delaware corporation ("Morgan Stanley"), I advise you as follows in connection with the ISDA Master Agreement, the Schedule [and Credit Support Annex] thereto dated as of [DATE], and the Confirmation thereunder dated as of [DATE] (the "Agreement") between Morgan Stanley and you.

In arriving at the opinions expressed below, I have, or someone under my supervision has, examined an original or copy of: (i) the ISDA Master Agreement and (ii) the Schedule [and Credit Support Annex] to the ISDA Master Agreement, and (iii) the Confirmation, each executed on behalf of Morgan Stanley. I have, or someone under my supervision has, also reviewed such corporate records of Morgan Stanley, certificates of public officials, officers of Morgan Stanley and other persons, and such other documents, agreements and instruments, and such matters of law, as I have deemed necessary as a basis for the opinions expressed in this letter. In such review, I have relied as to certain matters on information obtained from public officials, officers of Morgan Stanley and other sources believed by me to be reliable, and I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified, photostatic or reproduced copies and the authenticity of the originals of all such latter documents. Based upon the aforementioned examination and review, and subject to the foregoing and following comments and qualifications, it is my opinion that:

(1) Morgan Stanley has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware.

(2) The Agreement has been duly authorized, executed and delivered by Morgan Stanley.

(3) The execution, delivery and performance of the Agreement by Morgan Stanley does not contravene any provision of the Certificate of Incorporation or By-Laws of Morgan Stanley.

In connection with my opinion in paragraph (2) above, I note that, as of the date of this opinion, a judgment for money in an action based on the Agreement in a Federal or state court in the United States ordinarily would be enforced in the United States only in United States dollars. The date used to determine the rate of conversion of the foreign currency or currency unit in which an obligation under the Agreement is denominated into United States dollars will depend on various factors, including which court renders the judgment. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a claim under the Agreement denominated in a foreign currency or currency unit would be required to render such judgment in the foreign currency or currency unit in which the claim is denominated, and that judgment would be converted into United States dollars at the exchange rate prevailing on the date of entry of the judgment.

In rendering the foregoing opinions, I have assumed, with respect to all of the documents referred to in this opinion letter, that (except as to Morgan Stanley): (i) each party to such documents is duly organized and validly existing; (ii) each party to such documents has the requisite power and authority (corporate or other) to execute and deliver such documents and perform its obligations under such documents; (iii) the execution, delivery and performance of such documents have been duly authorized by each party thereto; (iv) such documents have been duly executed and delivered by each party thereto; (v) such documents constitute the legal, valid and binding agreement of each of the parties thereto, enforceable against each such party in accordance with their respective terms; and (vi) each party to such documents has obtained all consents, approvals, authorizations, orders, licenses, registrations and qualifications (including any applicable foreign exchange licenses) from, and has made all filings and registrations with, all governmental or regulatory authorities or agencies required for the execution or delivery of, or for the performance or incurrence of any obligations or liabilities under, such documents.

In rendering the foregoing opinions, I am not addressing any matters relating to any specific transactions entered into pursuant to the Master Agreement. Furthermore, I express no opinion as to the validity and enforceability of any provision of the Agreement that (i) purports to limit, condition or impose remedies for the exercise of either party's ability to transfer its rights under the Agreement or a Confirmation in a manner contrary to Section 9-406 or 9-408 of the New York Uniform Commercial Code; (ii) requires any amendment or waiver to be in writing, to the extent that an oral agreement or waiver, or an implied agreement or waiver by trade practice or course of conduct, has been created that modifies any such provision; or (iii) is determined to be a penalty or a forfeiture, including by reason of a party being required or allowed to pay, deliver, receive or recover (or not to pay, deliver, receive or recover) any amount or item. In addition, I express no opinions as to any violation of, or any consent or approval required under, any law or regulation which may be applicable to Morgan Stanley as a result of the involvement of any other party to the Agreement. Any foregoing opinion relating to enforceability or performance by Morgan Stanley of its obligations are qualified by and subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

The foregoing opinion is limited to the Federal laws of the United States, the laws of the State of New York and the General Corporation Law of the State of Delaware, and I am expressing no opinion as to the effect of the laws of any other jurisdiction.

I am furnishing this opinion to you solely for your benefit in connection with the above-referenced Agreement. Except for your own internal use, this opinion is not to be used or circulated, quoted or otherwise referred to, or relied upon without my express written consent. I do not undertake to update, revise or supplement any opinion or statement herein for any reason whatsoever.

Very truly yours,

Counsel

EXHIBIT A-3

FORM OF OPINION OF INTERNAL COUNSEL FOR PARTY A

[DATE]

[COUNTERPARTY]
[ADDRESS]

Ladies and Gentlemen:

As Counsel to Morgan Stanley, a Delaware corporation ("Morgan Stanley"), I advise you as follows in connection with the Guarantee issued by Morgan Stanley, dated [DATE] (the "Guarantee") in connection with the ISDA Master Agreement, dated as of [DATE] between Morgan Stanley Capital Services Inc. and [COUNTERPARTY] (the "Agreement").

In arriving at the opinions expressed below, I have, or someone under my supervision has, examined an original or copy of the Guarantee executed on behalf of Morgan Stanley. I have, or someone under my supervision has, also reviewed such corporate records of Morgan Stanley, certificates of public officials, officers of Morgan Stanley and other persons, and such other documents, agreements and instruments, and such matters of law, as I have deemed necessary as a basis for the opinions expressed in this letter. In such review, I have relied as to certain matters on information obtained from public officials, officers of Morgan Stanley and other sources believed by me to be reliable, and I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified, photostatic or reproduced copies and the authenticity of the originals of all such latter documents. Based upon the aforementioned examination and review, and subject to the foregoing and following comments and qualifications, it is my opinion that:

(1) Morgan Stanley has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware.

(2) The Guarantee has been duly authorized, executed and delivered by Morgan Stanley and the Guarantee constitutes the valid and legally binding obligation of Morgan Stanley enforceable in accordance with its terms.

(3) The execution, delivery and performance of the Guarantee by Morgan Stanley does not contravene any provision of the Certificate of Incorporation or By-Laws of Morgan Stanley.

Any foregoing opinion relating to enforceability or performance by Morgan Stanley of its obligations are qualified by and subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

I am admitted to practice in the State of New York. The foregoing opinion is limited to the Federal laws of the United States, the laws of the State of New York and the General Corporation Law of the State of Delaware, and I am expressing no opinion as to the effect of the laws of any other jurisdiction.

I am furnishing this opinion to you solely for your benefit in connection with the above-referenced Guarantee. Except for your own internal use, this opinion is not to be used or circulated, quoted or otherwise referred to, or relied upon without my express written consent. I do not undertake to update, revise or supplement any opinion or statement herein for any reason whatsoever.

Very truly yours,

Counsel

EXHIBIT B

FORM OF GUARANTEE
OF MORGAN STANLEY

Date

[Address]

Ladies and Gentlemen:

In consideration of that certain ISDA Master Agreement dated as of [date] between Morgan Stanley Capital Services Inc., a Delaware corporation (hereinafter "MSCS") and [counterparty] (hereinafter "Counterparty") (such ISDA Master Agreement, together with each Confirmation exchanged between the parties pursuant thereto, hereinafter the "Agreement"), Morgan Stanley, a Delaware corporation (hereinafter "MS"), hereby irrevocably and unconditionally guarantees to Counterparty, with effect from the date of the Agreement, the due and punctual payment of all amounts payable by MSCS under the Agreement when the same shall become due and payable, whether on Scheduled Payment Dates, upon demand, upon declaration of termination or otherwise, in accordance with the terms of the Agreement and giving effect to any applicable grace period. Upon failure of MSCS punctually to pay any such amounts, and upon written demand by Counterparty to MS at its address set forth in the signature block of this Guarantee (or to such other address as MS may specify in writing), MS agrees to pay or cause to be paid such amounts; provided that delay by Counterparty in giving such demand shall in no event affect MS's obligations under this Guarantee.

MS hereby agrees that its obligations hereunder shall be unconditional and will not be discharged except by complete payment of the amounts payable under the Agreement, irrespective of any claim as to the Agreement's validity, regularity or enforceability or the lack of authority of MSCS to execute or deliver the Agreement; or any change in or amendment to the Agreement; or any waiver or consent by Counterparty with respect to any provisions thereof; or the absence of any action to enforce the Agreement or the recovery of any judgment against MSCS or of any action to enforce a judgment against MSCS under the Agreement; or any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally. MS hereby waives diligence, presentment, demand on MSCS for payment or otherwise (except as provided hereinabove), filing of claims, requirement of a prior proceeding against MSCS and protest or notice, except as provided for in the Agreement with respect to amounts payable by MSCS. If at any time payment under the Agreement is rescinded or must be otherwise restored or returned by Counterparty upon the insolvency, bankruptcy or reorganization of MSCS or MS or otherwise, MS's obligations hereunder with respect to such payment shall be reinstated upon such restoration or return being made by Counterparty.

MS represents to Counterparty as of the date hereof, which representations will be deemed to be repeated by MS on each date on which a Transaction is entered into, that:

1. it is duly organized and validly existing under the laws of the jurisdiction of its incorporation and has full power and legal right to execute and deliver this

Guarantee and to perform the provisions of this Guarantee on its part to be performed;

2. its execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary corporate action and do not contravene any provision of its certificate of incorporation or by-laws or any law, regulation or contractual restriction binding on it or its assets;

3. all consents, authorizations, approvals and clearances (including, without limitation, any necessary exchange control approval) and notifications, reports and registrations requisite for its due execution, delivery and performance of this Guarantee have been obtained from or, as the case may be, filed with the relevant governmental authorities having jurisdiction and remain in full force and effect and all conditions thereof have been duly complied with and no other action by, and no notice to or filing with, any governmental authority having jurisdiction is required for such execution, delivery or performance; and

4. this Guarantee is its legal, valid and binding obligation enforceable against it in accordance with its terms except as enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights or by general equity principles.

By accepting this Guarantee and entering into the Agreement, Counterparty agrees that MS shall be subrogated to all rights of Counterparty against MSCS in respect of any amounts paid by MS pursuant to this Guarantee, provided that MS shall be entitled to enforce or to receive any payment arising out of or based upon such right of subrogation only to the extent that it has paid all amounts payable by MSCS under the Agreement.

This Guarantee shall be governed by and construed in accordance with the laws of the State of New York. All capitalized terms not otherwise defined herein shall have the respective meanings assigned to them in the Agreement.

MORGAN STANLEY

By:_____

Name:
Title:
Address: 1585 Broadway
3rd Floor
New York, NY 10036
Attention: Derivative Products Group
Fax No.: (212) 761-0162

(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.

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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.

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:

		Valuation Percentage
(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

Proof of Publication Notice in The Morning Call

Under Act No. 587, Approved May 16, 1929, and its amendments

STATE OF PENNSYLVANIA }
COUNTY OF LEHIGH } **ss:**

Glenn Adams, Credit Manager of THE

MORNING CALL, INC., of the County and State aforesaid, being duly sworn, deposes and says that THE MORNING CALL is a newspaper of general circulation as defined by the aforesaid Act, whose place of business is 101 North Sixth Street, City of Allentown, County and State aforesaid, and that the said newspaper was established in 1888 since which date THE MORNING CALL has been regularly issued in said County, and that the printed notice or advertisement attached hereto is exactly the same as was printed and published in regular editions and issues of the said THE MORNING CALL on the following dates, viz.:

..... and the 11th day of November 2004

Affiant further deposes that he is the designated agent duly authorized by THE MORNING CALL, INC., a corporation, publisher of said THE MORNING CALL, a newspaper of general circulation, to verify the foregoing statement under oath, and the affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statements as to time, place and character of publication are true.

Glenn Adams

Designated Agent, THE MORNING CALL, INC.

SWORN to and subscribed before me this 12th day of November 2004

Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Joanne Reiss, Notary Public
City Of Allentown, Lehigh County
My Commission Expires Nov. 22, 2007
Member, Pennsylvania Association Of Notaries

COPY OF NOTICE OR ADVERTISEMENT

NOTICE OF PUBLIC MEETING
FOR CONSIDERATION OF PROPOSED RESOLUTION
APPROVING AN INTEREST RATE MANAGEMENT PLAN
LEGAL NOTICE

NOTICE IS HEREBY GIVEN that on Monday, November 15, 2004, at 7:00 p.m., in the auditorium of the East Hills Middle School, located at 3015 Chester Road, Bethlehem, Pennsylvania, the Board of School Directors (the "Board") of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania, will consider for adoption a Resolution approving an interest rate management plan (the "Plan") prepared by the School District's independent financial advisor and qualified interest rate management agreements (the "Agreements"), in the form of swap agreements, which in the judgment of the Board, as set forth in the Plan, are designed to manage interest rate costs with respect to the $55,000,000 Bethlehem Area School District, General Obligation Bonds, Series 2005. If adopted, the Resolution will, among other things approve and adopt the Plan, approve and award the Agreements by private sale by negotiation to Morgan Stanley Capital Services Inc. or another financial institution to be determined in consultation with its financial advisors, and set forth, and provide for all matters relating to the adoption of the Plan and the awarding of the Agreements pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, Act No. 177 of 1996, approved December 19, 1996, as amended.

A copy of the full text of the proposed Resolution may be examined by any citizen in the office of the Secretary of the School District at 1516 Sycamore Street, Bethlehem, Pennsylvania, on any business day (except Saturdays and Sundays) between the hours of 9:00 a.m. and 4:00 p.m. prevailing time.

Stanley J. Malewski, Jr., Secretary
Bethlehem Area School District

#1548 — Nov. 11

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE MORNING CALL, INC., publisher of THE MORNING CALL, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

THE MORNING CALL, INC. a Corporation,
Publishers of THE MORNING CALL
A Newspaper of General Circulation

BY Joan Hahne

Record # 17634

Proof of Publication Notice in The Morning Call

Under Act No. 587, Approved May 16, 1929, and its amendments

STATE OF PENNSYLVANIA }
COUNTY OF LEHIGH } ss:

COPY OF NOTICE OR ADVERTISEMENT

LEGAL NOTICE

NOTICE IS HEREBY GIVEN that at a public meeting held on November 15, 2004, the Board of School Directors (the "Board") of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania, adopted a Resolution approving an interest rate management plan (the "Plan") prepared by the School District's independent financial advisor and qualified interest rate management agreements (the "Agreements"), in the form of swap agreements, which in the judgment of the Board, as set forth in Plan, are designed to manage interest rate costs with respect to the $55,000,000 Bethlehem Area School District General Obligation Bonds, Series 2005. As adopted, the Resolution, among other things: approved and adopted the Plan; approved and awarded the Agreements by private sale by negotiation to Morgan Stanley Capital Services Inc.; and set forth and provided for all matters relating to the adoption of the Plan and the awarding of the Agreements pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, Act No. 177 of 1996, approved December 19, 1996, as amended (the "Act").

Notice of the Board's intention to consider the Resolution for adoption at the public meeting of November 15, 2004, was previously published as required by the Act. The Resolution, as previously advertised, was not amended prior to adoption. The final text of the Resolution, as previously advertised, was not amended prior to adoption. The final text of the Resolution as adopted is available for examination by any citizen in the office of the Secretary of the School District at 1514 Sycamore Street, Bethlehem, Pennsylvania, on any business day (except Saturdays and Sundays) between the hours of 9:00 a.m. and 4:00 p.m. prevailing time.

Stanley J. Matlewski, Jr., Secretary
Bethlehem Area School District

#17578 — Dec. 3

Sharon Madden, Billing & Collections Manager of THE

MORNING CALL, INC., of the County and State aforesaid, being duly sworn, deposes and says that THE MORNING CALL is a newspaper of general circulation as defined by the aforesaid Act, whose place of business is 101 North Sixth Street, City of Allentown, County and State aforesaid, and that the said newspaper was established in 1888 since which date THE MORNING CALL has been regularly issued in said County, and that the printed notice or advertisement attached hereto is exactly the same as was printed and published in regular editions and issues of the said THE MORNING CALL on the following dates, viz.:

and the **3RD** day of **DECEMBER** A.D. 20 **04**

Affiant further deposes that he is the designated agent duly authorized by THE MORNING CALL, INC., a corporation, publisher of said THE MORNING CALL, a newspaper of general circulation, to verify the foregoing statement under oath, and the affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statements as to time, place and character of publication are true.

Sharon A. Madden

Designated Agent, THE MORNING CALL, INC.

SWORN to and subscribed before me this **3rd** day of **DECEMBER** 20 **04**

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Gayle M. Jenkins, Notary Public
City of Allentown, Lehigh County
My Commission Expires Jan. 29, 2005
Member, Pennsylvania Association of Notaries

My Commission Expires:

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE MORNING CALL, INC., publisher of THE MORNING CALL, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

THE MORNING CALL, INC. a Corporation,
Publishers of THE MORNING CALL
A Newspaper of General Circulation

By

Record # 1E+0

} No. Term, 20

Proof of Publication of Notice in The Express-Times

Under Act No. 587, approved May 16, 1929

State of Pennsylvania ss:
County of Northampton

Rebecca Weaver, Credit, A/R, A/P manager of The Express-Times, doing business in the County and State aforesaid, being duly sworn, deposes and says that The Express-Times is a daily newspaper published at 30 No. 4th Street, City of Easton, County and State aforesaid, which was established in the year 1855, since which date said daily newspaper has been regularly issued in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of the said daily newspaper on the following date, viz: and the 11th day of November, A.D. 2004.

NOTICE OF PUBLIC MEETING
FOR CONSIDERATION OF PROPOSED RESOLUTION
APPROVING AN INTEREST RATE MANAGEMENT PLAN

LEGAL NOTICE

NOTICE IS HEREBY GIVEN that on Monday, November 15, 2004, at 7:00 p.m., in the auditorium of the East Hills Middle School, located at 2006 Chester Road, Bethlehem, Pennsylvania, the Board of School Directors (the "Board") of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania, will consider for adoption a Resolution approving an interest rate management plan (the "Plan") prepared by the School District's independent financial advisor and qualified interest rate management agreements (the "Agreements"), in the form of swap agreements, which in the judgment of the Board, as set forth in the Plan, are designed to manage interest rate costs with respect to the $55,000,000 Bethlehem Area School District, General Obligation Bonds, Series 2005. If adopted, the Resolution will, among other things: approve and adopt the Plan; approve and award the Agreements by private sale by negotiations to Morgan Stanley Capital Services Inc. or another financial institution to be determined in consultation with its financial advisors; and set forth and provide for all matters relating to the adoption of the Plan and the awarding of the Agreements pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, Act No. 177 of 1996, approved December 19, 1996, as amended.

A copy of the full text of the proposed Resolution may be examined by any citizen in the office of the Secretary of the School District at 1516 Sycamore Street, Bethlehem, Pennsylvania, on any business day (except Saturdays and Sundays) between the hours of 9:00 a.m. and 4:00 p.m. prevailing time.

Stanley J. Majewski, Jr., Secretary
Bethlehem Area School District

Dated: November 11, 2004

Notarial Seal
Elaine L. Kehler, Notary Public
City of Easton, Northampton County
My Commission Expires July 18, 2005

Affiant further deposes that she is duly authorized by The Express-Times, a daily newspaper to verify the foregoing statement under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice of publication and that all allegations in the foregoing statement as to time, place and character of publication are true.

Rebecca Weaver
Credit, A/R, A/P Mgr., The Express-Times

Sworn to and subscribed before me this 11th day of November 2004.

Elaine L. Kehler

Elaine L. Kehler, Notary Public
My Commission Expires July 18, 2005

State of Advertising Costs

Hartman Underhill & Brubaker LLP/ Stephen R. Lazun
221 East Chestnut Street
Lancaster, Pennsylvania 17602-2782

To The Express-Times, Dr.

For Publishing the notice of advertisement attached hereto on the above stated dates-	$ 133.92
Service charge	$ 3.00
Total	$ 136.92

Publisher's Receipt for Advertising Costs

The Express-Times, a daily newspaper, hereby acknowledges receipt of the aforesaid advertising and publication costs, and certifies that the same have been fully paid.

The Express-Times, a Daily Newspaper

30 No. 4th St., Easton, PA *Established 1855* Dial (610) 258-7171

By _____

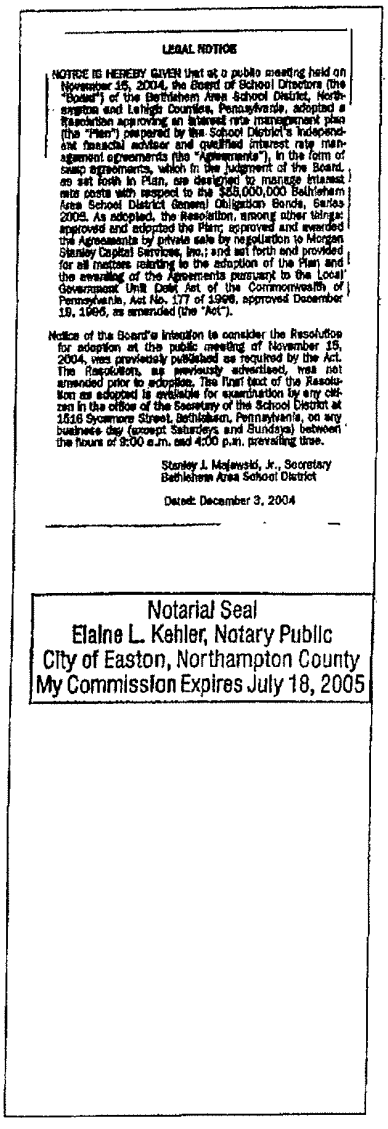
} No. Term, 20

Proof of Publication of Notice in The Express-Times

Under Act No. 587, approved May 16, 1929

State of Pennsylvania ss:
County of Northampton

Rebecca Weaver, Credit, A/R, A/P manager of The Express-Times, doing business in the County and State aforesaid, being duly sworn, deposes and says that The Express-Times is a daily newspaper published at 30 No. 4th Street, City of Easton, County and State aforesaid, which was established in the year 1855, since which date said daily newspaper has been regularly issued in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of the said daily newspaper on the following date, viz: and the 3rd day of December, A.D. 2004.



LEGAL NOTICE

NOTICE IS HEREBY GIVEN that at a public meeting held on November 15, 2004, the Board of School Directors (the "Board") of the Bethlehem Area School District, Northampton and Lehigh Counties, Pennsylvania, adopted a Resolution approving an interest rate management plan (the "Plan") prepared by the School District's independent financial advisor and qualified interest rate management agreements (the "Agreements"), in the form of swap agreements, which in the judgment of the Board, as set forth in Plan, are designed to manage interest rate costs with respect to the $55,000,000 Bethlehem Area School District General Obligation Bonds, Series 2004. As adopted, the Resolution, among other things: approved and adopted the Plan; approved and awarded the Agreements by private sale by negotiation to Morgan Stanley Capital Services, Inc.; and set forth and provided for all matters relating to the adoption of the Plan and the awarding of the Agreements pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, Act No. 177 of 1996, approved December 19, 1996, as amended (the "Act").

Notice of the Board's intention to consider the Resolution for adoption at the public meeting of November 15, 2004, was previously published as required by the Act. The Resolution, as previously advertised, was not amended prior to adoption. The final text of the Resolution as adopted is available for examination by any citizen in the office of the Secretary of the School District at 1516 Sycamore Street, Bethlehem, Pennsylvania, on any business day (except Saturdays and Sundays) between the hours of 9:00 a.m. and 4:00 p.m. prevailing time.

Stanley J. Majewski, Jr., Secretary
Bethlehem Area School District

Dated: December 3, 2004

Notarial Seal
Elaine L. Kehler, Notary Public
City of Easton, Northampton County
My Commission Expires July 18, 2005

Affiant further deposes that she is duly authorized by The Express-Times, a daily newspaper to verify the foregoing statement under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice of publication and that all allegations in the foregoing statement as to time, place and character of publication are true.

Rebecca Weaver
Credit, A/R, A/P Mgr., The Express-Times

Sworn to and subscribed before me this 3rd day of December 2004.

Elaine L. Kehler

Elaine L. Kehler, Notary Public
My Commission Expires July 18, 2005

State of Advertising Costs

Hartman Underhill & Brubaker LLP/ Stephen R. Lazan
221 East Chestnut Street
Lancaster, Pennsylvania 17602-2782

To The Express-Times, Dr.

For Publishing the notice of advertisement attached hereto on the above stated dates-	$ 126.96
Service charge	$ 3.00
Total	$ 129.96

Publisher's Receipt for Advertising Costs

The Express-Times, a daily newspaper, hereby acknowledges receipt of the aforesaid advertising and publication costs, and certifies that the same have been fully paid.

The Express-Times, a Daily Newspaper

30 No. 4th St., Easton, PA *Established 1855* Dial (610) 258-7171

By _____

Morgan Stanley

Municipal Capital Markets

Date:	December 23, 2003		
To:	Bethlehem Area School District	From:	Morgan Stanley Capital Services Inc.
Attn:	Stanley Majewski	Contact:	Gregory Pacelli
Fax:	610-861-8107	Fax:	212-762-8227
Tel:	610-861-0500	Tel:	212-762-7415

Re: Interest Rate Swap MSCS Ref. No. AUC32

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 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. The term of this Transaction is set forth in part 2 of this 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 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

Floating Amounts:

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:	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
Floating Rate:	68% times the Floating Rate Option
Floating Rate Day Count Fraction:	Actual/Actual
Floating Rate Reset Dates:	For the initial Calculation Period, the Effective Date and thereafter each Thursday during the 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. **Swap Structuring Fee.** Party B hereby directs Party A, upon execution of this Confirmation, to pay (i) Arthurs, Lestrange & Company, Inc. a swap advisor fee equal to the present value of three (3) basis points and (ii) Access Financial Markets 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 the Agreement 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 has increased, the Fixed Rate payable by Party B 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 Confirmation shall be the Affected Transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUC 32 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: FABRICE PILATO
Title: Authorized Signatory

ACKNOWLEDGED AND AGREED as of the date first written:

BETHLEHEM AREA SCHOOL DISTRICT

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

SCHEDULE 1
to Confirmation, dated December 24, 2003,
between Morgan Stanley Capital Services Inc.
and Bethlehem Area School District

MSCS Ref. No. AUC 32

FROM (and including)	TO (but excluding)	NOTIONAL AMOUNT
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

Morgan Stanley

Municipal Capital Markets

Date:	December 18, 2003, as amended and restated as of January 18, 2008		
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
		E-Mail:	Municonfirms_In@morganstanley.com

Re: Swaption MSCS Ref. No. AUC2N

THIS CONFIRMATION AMENDS AND RESTATES IN ITS ENTIRETY THE ORIGINAL CONFIRMATION FOR THIS TRANSACTION DATED DECEMBER 18, 2003. THE CHANGES CONTEMPLATED BY THIS AMENDED AND RESTATED CONFIRMATION ARE DEEMED EFFECTIVE AS OF JUNE 1, 2007.

The purpose of this letter agreement is to confirm the terms and conditions of the 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 Confirmation. In the event of any inconsistency between those definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the Master Agreement dated as of December 8, 2003, as supplemented by the Schedule and as amended and supplemented from time to time hereafter (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:

I. Swaption Terms

Trade Date:	December 18, 2003
Option Style:	Bermuda
Buyer:	Morgan Stanley Capital Services Inc. ("Party A")
Party A Credit Support:	Payments guaranteed by Morgan Stanley
Seller:	Bethlehem Area School District ("Party B")
Premium:	Buyer shall pay to Seller USD 2,425,000
Premium Payment Date:	December 22, 2003

Calculation Agent:	Party A, or as in the Agreement

II. Procedure for Exercise

Bermuda Option Exercise Date:	January 4, 2005 and every March 1 or September 1 thereafter up to and including the Expiration Date.
Expiration Date:	September 1, 2016, subject to adjustment in accordance with the Following Business Day Convention.
Exercise Business Day:	New York
Exercise Period:	9:00AM to 11:00AM New York time
Automatic Exercise:	Inapplicable
Contact for purpose of giving notice:	Party A: Swaps Trader Tel. No. 212 762-7412 Party B: Director of Business Affairs Tel. No. 610 861-0500

III. Settlement Terms

Settlement:	Physical

3. The terms of the Underlying Swap Transaction to which the Option relates are as follows:

Notional Amount:	USD 71,215,000 amortizing as per Schedule 1
Effective Date:	Two Business Days following exercise of the Option.
Termination Date:	September 1, 2016
Related Bonds:	**Bethlehem Area School District, General Obligation Bonds Series A of 2007**
Related Bonds Principal Amount	**56,320,000, amortizing as per Schedule 1**

Fixed Amounts:

Fixed Rate Payer:	Party A
Fixed Rate Payer Payment Dates:	Semiannually on each March 1 and September 1, commencing on the first March 1 or September 1 following the Effective Date, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Rate Period End Dates:	Semiannually on each March 1 and September 1, commencing on the first March 1 or September 1 following the Effective Date, up to and including the Termination Date, with No Adjustment.
Fixed Rate:	3.28%
Fixed Rate Day Count Fraction:	30/360

Floating Amounts:

Floating Rate Payer:	Party B
Floating Rate Payer Payment Dates:	Semiannually on each March 1 and September 1, commencing on the first March 1 or September 1 following the Effective Date, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Floating Rate Period End Dates:	Semiannually on each March 1 and September 1, commencing on the first March 1 or September 1 following the Effective Date, up to and including the Termination Date, with No Adjustment.
Floating Rate Option:	The "BMA Municipal Swap Index"™ announced by Municipal Market Data on or in respect of the Determination Date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Bond Market Association (the "Index"). The Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which under the Internal Revenue Code of 1986, as amended, is excluded from gross income for Federal Income Tax purposes. The Index shall not include any bonds the interest on which is subject to any personal "Alternative Minimum Tax" or similar Tax unless all Tax-Exempt Bonds are subject to such Tax. In the event that at any time Municipal Market Data ceases to announce the Index, makes a material change (in the judgment of the Calculation Agent) in the formula for or the method of calculating the Index, or in any other way materially modifies (in the judgment of the Calculation Agent) the Index, the Calculation Agent will make, or will designate an alternative indexing agent to make, such calculations as may be required to determine the relevant index using a formula and method of calculating such index that it reasonably believes will produce the rate that would have been produced by Municipal Market Data as in effect

	prior to such cessation, change or modification. Not withstanding the forgoing, for any Floating Rate Period in which such rate exceeds the Maximum Party B Rate, the Floating Rate Option shall equal the Maximum Party B Rate.
Floating Rate Determination Dates:	Each Wednesday during the Calculation Period, except that the initial rate shall be that rate determined for the Wednesday immediately preceding the Effective Date.
Floating Rate Reset Dates:	Each Thursday, subject to adjustment in accordance with the Following Business Day Convention.
Floating Rate Day Count Fraction:	Actual/Actual
Compounding:	Inapplicable
Method of Averaging:	Weighted
Business Days:	New York
Calculation Agent:	Party A
Maximum Party B Rate:	25%.
Maximum Party B Payments:	The maximum net payments by fiscal year required to be made by Party B for (l) periodic scheduled payments, not including any termination payments, due under this Transaction; and (ii) the interest on the Related Bonds shall not exceed (x) the (a) the Maximum Party B Rate plus (b) the fixed rate paid on the Related Bonds minus (c) the Fixed Rate; multiplied by (y) the Notional Amount in any year during the term of this Transaction.
4. Account Details:	
Payments to Party A:	Citibank, NY ABA# 021-000-089 A/C# 4072-4601 Ref: Morgan Stanley Capital Services Inc.
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

5. **Brokerage Fee.** Party B hereby directs Party A, upon execution of this Confirmation, to pay Arthurs Lestrange a brokerage fee equal to the present value of three (3) basis points on the average notional balance to the final maturity of the Agreement discounted to the Effective Date at the Fixed Rate for services provided to Party B in connection with this Transaction. This fee is reflected in, and has decreased, the Premium payable to Party B hereunder.

6. **Legal Fees.** Party B hereby directs Party A, upon execution of this Confirmation, to pay Sweet, Stevens, Tucker & Katz, LLP a fee of $32,500 for legal advisory services provided to Party B in connection with this Transaction. This fee is reflected in, and has decreased, the Premium payable to Party B hereunder. Party B hereby further directs Party A, upon execution of this Confirmation, to pay special counsel to Arthurs Lestrange an amount equal to $67,500. This fee is reflected in, and has decreased, the Premium payable to Party B hereunder.

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUC2N 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: Kevin R. Schwartz
Title: Vice President

ACKNOWLEDGED AND AGREED as of the date first written:

BETHLEHEM AREA SCHOOL DISTRICT

By: _____
Name:
Title:

Morgan Stanley

Municipal Capital Markets

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUC2N 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: STANLEY J. MAKOWSKI, JR.
Title: Assistant to the Superintendent for Finance & Administration

SCHEDULE 1
to Confirmation, dated December 18, 2003, **as amended and restated January 18, 2008**
between Morgan Stanley Capital Services Inc.
and Bethlehem Area School District

MSCS Ref. No. AUC2N

FROM (and including)	TO (but excluding)	NOTIONAL AMOUNT
Effective Date	1-Sep-2005	USD 71,215,000
1-Sep-2005	1-Sep-2006	66,515,000
1-Sep-2006	1-Sep-2007	61,550,000
1-Sep-2007	1-Sep-2008	**56,320,000**
1-Sep-2008	1-Sep-2009	**50,745,000**
1-Sep-2009	1-Sep-2010	**44,890,000**
1-Sep-2010	1-Sep-2011	**38,735,000**
1-Sep-2011	1-Sep-2012	**32,265,000**
1-Sep-2012	1-Sep-2013	**25,460,000**
1-Sep-2013	1-Sep-2014	**17,725,000**
1-Sep-2014	1-Sep-2015	**9,590,000**
1-Sep-2015	Termination Date	**1,035,000**

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 _____ day of _____, 2011, 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:

Michele Cann	-
William J. Burkhardt	-
Rosario S. Amato	-
Michael E. Faccinetto	-
Irene Follweiler	-
Loretta M. Leeson	-
Eugene C. McKeon	-
Aurea E. Ortiz	-
Benjamin M. Tenaglia III	-

IN WITNESS WHEREOF, I set my hand and affix the official seal of the School District, this _____ day of _____, 2011.

_____

(Assistant) Secretary of the Board of School Directors

(SEAL)

18. *Treasurer's Report*

RECOMMENDATION:

That the Board of School Directors approves the Treasurer's Report dated July 31, 2011.

Bethlehem Area School District
Treasurer's Report
July 31, 2011

Fund	Beginning Balance June 30, 2011	Cash Receipts/Revenue: Total Receipts	Cash Receipts/Revenue: 2010-2011 Revenue	Cash Receipts/Revenue: 2011-2012 Revenue	Cash Disbursements/Expenses: Total Disbursements	Cash Disbursements/Expenses: 2010-2011 Expenses	Cash Disbursements/Expenses: 2011-2012 Expenses	Other: Operating Transfers between Funds	Ending Balance July 31, 2011
10 - General*	$ 13,669,877.16	$ 13,936,479.89	$ 1,929,105.14	$ 12,007,374.75	$ 13,194,082.19	$ 5,688,401.41	$ 7,505,680.78	$ (2,378,301.50)	$ 12,033,973.36
10 - General CDs	10,000,000.00	-	-	-	-	-	-	-	10,000,000.00
29 - Athletics*	4,000.05	-	-	-	27,465.88	6,424.11	21,041.77	299,332.25	275,866.42
30 - Bond Fund	1,299,639.60	213.70	-	213.70	57,901.09	57,901.09	-		1,241,952.21
50 - Food Service	393,237.50	462,002.80	461,449.40	553.40	203,299.03	108,577.80	94,721.23		651,941.27
52 - Daycare**	381,154.02	74,757.42	(28,415.64)	103,173.06	142,109.18	31,057.72	111,051.46		313,802.26
70 - Scholarships*	179,872.81	72.00	-	72.00	4,950.00	4,950.00	-		174,994.81
71 - Self Insurance*	669,629.53	120,358.55	-	120,358.55	1,748,458.00	1,195,489.13	552,968.87	2,078,969.25	1,120,499.33
81 - Student Activity*	143,872.73	-	-	-	-		-		143,872.73
	$ 26,741,283.40	$ 14,593,884.36	$ 2,362,138.90	$ 12,231,745.46	$ 15,378,265.37	$ 7,092,801.26	$ 8,285,464.11	$ -	**$ 25,956,902.39**

This section summarizes current month activity for all funds as indicated on Board memo. Beginning and ending balances are shown.

** Daycare 2010-2011 Revenue Includes Deferred Revenue of $56,867.13 reversed in 2011-2012

Summary of Receipts

	10 - General	29 - Athletics	30 - Bond Fund	50 - Food Services	52 - Day Care	70 - Scholarship	71 - Self Insurance	Total
Local Revenue***	$ 10,061,090.75	$ -	$ 213.70	$ 553.40	$ 103,173.06	$ 72.00	$ 120,358.55	$ 10,285,461.46
State Revenue	1,946,284.00	-	-	-	-	-	-	1,946,284.00
Federal Revenue	-	-	-	-	-	-	-	-
Total	$ 12,007,374.75	$ -	$ 213.70	$ 553.40	$ 103,173.06	$ 72.00	$ 120,358.55	$ 12,231,745.46
						-		

This section shows all revenue collected for the month by source.

Summary of Expenditures

	10 - General	29 - Athletics	30 - Bond Fund	50 - Food Services	52 - Day Care	70 - Scholarship	71 - Self Insurance	Total
Payroll/Benefits	$ 1,480,326.73	$ 10,787.28	$ -	$ 93,965.34	$ 110,856.74	$ -	$ 552,968.87	$ 2,248,904.96
Operating Expenditures	4,205,894.07	10,254.49	-	755.89	194.72	-	-	4,217,099.17
Debt Service	1,819,459.98	-	-	-	-	-	-	1,819,459.98
Total	$ 7,505,680.78	$ 21,041.77	$ -	$ 94,721.23	$ 111,051.46	$ -	$ 552,968.87	$ 8,285,464.11

This section shows all expenditures for the month by type.

Report of Depositories

	Wells Fargo	PSDLAF	Bank of America	PA INVEST	PLGIT	KNBT	BTFCU	Total
10 - General	$ 3,954,057.12	$ 13,878,979.08	$ 2,002,880.46	$ 2,120,021.62	$ 78,035.08			$ 22,033,973.36
22 - Capital Reserve								-
29 - Athletics		275,866.42						275,866.42
30 - Bond Fund		1,241,952.21						1,241,952.21
50 - Food Service	29,621.47	622,319.80						651,941.27
52 - Daycare		313,802.26						313,802.26
70 - Scholarships		11,557.65				118,042.03	45,395.13	174,994.81
71 - Self Insurance	633,525.41	486,973.92						1,120,499.33
81 - Student Activity		143,872.73						143,872.73
	$ 4,617,204.00	**$ 16,975,324.07**	**$ 2,002,880.46**	**$ 2,120,021.62**	**$ 78,035.08**	**$ 118,042.03**	**$ 45,395.13**	**$ 25,956,902.39**

This section details the ending balance of all bank accounts by specific depository.

***Interest of $1,825.63 interest in July 2011 - all funds
*Includes additional accounts from June 30, 2011 report

This report represents the monthly cash balances and transactions by fund as represented in the various bank accounts. Budgetary position is not reflected here but on the Condition of the Budget Report where fiscal year position and encumbrances are shown.

Outstanding Investment Summary
July 31, 2011

Fund	Bank or Instituition	Type	Purchase Date	Maturity Date	Investment Term	Principal Invested	Par Value	Interest Rate	Market Yield	Interest Receivable
General										
	PSDLAF	CD PSDLAF Collateralized CD Pool Term	06/27/11	09/27/11	90	$10,000,000.00	$10,000,000.00	0.210%		$5,293.15
General Total						$10,000,000.00	$10,000,000.00			$5,293.15
Bond										
		None								
Bond Total						$0.00	$0.00			$0.00
Scholarship										
	Bank of Amer	Certificate of Deposit	02/23/11	11/23/11	270	$46,795.13	$46,795.13	0.350%		$122.84
	KNBT	Ready Access CD	05/27/11	06/28/12	390	$118,521.01	$118,521.01	0.350%		$449.39
Scholarship Total						$165,316.14	$165,316.14			$572.23

Bethlehem Area School District
Bond Fund
For the Period July 1, 2010 through July 31, 2011

Beginning Fund Balance-June 30, 2011	$	837,666.60
Revenue - Interest (paid quarterly)		213.70
Expenses		
NEMS Project		-
BMS Project		-
LHS Project		-
NMS Boiler Replacement		-
Freemansburg Project-reverse audit entry		-
Ending Fund Balance-June 30, 2011	**$**	**837,880.30**

The following projects have been approved by the Board but have not been completed:

NEMS Project		148,860.44
LHS Project		64,896.21
BMS Project		90,404.00
NMS Boiler Replacement		467,091.30
Estimated Unencumbered Fund Balance	**$**	**66,628.35**

Bethlehem Area School District
Capital Reserve Fund
For the Period July 1, 2010 through July 31, 2011

Beginning Fund Balance - July 1, 2010 Audited	$	438,719.00
Revenue - Interest		-
Expenses		-
Ending Fund Balance - July 31, 2011	**$**	**438,719.00**

The following projects have been approved by the Board but have not been completed:

None		-
Estimated Unencumbered Fund Balance	**$**	**438,719.00**

*This will be moved to a separate bank account in August 2011.

19. *Monthly Bills*

INFORMATION:

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.

20. *Budget Information*

INFORMATION:

Presented for information is the statement of the Condition of the Budget by major accounts.

CONDITION OF THE BUDGET
2011-2012 REVENUES

Description	A 2011-2012 Budget	B Realized July, 2011	C Unrealized $ (B-A = C)	D % (C/ A = D)	F Realized July, 2010	G Realized June, 2011*
	2011-2012				2010-2011*	
CURRENT REAL ESTATE**	$ 122,058,795.00	$ 9,161,366.89	$ (112,897,428.11)	-92.49%	$ -	$ 116,517,910.67
INTERIM REAL ESTATE	$ 1,215,005.00	$ -	$ (1,215,005.00)	-100.00%	$ -	$ 1,024,454.82
PUBLIC UTILITY REALTY	$ 179,000.00	$ -	$ (179,000.00)	-100.00%	$ -	$ 178,847.80
PAYMENTS IN LIEU OF TAX	$ 265,319.00	$ -	$ (265,319.00)	-100.00%	$ -	$ 223,149.19
UNDISTRIBUTED TAXES		$ -	$ -	-	$ 10,793,906.28	$ 54,502.96
PER CAPITA TAX SECT 679	$ 230,000.00	$ -	$ (230,000.00)	-100.00%	$ 5.00	$ 231,718.28
PER CAPITA TAX ACT 511	$ 230,000.00	$ 154,224.56	$ (75,775.44)	-32.95%	$ 5.00	$ 231,718.35
LOCAL SERVICES TAX	$ 295,000.00	$ 8,954.37	$ (286,045.63)	-96.96%	$ 8,565.73	$ 267,455.57
EARNED INCOME TAX	$ 11,500,000.00	$ 669,999.31	$ (10,830,000.69)	-94.17%	$ 198,196.56	$ 9,063,042.73
REAL ESTATE TRANSFER TAX	$ 1,500,000.00	$ -	$ (1,500,000.00)	-100.00%	$ -	$ 1,644,950.56
MERCANTILE TAX	$ 2,750,000.00	$ 10,649.37	$ (2,739,350.63)	-99.61%	$ 10,406.76	$ 1,161,219.74
DISCOUNTS TAKEN ON CURRENT RE**	$ (2,518,725.00)	$ -	$ 2,518,725.00	0.00%	$ -	$ (2,459,223.71)
DEL. REAL ESTATE	$ 3,400,000.00	$ -	$ (3,400,000.00)	-100.00%	$ -	$ 3,928,656.02
DEL. PER CAPITA SECT 679	$ 60,000.00	$ -	$ (60,000.00)	-100.00%	$ 12,919.75	$ 44,795.19
DEL. MERCANTILE TAX	$ 430,000.00	$ -	$ (430,000.00)	-100.00%	$ 7,075.24	$ 505,990.61
TOTAL LOCAL TAX SOURCES	**$ 141,594,394.00**	**$ 10,005,194.50**	**$ (131,589,199.50)**	**-92.93%**	**$ 11,031,080.32**	**$ 132,619,188.78**
INTEREST ON INVESTMENTS	$ 250,000.00	$ 1,847.49	$ (248,152.51)	-99.26%	$ 1,084.93	$ 73,030.07
SALES NON-REIMBURSABLE PROGRAM		$ -				$ 902.88
STUDENT FEES/ SPECIAL EVENTS	$ 439,500.00	$ -	$ (439,500.00)		$ -	$ 48,499.81
REV OTHER LOCAL GOVT UNITS		$ -			$ -	$ 1,000.08
STATE REV OTHER PA PUBLIC SCHOOLS		$ -				$ 14,714.00
STATE REV OTHER INTERMEDIARY	$ 155,000.00	$ -	$ (155,000.00)	-100.00%	$ 27,966.15	$ 132,476.40
FEDERAL REV OTHER PA PUBLIC SCHOOLS	$ 75,000.00	$ -			$ -	$ 200.00
FEDERAL IDEA	$ 1,906,151.00	$ -	$ (1,906,151.00)	-100.00%	$ -	$ 1,615,326.87
FEDERAL REV OTHER INTERMEDIARY	$ 238,200.00	$ -	$ (238,200.00)	-100.00%	$ 394.45	$ 127,055.75
RENTALS	$ 85,000.00	$ 26,095.03	$ (58,904.97)	-69.30%	$ 5,300.00	$ 61,771.56
CONTRIBUTIONS	$ 192,116.00	$ 17,086.18	$ (175,029.82)		$ 10,004.30	$ 188,337.66
TUITION FROM PATRONS	$ 455,000.00	$ 5,990.00	$ (449,010.00)	-98.68%	$ 5,410.06	$ 498,143.26
COMMUNITY SERVICE ACTIVITY					$ -	$ 4,662.11
MISCELLANEOUS REVENUE	$ 115,000.00	$ 1,393.62	$ (113,606.38)	-98.79%	$ 2,604.59	$ 98,499.50
REFUNDS FROM PRIOR YEAR EXP	$ 535,000.00	$ 3,483.93	$ (531,516.07)		$ 78,476.94	$ 668,523.37
TOTAL OTHER LOCAL SOURCES	**$ 4,445,967.00**	**$ 55,896.25**	**$ (3,783,554.68)**	**-85.10%**	**$ 131,241.42**	**$ 3,533,143.32**
TOTAL LOCAL SOURCES	**$ 146,040,361.00**	**$ 10,061,090.75**	**$ (135,372,754.18)**	**-92.70%**	**$ 11,162,321.74**	**$ 136,152,332.10**
BASIC INSTRUCTIONAL SUBSIDY	$ 27,031,830.00	$ -	$ (27,031,830.00)	-100.00%	$ -	$ 26,188,770.75
REIMB FOR CHARTER SCHOOLS	$ -	$ -	$ -		$ -	$ 1,723,818.48
TUITION : ORPHANS/CHILDREN	$ 380,000.00		$ (380,000.00)	-100.00%		$ 361,341.76
VOCATIONAL EDUCATION	$ 70,000.00	$ -	$ (70,000.00)	-100.00%	$ -	$ 34,087.88
MIGRATORY CHILDREN	$ 2,000.00		$ (2,000.00)	-100.00%	$ -	$ -
SPECIAL EDUCATION	$ 6,584,843.00	$ 987,727.00	$ (5,597,116.00)	-85.00%	$ 987,727.00	$ 6,584,843.45
EDUCATIONAL ASSISTANCE PRGM (TUTORING)	$ 595,650.00	$ -	$ (595,650.00)		$ -	$ 562,747.50
PA PRE-K-COUNTS	$ -	$ -	$ -		$ 52,250.00	$ 546,535.00
TRANSPORTATION	$ 2,370,421.00	$ -	$ (2,370,421.00)	-100.00%	$ -	$ 2,271,477.53
RENTALS AND SINKING FUND	$ 2,172,243.00	$ -	$ (2,172,243.00)	-100.00%	$ 2,665,952.24	$ 3,904,972.95
HEALTH SERVICES	$ 365,000.00	$ -	$ (365,000.00)	-100.00%	$ -	$ 352,684.63
PROPERTY TAX RED. ALLOCATION	$ 4,715,051.00	$ -	$ (4,715,051.00)	-100.00%	$ -	$ 4,740,869.05
PA ACCOUNTABILITY	$ 665,439.00	$ 665,439.00	$ -	0.00%	$ -	$ 1,693,715.00
DUAL ENROLLMENT GRANTS	$ -	$ -	$ -		$ 37,328.54	$ 11,513.00
DCED GRANTS OTHER STATE REV NOT IN 7001	$ 150,000.00	$ -	$ (150,000.00)	-100.00%	$ -	$ 177,903.16
SOCIAL SECURITY	$ 3,598,458.00	$ 293,118.00	$ (3,305,340.00)	-91.85%	$ 278,277.00	$ 3,240,793.66
PSERS - PENSION CONTRIBUTION	$ 3,698,980.00	$ -	$ (3,698,980.00)	-100.00%	$ -	$ 2,513,385.33
IMPACT AID	$ 50,000.00	$ -	$ (50,000.00)	-100.00%	$ -	$ 18,510.88
OTHER FEDERAL PRGM/GRANTS	$ -	$ -	$ -		$ -	$ 64,998.80
NCLB TITLE I	$ 3,198,698.00	$ -	$ (3,198,698.00)	-100.00%	$ 205,537.73	$ 2,134,792.02
NCLB TITLE II	$ 850,000.00	$ -	$ (850,000.00)	-100.00%	$ 55,759.60	$ 625,098.35
NCLB TITLE III	$ 295,000.00	$ -	$ (295,000.00)	-100.00%	$ 21,200.50	$ 233,547.00
NCLB TITLE IV	$ 585,000.00	$ -	$ (585,000.00)	-100.00%	$ -	$ 485,781.98
CHILD CARE & DEVELOPMENT BLOCK GRANTS	$ 170,290.00	$ -	$ (170,290.00)	-100.00%	$ -	$ 109,970.17
OTHER FEDERAL GRANTS	$ 30,000.00	$ -	$ (30,000.00)	-100.00%	$ -	$ 25,048.79
ARRA-TITLE I PARTS A & D	$ -	$ -	$ -		$ 115,751.47	$ 407,383.62
ARRA-TITLE I SCHOOL IMPROVEMENT		$ -				$ 67,731.29
ARRA-STATE FISCAL STABILIZATION	$ -	$ -	$ -		$ 257,420.88	$ 2,577,908.17
ACCESS	$ 95,000.00	$ -	$ (95,000.00)		$ -	$ 21,350.39
MED ASSIST REIMB FOR ADMIN CLAIMING PRGM	$ 55,000.00	$ -	$ (55,000.00)			$ 62,276.07
TOTAL STATE & FEDERAL SOURCES	**$ 57,728,903.00**	**$ 1,946,284.00**	**$ (55,782,619.00)**	**-96.63%**	**$ 4,677,204.96**	**$ 61,743,856.66**

* NOT FINAL REVENUE - Does not include receivables or EOY/audit adjusting entries.

Description	A 2011-2012 Budget	B Realized July, 2011	C Unrealized $ (B-A = C)	D % (C/ A = D)	F Realized July, 2010	G Realized June, 2011*
	2011-2012				2010-2011*	
TRUST & AGENCY FUND						$ (22,400.00)
SALE OF FIXED ASSETS	$ 30,000.00	$ -	$ (30,000.00)	-100.00%	$ 200.00	$ 22,500.00
INSURANCE RECOVERY	$ 10,000.00		$ (10,000.00)		$ -	
TOTAL OTHER SOURCES	$ 40,000.00	$ -	$ (40,000.00)	-100.00%	$ 200.00	$ 100.00
TOTAL REVENUE	$ 203,809,264.00	$ 12,007,374.75	$ (191,195,373.18)	-93.81%	$ 15,839,726.70	$ 197,896,288.76
UNRESERVED FUND BALANCE			$ -			
TOTAL FUND APPROPRIATED BALANCE	$ -	$ -	$ -		$ -	$ -
Estimated Accounts Receivable						$ 4,035,831.06
TOTAL DISTRICT REVENUE	$ 203,809,264.00	$ 12,007,374.75	$ (191,195,373.18)	-93.81%	$ 15,839,726.70	$ 201,932,119.82

* NOT FINAL REVENUE - Does not include receivables or EOY/audit adjusting entries.

CONDITION OF THE BUDGET
2011-2012 EXPENDITURES BY FUNCTION-OBJECT

	DESCRIPTION	2011-2012 A 2011-12 APPROVED BUDGET	2011-2012 B 2011-2012 EXPENDED BUDGET INCLUDING ENCUMBRANCE as of July, 2011	2011-2012 C 2011-2012 REMAINING BUDGET $ (A - B = C)	2011-2012 D % (C/A = D)	2010-2011 E 2010-2011 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of July, 2010	2010-2011 F* 2010-2011 EXPENDED BUDGET EXPENDITURES as of June, 2011*
1100-100	Regular Instruction Salaries	$ 51,908,491.00	$ 436.99	$ 51,908,054.01	100.00%	$ (2,458,306.95)	$ 51,688,307.28
1100-200	Regular Instruction Benefits	$ 24,417,058.00	$ 151,355.64	$ 24,265,702.36	99.38%	$ 1,133,262.44	$ 22,804,006.96
1100-300	Regular Instruction Prof Svcs	$ 420,592.00	$ -	$ 420,592.00	100.00%	$ 27,184.00	$ 1,395,529.04
1100-400	Regular Instruction Repairs & Maintenance	$ 604,146.00	$ 28,357.55	$ 575,788.45	95.31%	$ 16,965.00	$ 509,106.26
1100-500	Regular Instruction Other Purchase Srvc	$ 8,855,069.00	$ -	$ 8,855,069.00	100.00%	$ 4,563.04	$ 8,129,804.69
1100-600	Regular Instruction Supplies & Books	$ 1,304,893.00	$ 260,175.02	$ 1,044,717.98	80.06%	$ 638,674.42	$ 1,639,483.98
1100-700	Regular Instruction Equipment	$ 308,494.00	$ 20,587.44	$ 287,906.56	93.33%	$ 65,055.52	$ 384,518.60
1100-800	Regular Instruction Dues & Fees	$ 929.00	$ 215.00	$ 714.00	76.86%	$ 115.00	$ 1,047.75
1100	**Regular Instruction**	**$ 87,819,672.00**	**$ 461,127.64**	**$ 87,358,544.36**	**99.47%**	**$ (572,487.53)**	**$ 86,551,804.56**
1200-100	Special Education Salaries	$ 9,724,702.00	$ 6,251.58	$ 9,718,450.42	99.94%	$ (402,491.43)	$ 9,767,535.64
1200-200	Special Education Beneifts	$ 4,441,281.00	$ 439.19	$ 4,440,841.81	99.99%	$ 193,591.05	$ 4,126,812.53
1200-300	Special Education Prof Svcs	$ 5,373,474.00	$ (21,839.66)	$ 5,395,313.66	100.41%	$ -	$ 4,996,419.37
1200-400	Special Education Repairs & Maint	$ -	$ 721.80	$ (721.80)		$ 257.99	$ 6,976.60
1200-500	Special Education Tuition Other LEAs	$ 2,367,327.00	$ -	$ 2,367,327.00	100.00%	$ -	$ 1,897,814.37
1200-600	Special Education Supplies	$ 200,738.00	$ 9,240.46	$ 191,497.54	95.40%	$ 24,303.58	$ 52,680.38
1200-700	Special Education Equipment	$ 111,100.00	$ 934.00	$ 110,166.00	99.16%	$ -	$ 5,012.39
1200-800	Special Education Dues & Fees	$ -	$ -	$ -		$ -	$ 41,035.25
1200	**Special Education**	**$ 22,218,622.00**	**$ (4,252.63)**	**$ 22,222,874.63**	**100.02%**	**$ (184,338.81)**	**$ 20,894,286.53**
1300-100	Vocational Education Salaries	$ 1,827,530.00	$ -	$ 1,827,530.00	100.00%	$ (90,747.47)	$ 1,701,192.05
1300-200	Vocational Education Benefits	$ 814,664.00	$ (96.36)	$ 814,760.36	100.01%	$ 31,253.39	$ 718,596.85
1300-400	Vocational Education Repairs & Maint	$ 13,000.00	$ 1,173.72	$ 11,826.28	90.97%	$ 2,270.00	$ 13,320.34
1300-500	Vocational Education Tuition	$ 5,183,476.00	$ 5,183,715.00	$ (239.00)	0.00%	$ 732,155.00	$ 5,564,695.25
1300-600	Vocational Education General Supplies	$ 82,987.00	$ 7,377.33	$ 75,609.67	91.11%	$ 45,701.35	$ 127,869.73
1300-700	Vocational Education Equipment	$ 3,120.00	$ 783.06	$ 2,336.94	74.90%	$ 35,554.60	$ 38,849.02
1300	**Vocational Education**	**$ 7,924,777.00**	**$ 5,192,952.75**	**$ 2,731,824.25**	**34.47%**	**$ 756,186.87**	**$ 8,164,523.24**
1400-100	Other Instructional Pgms Salaries	$ 548,324.00	$ 34,561.69	$ 513,762.31	93.70%	$ 150,719.78	$ 1,273,107.29
1400-200	Other Instructional Pgms Benefits	$ 222,690.00	$ 3,667.68	$ 219,022.32	98.35%	$ 36,212.48	$ 256,921.56
1400-300	Other Instructional Pgms Prof Svcs	$ 1,576,374.00	$ -	$ 1,576,374.00	100.00%	$ 2,095.00	$ 478,614.82
1400-400	Other Instructional Pgms Repairs & Maint	$ 330.00	$ -	$ 330.00	100.00%	$ -	$ 193.00
1400-500	Other Instructional Pgms Other Purchase Srvc	$ 72,614.00	$ -	$ 72,614.00	100.00%	$ 1,426.63	$ 108,972.54
1400-600	Other Instructional Pgms Supplies & Books	$ 18,580.00	$ -	$ 18,580.00	100.00%	$ 4,255.86	$ 33,749.48
1400-700	Other Instructional Pgms Equipment	$ -	$ -	$ -		$ -	$ 639.96
1400-800	Other Instructional Pgms Dues & Fees	$ -	$ -	$ -		$ 463.75	$ 21,456.00
1400	**Other Instructional Pgms**	**$ 2,438,912.00**	**$ 38,229.37**	**$ 2,400,682.63**	**98.43%**	**$ 195,173.50**	**$ 2,173,654.65**
1500-300	Non Public Pgms Prof Svcs	$ 17,500.00	$ -	$ 17,500.00	100.00%	$ -	$ 3,505.00
1500-500	Non Public Pgms-Other Purchase Srvc	$ -	$ -	$ -		$ -	$ 22.30
1500-600	Non Public Pgms-Books	$ -	$ -	$ -		$ -	$ 280.63
1500	**Non Public Pgms**	**$ 17,500.00**	**$ -**	**$ 17,500.00**	**100.00%**	**$ -**	**$ 3,807.93**
1600-100	Adult Education Salaries	$ 4,635.00	$ -	$ 4,635.00	100.00%	$ -	$ 1,774.99
1600-200	Adult Education Benefits	$ 741.00	$ -	$ 741.00	100.00%	$ 4.20	$ 240.10
1600-300	Adult Education Prof Services	$ 500.00	$ -	$ 500.00	100.00%	$ -	$ 392.85
1600-500	Adult Education Other Purchase Srvc	$ 100.00	$ -	$ 100.00	100.00%	$ -	$ -
1600-600	Adult Education Supplies & Books	$ 1,265.00	$ -	$ 1,265.00	100.00%	$ -	$ 3,220.00
1600	**Adult Education**	**$ 7,241.00**	**$ -**	**$ 7,241.00**	**100.00%**	**$ 4.20**	**$ 5,627.94**
1700-500	Community College Tuition	$ 2,126,035.00	$ -	$ 2,126,035.00	100.00%	$ 230,131.12	$ 2,136,283.25
1700-600	Community College Books	$ 4,785.00	$ -	$ 4,785.00	100.00%	$ -	$ 6,677.75
1700	**Community College**	**$ 2,130,820.00**	**$ -**	**$ 2,130,820.00**	**100.00%**	**$ 230,131.12**	**$ 2,142,961.00**
1800-100	Pre-Kindergarten Salaries	$ 453,782.00	$ 960.61	$ 452,821.39	99.79%	$ (53,968.20)	$ 1,200,599.32
1800-200	Pre-Kindergarten Benefits	$ 128,028.00	$ 39.48	$ 127,988.52	99.97%	$ 24,937.93	$ 521,051.95
1800-300	Pre-Kindergarten Prof Svcs	$ 2,000.00	$ -	$ 2,000.00	100.00%	$ -	$ 33,046.90
1800-400	Pre-Kindergarten Repairs & Maint	$ 25,200.00	$ 161.72	$ 25,038.28	99.36%	$ 2,100.00	$ 24,240.49

**NOT FINAL COSTS - Includes June 2011 YTD Information. Does not include all payables or EOY/audit adjusting entries .*

	DESCRIPTION	2011-2012 A	2011-2012 B	2011-2012 C	2011-2012 D	2010-2011 E	2010-2011 F*
		2011-12 APPROVED BUDGET	2011-2012 EXPENDED BUDGET INCLUDING ENCUMBRANCE as of July, 2011	2011-2012 REMAINING BUDGET $ (A - B = C)	2011-2012 REMAINING BUDGET % (C/A = D)	2010-2011 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of July, 2010	2010-2011 EXPENDED BUDGET EXPENDITURES as of June, 2011*
1800-500	Pre-Kindergarten Other Purchase Srvc	$ 3,000.00	$ 2,036.27	$ 963.73	32.12%	$ 1,860.00	$ 7,841.27
1800-600	Pre-Kindergarten Supplies & Books	$ 12,196.00	$ -	$ 12,196.00	100.00%	$ -	$ 12,790.30
1800-700	Pre-Kindergarten Equipment	$ -	$ -	$ -		$ -	$ 203.68
1800-800	Pre-Kindergarten Dues & Fees	$ 2,000.00	$ -	$ 2,000.00	100.00%	$ -	$ 649.00
1800	**Pre-Kindergarten Pgms**	**$ 626,206.00**	**$ 3,198.08**	**$ 623,007.92**	**99.49%**	**$ (25,070.27)**	**$ 1,800,422.91**
	Total 1000's Instruction	**$ 123,183,750.00**	**$ 5,691,255.21**	$ 117,492,494.79	95.38%	**$ 399,599.08**	**$ 121,737,088.76**
2100-100	Student Services Salaries	$ 5,009,121.00	$ 62,526.20	$ 4,946,594.80	98.75%	$ (34,371.28)	$ 5,274,069.47
2100-200	Student Services Benefits	$ 2,215,909.00	$ 9,212.61	$ 2,206,696.39	99.58%	$ 137,085.51	$ 2,333,415.34
2100-300	Student Services Prof Services	$ 29,000.00	$ 25.00	$ 28,975.00	99.91%	$ 37,076.00	$ 46,044.13
2100-400	Student Services Repairs & Maint	$ 16,392.00	$ 2,484.93	$ 13,907.07	84.84%	$ -	$ 22,635.66
2100-500	Student Services Other Purchase Srvc	$ 25,100.00	$ -	$ 25,100.00	100.00%	$ 54.45	$ 18,855.22
2100-600	Student Services Books & Supplies	$ 17,692.00	$ 1,626.08	$ 16,065.92	90.81%	$ 6,238.05	$ 46,307.41
2100-700	Student Services Equipment	$ -	$ -	$ -		$ -	$ 103.95
2100-800	Student Services Dues & Fees	$ 200.00	$ 296.00	$ (96.00)	-48.00%	$ -	$ 34,499.00
2100	**Student Services**	**$ 7,313,414.00**	**$ 76,170.82**	**$ 7,237,243.18**	**98.96%**	**$ 146,082.73**	**$ 7,775,930.18**
2200-100	Support Services Instr Staff Salaries	$ 3,339,234.00	$ 130,685.53	$ 3,208,548.47	96.09%	$ 28,953.35	$ 3,569,352.22
2200-200	Support Services Instr Staff Benefits	$ 1,414,401.00	$ 20,431.77	$ 1,393,969.23	98.56%	$ 57,910.79	$ 1,050,617.96
2200-300	Support Services Instr Staff Prof Svcs	$ 119,010.00	$ 4,118.00	$ 114,892.00	96.54%	$ 940.00	$ 100,817.96
2200-400	Support Services Instr Staff Repairs & Maint	$ 765,972.00	$ 2,153.44	$ 763,818.56	99.72%	$ 737,187.72	$ 795,539.16
2200-500	Support Services Instr Staff Other PurchSrvc	$ 56,849.00	$ 88.00	$ 56,761.00	99.85%	$ -	$ 18,725.21
2200-600	Support Services Instr Staff Books & Supplies	$ 415,381.00	$ 69,443.08	$ 345,937.92	83.28%	$ 91,152.09	$ 398,695.46
2200-700	Support Services Instr Staff Equpment	$ 35,647.00	$ 685.09	$ 34,961.91	98.08%	$ 11,192.49	$ 51,922.11
2200-800	Support Services Instr Staff Dues & Fees	$ 7,040.00	$ -	$ 7,040.00	100.00%	$ -	$ 8,921.30
2200	**Support Services Instructional Staff**	**$ 6,153,534.00**	**$ 227,604.91**	**$ 5,925,929.09**	**96.30%**	**$ 927,336.44**	**$ 5,994,591.38**
2300-100	Administrative Services Salaires	$ 5,677,976.00	$ 373,629.34	$ 5,304,346.66	93.42%	$ 417,172.70	$ 5,956,529.24
2300-200	Administrative Services Benefits	$ 2,562,017.00	$ 60,104.69	$ 2,501,912.31	97.65%	$ 238,230.84	$ 2,963,876.48
2300-300	Administrative Services Prof Scvs	$ 1,072,089.00	$ 16,142.30	$ 1,055,946.70	98.49%	$ 17,542.30	$ 1,530,065.08
2300-400	Administrative Services Repairs & Maint	$ 20,693.00	$ 11,878.22	$ 8,814.78	42.60%	$ 186.00	$ 86,925.41
2300-500	Administrative Services Other Purchase Srvc	$ 215,108.00	$ 75,489.51	$ 139,618.49	64.91%	$ 106,882.28	$ 193,264.74
2300-600	Administrative Services Supplies & Books	$ 92,794.00	$ 842.41	$ 91,951.59	99.09%	$ 1,304.57	$ 21,792.00
2300-700	Administrative Services Equipment	$ 19,609.00	$ -	$ 19,609.00	100.00%	$ 7,024.30	$ 18,593.94
2300-800	Administrative Services Dues & Fees	$ 58,869.00	$ 13,039.00	$ 45,830.00	77.85%	$ 13,500.00	$ 48,917.20
2300	**Administrative Services**	**$ 9,719,155.00**	**$ 551,125.47**	**$ 9,168,029.53**	**94.33%**	**$ 801,842.99**	**$ 10,819,964.09**
2400-100	Medical Services Salaries	$ 1,149,798.00	$ -	$ 1,149,798.00	100.00%	$ (36,330.12)	$ 1,084,724.39
2400-200	Medical Services Benefits	$ 507,508.00	$ (30.33)	$ 507,538.33	100.01%	$ 23,118.75	$ 469,275.22
2400-300	Medical Services Prof Services	$ 24,600.00	$ -	$ 24,600.00	100.00%	$ -	$ 15,170.00
2400-400	Medical Services Repairs	$ 4,000.00	$ 197.72	$ 3,802.28	95.06%	$ -	$ 3,495.36
2400-500	Medical Services Other Purchase Srvc	$ 7,200.00	$ -	$ 7,200.00	100.00%	$ -	$ 12,525.92
2400-600	Medical Services Supplies & Books	$ 18,150.00	$ 5,004.34	$ 13,145.66	72.43%	$ 1,393.47	$ 17,267.85
2400-700	Medical Services Equipment	$ 8,000.00	$ -	$ 8,000.00	100.00%	$ -	$ 677.19
2400	**Medical Services**	**$ 1,719,256.00**	**$ 5,171.73**	**$ 1,714,084.27**	**99.70%**	**$ (11,817.90)**	**$ 1,603,135.93**
2500-100	Fiscal Services Salaries	$ 768,101.00	$ 51,197.30	$ 716,903.70	93.33%	$ 54,315.92	$ 744,289.68
2500-200	Fiscal Services Benefits	$ 397,102.00	$ 8,265.33	$ 388,836.67	97.92%	$ 15,645.46	$ 189,066.63
2500-300	Fiscal Services Prof Services	$ 353,699.00	$ -	$ 353,699.00	100.00%	$ 20,505.54	$ 157,835.08
2500-400	Fiscal Services Repairs & Maint	$ 185,695.00	$ 25,396.27	$ 160,298.73	86.32%	$ 4,814.50	$ 195,891.80
2500-500	Fiscal Services Other Purchase Srvc	$ 96,000.00	$ 12,000.00	$ 84,000.00	87.50%	$ 5,738.24	$ 8,630.72
2500-600	Fiscal Services Supplies	$ 48,500.00	$ -	$ 48,500.00	100.00%	$ 30,443.49	$ 36,572.72
2500-700	Fiscal Services Equipment	$ 4,500.00	$ -	$ 4,500.00	100.00%	$ -	$ -
2500-800	Fiscal Services Dues & Fees	$ 750.00	$ 350.00	$ 400.00	53.33%	$ 607.61	$ 36,473.25
2500	**Fiscal Services**	**$ 1,854,347.00**	**$ 97,208.90**	**$ 1,757,138.10**	**94.76%**	**$ 132,070.76**	**$ 1,368,759.88**

**NOT FINAL COSTS - Includes June 2011 YTD Information. Does not include all payables or EOY/audit adjusting entries .*

	DESCRIPTION	2011-2012 A 2011-12 APPROVED BUDGET	2011-2012 B 2011-2012 EXPENDED BUDGET INCLUDING ENCUMBRANCE as of July, 2011	2011-2012 C 2011-2012 REMAINING BUDGET $ (A - B = C)	2011-2012 D % (C/A = D)	2010-2011 E 2010-2011 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of July, 2010	2010-2011 F* 2010-2011 EXPENDED BUDGET EXPENDITURES as of June, 2011*
2600-100	Operation & Maintenance Salaries	$ 6,719,025.00	$ 367,980.22	$ 6,351,044.78	94.52%	$ 389,095.15	$ 6,455,408.53
2600-200	Operation & Maintenance Benefits	$ 2,804,736.00	$ 58,023.57	$ 2,746,712.43	97.93%	$ 86,104.58	$ 1,082,995.41
2600-300	Operation & Maintenance Prof Svcs	$ 396,195.00	$ 52,279.12	$ 343,915.88	86.80%	$ 67,601.75	$ 598,732.58
2600-400	Operation & Maintenance Repairs & Utilities	$ 4,696,163.00	$ 378,256.77	$ 4,317,906.23	91.95%	$ 479,517.15	$ 3,638,630.67
2600-500	Operation & Maintenance Other Purchase Srvc	$ 412,561.00	$ 192,605.02	$ 219,955.98	53.31%	$ 153,466.58	$ 572,669.37
2600-600	Operation & Maintenance Supplies & Materials	$ 2,111,622.00	$ 28,246.73	$ 2,083,375.27	98.66%	$ 191,764.12	$ 1,612,337.60
2600-700	Operation & Maintenance Equipment	$ 20,500.00	$ 20,660.85	$ (160.85)	-0.78%	$ 265.19	$ 153,412.72
2600-800	Operation & Maintenance Dues & Fees	$ 1,100.00	$ 410.00	$ 690.00	62.73%	$ 190.00	$ 1,916.00
2600	**Operation & Maintenance Svcs**	**$ 17,161,902.00**	**$ 1,098,462.28**	**$ 16,063,439.72**	**93.60%**	**$ 1,368,004.52**	**$ 14,116,102.88**
2700-100	Pupil Transportation Salaries	$ 2,788,348.00	$ 50,569.99	$ 2,737,778.01	98.19%	$ 66,124.21	$ 2,779,141.47
2700-200	Pupil Transportation Benefits	$ 1,211,679.00	$ 8,186.03	$ 1,203,492.97	99.32%	$ 13,795.09	$ 399,626.35
2700-300	Pupil Transportation Prof Svcs	$ 18,392.00	$ 10,000.00	$ 8,392.00	45.63%	$ 5,000.00	$ 13,922.10
2700-400	Pupil Transportation Repairs & Maint	$ 75,992.00	$ 31,196.72	$ 44,795.28	58.95%	$ 30,631.59	$ 64,580.50
2700-500	Pupil Transportation Other Purchase Srvc	$ 1,194,764.00	$ 31,790.00	$ 1,162,974.00	97.34%	$ 26,335.09	$ 1,139,291.37
2700-600	Pupil Transportation General Supplies	$ 925,195.00	$ 74,650.03	$ 850,544.97	91.93%	$ 80,929.16	$ 794,030.38
2700-700	Pupil Transportation Equipment Orig	$ 2,000.00	$ -	$ 2,000.00	100.00%	$ 164.99	$ 407,755.88
2700-800	Pupil Transportation Dues & Fees	$ 50.00	$ 186.00	$ (136.00)	-272.00%	$ 990.00	$ 875.00
2700	**Pupil Transportation**	**$ 6,216,420.00**	**$ 206,578.77**	**$ 6,009,841.23**	**96.68%**	**$ 223,970.13**	**$ 5,599,223.05**
2800-100	Support Services Central Salaires	$ 1,187,969.00	$ 70,585.99	$ 1,117,383.01	94.06%	$ 70,102.44	$ 882,468.49
2800-200	Support Services Central Benefits	$ 505,382.00	$ 11,341.99	$ 494,040.01	97.76%	$ 24,678.10	$ 301,805.28
2800-300	Support Services Central Prof Svcs	$ 208,661.00	$ 50,142.70	$ 158,518.30	75.97%	$ 153,830.64	$ 220,387.80
2800-400	Support Services Central Repairs & Maint	$ 332,114.00	$ 192,227.94	$ 139,886.06	42.12%	$ 73,477.53	$ 107,135.92
2800-500	Support Services Central Other Purchase Srvc	$ 632,522.00	$ 144,966.50	$ 487,555.50	77.08%	$ 75,800.00	$ 160,308.82
2800-600	Support Services Central Supplies & Software	$ 31,353.00	$ 431.37	$ 30,921.63	98.62%	$ 154,683.09	$ 191,507.88
2800-700	Support Services Central Equipment	$ 122,944.00	$ -	$ 122,944.00	100.00%	$ -	$ 56,479.48
2800-800	Support Services Central Dues & Fees	$ 350.00	$ -	$ 350.00	100.00%	$ (45.00)	$ 830.00
2800	**Support Services Central**	**$ 3,021,295.00**	**$ 469,696.49**	**$ 2,551,598.51**	**84.45%**	**$ 552,526.80**	**$ 1,920,923.67**
2900-500	IU Services IU Withholding	$ 102,449.00	$ -	$ 102,449.00	100.00%	$ -	$ 104,250.79
2900	**IU Services**	**$ 102,449.00**	**$ -**	**$ 102,449.00**	**100.00%**	**$ -**	**$ 104,250.79**
	Total 2000's Support Services	**$ 53,261,772.00**	**$ 2,732,019.37**	$ 50,529,752.63	94.87%	**$ 4,140,016.47**	**$ 49,302,881.85**
3200-100	Student Activities Salaries	$ 1,166,974.00	$ -	$ 1,166,974.00	100.00%	$ -	$ 351,040.42
3200-200	Student Activities Benefits	$ 244,635.00	$ -	$ 244,635.00	100.00%	$ 5,291.10	$ 112,510.45
3200-300	Student Activities Prof Svcs	$ 155,823.00	$ 825.00	$ 154,998.00	99.47%	$ -	$ 2,473.50
3200-400	Student Activities Repairs & Maint	$ 21,716.00	$ 496.16	$ 21,219.84	97.72%	$ 500.00	$ 14,375.41
3200-500	Student Activities Other Purchase Srvc	$ 91,400.00	$ -	$ 91,400.00	100.00%	$ -	$ 11,769.25
3200-600	Student Activities General Supplies	$ 85,199.00	$ 2,449.71	$ 82,749.29	97.12%	$ 4,939.40	$ 18,397.72
3200-700	Student Activities Equipment	$ 200.00	$ -	$ 200.00	100.00%	$ (525.27)	$ (174.27)
3200-800	Student Activities Dues & Fees	$ 10,096.00	$ -	$ 10,096.00	100.00%	$ -	$ 6,881.00
3200	**Student Activities**	**$ 1,776,043.00**	**$ 3,770.87**	**$ 1,772,272.13**	**99.79%**	**$ 10,205.23**	**$ 517,273.48**
3300-100	Community Services Salaries	$ -	$ -	$ -		$ -	$ 2,174.96
3300-200	Community Services Benefits	$ -	$ -	$ -		$ -	$ 286.24
3300-300	Community Services Prof Svcs	$ 17,480.00	$ -	$ 17,480.00	100.00%	$ -	$ 2,373.70
3300-400	Community Services Repairs & Maint	$ -	$ -	$ -		$ -	$ 701.32
3300-500	Community Services Other Purchase Srvc	$ 10,830.00	$ -	$ 10,830.00	100.00%	$ -	$ 8,560.60
3300-600	Community Services General Supplies	$ 5,000.00	$ -	$ 5,000.00	100.00%	$ -	$ 10,041.53
3300-800	Community Services Dues & Fees	$ -	$ -	$ -		$ -	$ 72.00
3300	**Community Services**	**$ 33,310.00**	**$ -**	**$ 33,310.00**	**100.00%**	**$ -**	**$ 24,210.35**
3400-600	Scholarships-Supplies			$ -		$ 150.00	$ 150.00
3400	**Scholarships**	**$ -**	**$ -**	**$ -**		**$ 150.00**	**$ 150.00**
	Total 3000's Non Instructional	**$ 1,809,353.00**	**$ 3,770.87**	**$ 1,805,582.13**	**99.79%**	**$ 10,355.23**	**$ 541,633.83**

**NOT FINAL COSTS - Includes June 2011 YTD Information. Does not include all payables or EOY/audit adjusting entries .*

	DESCRIPTION	2011-2012 A 2011-12 APPROVED BUDGET	2011-2012 B 2011-2012 EXPENDED BUDGET INCLUDING ENCUMBRANCE as of July, 2011	2011-2012 C 2011-2012 REMAINING BUDGET $ (A - B = C)	2011-2012 D % (C/A = D)	2010-2011 E 2010-2011 EXPENDED BUDGET INCLUDING ENCUMBRANCES as of July, 2010	2010-2011 F* 2010-2011 EXPENDED BUDGET EXPENDITURES as of June, 2011*
4300-400	Architct/Engin-Purchased Prop Srvc	$ -	$ -	$ -		$ -	$ 5,370.00
4400-300	Architct/Engin- Professional Srvc	$ -	$ -	$ -		$ -	$ 3,442.64
4600-400	Existing Bldg Improvement-Purchased Prop Srvc	$ -	$ 223,348.00	$ (223,348.00)		$ -	$ -
	Total 4000's Const & Improv Srvc	**$ -**	**$ 223,348.00**	**$ (223,348.00)**		**$ -**	**$ 8,812.64**
5100-800	Debt Service Debt Interest	$ 14,229,422.00	$ 1,819,459.98	$ 12,409,962.02	87.21%	$ 1,839,437.94	$ 12,163,140.68
5100-900	Debt Service Debt Principal	$ 9,724,967.00		$ 9,724,967.00	100.00%	$ 5,000.00	$ 8,533,778.45
	5100 Debt Service	**$ 23,954,389.00**	**$ 1,819,459.98**	**$ 22,134,929.02**	**92.40%**	**$ 1,844,437.94**	**$ 20,696,919.13**
5200-900	Fund Transfers-Athletic Fund	$ -	$ -	$ -		$ 352,632.25	$ 1,410,529.00
5800-200	Suspense Account-Employee Benefits	$ -	$ 2,015,638.67	$ (2,015,638.67)		$ -	$ 139,219.65
5900-800	Budgetary Reserve Contingency	$ 1,600,000.00		$ 1,600,000.00	100.00%	$ -	
	Total 5000's Debt & Transfers	**$ 25,554,389.00**	**$ 3,835,098.65**	**$ 21,719,290.35**	**84.99%**	**$ 2,197,070.19**	**$ 22,246,667.78**
	Estimated Accounts Payable						**$ 5,775,479.61**
	Grand Total:	**$ 203,809,264.00**	**$ 12,485,492.10**	**$ 191,323,771.90**	**93.87%**	**$ 6,747,040.97**	**$ 199,612,564.47**

**NOT FINAL COSTS - Includes June 2011 YTD Information. Does not include all payables or EOY/audit adjusting entries .*

21. *Quotations for the $5,800 - $15,200 Cost Category*

INFORMATION:

Quotations were solicited for:

1. Emergency Generator Repairs.

   The following vendors were contacted:

School	Vendor	Price for Repair
Calypso Elementary School	Penn Power Systems	$885
Clearview Elementary School	Northampton Engines, Inc.	$895 (Alt. 1)
East Hills Middle School	Northampton Engines, Inc.	$660
Farmersville Elementary School	Penn Power Systems	$1,080 (Alt. 1)
Freemansburg Elementary School	Penn Power Systems	$645
Governor Wolf Elementary School	Penn Power Systems	$1,055
Hanover Elementary School	Crowder Jr. Company	$980 (Alt. 1)
Marvine Elementary School	Penn Power Systems	$1,650 (Alt. 1)

   The lowest responsible quotations are not to exceed **$7,850.**

   Account Code and Name: General Fund 2600430 Repairs and Maintenance
   Account Balance: $179,797.67

2. Inspection of Sprinklers and Fire Pumps - Annual Maintenance and Inspections

Victory Fire Protection, Inc.	**$ 6,435**
Kistler O'Brien Fire Protection	6,466
SimplexGrinnell	7,722

   The lowest responsible quotation was Victory Fire Protection, Inc., 225 West Howard Street, Pottstown, Pennsylvania 19464 at a cost not to exceed **$6,435.**

   Account Code and Name: General Fund 2600430 Repairs and Maintenance
   Account Balance: $179,797.67

These items were reviewed with the Board at the August 1, 2011, Board Facilities Committee Meeting.