

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2021

New Issue Book Entry

Moody's: "____"
S&P: "____"
(See "RATINGS" herein)

\$[____]*

City of Yonkers Industrial Development Agency
School Facility Revenue Bonds
(New Community School Project), Series 2021**Dated: Delivery Date****Due: as shown on inside cover**

The School Facility Revenue Bonds (New Community School Project), Series 2021 (the "**Series 2021 Bonds**") are being issued by the City of Yonkers Industrial Development Agency (the "**Issuer**") in accordance with the Yonkers City School District Joint Schools Construction and Modernization Act, constituting Chapter 355 of the Laws of 2016 of the State of New York (the "**Yonkers Schools Act**"). The Series 2021 Bonds will be issued pursuant to an Indenture of Trust (New Community School Project) dated as of September 1, 2021 (the "**Indenture**") between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the "**Trustee**"), to provide money to finance a portion of the costs of construction of new community school facilities for use by the City of Yonkers (the "**City**") and the City School District of the City of Yonkers (the "**YCSD**"). The Series 2021 Bonds are special limited obligations of the Issuer payable from amounts due solely from the YCSD and the City under an Installment Sale Agreement (New Community School Project), dated as of September 1, 2021 (the "**Installment Sale Agreement**" or the "**Agreement**"), among the Issuer, the City, the YCSD and the Yonkers Joint Schools Construction Board (the "**JSCB**").

The obligation of the YCSD and the City to pay base installment purchase payments and installment purchase payments under the Installment Sale Agreement are deemed executory only to the extent of New York State building and operating aid annually appropriated by the New York State Legislature and paid to the YCSD or the City or any officer thereof, for the provision of public educational instruction in the City ("**State Aid to Education**"). Payment of State Aid to Education to the City is subject to annual appropriation of the State of New York (the "**State**"). Pursuant to a State Aid Depository Agreement, dated as of September 1, 2021 (the "**State Aid Depository Agreement**"), among the YCSD, the City and Manufacturers and Traders Trust Company, as depository (the "**Depository**"), all State Aid to Education made payable to the YCSD or the City will be deposited into a State Aid Depository Fund with the Depository and, upon appropriation by the City and the YCSD, such State Aid to Education will be disbursed for the payment of principal and interest on the Series 2021 Bonds and other purposes of the YCSD.

The Series 2021 Bonds are special limited obligations of the Issuer payable solely from: (i) the payment of base installment purchase payments and installment purchase payments by the YCSD and the City under the Installment Sale Agreement; and (ii) the pledge of certain funds, including a bond fund, under the Indenture. In the event the YCSD and the City fail to make an installment purchase payment under the Installment Sale Agreement, it is provided in the Yonkers Schools Act and the Indenture that, upon receipt by the New York State Comptroller (the "**State Comptroller**") of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold State Aid to Education payable to the YCSD or the City to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. The obligation of the YCSD and the City under the Installment Sale Agreement to pay base installment purchase payments and installment purchase payments is not a general obligation of the YCSD or the City and neither the faith and credit nor the taxing powers of the City is pledged to the payment of base installment purchase payments and installment purchase payments under the Installment Sale Agreement. The obligation of the YCSD and the City under the Installment Sale Agreement to pay base installment purchase payments and installment purchase payments in any fiscal year of the YCSD or the City constitutes a current expense of the YCSD for such fiscal year and shall not constitute an indebtedness or moral obligation of the YCSD, the City or the State within the meaning of any constitutional or statutory provision or other laws of the State. The only source of moneys available for the payment of the principal of and interest on the Series 2021 Bonds are installment purchase payments made by the YCSD and the City under the Installment Sale Agreement to the extent of State Aid to Education appropriated by the State and available to the YCSD and/or the City and appropriated by the City and the YCSD to make such payments, the pledge of certain funds under the Indenture, and the intercept by the State Comptroller of State Aid to Education payable to the City or the YCSD to the extent of any installment purchase payment deficiency. The Series 2021 Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of the City or the State and neither the City nor the State shall be liable thereon. The Issuer has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS" herein.

The Series 2021 Bonds will be issued in fully registered form registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"). See "THE SERIES 2021 BONDS—Registration and Payment — Book-Entry System" herein.

The Series 2021 Bonds will bear interest payable semiannually on May 1 and November 1 of each year commencing [____] and are subject to redemption prior to maturity as described herein. See "THE SERIES 2021 BONDS—Redemption of Series 2021 Bonds" herein.

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the Issuer, the YCSD and the City with certain covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), and the accuracy of certain representations made by the Issuer, the YCSD and the City, interest on the Series 2021 Bonds is excluded from gross income of the owners thereof for Federal income tax purposes, and is not an "item of tax preference" for purposes of the Federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that under existing statutes interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.

The Series 2021 Bonds are offered when, as, and if issued and received by the Underwriters subject to the approval of legality by Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by Lawrence Sykes, Esq., General Counsel; for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York; for the JSCB by its counsel, Hawkins Delafield & Wood LLP; and for the YCSD and the City by the Corporation Counsel of the City. Capital Markets Advisors, LLC serves as independent financial advisor to the YCSD and the City. It is expected that the Series 2021 Bonds will be available for delivery through the facilities of DTC on or about [September 16, 2021].

Roosevelt & Cross Incorporated

Academy Securities Inc. Loop Capital Markets Siebert Williams Shank & Co., LLC

Dated: _____, 2021

* Preliminary, subject to change.

4147-6274-6416.4

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

\$[_____] *
City of Yonkers Industrial Development Agency
School Facility Revenue Bonds
(New Community School Project), Series 2021

Maturity (May 1)	Principal Amount	Coupon	Price or Yield	CUSIP Numbers [†]
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\$ _____ % Term Bonds due May 1, 20 __, Price or Yield __%, CUSIP Number[†] _____

\$ _____ % Term Bonds due May 1, 20 __, Price or Yield __%, CUSIP Number[†] _____

* Preliminary, subject to change.

[†] Copyright, American Bankers Association (“ABA”). CUSIP numbers have been assigned by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2021 Bonds and the Issuer and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the JSCB, the City, the YCSD or the Underwriters to give any information or to make any representations with respect to the Series 2021 Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2021 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Series 2021 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2021 Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2021 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2021 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain information in this Official Statement has been supplied by the Issuer, the JSCB, the YCSD, the City, and other sources that the Issuer and the Underwriters believe are reliable. Neither the Issuer nor the Underwriters guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Issuer or the Underwriters. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the JSCB, the YCSD, or the City since the date hereof.

The Issuer assumes no responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions "THE ISSUER" and "NO LITIGATION" (but only with respect to the Issuer), all of which other information has been furnished by others.

The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy or completeness of such information.

References in this Official Statement to the Act, the Yonkers Schools Act, the Indenture, the State Aid Depository Agreement, the Installment Sale Agreement, and the License Agreement (each as herein defined) do not purport to be complete. Reference is made to the Act, the Yonkers Schools Act, the Indenture, the State Aid Depository Agreement, the Installment Sale Agreement, and the License Agreement for full and complete details of their respective provisions. Copies of the Indenture, the State Aid Depository Agreement, the Installment Sale Agreement, and the License Agreement, are on file with the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including the appendices, must be considered in its entirety.

The contents of this Official Statement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal,

business and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2021 Bonds, including the merits and risks involved. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any Series 2021 Bonds.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the State and the YCSD and the amount of State Aid to Education paid to the YCSD or the City, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Issuer, the Underwriters, the YCSD or the City that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the YCSD or the City. These forward-looking statements speak only as of the date of this Official Statement. The Issuer, the Underwriters, the YCSD and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the YCSD’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of Rule 15c2-12 adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2021 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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\$[_____]*
**CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY
SCHOOL FACILITY REVENUE BONDS
(NEW COMMUNITY SCHOOL PROJECT), SERIES 2021**

INTRODUCTION

General

This Official Statement sets forth certain information concerning the issuance and sale by the City of the City of Yonkers Industrial Development Agency (the “*Issuer*”) of \$[_____]* School Facility Revenue Bonds (New Community School Project), Series 2021 (the “*Series 2021 Bonds*”). The Series 2021 Bonds will be secured by and issued pursuant to an Indenture of Trust (New Community School Project) dated as of September 1, 2021 (the “*Indenture*” or the “*Series 2021 Indenture*”) between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the “*Trustee*”).

Certain capitalized terms used in this Official Statement which are not defined herein shall have the meanings assigned to them in APPENDIX B — “Certain Definitions” attached hereto.

Authorization

The Series 2021 Bonds will be issued pursuant to the Issuer’s enabling legislation constituting Title I of Article 18-A of the General Municipal Law of the State of New York (the “*State*”) (enacted into law as Chapter 1030 of the Laws of 1969 of the State), Chapter 83 of the Laws of 1982 of the State (collectively, the “*Act*”); and the Yonkers City School District Joint Schools Construction and Modernization Act, constituting Chapter 355 of the Laws of 2016 of the State, as amended from time to time (the “*Yonkers Schools Act*”); and the resolution of the Issuer adopted on August 5, 2021.

The Yonkers Schools Act was enacted and became effective in 2016, authorizing a comprehensive joint schools construction and modernization plan for the City’s public schools (the “*Program*”). The Program was adopted by the YCSD on July 17, 2019 and the JSCB on August 4, 2021 and was approved by the Commissioner of Education of the State of New York (the “*Commissioner*”) on April 29, 2021 in accordance with the Yonkers Schools Act.

Purpose

The proceeds of the Series 2021 Bonds will be applied to finance a portion of the costs of (i) acquisition of the site consisting of two lots located at 121 McLean Avenue and 469-470 Van Cortlandt Park Avenue in the City (the “*Project Site*”), demolition of three existing buildings thereon, and construction and equipping thereon of a new Pre-K to 8th grade public school including a 4-story Academic Building, a Community Building, playground, parking lot and related improvements, to be undertaken pursuant to the Program (collectively, the “*New Community School Project*”); (ii) together with \$[_____] current YCSD funds to be applied to principal paydown and interest repayment, refinance at maturity on September 17, 2021 \$6,000,000 principal amount of the City’s outstanding bond anticipation notes which were issued to provide initial funding for a portion of the New Community School Project; and (iii) finance certain costs of issuance of the Series 2021 Bonds.

* Preliminary, subject to change.

[To assist investors with complying with Federal Home Loan Bank collateral regulations, the Issuer presently contemplates that approximately 100% of the net proceeds of the Series 2021 Bonds will be used to finance or refinance the acquisition, development, and/or improvement of real property.]

The Program

The Yonkers Schools Act created the JSCB and authorized the JSCB to develop and maintain the Program, consisting of a comprehensive joint schools construction and modernization plan for the City's public schools. The Yonkers Schools Act authorized total project costs to be financed under the Program of \$523 million, and authorized bonds, notes and other obligations to be issued on behalf of the YCSD to finance such project costs in an aggregate principal amount not to exceed \$523 million.

The Yonkers Schools Act provides that phase one of the Program will consist of construction of up to three new schools along with critical infrastructure system replacements at the existing schools to maintain safe operation of the existing schools until future renovations are made as part of the Program. The New Community School Project is being undertaken as part of phase one of the Program and is the first Project undertaken pursuant to the Program.

It is anticipated that funds required to finance the costs of construction, rehabilitation, reconstruction and/or equipping of Additional Facilities pursuant to phase one of the Program or subsequent phases of the Program will be derived, in part, through the issuance and sale from time to time of other series of bonds, which together with the Series 2021 Bonds are collectively referred to hereinafter as "**Project Bonds**," issued by the Issuer or other authorized issuer pursuant to separate or supplemental indentures of trust and bond resolutions (each, including the Indenture, being a "**Series Indenture**," and the trustee under each Series Indenture, including the Trustee, being a "**Series Trustee**"). It is further anticipated that the additional facilities to be financed from future series of Project Bonds will be made subject to a separate or amended license agreement or ground lease and a separate or amended lease agreement or a separate or amended installment sale agreement or similar instrument (each such separate lease agreement or installment sale agreement, including the Installment Sale Agreement, being a "**Series Facilities Agreement**").

Structure

Pursuant to the License Agreement (New Community School Project), dated as of September 1, 2021 (the "**License Agreement**"), among the Issuer, the City and the YCSD, the City and the YCSD will license to the Issuer the Project Site and improvements to be constructed thereon and, pursuant to a bill of sale, will convey title to the equipment to the Issuer (collectively, the "**New Community School Facilities**"). Concurrently therewith, the Issuer will sell and assign its license interest under the License Agreement and a bill of sale in the New Community School Facilities to the YCSD and the City pursuant to the Installment Sale Agreement. Installment Purchase Payments due from the YCSD and the City under the Installment Sale Agreement related to the Series 2021 Bonds, will equal principal and interest due on the Series 2021 Bonds, including the mandatory principal payments. Pursuant to the Yonkers Schools Act, the Board of Education for the YCSD shall be responsible for the maintenance and operation of the New Community School Facilities.

[Pursuant to the Indenture, the Issuer will issue the Series 2021 Bonds for the benefit of the JSCB, to finance a portion of the costs of the New Community School Project, and reserves the right, upon request of the JSCB, to issue one or more Series of Additional Bonds under the Indenture for such purpose. The New Community School Project will be undertaken by the JSCB on behalf of the City and the YCSD, as agent of the Issuer. Pursuant to the Program Manager Agreement (as defined in the Installment Sale Agreement) and the Yonkers Schools Act, the Program Manager shall manage [the New

Community School Project][all Projects undertaken pursuant to the Program]. The JSCB does not anticipate any other bond issues on its behalf in 2021.

Security

Principal of and interest on the Series 2021 Bonds will be secured by: (i) Installment Purchase Payments made by the YCSD and the City under the Installment Sale Agreement; and (ii) the pledge of certain funds, including the Bond Fund under the Indenture. In the event the YCSD or the City fails to make an Installment Purchase Payment under the Installment Sale Agreement, the Yonkers Schools Act and the Indenture provide that, upon receipt by the New York State Comptroller (the “*State Comptroller*”) of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold from the YCSD and the City any State Aid to Education payable to the City or the YCSD to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—State Aid Intercept” and “State Aid to Education.” The Yonkers Schools Act further provides that (x) any amount of state and/or school aid so paid by the State Comptroller shall not obligate the State to make, nor entitle the YCSD or the City to receive, any additional amounts of state and/or school aid, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of state and/or school aid, and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain state and/or school aid at any particular level or amount.

The obligations of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement are deemed executory only to the extent of State Aid to Education appropriated by the New York State Legislature (the “*State Legislature*”) and available to the YCSD and/or the City and appropriated by the City and approved by the YCSD for the payment of Installment Purchase Payments under the Installment Sale Agreement, and no liability on account thereof shall be incurred by the YCSD or the City beyond the amount of such State Aid to Education so available and appropriated; *provided, however*, that the failure of the YCSD and the City, for any reason (including a failure by the YCSD to budget and appropriate funds for Installment Purchase Payments, a failure by the City to approve a budget and appropriate funds providing for Installment Purchase Payments or a failure by the State to appropriate State Aid to Education) to make an Installment Purchase Payment under the Installment Sale Agreement is deemed a failure to make a payment thereunder for purposes of the state and/or school aid intercept implementing provisions of the Yonkers Schools Act and the intercept provisions of the Indenture. Payment of State Aid to Education to the YCSD and/or the City is subject to annual appropriation by the State Legislature. Except to the extent limited as provided above, the obligation of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement and to perform their obligations thereunder shall be absolute and unconditional; and such Installment Purchase Payments and other amounts shall be payable without any rights of set-off, or recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction they might otherwise have against the Issuer, the Trustee, any purchaser of any Series 2021 Bond or any other person and whether or not any or all of the facilities financed with the proceeds of the Series 2021 Bonds are used or occupied by the City, the JSCB or the YCSD or available for use or occupancy by the City, the JSCB or the YCSD. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS,” “BONDHOLDERS’ RISKS — Additional Series of Project Bonds or Series of Additional Bonds” and APPENDIX D — “Summary of Certain Provisions of the Installment Sale Agreement.”

The YCSD, the City and Manufacturers and Traders Trust Company, as depository bank (the “*Depository*”), have entered into a State Aid Depository Agreement, dated as of September 1, 2021 (the “*State Aid Depository Agreement*”). In accordance with the State Aid Depository Agreement, the

Commissioner of Finance of the City (the “*Commissioner of Finance*”) and the President of the Board of Education of the YCSD have instructed the State Comptroller to pay all State Aid to Education directly to a designated fund (the “*State Aid Depository Fund*”) held with the Depository. Provided the City and the YCSD have made an appropriation for the payment of Installment Purchase Payments under the Installment Sale Agreement, amounts in the State Aid Depository Fund will be transferred periodically to the Trustee for deposit in the Bond Fund established under the Indenture (and to each equivalent fund under each other Series Indenture), on a Ratable Basis, toward the payment of the Series 2021 Bonds and other series of Project Bonds outstanding under each other Series Indenture, and any balance remaining will be transferred to the YCSD. Amounts in the State Aid Depository Fund will be transferred by the Depository to the Bond Fund periodically on a Ratable Basis from each December 1 until each March 31 of each Fiscal Year (the “*Collection Period*”) and will be credited against the obligation of the YCSD and the City to pay annual Installment Purchase Payments under the Installment Sale Agreement due on April 1 of each year. Although the State Aid Depository Agreement requires an immediate transfer of State Aid to Education from the State Aid Depository Fund to the Bond Fund during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of the Indenture and are not pledged as security for the payment of the Series 2021 Bonds until such amounts have been transferred by the Depository to the Trustee and deposited in the Bond Fund under the Indenture.

During the Collection Period from December 1 until March 31 of each of the following fiscal years of the YCSD year, the YCSD received State Aid to Education in the following amounts:

COLLECTION PERIOD RECEIPTS
(in millions)⁽¹⁾

	Fiscal Year						
	2014-15	2015-16 ⁽¹⁾	2016-17 ⁽¹⁾	2017-18 ⁽¹⁾	2018-19 ⁽¹⁾	2019-20	2020-21 ⁽¹⁾
December							
January							
February							
March							
Total							

(1) Unaudited.
Source: YCSD Officials

No assurance can be given that the foregoing amounts of State Aid to Education will continue or will be appropriated by the State in such amounts in future fiscal years. See “PROGRAM PARTICIPANTS — The YCSD and Board of Education,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS” and “BONDHOLDERS’ RISKS — Competing Claims to State Aid,” and APPENDIX A — “City of Yonkers Combined Financial Statements for Fiscal Year Ended June 30, 2020.”

The State is not legally obligated to pay State Aid to Education to the YCSD or the City. The amount of State Aid to Education paid to the YCSD is dependent, in part, upon the financial condition of the State. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

Pursuant to the Indenture and the Pledge and Assignment, the Issuer has assigned to the Trustee substantially all of its rights under the Installment Sale Agreement with respect to the Series 2021 Bonds, including the right to receive and collect the Installment Purchase Payments with respect to the Series

2021 Bonds (other than moneys payable for the Issuer's Reserved Rights) payable by the YCSD and the City thereunder. Pursuant to the Indenture and the Pledge and Assignment, the Issuer has also pledged and assigned to the Trustee for the benefit of the holders of the Series 2021 Bonds, substantially all of its right, title and interest in and to State Aid to Education and the funds, monies or securities held under the Indenture (other than amounts set aside and transferred to the Rebate Fund), including amounts held in the Bond Fund.

THE SERIES 2021 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID TO EDUCATION PAYABLE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE BOND FUND UNDER THE INDENTURE. IN THE EVENT THE YCSD OR THE CITY FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER THE INSTALLMENT SALE AGREEMENT, THE YONKERS SCHOOLS ACT AND THE INDENTURE PROVIDE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID TO EDUCATION FROM THE YCSD AND THE CITY PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE YCSD OR THE CITY AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY IS PLEDGED TO THE PAYMENT OF INSTALLMENT PURCHASE PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT. THE OBLIGATIONS OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IN ANY FISCAL YEAR OF THE YCSD OR THE CITY CONSTITUTE A CURRENT EXPENSE OF THE YCSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE YCSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE. THE ONLY SOURCES OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2021 BONDS ARE INSTALLMENT PURCHASE PAYMENTS MADE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO THE EXTENT OF STATE AID TO EDUCATION APPROPRIATED BY THE STATE AND AVAILABLE TO THE YCSD AND/OR THE CITY AND APPROPRIATED BY THE CITY AND THE YCSD TO MAKE SUCH PAYMENTS, THE PLEDGE OF CERTAIN FUNDS UNDER THE INDENTURE, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID TO EDUCATION PAYABLE TO THE CITY OR THE YCSD TO THE EXTENT OF ANY INSTALLMENT PURCHASE PAYMENT DEFICIENCY.

Brief descriptions of the Issuer, the Series 2021 Bonds, the security for the Series 2021 Bonds, the Program, the New Community School Project, the City, the YCSD, the JSCB, and the Program Manager are set forth below or in the Appendices hereto. Summaries of certain financing documents are set forth below or in the Appendices hereto. Such summaries do not purport to be complete or definitive, each such summary is qualified in its entirety by reference to each such document for a complete description of all of the terms and provisions thereof, copies of which are on file with and are available at the offices of the Trustee, and no part of such summaries are to be construed as a representation or a guarantee of the accuracy or completeness by the Issuer other than the information under the captions "THE ISSUER" and "NO LITIGATION" (but only with respect to the Issuer) therein.

The Form of Opinion of Bond Counsel for the Series 2021 Bonds is set forth in Appendix E hereto. The Form of Continuing Disclosure Agreement with respect to the Series 2021 Bonds is set forth in Appendix F hereto.

THE PROGRAM AND THE NEW COMMUNITY SCHOOL PROJECT

The Yonkers Schools Act authorized the JSCB to develop and maintain the Program. The Program was adopted by the YCSD on July 17, 2019 and was approved by the Commissioner of Education of the State of New York (the “Commissioner”) on April 29, 2021 in accordance with the Yonkers Schools Act. The Yonkers Schools Act provides that phase one of the Program will consist of construction of up to three new schools along with critical infrastructure system replacements at the existing schools to maintain safe operation of the existing schools until future renovations are made as part of the Program.

The New Community School Project is being undertaken as part of phase one of the Program and is the first Project undertaken pursuant to the Program. The New Community School Project consists of the acquisition of the site consisting of two lots located at 121 McLean Avenue and 469-470 Van Cortlandt Park Avenue in the City, demolition of three existing buildings thereon, and construction and equipping thereon of a new Pre-K to 8th grade public school including a 4-story Academic Building, a Community Building, playground, parking lot and related improvements. The total estimated project cost of the New Community School Project is \$[_____].

The JSCB has retained Savin Engineers, P.C. to be the independent program/construction management firm for the [Program][New Community School Project] (“**Program Manager**”), and to assist in the management of the [Program][New Community School Project].

It is anticipated that completion of the New Community School Project and undertaking of subsequent Projects pursuant to the Program will be funded by the issuance of one or more series of Project Bonds under separate Series Indentures.

PROGRAM PARTICIPANTS

The City

General

The City is a municipal corporation of the State. With a population estimated at 200,370 according to 2019 U.S. Census data, the City is the fourth most populous city in the State. The City has an area of approximately 18.3 square miles and is located in the southwestern section of Westchester County (the “**County**”).

The City was incorporated in 1872. Subject to the State Constitution, the City operates pursuant to the City Charter, adopted in 1961 and subsequently amended, and in accordance with other laws governing the City, including the General City Law, the Second Class Cities Law, Municipal Home Rule Law, the General Municipal Law and the Local Finance Law, to the extent that such laws are applicable to a city operating under a charter form of government.

Although the City is also, in large measure, responsible for the financing of local primary and secondary educational expenditures, the Board of Education (the “**BOE**”), composed of members appointed by the Mayor, administers the YCSD. Pursuant to State legislation enacted on April 1, 2014, the City and the BOE entered into an inter-municipal agreement, whereby the City assumes control of all

Board financial and budget functions. The inter-municipal agreement gives the City certain administrative controls over non-academic operations functions of the BOE.

City Officials

Set forth below is a brief description of the structure of the government of the City.

The Mayor. The Mayor is elected for a four-year term and is designated by the charter to be the chief executive and administrative officer of the City. The Mayor is limited to up to 12 years consecutively, or 3 terms. The Mayor appoints the members of the Yonkers Parking Authority and the Issuer, as well as, many other Boards and Commissions. The Mayor is responsible for appointing the Board of Trustees of the BOE without the advice and consent of the City Council. The Mayor is responsible for the appointment of all department and Agency heads, with the advice and consent of the City Council, except for the members of the Library Board and the City Clerk. The Mayor is responsible for the operations and performance of all City departments and agencies and prepares the City's Annual Budget. The Mayor is also a member of the Board of Cooperative Educational Services of the Sole Supervisory District of Westchester.

The City Council President. The City Council President is elected City-wide for a four-year term and presides over the deliberations of the City Council. In addition, the City Council President is the Chair of the Rules Committee which sets the agenda for all City Council meetings. The current City Council President is Mike Khader who has served in that capacity since January 2018.

City Council. The legislative power of the City is vested in the City Council. The membership of the City Council includes the City Council President and six members selected from single member districts. A City Council term is four years and the Council Members are limited to three consecutive terms. The Council meets at both regular and special meetings throughout the year. The Council utilizes the committee system, and through the committees, the Council reviews legislative proposals and, subject to the terms of the Act, adopts the annual budget, levies taxes, approves modifications to the budget proposed by the Mayor, and authorizes all indebtedness of the City. The Council appoints the City Clerk.

Commissioner of Finance and Management Services. The Commissioner of Finance and Management Services and Comptroller oversees the audit and financial aspects of the government, including the BOE. John Liszewski is the appointed Commissioner of Finance and Management Services.

The YCSD and Board of Education

The BOE is a separate public entity with its own budget, administration and members appointed by the Mayor. It has no taxing power and relies solely on the City Council for appropriations. With the signing of the Inter-municipal Agreement (IMA) on June 12, 2014, the City has taken over several non-academic departments from the BOE, such as, finance, human resources, legal, public information and information technology, allowing for greater transparency and accountability between the City and the BOE.

The BOE appoints a Superintendent of Schools to act as Chief Administrator of the City's public school system. Dr. Edwin M. Quezada was appointed Superintendent of Schools on March 16, 2016.

For the Fiscal Year ended June 30, 2020, the City of Yonkers has presented separate audited financial statements for the City and the BOE. The audited financial statements for the BOE for the Fiscal Year ended June 30, 2020 are included in APPENDIX A — "City of Yonkers Combined Financial Statements for Fiscal Year Ended June 30, 2020."

BOE operations are funded through City appropriations, Federal and State aid to education, grants, and locally generated revenues of the BOE. The BOE operates a school breakfast and lunch program separately accounted for in a special revenue fund designated School Lunch Fund.

The following table sets forth information relating to the school system. Enrollment figures are determined in October of each year.

(School Year Ending June 30)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Enrollment	25,335	25,527	26,258	26,500	27,024	27,220	26,546	26,581	26,081	26,000
Schools	40	40	39	39	39	39	39	39	39	39

The JSCB

The JSCB was created by the Yonkers Schools Act and is a joint instrumentality of the City and the YCSD, acting for and on behalf of the City and the YCSD. The Yonkers Schools Act grants certain powers to the JSCB with respect to directing and overseeing the rehabilitation and reconstruction of existing school facilities as well as the construction of new school buildings. The JSCB is currently undertaking phase one of the Program (see “The Program” herein).

The JSCB is comprised of nine voting members, consisting of the Mayor, the President of the BOE, the Superintendent of the Yonkers Public Schools, a designee of the Yonkers Council of Parent Teachers Association, a designee of the City Council majority party, a designee of the City Council minority party, and 3 individuals, not employed by the City or the City School District, jointly designated by the Mayor and the Superintendent. The JSCB was appointed and officially sworn in on December 18, 2018.

The Program Manager

[Pursuant to the provisions of the Yonkers Schools Act, the JSCB selected the Program Manager to implement the [New Community School Project][Program] under the supervision of the designated JSCB representative. The Program Manager entered into an agreement with the JSCB and is obligated and required to provide construction consulting and oversight services for the JSCB with respect to all stages of predevelopment, development, construction and reconstruction with regard to the [New Community School Project][Program]. Specifically, the Program Manager has the duty to manage and oversee all aspects of all projects undertaken pursuant to the Yonkers Schools Act and subject to their agreement to: (1) develop and implement procedures for projects undertaken and contracted for by the JSCB; (2) review plans and specifications for such projects; (3) develop project budgets; (4) create a training program to ensure a supply of skilled labor for the Program phase; and (5) execute and manage a project labor agreement if required by the JSCB.]

New York State Education Department

The management, regulation and funding of the YCSD is subject to the review of the New York State Education Department (the “*SED*”). The SED also determines State Building Aid (as defined herein) reimbursement for improvements to school facilities undertaken in accordance with the Program (See “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2021 BONDS – State Aid to Education – *State Building Aid*” herein). The SED is the administrative agency of the Board of Regents (the “*Board of Regents*”) of the University of the State of New York (the “*University*”). The Board of Regents was established by an act of the State Legislature in 1784 and is vested with constitutional responsibility for determining and formulating State educational policy. The University, over which the

Board of Regents presides, is a corporation authorized to charter, review and regulate educational institutions and activities within the State. The University encompasses all State educational programs, from kindergarten through graduate and professional schools and includes libraries, museums and other related cultural and educational institutions as may be admitted to the University or incorporated by the Board of Regents. It consists of almost 6,000 elementary and secondary public and private schools and 250 independent and public colleges and universities.

DISCUSSION OF FINANCIAL OPERATIONS OF THE CITY AND THE YCSD

Budget Procedures

The proposed operating budget of the City is prepared by the Mayor and, pursuant to the Code of the City, is required to be submitted to the City Council by April 15th of each year. The Mayor includes estimates of expenditures required for each department of the City as well as estimates of revenues from all sources, including ad valorem real property taxes. The BOE submits to the Mayor an estimate of its anticipated expenditures, and the Mayor is responsible for recommending to the City Council the amount to be appropriated for educational purposes. Adoption of the budget by the City Council and approval by the Mayor is required under the City Code to occur by June 1 unless the State has not adopted its budget. Under those conditions, the City must adopt its budget 30 days after the State adopts its budget. Upon the adoption of the budget, the tax rate and levy are determined for the ensuing year. Under current law, the tax rate and levy cannot thereafter be amended. The City Council and the Mayor may, during the course of the year, revise appropriations and make fund transfers with respect to general operations, but may not reduce the appropriation for the BOE unless the BOE authorizes the reduction and it is approved by the State Comptroller. The BOE has complete discretion under the education laws over its expenditures within the overall appropriation.

AUDITED FINANCIAL STATEMENTS OF THE YCSD FOR THE FISCAL YEAR ENDED JUNE 30, 2020 ARE INCLUDED IN APPENDIX A HERETO. A SUMMARY OF THE YCSD'S FINANCIAL RESULTS FOR THE YEAR ENDING JUNE 30, 2020 AND DISCUSSIONS OF THE 2021-22 BUDGET ARE PRESENTED HEREIN BELOW.

Independent Audit

For the Fiscal Year ended June 30, 2020, the City has presented separate audited financial statements for the City and the BOE. The audited financial statements for such period are contained in APPENDIX A attached hereto. The City and BOE financial statements are audited by the independent accounting firm of PKF O'Connor Davies LLP. The auditing firm has rendered an unmodified opinion with respect to its audit of the City's and the BOE's financial statements, as applicable, for the Fiscal Year ended June 30, 2020. Neither the City nor the BOE is required to obtain the consent of its independent auditors as a condition to the use of its audited financial statements or information therefrom in this Official Statement. However, the auditing firm has consented to the use of their auditor's reports on the basic financial statements of the City, for the year ended June 30, 2020. The BOE's Financial Statements are included in the City's Financial Statement and Auditor's Report.

Board of Education General Fund Operations

The Board of Education's General Fund FY15-16 revenues and other financing sources of \$537,429,659 exceeded expenditures and other financing uses of \$519,815,547 by \$17,614,112. The ending restricted amount for FY15-16 was \$964,300. The ending assigned fund balance for FY15-16 was \$27,507,957.

The Board of Education's General Fund FY16-17 revenues and other financing sources of \$552,111,129 exceeded expenditures and other financing uses of \$536,894,359 by \$15,216,770. The ending assigned fund balance for FY16-17 was \$42,724,727. The ending restricted fund balance for FY16-17 was \$964,300.

The Board of Education's General Fund FY17-18 revenues and other financing sources of \$552,886,846 was exceeded by expenditures and other financing uses of \$563,628,783 by \$10,741,937. The ending assigned fund balance for FY17-18 was \$31,982,790. The ending restricted fund balance for FY17-18 was \$964,300.

The Board of Education's General Fund FY18-19 revenues and other financing sources of \$559,481,299 was exceeded by expenditures and other financing uses of \$569,097,681 by \$9,616,382. The ending assigned fund balance for FY18-19 was \$20,813,401.

The Board of Education's General Fund FY19-20 revenues and other financing sources of \$586,588,425 exceeded expenditures and other financing uses of \$568,549,688 by \$18,038,737. The ending assigned fund balance for FY19-20 was \$37,228,141.

Based on the 4th Quarter Projection, the Board of Education's General Fund FY20-21 revenues and other financing sources are projected to be \$582,397,071 which exceeds projected expenditures and other financing uses of \$580,574,276 by \$1,822,795. The ending assigned fund balance for FY20-21 is projected to be \$39,050,936.

For additional information, see "Board of Education Revenues" below.

City and Board of Education Adopted Budget FY21-22

The discussion below is based, in part, on projections and/or forward-looking statements related to FY21-22. No assurance can be given that the budget estimates and/or forward-looking statements discussed below will be realized. The accuracy of the budget estimates and/or forward-looking statements contained under this caption cannot be verified until after the close of such Fiscal Year(s) and the completion of the related audits. In addition, the accuracy of all projections and forward-looking statements is dependent on a number of factors, including: (1) general economic factors that affect local source revenues such as sales taxes and individual income taxes, (2) the effectiveness of monitoring City and BOE expenditures, (3) the ability of the City and the BOE to meet spending reduction initiatives, (4) the amount of state and federally mandated expenditures, (5) year-end accruals of revenues and expenses, and (6) the implementation of new state and federal legislation or initiatives, among others.

The City Council adopted the FY21-22 Budget on May 28, 2021. The State Comptroller certified the City's FY21-22 Budget on July 2, 2021.

The adopted operating budget for combined City and BOE operations in FY21-22 totals \$1,251,512,189, a \$16,703,265 (1.35%) increase over the FY20-21 Adopted Budget. The FY21-22 Adopted Budget provides (1) a municipal operating budget of \$587,534,813, a \$6.0 million (1.0%) decrease from FY20-21, and (2) a BOE budget of \$663,977,376, a \$22.7 million (3.5%) increase from Adopted Budget FY20-21. The City increased its contribution to the BOE by \$10,900,794 over FY20-21, to a total of \$280,543,063, which includes \$17,362,120 from the increase in the City's sales and compensating use tax by one half of one percent (from 2.5% to 3.0% of the total sales and compensating use tax collected in the City).

The FY21-22 City Adopted Budget is balanced by utilizing all of the available unassigned General Fund balance from year-end FY19-20 (\$5.9 million) and \$21.6 million in Aid and Incentives to Municipalities State Aid (“AIM”) which was withheld from the city in FY19-20 but received in FY20-21 and budgetable as revenue under Section 7 of the Special Local Finance and Budget Act of 1976. The FY21-22 BOE Adopted Budget is balanced utilizing \$8.4 million of the \$23.3 million available for future year use Education General Fund balance from year-end FY19-20.

The overall tax levy is \$390,725,376, a \$1.1 million (0.28%) decrease from the FY20-21 Adopted Budget amount of \$391,815,589. The tax rate decreased by 0.01% to \$852.37 per \$1,000 of assessed value.

The FY21-22 City Adopted Budget includes 2,026 operating budget positions which is an increase of 26 positions over the FY20-21 Adopted Budget amount. The FY21-22 BOE Adopted Budget includes 3,184 operating budget positions, a decrease of 27 positions, as compared to the FY20-21 Adopted Budget.

Review of FY21-22 Adopted Budget by State Comptroller

Chapter 55 of the Laws of 2014 requires the City to submit to the State Comptroller and the Commissioner, its proposed budget for the next succeeding fiscal year. The State Comptroller and the Commissioner must examine the proposed budget and make recommendations as deemed appropriate after examining the estimates of revenues and expenditures of the City. The City must review the recommendations made by the State Comptroller and the Commissioner and make adjustment to its proposed budget consistent such recommendations.

On May 17, 2021, the State Comptroller provided several recommendations to the City related to its FY21-22 budget by way of Report Number B21-6-7. A link to the complete report may be found at: <https://www.osc.state.ny.us/files/local-government/audits/2021/pdf/yonkers-budget-review-b21-6-7.pdf>

Chapter 488 of the Laws of 1976 (the “Fiscal Agent Act”) requires the State Comptroller, as Fiscal Agent for the City, to certify the City’s annual budget. On July 2, 2021, the State Comptroller certified that the FY21-22 City Adopted Budget, together with the justification documents are in material compliance with the Fiscal Agent Act and the City’s bond ordinances. On that same date, the State Comptroller shared key findings and recommendations, by way of Report Number B21-6-8, regarding that certified budget with the City. A link to the complete report may be found at: <https://www.osc.state.ny.us/files/local-government/audits/2021/pdf/yonkers-budget-review-b-21-6-8.pdf>.

The City’s Four Year Financial Plan for FY21-22 through FY24-25 and the gap mitigation measures developed by the City address many of the concerns raised by the State Comptroller. [For more information see “Four Year Financial Plan for FY 2021-2022 through FY 2024-2025” attached hereto as Exhibit ____.] Copies of the State Comptroller’s letters are available at upon request.

Current Events Related to BOE Operations for FY20-21

THE CITY MUST PREPARE A QUARTERLY REPORT OF SUMMARIZED BUDGET DATA DEPICTING TRENDS OF ACTUAL REVENUES AND BUDGET EXPENDITURES FOR THE ENTIRE BUDGET. THE INFORMATION THAT FOLLOWS IS BASED UPON THE CITY’S QUARTERLY REPORT FOR THE 4TH QUARTER OF FY20-21 [LATEST AVAILABLE]. THE CITY AND THE BOE CANNOT PREDICT AT THIS TIME WHETHER THE YEAR-END PROJECTIONS FOR FY20-21 SET FORTH IN SAID QUARTERLY REPORT WILL REMAIN

UNCHANGED ONCE THE AUDIT IS COMPLETED AND, AS SUCH, FINAL AUDITED RESULTS MAY DIFFER FROM THE PROJECTIONS SET FORTH BELOW.

Based on the quarterly report for the fourth quarter of FY20-21, the BOE is projected to increase available fund balance by \$15.7 million. Education Fund revenues are projected at \$618.9 million (excludes \$13.9 million in appropriated reserves) or \$22.3 million less than the FY20-21 adopted budget. The primary driver of the projected revenue shortfall in FY20-21 is a reduction in reimbursable State aid. Since Yonkers Public Schools were closed April through June of the FY19-20 school year, the BOE realized savings of approximately \$12.4 million in Transportation costs, which added to the BOE's fund balance in FY19-20. The BOE is reimbursed by the State for a substantial portion of its student transportation costs. Since Transportation Aid from the State is paid on a one year lag, this manifested in a projected revenue shortfall of \$8.6 million for FY20-21. Career and Technical Training Aid is projected to be \$3.3 million below budget. Categorical Aid for Universal Pre-k is projected to be \$0.9 million less than the adopted budget. Excess Cost Aids for Special Education services are projected to be \$1.5 million greater than budget. Building Aid is projected to be \$0.9 million below budget.

Based on the quarterly report for the fourth quarter of FY20-21, BOE expenditures are projected to be \$24.1 million below budget. The largest category of projected savings is from Salary and salary related expenditures which are projected to be under budget by \$9.4 million. Transportation expenditures, due to the remote learning hybrid model or periodic school closings, are projected to be \$8.7 million below budget (the FY22 Adopted Budget attempts to adjust FY22 Transportation Aid to align with the reduced FY21 spend to avoid a revenue shortfall in Transportation Aid similar to the one experienced in FY21). Out of District Tuition expenditures for Special Education are projected to be \$3.2 million below budget. Employee Benefits are projected to be \$1.8 million below budget. Contractual Expenses are projected to be \$2.0 million below budget. Charter School Tuitions are projected to be \$0.9 million below budget. Transfers out are projected to be \$2.9 million over budget due to a projected deficit in the School Lunch Fund due to decreased Federal revenue which is determined by the number of meals served to students. Under applicable law, the School Lunch Fund cannot operate in a deficit and therefore, the quarterly report for the fourth quarter of FY20-21 projects that an unbudgeted transfer of \$3.0 million from the Education Fund to the School Lunch will be required. There is approximately \$1.0 million in projected expenditure savings from other accounts bringing the total projected expenditures to \$24.1 million below budget. When combined with the \$22.3 revenue shortfall discussed above, the BOE projects to have revenues be greater than expenditures by \$1.8 million. When considering that \$13.9 million in fund balance reserves were assigned to balance FY20-21 but projected not to be utilized, the increase in available fund balance from FY19-20 is \$15.7 million (\$1.8 million + \$13.9 million).

Impact of COVID-19 on the BOE

[**To be updated**]

To best illustrate the economic impacts of the COVID-19 pandemic, below represents a sixteen month look at how both the FY19-20 (March 2019 through June 2020) un-audited actual results and FY20-21 (July 2020 through June 2021) projections have been affected. Items listed below represent a comparison of the projections set forth in the quarterly report for the second quarter of FY19-20 released on January 31, 2020 as compared to current projections set forth in the quarterly report of the first quarter of FY20-21, but also include forgone revenues and projected capital expenses.

Revenues: Exclusive any State Aid amounts withheld by the State, over a sixteen month period, Education Fund revenues are projected to be lower by \$28.3 million than would have been expected prior to COVID-19. The FY20-21 New York State Adopted Budget included an \$8 million reduction in

Foundation Aid as compared to the higher amount originally allocated to the Education Fund in the FY20-21 New York State Executive Budget released in January, 2020. Transportation Aid to the Education Fund is a reimbursable expense based on prior year allowable expenses. The closing of school buildings for the last three and a half months of FY19-20 resulted in reduced transportation expenditures as compared to projections previously provided to the State in January 2020. At current the reimbursement rate (67%), Transportation Aid in FY20-21 is therefore projected to be \$8.3 million lower than previously expected over the sixteen month period. With school buildings closed for the last part of FY19-20 and open under a hybrid schedule for FY20-21, the projected loss of Federal Meal Funding through a substantial reduction in lunch participation totals \$9.0 million over the sixteen month period. Categorical Aid, primarily Universal Pre-k funding is projected to be \$2.4 million less due to New York State allocation reductions. Other revenues, that are projected lower, such as, Medicaid and Rental of Buildings, total \$0.6 million.

Expenditures: Reduced school activities, sports cancellations, school building closures in FY19-20, and a hybrid schedule have produced large expenditures savings offset by costs of measures implemented to keep students and faculty safe from COVID-19 and to provide the required technology for remote learning. Education Fund expenditures savings due to COVID-19 are projected to be \$26.0 million over the sixteen month period. Capital expenditures as a result of COVID-19 for building safety and technology needs are projected to be approximately \$12.0 million over the sixteen month period. Combined, expenditure savings are projected to be \$14.0 million as a result of COVID-19 over the sixteen month period. Projected General Fund savings over the sixteen months include: Transportation Savings \$13.3 million, Wages \$4.0 million, Out of District Tuitions \$3.2 million, Contractual Accounts \$2.8 million, Utilities \$1.9 million, and “Others” totaling \$0.8 million.

Combined, the projected financial impact of COVID-19 on the BOE is a net loss of \$14.3 million (\$28.3 million reduction in revenues minus \$14.0 million net projected expenditure savings). See the section entitled “*Current Events Related to BOE Operations for FY20-21*” for projected changes in fund balance.

[See also “LITIGATION” herein for a discussion of a Notice of Claim filed by one of the BOE’s transportation providers seeking payment for invoices submitted during the school shutdown.]

The spread or resurfacing of the COVID-19 outbreak has had, may continue to have, a material adverse effect on the State and the City. The City is continuously monitoring the situation and will modify its projections as circumstances require.

**BOARD OF EDUCATION – GENERAL FUND
SUMMARY OF OPERATIONS AND CHANGES IN FUND BALANCE⁽¹⁾**

(000's Omitted)

	Adopted Budget FY21-22	Adopted Budget FY20-21	Actual (Audited) FY19-20	Actual (Audited) FY18-19	Actual (Audited) FY17-18
Revenues:					
Charges for Services	\$ 531	\$ 350	\$ 578	\$ 171	\$ 392
Use of Money and Property	60	270	163	288	300
Sale of Property and Compensation for Loss	19	2	2	3	308
Interfund Revenues	406	446	328	385	375
State Aid	359,013	342,807	338,670	322,208	300,326
Federal Aid	620	815	1,034	1,607	1,134
Miscellaneous	842	930	2,468	3,658	3,515
Total Revenues	361,492	345,620	343,243	328,320	306,350
Expenditures:					
Current-					
Education	458,374	444,874	408,906	409,975	395,380
Employee Benefits	161,960	157,193	154,502	155,067	147,885
Debt Service	1,652	1,634	1,616	1,598	1,582
Total Expenditures	621,985	603,701	565,024	566,640	544,847
Excess of Revenues Over Expenditures	(260,494)	(258,081)	(221,781)	(238,320)	(238,497)
Other Financing Sources (Uses):					
Transfer In	252,122	245,363	243,345	231,161	246,537
Transfer Out – Debt Service	-	-	-	(964)	(16,764)
Transfers Out – Other	-	-	(3,526)	(1,493)	(2,018)
Total Other Financing Sources (Uses)	252,122	245,363	239,819	228,704	227,755
Net Change in Fund Balance	\$ (8,372)	\$ (12,718)	\$ 18,039	\$ (9,616)	\$ (10,742)
Fund Balance (Deficit) ⁽²⁾⁽³⁾:					
Beginning of Year			23,331	32,947	43,689
End of Year			\$ 41,369	\$ 23,331	\$ 32,947
Fund Balance (Deficit) ⁽²⁾⁽³⁾⁽⁴⁾:					
Restricted			\$ -	\$ -	\$ 964
Nonspendable			4,141	2,517	-
Assigned			37,228	20,814	31,983
End of Year			\$ 41,369	\$ 23,331	\$ 32,947

(1) Presented on a modified accrual basis of accounting.

(2) Fund Balance Section left blank for Adopted Budget Columns FY20-21 & FY21-22.

(3) Detailed information on the components of fund balance may be found in Appendix A, Note 3 H.

(4) The Board of Education (BOE) General Fund, when presented in the City's Comprehensive Annual Financial Report (CAFR), is reported as a Special Revenue Fund. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", a special revenue fund cannot report unassigned fund balance (unless reporting a deficit fund balance). Therefore, when reflected in the City's CAFR, the residual fund balance for the BOE General Fund is reflected as assigned for educational purposes. However, in the stand alone audited financial statements for the BOE, this amount is reflected as both assigned (to balance the subsequent year's budget and encumbrances) \$13,964,418 for FY20, \$8,095,580 for FY19, and \$24,175,517 for FY18; and unassigned (to be used at the BOE's discretion) \$23,263,723 for FY20, \$12,717,821 for FY19, and \$7,806,273 for FY18.

Board of Education Revenues

The BOE's Consolidated Fund operations are funded primarily from the City's budget appropriations and from State Aid.

In FY15-16, the City contributed \$249.8 million to the BOE. In addition, exclusive of categorical aid, the Board received \$290.6 million in State and Federal Aid and \$4.4 million from other sources. In FY15-16, the City budgeted to contribute \$249.8 million to the Board of Education. In addition, the BOE expected to receive \$293.0 million in State and Federal Aid and \$2.4 million from other sources in FY15-16. The FY15-16 Adopted Budget of the BOE included \$14.0 million of the MIF Grant from the State and included \$11.4 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015.

In FY16-17, the City contributed \$257.3 million to the BOE. In addition, exclusive of categorical aid, the BOE received \$303.8 million in State and Federal Aid and \$2.9 million from other sources. The FY16-17 Adopted Budget of the BOE included \$11.0 million of the MIF Grant from the State and included \$14.8 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015.

In FY17-18, the City contributed \$261.2 million to the BOE. In addition, exclusive of categorical aid, the BOE received \$301.5 million in State and Federal Aid and to receive/appropriate \$4.9 million from other sources. The FY17-18 revenues included \$15.5 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015.

In FY18-19, the City contributed \$261.6 million to the BOE, which included \$16.1 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid, the BOE received \$323.8 million in State and Federal Aid and received \$4.6 million from other sources.

In FY19-20, the City contributed \$265.6 million to the BOE which includes \$16.6 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid the BOE receive \$339.7 million in State and Federal Aid and to receive/appropriate \$3.9 million from other sources.

In FY20-21 the City is projected to contribute \$270.8 million to the Board of Education which includes \$17.8 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid the BOE is projected to receive \$332.1 million in State and Federal Aid and to receive/appropriate \$3.7 million from other sources.

In the FY21-22 Adopted Budget, the City is budgeted to contribute \$280.6 million to the Board of Education which includes \$17.4 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid the BOE is budgeted to receive \$359.6 million in State and Federal Aid and to receive/appropriate \$1.8 million from other sources.

As a matter of City policy, the BOE is credited with the full amount of taxes levied by the City for school general operating purposes regardless of any deficiency in tax collections.

[*State Aid.* The YCSD depends on substantial financial assistance from the State. The YCSD received State Aid for all funds of \$[] million of in fiscal year 2018-19, \$[] million in fiscal year 2019-20 and \$[] million in fiscal year 2020-21. For the current fiscal year ending June 30, 2022, the YCSD budgeted \$[] million of State Aid receipts for all funds. This projection is based upon the sum

of: (i) a \$[] million apportionment to the YCSD for operations and maintenance expenses, (ii) \$[] million in projected receipts of State grant funding and (iii) \$[] million in projected receipt of food service funding.]

Due to significant State revenue loss as a result of the impact of the COVID-19 pandemic, total State Aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget. The State's 2020-21 Enacted Budget also authorized the State's Budget Director to make periodic adjustments to State Aid in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts in the State.

However, following the enactment of a second COVID relief bill by Congress in December 2020, the YCSD received \$2.5 million in State Aid payments previously withheld during its 2019-20 fiscal year by March 31, 2021 (the end of the State's 2021 fiscal year). In addition, the State did not reduce State Aid to municipalities and schools districts during its 2020-21 fiscal year to the extent permitted under existing provisions of the State's 2020-21 budget. The adopted State budget for the 2021-22 fiscal year included significant increases in State Aid, fully restored any State Aid reductions from the 2020-21, and adopted legislation, that if followed, will fully fund State Foundation Aid by 2023-24, which includes a projected 5.1% increase in 2022-23 and a projected 7.0% in 2023-24 to YCSD when other projected factors, such as, the CPI and Extraordinary Needs percents are included. Based on Enacted School State Foundation Aid School Runs is expected to grow \$21.9 million or 10.3% from \$213.74 million to \$235.67 million in 2021-22.

Based on the State's 2021-22 Enacted Budget for fiscal year 2021-22, the YCSD anticipates that for General and Categorical Aid Funds (Consolidated Budget), it will receive a total amount of \$372.3 million in State Aid, which represents an increase of \$38.8 million from the \$333.5 million State Aid projected to be received in fiscal year 2020-21.

Issuance of Deficit Bonds by the City

As set forth in the audited financial statements of the BOE for the Fiscal Year ended June 30, 2014, a deficit of \$40,754,451 appears in the General Fund of the BOE as of June 30, 2014.

Causes of General Fund Deficit for FY13-14. The State provides annual State aid to school districts in the State, including the BOE, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). To lessen the impact of the reductions in State aid upon school districts, the State authorized school districts, including the BOE, to advance or to "spin-up" a portion of the subsequent year's State aid allocation in the current year. During FY10-11 and FY11-12, the BOE opted to advance or "spin-up" its State aid apportionment in an amount equal to its State aid allocation reduced by the GEA (the "Spin-up Aid"). In FY12-13 and FY13-14, the BOE also opted to advance or "spin-up" its State aid on account of the GEA; however, there was no State legislative authorization allowing a spin-up in such years. As a result of the foregoing, the BOE overstated State aid revenues of approximately \$55.0 million for FY12-13 (\$26.9 million) and FY13-14 (\$28.1 million), creating two fiscal years of budget shortfalls and an ongoing budget gap.

In January 2014, the City learned that the FY12-13 and FY13-14 Adopted Budgets of the BOE had overestimated State aid revenues in the aggregate amount of approximately \$55.0 million. Immediately following the discovery of the BOE budget shortfall, the City imposed various measures in

an effort to curtail spending and mitigate the deficit. Due to the governance structure of the BOE and City, the City was not authorized to assume control of the BOE and its finances. As a budget-dependent/operationally independent school district, the control and management of the BOE pursuant to State law was exclusively within the province of the BOE. The City's sole role was to provide financial support to operate the BOE, but the City was legally restricted from overseeing the budget preparation, spending or accounts receivables function of the BOE, despite the fact that BOE financial support comprises more than one-half of the City's overall budget. Pursuant to State law, the City has a statutory "maintenance of effort" requirement (the "Maintenance of Effort") to provide a minimum level of local funding. As a result of the Maintenance of Effort, generally, financial support provided by the City cannot be reduced from one year to the next. In order to ensure compliance with the legal prohibition on direct control, the City and the BOE entered into an interim inter-municipal agreement (the "Interim IMA"), which authorized the City to provide interim financial consulting services to the BOE.

On February 25, 2014, the City's Commissioner of Finance and Management Services issued a report providing an overview of the BOE budget shortfall. On May 30, 2014, the Inspector General of the City released a report detailing his findings relating to the causes of the overestimation of State aid revenues in the FY12-13 and FY13-14 Adopted Budgets of the BOE. The Superintendent of Schools and the Chief Administrative Officer resigned in February 2014 as a result of the foregoing. An interim Superintendent was appointed by the Board of Education followed by his permanent appointment to the title of Superintendent of Schools until his resignation in November 2015. The current Superintendent of Schools was appointed in March, 2016.

The overestimation of State aid in the aggregate amount of \$55,000,000 by the BOE depleted the BOE's fund balance, resulting in a BOE deficit for FY13-14 and a significant projected BOE deficit for FY14-15. The City requested assistance from the State to help mitigate the deficit for FY13-14 and the projected budgetary deficit for FY14-15. In response, the State enacted special legislation in connection with the adoption of the State budget on or about April 1, 2014, entitled Chapter 55 of the New York Laws of 2014 (the "Deficit Financing Act"). The Deficit Financing Act authorized the City to issue bonds in the principal amount of not to exceed \$45,000,000 for the purpose of liquidating the deficit in the General Fund of the BOE for FY13-14. Upon the enactment of the Deficit Financing Act, the City became and continues to be subject to the provisions of the Deficit Financing Act and certain additional requirements and procedures pursuant to Section 10.10 of the Local Finance Law ("Section 10.10"). The Deficit Financing Act provided that the City may not issue any bonds for the purpose of liquidating such deficit until the amount of such deficit was confirmed and certified by the State Comptroller and such bonds were required to be issued no later than March 31, 2015. On March 27, 2015, following certification of the deficit by the State Comptroller, the City issued its \$37,260,000 School Deficit Bonds-2015A pursuant to this authorization.

Pursuant to the Deficit Financing Act, the City is required to submit to the State Comptroller and the Commissioner each year, starting with the budget prepared for FY14-15 and for each subsequent fiscal year during which any deficit obligations issued pursuant to the Deficit Financing Act are outstanding, its tentative or preliminary budget for the succeeding fiscal year. The State Comptroller and the Commissioner must examine the proposed budget and make such recommendations as deemed appropriate thereon to the City prior to the adoption of such budget. Such recommendations are to be made after examination into the estimates of revenues and expenditures of the City. Pursuant to the Deficit Financing Act, the City, no later than five days prior to the adoption of the budget, shall review any such recommendations made by the State Comptroller and the Commissioner and make adjustments to its proposed budget consistent with those recommendations. Copies of the recent reports issued by the State Comptroller and the Commissioner, together with the City's responses thereto, are available upon request. In addition, for each fiscal year that bonds issued to fund the deficits are outstanding, the City must prepare a quarterly report of summarized budget data depicting trends of actual revenues and budget

expenditures for the entire budget. Such budgetary reports must compare revenue estimates and appropriations as set forth in the budget with actual revenues and expenditures made to date. All reports must be accompanied by a recommendation of the Mayor setting forth any remedial action necessary to resolve any unfavorable budget variances. All reports must be completed within thirty (30) days after the end of each quarter and must be submitted at the end of each quarter to each member of the City Council, the Director of the New York State Division of Budget, the State Comptroller and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee.

In addition, beginning with the fiscal year during which the City is authorized to issue bonds to finance the deficit, to and including the last fiscal year that any of such bonds are outstanding, within thirty days after final adoption of the budget for the next succeeding fiscal year, the City must prepare a three (3) year financial plan covering the next succeeding fiscal year and the two fiscal years thereafter, to be submitted to the financial member of the City Council, the Director of the New York State Division of Budget, the State Comptroller and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee. The City must also notify the State Comptroller at least fifteen (15) days prior to the issuance of any bonds or notes or entering into any installment purchase contract by the City and the State Comptroller may review and make recommendations to the City regarding the affordability of any such proposed issuance or contract.

The Deficit Financing Act also authorized an additional provision of \$28,000,000 in grant funds from the State to the City. In order to receive the funding from the State, the City and the BOE were required to enter into an inter-municipal agreement, which provides for the City to impose specific financial, operational and/or supervisory controls over the BOE. The new inter-municipal agreement between the City and the BOE became effective on July 1, 2014 and continues in perpetuity (the "IMA"). On June 13, 2014 the New York State Director of Budget issued a letter determining that the IMA meets the requirements of the Deficit Financing Act and the \$28,000,000 grant was given to the City to balance the budget of the BOE for the FY14-15.

The IMA requires that the City assume all BOE finance and budget functions in consultation with the Superintendent of Schools and the Board of Trustees of the BOE. Additionally, the IMA gives the City the authority to consult on all labor contracts. The IMA also gives the City, in consultation with the Superintendent of Schools and the Board of Education of the BOE, the authority to supervise certain non-academic operational functions of the BOE, as described in the Deficit Financing Act and the IMA. Pursuant to the IMA, in connection with the adoption of its FY14-15 budget, the City immediately absorbed the operations and expenses of various BOE administrative functions. In addition, in accordance with the Deficit Financing Act, the IMA grants the City the authority to create, abolish, maintain and consolidate all positions in the non-academic operational functions described in the IMA. The BOE retains the authority to create, abolish, maintain or consolidate positions which have a nexus to the academic activities of the BOE, which do not fall within the scope of the finance and budget functions and non-academic operational functions discussed in the IMA. The Deficit Financing Act and the IMA authorize the City to implement a schedule of public hearings on the BOE's budget, which must be held at least quarterly and must be held in consultation with the Superintendent of Schools and the Board of Trustees of the BOE. Lastly, the City is required to periodically prepare and issue a report regarding the consolidation.

As of the date hereof, the City and the BOE have complied with the requirements of the Deficit Financing Act.

Additional measures undertaken to mitigate structural imbalance. The 2015-2016 Adopted Budget of the State did not continue the \$28,000,000 grant to the City; however, Chapter 20 of the New York State Laws of 2015 authorized the transfer of not-to-exceed \$25,000,000 from the State's Mortgage

Insurance Fund (the “MIF Grant”), to assist the BOE in addressing the structural imbalance created by the overestimation of spin-up aid. As a condition of the release of the MIF Grant, the City was required to submit a comprehensive financial plan that provides for continuity of current educational services. The City’s plan was submitted to and approved by the State Budget Division.

In addition, Chapter 67 of the New York Laws of 2015 authorized the City to increase its sales and compensating use tax by one half of one percent (from 2.5% to 3.0% of the total sales and compensating use tax collected in the City. The City is required to use the revenues generated by the increase in the sales and compensating use tax rate for the support of education, unless the City Council votes, on an annual basis, to use such additional revenue for a different purpose of the City.

Absent the MIF Grant and the increase in the sales and compensating use tax rate, the BOE would have been required to make significant reductions in staff and program in order to balance its budget for FY15-16.

[The BOE included \$14.0 million of the MIF Grant in its FY15-16 budget and the \$11.0 million balance in the BOE’s FY16-17 budget. The City also included \$11.4 million in additional sales and compensating use tax in its FY15-16 budget and \$14.8 million in its FY16-17 budget. The additional sales and compensating use tax collected and applied to the BOE’s budgets pursuant to Chapter 67 of the Laws of 2015 and allocated to the BOE must be included in the Maintenance of Effort requirement and must be maintained by the City even if Chapter 67 of the Laws of 2015 is not extended beyond its current expiration date, which is November 30, 2020. Any decreases in the revenues generated from such additional sales and compensating use tax must be made up by the City as part of its annual contribution to the BOE. The MIF Grant was exempt from the Maintenance of Effort pursuant to the express provisions of Chapter 20 of the Laws of 2015.]

Charter Schools

There is one locally-operated charter school (the “*Charter School*”) open to residents residing in the City. The Charter School is separately chartered by the Board of Regents of the State and is not subject to the control or supervision of the City or the BOE.

Under the Charter School Act, Article 56 of the New York Education Law, the BOE is required to pay a State-set tuition rate to the Charter School for students residing in the City who are enrolled in the Charter School. The amount to be paid to charter schools is based on various regulations, enrollment levels, and economic information related to the home school district of the children enrolled in charter schools. Currently, school districts in the State, including the BOE, are required to pay tuition amounts that fluctuate annually with the approved operating expense per pupil of the home school district. The tuition payable equals the product of the set tuition per student and the full-time-equivalent enrollment of the students in the charter school.

Charter school tuition payments are a significant expense to the BOE. The BOE made tuition payments to the Charter School in the aggregate amount of \$8.9 million for FY15-16, \$9.4 million for FY16-17, \$9.7 million for FY17-18, \$11.7 million for FY18-19, \$13.1 million for FY19-20, \$13.9 million (projected) for FY20-21 and has budgeted \$16.0 million for FY21-23 which is based on a budgeted enrollment of 972 students.

The Charter School of Excellence, located in Yonkers, began a new High School Charter School in FY19-20. Enrollment is expected to grow by one class for each fiscal year FY 20-21 through FY22-23. The budget was increased in FY21-22 for the cost of an additional 40 students in the amount of \$1.1 million. In addition to the Charter School located in City, approximately 199 residents are budgeted to

attend 42 different charter schools located in the Bronx and Manhattan at a budgeted cost of \$3.3 million based on projected enrollment totals.

In the event the BOE fails to make any required payment to any Charter School, the State Comptroller may deduct delinquent amounts from State Aid otherwise payable to the BOE and pay such amounts to the Charter School.

Employee Contracts

The BOE negotiates with four employee organizations. The CSEA and the Yonkers Federation of Teachers (YFT) are the two largest employee organizations.

- The Yonkers Public Schools CSEA collective bargaining agreement became effective on July 1, 2014 and expired on June 30, 2021.
- The Yonkers Federation of Teacher collective bargaining agreement became effective on July 1, 2014 and was extended to expire on June 30, 2022.
- The Yonkers Council of Administrators collective bargaining agreement became effective on July 1, 2014 and was extended to expire on June 30, 2022.
- The Yonkers Public Schools White Collar Teamsters (“WCT”) collective bargaining agreement became effective on July 1, 2015 and expired on June 30, 2021.

Retirement Benefits

The State Employees’ Retirement System (“ERS”) was established in 1920. The State Teachers’ Retirement System (“TRS”) is separately administered by a ten member board.

The retirement benefit package available to Board of Education employees who are members of ERS depends on the date of their enrollment in the system and/or their classification as Tier 1 through Tier 6 employees. Retirement benefit packages available are prescribed by the State and are most liberal for Tier 1 and least liberal for Tier 6 employees. The retirement plan adopted by the Board of Education for Tier 1 and Tier 2 ERS members is noncontributory for employees. Tier 3 and Tier 4 ERS members with less than ten years of service must make annual contributions of 3% of their salary to the system; Tier 3 and Tier 4 members with ten years of service or more are not required to contribute.

TRS members hired after July 1, 1976 and before January 1, 2010 with less than 10 years of service must make annual contributions of 3% of their salaries, similar to Tier 3 and Tier 4 members of ERS. While TRS payments are Board budgeted appropriations, payment is made through a withholding of the required payment from general State education aid.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees hired under Tier 5 contribute 3% of their salaries and new TRS employees contribute 3.0% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary

calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout their employment.

Each year the State bills the Board of Education for their required contributions to the State Pension Plan. The Employee Retirement System billing period is from April 1 through March 31, and the City is required to pay an estimated bill by February 1 of each year. The New York State Retirement System has advised the City that municipalities can elect to make employer contribution payments in December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discounted amount. The BOE prepaid their employer contributions in December, years 2015 through 2021.

Billing for the TRS is made to the Board of Education for each plan year ending June 30 in the next fiscal year and is paid by the Board of Education in the same fiscal year as billed.

The employer contribution rate for the State’s Retirement System continues to be higher than the minimum contribution rate established by law. To mitigate the expected increases in the employer contribution rate, legislation was enacted in 2010 that authorized local governments and school districts to borrow a portion of their required payments from the State pension plan at interest rates which vary each year. Pursuant to Chapter 57 of the Laws of 2013 of the State (the “Alternative CSP”), the BOE opted to enter the Alternate CSP starting in 2014 but exited the plan in FY20 and paid the full regular contribution amounts in FY20 & FY21. The FY22 Adopted Budget assumes a return to the amortization plan.

At times, the BOE has elected to amortize a portion of their required pension contributions and certain early retirement incentives with the New York State Retirement System (ERS). A historical summary of the foregoing is set forth in Note 3 of the Notes to the Financial Statements of the Yonkers City School District for the Fiscal Year ended June 30, 2020, which are included in APPENDIX A hereto.

The following is a summary of the contributions amortized by the BOE:

Fiscal Year	ERS Amortized by BOE
2015-2016	\$2,059,587
2016-2017	\$1,213,378
2017-2018	\$867,826
2018-2019	\$272,754
2021-2022 ⁽¹⁾	\$848,344

(1) Based on Projections from NYSLRS

The Alternate Contribution Stabilization Option, enacted by the State under Chapter 57, Laws of 2013, modified the Original Contribution Stabilization Option adopted in 2010, giving municipalities the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”) by extending the maximum length of any amortizations from 10 years to 12 years for ERS and PFRS. Similar to the Original SCO, the Alternate plan allows municipalities to pay the “SCO” amount in lieu of the “ARC” amount. The City and BOE chose to enter the Alternate Contribution Stabilization Option for both ERS and PFRS.

Under Chapter 57 of the Laws of 2013, the State also enacted a Stable Contribution Option for the New York State Teachers’ Retirement System. The BOE chose to enter this Stable Contribution Option for 2013-14, 2014-15 and 2015-16 but exited the SCO in 2016-2017 and returned to paying the normal rate. All outstanding amortized amounts owed through the Stable Contribution Option were completely paid off in FY19-20.

The following table indicates expenditures by the Board of Education for ERS and TRS for FY16-17 through FY20-21, as well as amounts budgeted in FY21-22 in the BOE General Fund. The amounts set forth in the following table include installment payments made by the City for pension obligation payments previously amortized by the City.

	Actual FY 16-17	Actual FY 17-18	Actual FY 18-19	Actual FY 19-20	Projected FY 20-21	Budget FY 21-22
Board of Education (ERS)	9,774,9	10,021,1	11,073,07	11,053,79	11,310,131	11,605,087
Board of Education (TRS)	27,265,	24,273,9	26,684,98	25,834,89	23,223,195	23,684,066

(1) Excludes Special Aid and School Lunch Funds
Source: City of Yonkers.

GASB 68 Accounting and Financial Reporting for Pensions

The BOE participates in the New York State Retirement System. As discussed above, these are cost-sharing multiple employer defined benefit plans. Under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 “Accounting and Financial Reporting for Pensions”, effective beginning with financial statements as of June 30, 2015, cost-sharing employers such as the City and BOE were now required to report in their entity-wide financial statements a net pension liability (or asset), pension expense and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan.

Statement No. 68 expanded disclosures in the notes to the financial statements and the required supplementary information (the “RSI”). The note disclosures now include 1) a description of the plan(s) and the benefits provided, 2) the significant assumptions employed in the measurement of the net pension liability (or asset), 3) descriptions of benefit changes and changes in assumptions, 4) assumptions related to the discount rate and the impact on the total pension liability (or asset) of a one percentage point increase or decrease in the discount rate and 5) the net pension liability (or asset) and deferred inflows and outflows of resources. The RSI must also provide ten year historical information (when available) regarding the entity’s proportionate share of the net pension liability (or asset) and a schedule of the entity’s contributions.

The BOE is provided with the above information by the New York State Retirement System and this information is included in the City’s audited financial statements for the year ended June 30, 2020. The BOE reported a net pension liability of \$59,896,273 for its proportionate share of the net pension liability of ERS. The BOE reported a net pension asset of \$39,494,688 for its proportionate share of the net pension asset of TRS.

More detailed information about the BOE’s pension plan reporting in accordance with the provisions of GASB 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in Note 3, J in the City’s audited financial statements for June 30, 2020, included in APPENDIX A hereto.

Life, Health and Dental Insurance

The BOE provides life, health and dental insurance for all active employees and provides continuing health insurance coverage for substantially all BOE employees retired from service. It is the BOE’s practice to fund these insurance premiums as billed. In addition, complying with Civil Service law, the BOE reimburses retirees for the cost of Part B Medicare premiums.

In FY14-15 through FY20-21, inclusive, the BOE's General Fund expended \$71.9 million, \$74.5 million, \$80.2 million, \$88.2million, \$91.3 million, and \$90.8 million, respectively, in premiums and reimbursement for active employees, eligible retirees and other beneficiaries. FY20-21 projects to spend \$90.4 million. The BOE FY21-22 General Fund's Adopted Budget for Life and Health Insurance is \$94.2 million.

GASB 75 and Other Post-Employment Benefits (OPEB)

The BOE provides post-retirement healthcare benefits to former employees. These benefits are each funded on a pay as you go basis. Under the requirements of the Governmental Accounting Standards Board (GASB), Statement No. 75, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" (GASB 75), all governmental entities are required to report the estimated cost of the accrued liability for such post-retirement benefits.

In addition to providing pension benefits, the BOE provides certain health care benefits for retired employees through a single employer defined benefit OPEB plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the BOE may vary according to length of service. The cost of providing post-employment health care benefits is shared between the employer and the retired employee. Substantially all of the BOE's employees may become eligible for those benefits if they reach normal retirement age while working for the BOE. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

The BOE's total OPEB liability of \$2,026,614,308 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

THE ISSUER

The City of Yonkers Industrial Development Agency is a governmental agency and instrumentality constituting a body corporate and politic and a public benefit corporation of the State. The Issuer is authorized and empowered by the Act and the Yonkers Schools Act, as amended, to issue revenue bonds for the purpose, among others, of paying all or any part of the costs of projects, including the New Community School Project, to acquire, construct, reconstruct and equip any such project, to acquire real property, and to make and execute lease agreements, security documents and other contracts and instruments necessary or convenient in the exercise of such powers.

The Issuer consists of seven members: the Mayor of the City, a member appointed by the City Council, and five members appointed by the Mayor of the City.

THE ISSUER HAS NOT VERIFIED, REVIEWED OR APPROVED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN INFORMATION SET FORTH IN THIS SECTION AND INFORMATION RELATING TO THE ISSUER UNDER THE HEADING "LITIGATION."

The Issuer has many special obligation bond issues outstanding and can be expected to issue others from time to time in the future. Each such issue is payable solely from revenues derived from the project being financed or from special funds established therefor, is separately secured, and is separate and independent from the Series 2021 Bonds as to sources of payment and security.

The Issuer may from time to time enter into additional financing transactions with other entities in connection with projects unrelated to the New Community School Project. Such transactions will provide for the issuance of bonds to be secured from other sources of revenues or other security.

As the Series 2021 Bonds are not paid directly or indirectly from the general credit of the Issuer, no financial information with respect to the Issuer has been included in this Official Statement.

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PLAN OF FINANCING

The proceeds of the Series 2021 Bonds will be used to (i) finance the costs of the New Community School Project; (ii) together with \$[_____] current YCSD funds to be applied to principal paydown and interest repayment, refinance at maturity on September 17, 2021 \$6,000,000 principal amount of the City’s outstanding bond anticipation notes which were issued to provide initial funding for a portion of the New Community School Project; and (iii) finance certain costs of issuance of the Series 2021 Bonds. The total cost of the New Community School Project is estimated to be approximately \$[_____]. Proceeds of the Series 2021 Bonds will be disbursed by the Trustee to pay a portion of the costs of the New Community School Project based on requisitions submitted to the Trustee in accordance with the Indenture.

SOURCES AND USES OF FUNDS

Sources of Funds

- Principal Amount of Series 2021 Bonds
- Original Issue Premium
- Funds of YCSD
- Total Sources of Funds

Uses of Funds

- Project Fund
- BAN Principal and Interest Redemption
- Costs of Issuance⁽¹⁾
- Total Uses of Funds

(1) Includes Issuer fee, State Bond Issuance Charge, underwriters’ discount and certain other costs.

THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be initially issued in book-entry-only form as a single authenticated fully registered certificate for each maturity of each series of the Series 2021 Bonds. See “THE SERIES 2021 BONDS—Registration and Payment—Book-Entry System.”

The Series 2021 Bonds shall be dated, mature on the dates and in the principal amounts, and bear interest payable on the dates and at the annual rates, as set forth on the inside cover page hereto.

Interest on the Series 2021 Bonds shall be payable on each Interest Payment Date and shall be computed on the basis of a 360-day year of twelve 30-day months. Notwithstanding anything herein to the contrary, the interest rate borne by the Series 2021 Bonds shall not exceed the maximum permitted by, or enforceable under, applicable law.

The principal or Redemption Price of the Series 2021 Bonds shall be payable at the principal corporate trust office of the Trustee in Buffalo, New York or at the corporate trust office of any successor Paying Agent. Interest on the Series 2021 Bonds shall be payable to the Person whose name appears on

the registration books of the Trustee as the registered owner thereof on the Record Date next preceding the Interest Payment Date: (1) by check or draft mailed on the Interest Payment Date to the registered owner; or (2) by wire or bank transfer on the Interest Payment Date to any owner of at least \$1,000,000 in original aggregate principal amount of the Series 2021 Bonds, upon written notice provided by the owner to the Trustee not later than five (5) days prior to the Record Date for such interest payment (which request will remain in effect until revoked); except that, if and to the extent there shall be a default in the payment of the interest due on any Interest Payment Date with respect to the Series 2021 Bonds, the defaulted interest shall be paid to the owners in whose names the Series 2021 Bonds are registered at the close of business on a special record date to be fixed by the Trustee, which date shall not be more than fifteen (15) nor less than ten (10) days next preceding the date of payment of the defaulted interest. Interest payments made by check or draft shall be mailed to each owner at his or her address as it appears on the registration books of the Trustee on the applicable Record Date or at such other address as he or she may have filed with the Trustee for that purpose and appearing on the registration books of the Trustee on the applicable Record Date. Wire transfer payments of interest shall be made at such wire transfer address as the owner shall specify in his or her notice requesting payment by wire transfer.

Exchange of Series 2021 Bonds

The holders of any Series 2021 Bonds may surrender the same, at the principal corporate trust office of the Trustee, in exchange for an equal aggregate principal amount of Series 2021 Bonds of any of the authorized denominations of the same maturity and maturities as the Series 2021 Bonds so surrendered, subject to the conditions and upon payment of the charges provided in the Indenture. However, the Trustee will not be required to: (i) transfer or exchange any Series 2021 Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Series 2021 Bonds to be redeemed; or (ii) transfer or exchange any Series 2021 Bonds selected, called or being called for redemption in whole or in part.

Transfer of Series 2021 Bonds

Each of the Series 2021 Bonds is transferable, as provided in the Indenture, only upon the books of the Issuer kept for that purpose at the principal corporate trust office of the Trustee by the registered owner thereof in person, or by his duly authorized attorney-in-fact, upon surrender of such Series 2021 Bond (together with a written instrument of transfer in the form appearing on such Series 2021 Bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchanges Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15), and thereupon a new fully registered Series 2021 Bond in the same aggregate principal amount and maturity shall be issued to the transferee in exchange therefor as provided in the Indenture and upon payment of the charges therein prescribed. The Issuer, the YCSD, the City, the JSCB, the Bond Registrar, the Trustee and the Paying Agent may deem and treat the person in whose name a Series 2021 Bond is registered as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price thereof and interest due thereon and for all other purposes whatsoever.

Redemption of the Series 2021 Bonds

Optional Redemption of the Series 2021 Bonds

The Series 2021 Bonds maturing on or prior to _____ are not subject to redemption prior to the maturity thereof.

The Series 2021 Bonds maturing on and after _____ are subject to redemption, in whole or in part, at any time on or after _____ (but if in part in integral multiples of \$5,000), at the option of the Issuer (which option shall be exercised upon the giving of notice by an Authorized Representative of the City of its intention to prepay Base Installment Purchase Payments due under the Installment Sale Agreement), at the Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2021 Bonds to be redeemed, together with interest accrued to the date of redemption.

Sinking Fund Redemption of the Series 2021 Bonds

The Series 2021 Bonds maturing on May 1, 20__ and May 1 20__ are subject to mandatory sinking fund redemption, in part, on each of the dates and in the respective principal amounts set forth below, at the Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2021 Bonds to be redeemed, together with interest accrued to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of Series 2021 Bonds specified for each of the dates shown below:.

Series 2021 Term Bonds
Maturing May 1, 20__
May 1, Sinking Fund Installment

† Stated maturity

Series 2021 Term Bonds
Maturing May 1, 20__
May 1, Sinking Fund Installment

† Stated maturity

Mandatory Redemption of the Series 2021 Bonds

The Series 2021 Bonds shall be redeemed at any time in whole or in part (but if in part in integral multiples of \$5,000) by lot prior to maturity in the event and to the extent: (i) excess Bond proceeds shall remain after the completion or abandonment of the New Community School Project; or (ii) moneys are transferred to the Bond Fund pursuant to Article V of the Indenture or paid to the Trustee pursuant to the Installment Sale Agreement for deposit into the Bond Fund upon receipt of property insurance or condemnation proceeds or proceeds of a conveyance of one or more Facilities in lieu of condemnation, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2021 Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

Selection of Series 2021 Bonds to be Redeemed

If the Series 2021 Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2021 Bonds, the Issuer will cause notice of redemption to be given in accordance with the provisions of the Indenture. The selection of the book-entry interests within each Series 2021 Bond maturity to be redeemed will be done in accordance with the provisions of the Indenture and DTC procedures.

Redemption Procedures

If any of the Series 2021 Bonds are to be called for redemption, the Indenture requires a copy of the redemption notice to be mailed at least thirty (30) days prior to such redemption date to the registered owner of each Series 2021 Bond to be redeemed at the address for such owner shown on the registration books. All Series 2021 Bonds so called for redemption will cease to bear interest after the date fixed for redemption if funds for their redemption are on deposit at the place of payment at that time. If notice of redemption shall have been given as aforesaid, the Series 2021 Bonds called for redemption shall become due and payable on the redemption date, *provided, however*, that with respect to any general optional redemption as described above, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2021 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem the Series 2021 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. If a notice of redemption shall be unconditional or, if the conditions of a conditional notice of redemption shall have been satisfied, then upon presentation and surrender of Series 2021 Bonds so called for redemption at the place or places of payment, such Series 2021 Bonds shall be redeemed.

So long as the Securities Depository is effecting book-entry transfers of the Series 2021 Bonds, the Trustee shall provide the notices specified in the paragraph above only to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2021 Bond (having been mailed notice from the Trustee, the Securities Depository, a Participant or otherwise), to notify the Beneficial Owner of the Series 2021 Bond so affected shall not affect the validity of the redemption of such Series 2021 Bond.

Registration and Payment — Book-Entry System

Beneficial ownership interests in the Series 2021 Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2021 Bonds will not receive certificates representing their interests in the Series 2021 Bonds purchased.

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered Bond certificates will be issued and deposited with DTC for each principal amount of each series of Series 2021 Bonds maturing on a specified date and bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Series 2021 Bonds.

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

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bond certificates representing their ownership interests in Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2021 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2021 Bonds. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the

nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2021 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2021 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2021 Bonds, are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption, distributions, and interest payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

The Issuer and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2021 Bonds registered in its name for the purpose of payment of the principal of, or interest on such Series 2021 Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the Series 2021 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Issuer and the Trustee will not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2021 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Issuer (kept by the Trustee) as being a registered owner, with respect to: the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or interest on the Series 2021 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges provided in the Indenture; or other action taken by DTC as a registered owner. The Trustee will forward interest and principal payments to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2021 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR

BONDHOLDERS OF THE SERIES 2021 BONDS (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “SECONDARY MARKET DISCLOSURE” HEREIN) WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Series 2021 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2021 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NONE OF THE ISSUER, THE UNDERWRITERS, OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2021 BONDS.

NEITHER THE ISSUER, THE YCSD NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2021 BONDS; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS OF THE SERIES 2021 BONDS; OR (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2021 BONDS.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

General

The City and the YCSD will grant a license interest to the New Community School Facilities to the Issuer pursuant to the License Agreement, to permit the Issuer to enter upon the Project Site for the purpose of completing the New Community School Project, and, pursuant to one or more bills of sale, will convey title to the equipment comprising the New Community School Project to the Issuer. The Issuer will sell its interest in the New Community School Project to the YCSD and the City pursuant to the Installment Sale Agreement and will appoint the JSCB as agent of the Issuer with respect to the New Community School Project. Pursuant to the Indenture, the Issuer has assigned to the Trustee substantially

all of its right, title and interest in and to State Aid to Education and in and to the Installment Sale Agreement, including all rights to receive Installment Purchase Payments thereunder with respect to the Series 2021 Bonds (other than in respect of the Issuer's Reserved Rights). Under the State Aid Depository Agreement, the City, the YCSD and the Depository have agreed to direct the State Comptroller to pay all State Aid to Education directly to the State Aid Depository Fund established and held under the State Aid Depository Agreement, all for the benefit on a Ratable Basis of the Series 2021 Bonds and any other Series of Project Bonds that may be outstanding. In the event the YCSD or the City fails to make a payment under the Installment Sale Agreement, the Yonkers Schools Act and the Indenture provide that, upon receipt by the State Comptroller of a certificate from or on behalf of the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold any State Aid to Education from the YCSD and the City payable thereto to the extent of the amount so stated in each such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld.

The License Agreement

Pursuant to a License Agreement (New Community School Project), dated as of September 1, 2021, among the City and the YCSD, as licensors, and the Issuer, as licensee, the City and the YCSD will license the New Community School Project to the Issuer. The License Agreement will be entered into concurrently with the issuance of the Series 2021 Bonds and will have a term ending upon the completion of the New Community School Project.

The Installment Sale Agreement

The Issuer will sell its interest in the New Community School Project and the site described in the Installment Sale Agreement to the YCSD and the City pursuant to the Installment Sale Agreement. The Installment Sale Agreement provides for the appointment of the JSCB as the agent of the Issuer to complete the New Community School Project, provides the YCSD with the right to use, occupy and operate the New Community School Project, obligates the YCSD to maintain and manage the New Community School Project, and obligates the YCSD and the City to pay all costs related to operation of the New Community School Project. Installment Purchase Payments (as defined in the Installment Sale Agreement) due under the Installment Sale Agreement will equal principal and interest due on the Series 2021 Bonds and are payable on each April 1.

Except for funds, investments and other amounts held under the Indenture, the Issuer has pledged no other assets to the payment of the Series 2021 Bonds, and except for the intercept of State Aid to Education payable to the City or the YCSD by the State Comptroller as herein described, it is anticipated that the Issuer's sole source of payment for the Series 2021 Bonds will be derived from Installment Purchase Payments made by the YCSD and the City under the Installment Sale Agreement. The obligation of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement are deemed executory only to the extent of State Aid to Education appropriated by the State and available to the YCSD and/or the City, and budgeted by the YCSD and appropriated by the City and YCSD to the payment of Installment Purchase Payments under the Installment Sale Agreement. In the event State Aid to Education is not appropriated to the YCSD or the City, neither the YCSD nor the City will be obligated to pay any amounts due under the Installment Sale Agreement; *provided, however*, the failure of the YCSD or the City for any reason (including a failure by the YCSD to budget Installment Purchase Payments, a failure by the City to approve a budget for the YCSD providing for such Installment Purchase Payments, a failure by the City or the YCSD to appropriate such payments, or a failure by the State to appropriate State Aid to Education) to make an Installment Purchase Payment under any Installment Sale Agreement is nevertheless deemed a failure to make a payment thereunder for purposes of such Installment Sale Agreement, the Yonkers Schools Act, State Aid to Education intercept

implementing provisions of the Indenture. In the event State Aid to Education is appropriated by the State to the YCSD or the City and the YCSD and the City do not appropriate such State Aid to Education to make Installment Purchase Payments under the Installment Sale Agreement, the Trustee (as well as the Series Trustee) on behalf of the Issuer shall direct the State Comptroller to intercept State Aid to Education payable to the City or the YCSD for the payment of such Installment Purchase Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—State Aid Intercept.” Subject to the foregoing limitation, the obligation of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement and to perform their obligations thereunder shall be absolute and unconditional, and such Installment Purchase Payments and other amounts shall be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee, any purchaser of the Series 2021 Bonds, or any other person, and whether or not any or all of the New Community School Facilities are used or occupied by the City, the JSCB or the YCSD or are available for use or occupancy by the City, the JSCB or the YCSD.

In order to protect the priority of the rights of the Trustee to State Aid to Education under the Yonkers Schools Act, the YCSD and the City have covenanted and agreed in the Installment Sale Agreement that they will not enter into any agreement, indenture or other instrument, including any Series Facilities Agreement in connection with a Series of Project Bonds under a Series Indenture, which will have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of state and/or school aid under the Yonkers Schools Act than the pledge effected pursuant to the Indenture. The foregoing covenant shall not be deemed (y) to limit or deny the ability of the issuer of a Series of Project Bonds to pledge State Aid to Education on a parity with the pledge effected by the Issuer under the Indenture or (z) to require that any Series of Project Bonds issued under a Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture or that any payment dates under a Series Facilities Agreement be the same as provided for in the Installment Sale Agreement.

In order to provide for the obligation to make payments under the Installment Sale Agreement, the YCSD has agreed that: (i) the proposed expense budget for each ensuing fiscal year of the YCSD, commencing July 1, 2022, shall include, either as a separate item of expenditure or as an expenditure within a budget item, the amount of Installment Purchase Payments and Additional Payments (as defined in the Installment Sale Agreement) due under the Installment Sale Agreement to come due in such next fiscal year; and (ii) it shall approve payment of such Installment Purchase Payments and Additional Payments after appropriation by the City thereof. The City agrees that it shall approve a budget for the YCSD containing such items of expenditure and appropriate sufficient funds at each ending fiscal year commencing with the fiscal year ending June 30, 2023 to make the Installment Purchase Payments and Additional Payments to come due in such next fiscal year, *provided, however*, that any such appropriation (y) of Installment Purchase Payments shall only be payable by the City and the YCSD to the extent of State Aid to Education, and (z) of Additional Payments shall only be payable by the City and the YCSD to the extent contained in the YCSD budget approved and appropriated by the City. See “BONDHOLDERS’ RISKS — Appropriation of Installment Purchase Payments by the City and the YCSD” and “Appropriation of and Possible Changes to State Aid.”

Upon the occurrence of an “Event of Nonappropriation” (i.e., the failure by the City or the YCSD to pay or cause to be paid, when due, the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement, as a result of: (i) the failure by the YCSD to include in the annual YCSD budget submitted to the Mayor of the City line items for the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement or to approve such payments after appropriation by the City therefor; (ii) the failure by the City to approve and appropriate the annual YCSD budget containing line items for the Installment Purchase Payments or Additional Payments to be

paid under the Installment Sale Agreement and thereby appropriate funds for the payment thereof; or (iii) the failure by the YCSD to approve payment of Installment Purchase Payments or Additional Payments after appropriation by the City therefor) or an “event of default” under the Installment Sale Agreement, there is no acceleration of the obligation of the YCSD and the City to pay all future Installment Purchase Payments under the Installment Sale Agreement.

State Aid to Education

General

The YCSD receives substantial financial assistance from the State. For the 2021-22 fiscal year, the YCSD’s general fund budget includes approximately 57.72% of its estimated revenues in the form of State Aid to Education, including other financing sources. State Aid to Education for public schools comes primarily from the State’s general fund wherein the major revenue source is the State income and sales taxes. The balance of State Aid to Education for public schools comes from a special revenue fund account supported by lottery receipts.

The following table sets forth the total amount of State Aid to Education received by the YCSD General Fund for fiscal years ended June 30, 2007 through 2021 and the amount included in the budget for the 2021-22 fiscal year and the adopted State Budget for the 2021-22 fiscal year:

State Aid to Education For Fiscal Years June 30: (000’s)	
Year	State Aid to Education Received ⁽¹⁾
2007	\$143,671,038
2008	226,102,031
2009	241,912,125
2010	233,684,871
2011	234,623,990
2012	249,395,366
2013	233,929,722
2014	240,591,730
2015	286,122,402
2016	289,925,696
2017	303,052,043
2018	300,326,079
2019	322,208,427
2020	338,670,212
2021 (Unaudited)	321,139,369
2022 (Budget)	359,012,599

Source: YCSD Officials

(1) Excludes School Tax Relief (“STAR”) aid.

The aggregate of estimated maximum annual Installment Purchase Payments with respect to the Series 2021 Bonds is \$[_____].

The amount of State Aid to Education estimated to be received by the YCSD in the fiscal year ending June 30, 2022 for the General Fund is \$359.0 million and has averaged approximately \$317.1 million over the five fiscal years ended June 30, 2021 (unaudited).

No assurance can be given that the amount of State Aid to Education will continue or be available in these amounts in future fiscal years. (See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment” and APPENDIX A — “City of Yonkers Combined Financial Statements for Fiscal Year Ended June 30, 2020.”)

Beginning with the 2007-08 fiscal year, the majority of State Aid to Education received by the YCSD has been “Foundation Aid.” Foundation Aid was established by the 2007-08 State budget and combined four categorical aid grants with certain other formula aids. Formula aids consist of State Aid to Education determined in accordance with an application submitted to SED, which incorporates required data concerning district enrollment, attendance and approved expenditures. As a result of poor economic conditions then affecting the State, no increase in Foundation Aid was received by the YCSD in fiscal years 2009-10, 2010-11, or 2011-12. The YCSD received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 New York State Budget and has since received increases each year until 2021 when it was reduced by \$10.4 million with an equal amount of Federal Funding under the Cares Act (included in State Aid runs) utilized to offset this decline. FY22 Foundation Aid is budgeted to increase by \$32.3 million (\$21.9 million increase in a Enacted State Aid Run year over year comparison). Foundation Aid may decline in the future and no assurance can be given that Foundation Aid will continue at its current level. In addition, no assurance can be given that other categories of State Aid to Education will continue at current levels or will increase in the future. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. In addition, within Foundation Aid there are stipulations that the YCSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement, as outlined in the Contract for Excellence (“CFE”). For fiscal years 2016-17, 2017-18, 2018-19, 2019-20 and 2010-21, the total CFE set-aside has been \$11.6 million for each fiscal year. The CFE set-aside amount is expected to remain at \$11.6 million for 2021-22.

In addition to the CFE set-aside, beginning with the 2016-17 fiscal year, the Foundation Aid increase included a set aside for Community Schools Aid. Community Schools Aid must be used to support creating or expanding the community school model which can include funding programs that provide health, mental health and nutritional services to students and their families. The Community Schools Aid set-aside amounts were \$4.3 million in 2016-17, \$5.4 million in 2017-18, \$6.5 million in 2018-19, \$7.6 million in 2019-20 and \$7.6million in 2020-21. The Community Schools Aid set aside for 2021-22 is anticipated to be \$7.6 million. Such set-aside contains spending requirements and restrictions on how these funds will be expended.

Another State Aid to Education category, Charter School Transitional Aid, was established in the 2007-08 State Budget to help provide relief from the financial drain caused by the significant number of charter school students in certain school districts, including the YCSD. This aid continues on a rolling basis so long as charter school enrollment continues to increase. In addition to Charter School Transitional Aid, beginning with the fiscal year 2015-16, the State established another aid category called Charter School Supplemental Basic Tuition Aid. As amended in 2017-18, YCSD receives an apportionment equal to the amount of the Supplemental Basic Tuition paid to charter schools each year as aid in the subsequent year. The following table indicates the amount of Charter School Transitional Aid and Charter School Supplemental Basic Tuition Aid received by the YCSD in each of the five fiscal years June 30, 2017 through 2021, and as budgeted for 2022.

<u>Fiscal Year:</u>	<u>Charter School Transitional Aid:</u>	<u>Charter School Supplemental Basic Tuition Aid</u>
2017	\$907,253	\$215,099
2018	917,853	54,330
2019	600,919	377,614
2020	1,051,911	434,133
2021	2,582,207	474,686
2022 (Budget)	2,927,992	434,133

The YCSD receives State Aid to Education in multiple installments throughout its fiscal year based on a formula established by SED. Cash distributions of this aid are net of the YCSD’s required contributions to the Teachers’ Retirement System, which are generally withheld for distributions in the months of September, October and November.

The State’s 2021-22 enacted budget links payment of school aid increases for 2021-22 to submission of Budget Transparency Reporting. The amount of total State Aid to Education budgeted to be received by the YCSD in fiscal year ending June 30, 2022 for the Consolidated Fund is \$372.3 million, which is an increase of \$29.5 million, or 8.6%, compared to the amount budgeted for the 2020-21 fiscal year.

Payment of State Aid to the YCSD may be withheld due to the failure of the City or the Board of Education to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes. In addition, the State may withhold aid if the YCSD fails to meet the deadline for submitting its independent audit report to the State Education Department. Pursuant to Section 2116-a of the Education Law, the YCSD must file such report no later than January 1st, however, the State has granted school districts a 30-day “grace period” before aid is withheld. [For example, the YCSD filed its report for fiscal year 2019-20 within the allowable “grace period”.] The City and the BOE believe that they are in material compliance with all other requirements and have made the necessary debt service appropriations.

Notwithstanding budgetary projections, any future financial difficulties of the State could result in reduced payments of State Aid to municipalities and school districts in the State, including the YCSD. Past State financial and cash flow difficulties, including the COVID-19 pandemic, have resulted in delays in payment of State Aid to school districts, including the YCSD. See “BONDHOLDERS RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

As stated below under “State Aid Intercept,” in the event the YCSD and the City fail to make an Installment Purchase Payment under the Installment Sale Agreement, the Yonkers Schools Act and the Indenture provide that upon receipt by the State Comptroller of a certificate from the Trustee on behalf of the Issuer stating the amount of such failed payment, the State Comptroller shall withhold any State and/or school aid from the YCSD and the City payable thereto to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. The Yonkers Schools Act provides that (x) any amount of State and/or school aid paid by the State Comptroller shall not obligate the State to make, nor entitle the YCSD to receive, any additional amounts of State and/or school aid, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State and/or school aid, and (z) the State shall not be obligated by the terms of the Yonkers

Schools Act to maintain State and/or school aid at any particular level or amount. No assurance can be given that present State and/or school aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State and/or school aid could have a material adverse effect upon the YCSD, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. If in any year the State fails to adopt its budget in a timely manner, municipalities and school districts in the State, including the City and the YCSD, may be adversely affected by a delay in the payment of State and/or school aid.

State Building Aid

A portion of State Aid to Education received each year by the YCSD constitutes state building aid (such portion being “State Building Aid”). State Building Aid is available for certain approved capital improvements to school buildings housing elementary and/or secondary students, and for school bus garages. A project is not eligible for aid unless the construction costs of the project are equal to or exceed \$10,000, excluding incidental costs. Consistent with Section 3602, subdivision 6 of the Education Law, construction may include the construction of new buildings or additions, alterations and the reconstruction of existing facilities.

The purpose of State Building Aid is to assure that each school district provides suitable and adequate facilities to accommodate its students and programs. To this end, new facilities, new buildings, additions, major alterations must meet specific standards pertaining to the type, size and number of teaching stations, as well as building code requirements. Existing facilities must meet health and safety regulations, and reconstruction of existing facilities must meet building code requirements.

The Commissioner of Education must approve plans and specifications for the capital construction projects undertaken by the YCSD. This charge is administered by the Office of Facilities Planning pursuant to Section 408 of the Education Law and Part 155.2 of the Regulations of the Commissioner of Education.

Eligibility for new construction is determined through an assessment of information contained in the SCDC’s long-range plan, and includes educational need, a comparison of pupil enrollment projections, and the rated pupil capacity of existing buildings. In the case of school buildings, State Building Aid is a function of the pupil capacity assigned to the capital construction project.

State Building Aid fluctuates from year to year based on a number of factors, including the ratio of the City’s wealth to the State’s average wealth. Currently, YCSD State Building Aid is at 73.7% for new projects with the 10% incentive and the High Needs Supplement included, [which YCSD officials anticipate will be the building aid ratio for the New Community School Project].

The State is not obligated to continue to make State Building Aid payments. No assurance can be given that State Building Aid will continue to be received by the YCSD or the City or, if received, will be in amounts comparable to the amounts of State Building Aid received by the YCSD or the City in the past. State budgetary restrictions could eliminate or substantially reduce State Building Aid in the future. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

Pursuant to Chapter 383 of the Laws of 2001 (“*Chapter 383*”), certain provisions of the Education Law have been amended to impose an “assumed amortization schedule” on certain debt incurred by the City for school construction purposes and to thereby revise the manner in which State Building Aid is to be paid to the YCSD with respect to school debt in fiscal years commencing July 1, 2002. Chapter 383 requires that the State Education Department reset the interest rate used to calculate

the “assumed amortization schedule” at least once every 10 years. [The YCSD has applied for a waiver from the interest rate reset for the 2021-22 fiscal year.]

Subject to certain limited exceptions, assumed amortization for capital construction projects approved by the Commissioner of SED on and after July 1, 2011 will begin on the later of 18 months after SED approval or when the final cost report and certificate of substantial completion have been received by SED.

New York State Budget Process

The following discussion is included because all payments under the Installment Sale Agreement will be derived from State Aid to Education, which is subject to annual appropriation by the State Legislature.

The State’s budget process is based on an executive budget system under which the Governor is required by the State Constitution to seek and coordinate requests from agencies of the State government, develop a “complete” plan of proposed expenditures and the revenues available to support them (a “balanced budget”), and submit a budget to the State Legislature along with the appropriation bills and other legislation required to carry out budgetary recommendations. The Governor is also required by the State Finance Law to manage the budget through administrative actions during the fiscal year.

The State’s fiscal year begins April 1 and ends on March 31. However, the actual “budget cycle,” representing the time between early budget preparation and last-minute disbursements, begins some nine months earlier and lasts approximately 27 months, until the expiration of the State Comptroller’s authority to honor vouchers against the previous fiscal year’s appropriations.

Agency Budget Preparation (June–September/October)

The formal budget cycle begins when the Budget Director (the “**Budget Director**”) of the Division of the Budget of the State (the “**Division of the Budget**”) issues a policy memorandum — the “call letter” — to agency heads. The call letter outlines, in general terms, the Governor’s priorities for the coming year, alerts the agency heads to expected fiscal constraints and informs agencies of the schedule for submitting requests to the Division of the Budget.

Division of the Budget Review (September/October–December)

Agencies typically submit their budget requests to the Division of the Budget in September or October, with copies provided to the legislative fiscal committees. Examination units within the Division then analyze the requests of agencies for which they have responsibility. In November, the Budget Director conducts a series of constitutionally authorized “formal” budget hearings, giving agency heads an opportunity to present and discuss their budget requests and giving the staff of the Division of the Budget and the Governor’s office an “on-the-record” opportunity to raise critical questions on programs, policies and priorities.

Through late November, the Division of the Budget’s examiners transform agency requests into preliminary budget and personnel recommendations which are reviewed in detail with the Budget Director. The staff also prepares the appropriation bills and any other legislation required to carry out these recommendations. By early December, the Division of the Budget will normally have completed its recommendations on both revenues and expenditures, and presented them to the Governor and the Governor’s staff. Budget staff then prepares the tables and the narrative that accompany each agency budget, and the descriptions and forecasts of individual revenue sources.

The Governor's Decisions (November–January)

The Governor and staff, who are also preparing the annual message to the State Legislature (the “State-of-the-State” message which the Governor presents to the State Legislature when it convenes in January), are conversant with the budget throughout its development.

Legislative Action (January–March)

The Governor typically submits the Executive Budget to the Legislature in mid-January or following a gubernatorial election year, by February 1, along with the related appropriation, revenue and other budget bills concerning State operations, aid to localities, capital projects and debt service. The State's Five-Year Capital and Financing Plan is also submitted with the Executive Budget. Within 10 days, the Division of the Budget provides the State Legislature with additional financial information supporting the Executive Budget. A three-year financial projection is submitted no later than 30 days following submission of the Executive Budget.

The Legislature, primarily through its fiscal committees - Senate Finance and Assembly Ways and Means - then analyzes the Executive spending proposals and revenue estimates, holding public hearings on major programs and seeking further information from the staffs of the Division of the Budget and other State agencies. Following that review, the State Legislature acts on the appropriation bill submitted with the Executive Budget to reflect its decisions.

The appropriation bills, except for those items which were added by the State Legislature and the appropriation for the State Legislature and Judiciary, become law without further action by the Governor. The Governor must approve or disapprove all or parts of the appropriation bills covering the State Legislature and Judiciary and may use the line item veto to disapprove items added by the State Legislature. As provided in the State Constitution, the State Legislature may override the Governor's veto by the vote of two-thirds of the members of each house. The passage of the appropriation bills provides a legal foundation for the disbursement of funds during the new fiscal year.

Budget Execution (March)

At this point the budget process enters a new phase - budget execution. As a first step, the Division of the Budget approves “certificates of allocation” informing the State Comptroller that accounts may be established as specified in the certificates and that vouchers drawn against the accounts may be honored.

In addition, the Division of the Budget keeps a close watch throughout the year on the flow of revenue and the pattern of expenditures against its projections. This information is reflected in quarterly updates of the Financial Plan which are provided to the State Legislature, as required by law, in April (or as soon as practicable after budget enactment), July, October and with the Executive Budget for the ensuing year.

Possible Delays in Budget Enactment

Any delay in adoption of the State budget could delay the payment of State Aid to Education to municipalities and school districts in the State, including the YCSD and the City, which could, in turn, adversely affect the ability of the YCSD and the City to make Installment Purchase Payments under the Installment Sale Agreement. During the State's 2011-12 to 2018-19 fiscal years, State Aid to school districts was paid in a timely manner; however, during the State's 2009-10 fiscal year, State budgeting

restrictions resulted in delayed payments of State Aid to school districts in the State. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

State Aid Intercept

Statutory provisions currently exist or may hereafter be enacted which permit State and/or school aid otherwise payable to the YCSD or the City to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, at the present time, other than as provided in the State Aid Depository Agreement with respect to Project Bonds, there is no stated priority for the various multiple state aid diversion and intercept claims. See “BONDHOLDERS’ RISKS — Competing Claims to State Aid.”

In the event the YCSD or the City fail to make an Installment Purchase Payment under the Installment Sale Agreement as a result of an Event of Nonappropriation or otherwise pursuant to the Indenture, the Issuer has appointed the Trustee as its agent and the Issuer (acting through the Trustee) shall, in accordance with the Yonkers Schools Act and the Indenture, certify such nonpayment to the State Comptroller. Such certification shall specify the amount by which such Installment Purchase Payment shall have been deficient. The Yonkers Schools Act and the Indenture provide that the State Comptroller shall, upon receipt of such certification, withhold from the YCSD and the City any state and/or school aid otherwise payable to the YCSD or the City to the extent of the amount so stated in such certification as not being made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld based upon the Trustee’s certification. Such amounts will be applied by the Trustee to the payment of Installment Purchase Payments under the Installment Sale Agreement in the priority set forth below under “The Indenture” herein. It is further provided in the Yonkers Schools Act that (x) any amount of state and/or school aid so paid by the State Comptroller shall not obligate the State to make, nor entitle the YCSD or the City to receive, any additional amounts of state and/or school aid, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of state and/or school aid and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain state and/or school aid at any particular level or amount.

The Indenture

Pursuant to the Indenture, the Issuer will assign to the Trustee substantially all of its right, title and interest in and to the State Aid to Education and the Installment Sale Agreement (excluding the Issuer’s Reserved Rights), including all rights to receive Installment Purchase Payments to pay the principal of and interest on the Series 2021 Bonds as the same become due, all to be made by the YCSD or the City pursuant to the Installment Sale Agreement and the State Aid Depository Agreement, and all deemed executory only to the extent of State Aid to Education, as provided above under the subheading “The Installment Sale Agreement.”

A portion of the Series 2021 Bond proceeds shall be deposited in the Project Fund held under the Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Bondholders, until disbursed as provided in the Indenture. The Trustee shall apply the amounts on deposit in the Project Fund to the payment, or reimbursement, to the extent the same have been paid by or on behalf of the City, the YCSD, the JSCB or the Issuer, of Project Costs for the New Community School Project. Pursuant to the Indenture, the Trustee is authorized to disburse from the Project Fund the amount required for the payment of Project Costs for the New Community School Project and is directed to issue its checks (or make wire transfers if requested by the City) for each disbursement from the Project Fund, upon a requisition submitted to the Trustee, signed by an authorized representative of the JSCB. In the event the City shall be required to or shall elect to cause the Series 2021 Bonds to be redeemed in whole pursuant to the Installment Sale Agreement, the balance

in the Project Fund shall be deposited in the Bond Fund for application to the redemption of Series 2021 Bonds.

Notwithstanding the occurrence of an Event of Default under the Indenture, in no event shall the Series 2021 Bonds be accelerated or declared due and payable in advance of their final stated maturity.

All state and/or school aid received by the Trustee pursuant to the state and/or school aid intercept shall be ratably applied in accordance with the Indenture in the following order of priority:

first, to deposit in the Interest Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

second, to deposit in the Principal Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

third, to deposit in the Redemption Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

fourth, to satisfy any indemnification obligations of the YCSD under the Installment Sale Agreement,

fifth, to satisfy any liability insurance obligations of the JSCB or the YCSD under the Installment Sale Agreement, and

sixth, to satisfy any other obligations of the JSCB, the YCSD or the City under the Installment Sale Agreement.

In addition to the Series 2021 Bonds, it is also anticipated that future Series of Project Bonds will be ratably secured by the pledge of State Aid to Education and will be separately secured and issued pursuant to one or more Series Indentures. In order to protect the pledge of State Aid to Education by the Issuer to the Trustee pursuant to the Indenture, except with respect to the issuance of Project Bonds under a Series Indenture, the Issuer covenants in the Indenture not to create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture, the Pledge and Assignment, and the Installment Sale Agreement. The Issuer further covenants and agrees pursuant to the Indenture that it shall enter into no agreement, indenture or other instrument, including any Series Indenture or Series Facilities Agreement, in connection with the issuance of a Series of Project Bonds under a Series Indenture which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of state and/or school aid under the Yonkers Schools Act than the pledge effected pursuant to the Indenture; *provided, however*, that nothing contained in the Indenture shall be deemed (y) to limit or deny the ability of the Issuer or any other public entity, in connection with the issuance of another Series of Project Bonds, to pledge State Aid to Education on a parity with the pledge effected under the Indenture or (z) to require that any Series of Project Bonds issued under any other Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any payment dates under a Series Facilities Agreement be the same as those under the Installment Sale Agreement.

[Debt Service Reserve Fund Not Applicable to the Series 2021 Bonds

A debt service reserve fund is not being established for the Series 2021 Bonds.]

Additional Bonds

So long as the Installment Sale Agreement is in effect and no Event of Default exists thereunder, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance under the Indenture for the purpose of: (i) financing Facilities in connection with the Program; (ii) providing funds to repair, relocate, replace, rebuild or restore an affected Facility in the event of damage, destruction or taking by eminent domain; (iii) providing extensions, additions, rehabilitation or recreational facilities to one or more Facilities, provided such additions, rehabilitation or recreational facilities constitute a “project” within the meaning of the Act and the Yonkers Schools Act; or (iv) refunding Outstanding Bonds. Such series of Additional Bonds shall be payable from the Installment Purchase Payments under the Installment Sale Agreement. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith (except in the case of Refunding Bonds), the City, the YCSD and the Issuer shall enter into a license agreement or lease agreement to grant an interest in the Facilities to the Issuer or an amendment to the License Agreement, as applicable, and the Issuer, the JSCB, the YCSD and the City shall enter into an amendment to the Installment Sale Agreement to subject the Facilities to the Installment Sale Agreement and to provide, among other things, that the Installment Purchase Payments payable under the Installment Sale Agreement shall be increased and computed so as to amortize in full the principal of and interest on the bonds outstanding under the Indenture including such Series of Additional Bonds. In addition, the YCSD, the City, the JSCB and the Issuer shall enter into an amendment to the Tax Compliance Documents.

State Aid Depository Agreement

To facilitate the collection of State Aid and payment of Installment Purchase Payments under the Installment Sale Agreement, the Depository, the City and the YCSD will enter into the State Aid Depository Agreement. In accordance with the State Aid Depository Agreement, the City and the YCSD will instruct the State Comptroller to pay all State Aid to Education otherwise payable to YCSD or the City directly to the State Aid Depository Fund held by the Depository under the State Aid Depository Agreement. The State Aid Depository Agreement provides for the payment of State Aid to the Trustee and each other Series Trustee, including the Series 2021 Trustee, on a Ratable Basis pursuant to which Project Bonds are outstanding under a Series Indenture.

On or before September 15, 2022 for the Fiscal Year ending June 30, 2023, and on or before July 15 of each subsequent Fiscal Year, the City and the YCSD are required to prepare and deliver to the Depository and the Trustee a certificate (the “*State Aid Payment Certificate*”) setting forth: (i) a statement that the YCSD has budgeted and directed payment from appropriated funds of, and the City has appropriated, an amount of State Aid to Education necessary to fund the Aggregate Facilities Payment Obligations (as defined in APPENDIX B — “Certain Definitions”) of the YCSD and the City for such Fiscal Year; (ii) the total amount of State Aid to Education expected to be received during the next Collection Period and the Collection Percentage applicable to each month of such Collection Period (as such terms are defined in Appendix B hereof); and (iii) a statement, developed with the assistance of the Financial Advisor to the YCSD or a nationally recognized municipal securities underwriting firm, setting forth the long-term debt rating of each provider of a Qualified Debt Service Reserve Fund Investment Agreement by each of Fitch Ratings, Moody’s and S&P. However, in the event that the City has not appropriated or the YCSD has not budgeted or directed payment from appropriated funds for such amount of State Aid to Education in their respective adopted budgets for such Fiscal Year, the State Aid Payment Certificate for such Fiscal Year shall set forth a statement to such effect and shall not include any information regarding the collection of State Aid to Education during the Collection Period. Thereafter and not later than the end of the third business day immediately preceding March 31 of such Fiscal Year, if circumstances warrant, the City and the YCSD shall from time to time prepare and deliver to the

Depository a revised State Aid Payment Certificate setting forth, as appropriate, (i) a statement that the City has, subsequent to adoption of its budget for such Fiscal Year, appropriated an amount of State Aid to Education necessary to fund the Aggregate Facilities Payment Obligations of the YCSD and the City for such Fiscal Year; or (ii) a revised total amount of State Aid to Education expected to be received during the next Collection Period for such Fiscal Year and, in either case, if applicable, Collection Percentages or revised Collection Percentages applicable to the remainder of such Collection Period.

On or before November 10 of each Fiscal Year, the Trustee shall, in accordance with the provisions of the Indenture, prepare and deliver to the City, the YCSD and the Depository a certificate (the "**Base Facilities Agreement Payment Certificate**") setting forth the Net Base Facilities Agreement Payment (computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations due on the following April 1.

During each Collection Period, if the Depository has received a State Aid Payment Certificate with respect to such Collection Period that sets forth the statements required by clauses (i) and (ii) of the first sentence of the second paragraph under this sub-heading, the Depository shall, immediately upon receipt of any payment of State Aid to Education, withdraw such State Aid to Education from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

(i) *first*, to each Series Trustee for deposit in the Bond Fund established pursuant to the related Series Indenture until the total amount of such withdrawals during each month of such Collection Period shall equal the sum of (A) the product of the Collection Percentage for such month multiplied by the Net Base Facilities Payment due the immediately following April 1 as set forth in the Base Facilities Payment Certificate most recently received by the Depository, plus (B) during the months of January, February and March, the excess of the amount that should have been deposited in the Bond Fund in the immediately preceding month of the Collection Period pursuant to the provisions of this paragraph, over the amount in fact so deposited; and

(ii) *second*, thereafter during each month of such Collection Period, to an applicable Trustee, if any, for deposit in the Debt Service Reserve Fund established pursuant to the related Series Indenture until the total amount of such withdrawals is equal to the Reserve Payment due, if any, as set forth in the Reserve Payment Certificate most recently received by the Depository; and

(iii) *third*, thereafter during each month of such Collection Period, to the General Fund of the YCSD.

In the event that any amount on deposit in the State Aid Depository Fund in any month of the Collection Period, at any time, shall be less than the amount required to be paid to a Series Trustee under clause (i) or (ii) above, the Depository shall make payment to each Series Trustee on a Ratable Basis, in the priority indicated above. For purposes of the preceding sentence, "Ratable Basis" shall be first computed based on amounts payable to each Series Trustee under clause (i) above if there is not enough in the State Aid Depository Fund to pay to each Series Trustee what is payable under clause (i) above, and, if the amounts payable under clause (i) have been paid in full, then computed based on the amount payable to each Series Trustee under clause (ii).

Thereafter from April 1 until the commencement of the next Collection Period, immediately upon receipt of any payment of State Aid to Education, the Depository shall withdraw such State Aid to Education from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund of the YCSD.

If the Depository has not received with respect to a Collection Period for any reason a State Aid Payment Certificate that includes the statements required by clauses (i) and (ii) of the first sentence of the second paragraph under this sub-heading, the Depository, both during and after such Collection Period until the next Collection Period, shall withdraw any State Aid to Education from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund of the YCSD.

Notwithstanding the foregoing, if the Depository receives written instructions from the Commissioner of Finance with an accompanying monthly payment schedule from the Commissioner of Finance indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid to Education must be set aside in a special bank account designated in such instructions to be used only for the payment in accordance with such payment schedule for the RAN Repayment Requirement, then each month the Depository shall immediately withdraw from the State Aid Depository Fund all State Aid to Education that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Depository Agreement, to such special bank account until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not paid.

Although the State Aid Depository Agreement requires an immediate transfer of State Aid to Education from the State Aid Depository Fund to the Bond Fund established under the Indenture, during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of the Indenture and are not pledged as security for the payment of the Series 2021 Bonds until such amounts have been transferred by the Depository to the Trustee and deposited in the Bond Fund.

Nothing in the State Aid Depository Agreement shall prevent the City, the Depository and the YCSD from effecting any change by amendment to the State Aid Depository Agreement modifying the procedures for the collection, deposit and disbursement of State Aid to Education, without the consent of any other party; *provided, however*, that: (i) prior to making any such change, the YCSD shall notify any rating agency then rating the Series 2021 Bonds or any other Series of Project Bonds of such change and that prior to any such change there shall be delivered to the Depository a rating confirmation of each such rating agency that the then current unenhanced rating of the Series 2021 Bonds or any other Series of Project Bonds Outstanding will not be withdrawn or reduced as a result of such change and (ii) the YCSD will not change or alter the procedure for the collection and deposit of State Aid to Education which in any manner would result in insufficient State Aid to Education being available to timely pay Facilities Payment Obligations in accordance with the terms of the State Aid Depository Agreement.

On a monthly basis beginning on December 1 through the next succeeding March 31 the Depository will, in accordance with the State Aid Depository Agreement, transfer a portion of State Aid to Education to the Trustee sufficient to pay the annual Installment Purchase Payment under the Installment Sale Agreement due on the next succeeding April 1. In the event payments made by the Depository to the Trustee during the preceding December 1 to March 31 are not sufficient to pay the annual Installment Purchase Payment under the Installment Sale Agreement due on April 1, the Trustee will immediately certify such deficiency to the State Comptroller. The State Comptroller is then required to pay such amounts to the Trustee in accordance with the state and/or school aid intercept provisions of the Indenture and the Yonkers Schools Act in order to provide payment of debt service on the Series 2021 Bonds on the next succeeding May 1 and November 1. Installment Purchase Payments due under the Installment Sale Agreement will equal principal and interest due on the Series 2021 Bonds and are payable on each April 1.

Limited Obligations of the Issuer

THE SERIES 2021 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID TO EDUCATION PAYABLE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE BOND FUND UNDER THE INDENTURE. IN THE EVENT THE YCSD OR THE CITY FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER THE INSTALLMENT SALE AGREEMENT, THE YONKERS SCHOOLS ACT AND THE INDENTURE PROVIDE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID TO EDUCATION FROM THE YCSD AND THE CITY PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE YCSD OR THE CITY AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY IS PLEDGED TO THE PAYMENT OF INSTALLMENT PURCHASE PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT. THE OBLIGATIONS OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IN ANY FISCAL YEAR OF THE YCSD OR THE CITY CONSTITUTE A CURRENT EXPENSE OF THE YCSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE YCSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE. THE ONLY SOURCES OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2021 BONDS ARE INSTALLMENT PURCHASE PAYMENTS MADE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO THE EXTENT OF STATE AID TO EDUCATION APPROPRIATED BY THE STATE AND AVAILABLE TO THE YCSD AND/OR THE CITY AND APPROPRIATED BY THE CITY AND THE YCSD TO MAKE SUCH PAYMENTS, THE PLEDGE OF CERTAIN FUNDS UNDER THE INDENTURE, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID TO EDUCATION PAYABLE TO THE CITY OR THE YCSD TO THE EXTENT OF ANY INSTALLMENT PURCHASE PAYMENT DEFICIENCY.

ANNUAL INSTALLMENT PURCHASE PAYMENTS

The following table sets forth the annual Installment Purchase Payments due on April 1 of each year pursuant to the Installment Sale Agreement with respect to the Series 2021 Bonds.

<u>Payment Date due April ⁽¹⁾</u>	<u>Total Installment Purchase Payments</u>
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TOTAL

- ⁽¹⁾ An amount equal to the total principal and interest due on Project Bonds each May 1 and November 1 is due in full on each preceding April 1 pursuant to the respective Installment Sale Agreement.
- ⁽²⁾ [A portion of the interest due in fiscal year 2021-22 with respect to the Installment Purchase Payments totaling \$_____ is not shown because it is capitalized.]

BONDHOLDERS' RISKS

The discussion herein of risks to holders of the Series 2021 Bonds is not intended as dispositive, comprehensive or definitive, but rather is intended only to summarize certain matters which could affect payment on the Series 2021 Bonds. However, holders of the Series 2021 Bonds should be aware that these matters and other potential risks and factors could materially adversely affect the receipt by the holders of payments on the Series 2021 Bonds. Other sections of this Official Statement should be referred to for a more detailed description of risks described in this Section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection

n at the principal corporate trust office of the Trustee.

The State's Financial Condition, Reduced State Aid, Delayed Payment

The amount of State Aid to Education paid to the YCSD is dependent in large measure upon the financial condition of the State. The State regularly publishes its Annual Information Statement relating to its financial condition, as well as quarterly updates and supplements thereto.

The State's 2021-22 Enacted Budget provided for school aid of approximately \$29.1 billion, an increase of approximately \$3.1 billion in school aid spending from the 2020-21 school year. The Foundation Aid increase amounts to \$1.4 billion, while \$1.1 billion is allocated to the full restoration of the Pandemic Adjustment, a budget balancing cut implemented in the 2020-21 State Budget. Other increases in 2021-22 school aid are largely formula driven, or related to additional grant programs. Further, State legislation was passed as part of the 2021-22 State Budget that is expected to fully fund Foundation Aid by 2023-24, which would provide school aid amounting to \$2.5 billion over the 2022-23 and 2023-24 years.

Due to the anticipated impact of the COVID-19 pandemic on State revenues, State Aid in the State's 2020-21 Enacted Budget was 3.7 percent lower than in the State's 2019-20 Enacted Budget but as described below, was offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State Aid in the school district fiscal year 2020-21 is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2019-20 Enacted Budget provided for school aid of approximately \$27.9 billion, an increase of more than \$1 billion in school aid spending from the 2018-19 school year. The State's 2018-19 Enacted Budget provided for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-18 school year.

The State's 2020-21 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The State 2020-21 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid was continued under existing aid formulas. Out-year growth in State Aid reflects current projections of the ten-year average growth in State personal income.

As a result of fiscal stress due to the COVID-19 pandemic, provisions in the State's 2020-2021 Enacted Budget granted the Budget Director the authority to reduce "aid-to-localities" appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the New York State

Division of the Budget. Aid-to-localities is a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and the State's not-for-profit partners. In addition, the Budget Director was authorized to withhold and reduce specific local aid payments during the 2020-2021 fiscal year, if the State's 2020-2021 Enacted Budget was deemed out of balance for such the fiscal year. The State's 2020-2021 Enacted Budget was premised on the assumption that the Budget Director's powers would be activated and across-the-board and targeted reductions to local aid programs would be taken to close a substantial portion of the State fiscal year 2021 budget gap.

Any significant reductions or delays in the payment of State Aid could adversely affect the financial condition of school districts in the State.

The State's 2020-21 Enacted Budget included, and the State's 2021-22 Enacted Budget includes, significant amounts of federal funding. The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision. Reductions in federal funding levels could have a materially adverse impact on the State budget. There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State Aid including school districts in the State.

While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State Aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State Aid appropriated and apportioned to the YCSD can be paid only if the State has such monies available for such payment. Recent Federal stimulus aid pursuant to the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan of 2021 (ARP), include maintenance of effort provisions for states receiving these funds on behalf of school districts, during state fiscal years 2021-22 and 2022-23. The maintenance of effort calculation is based on the state's overall spending. According to the adopted 2021-22 New York State Budget, the YCSD's total State Aid in the Enacted State Aid Runs is expected to grow approximately \$46.2 million or 15.42%, while the largest component of YCSD State Aid, Foundation Aid, is expected to grow \$21.9 million or 10.26% from \$213.74 million to \$235.67 million in 2021-22. Further, State legislation has been passed that is expected to fully fund Foundation Aid by 2023-24, which would result in a projected 5.1% increase in 2022-23 Foundation Aid, and a projected 7.0% increase in 2023-24 Foundation Aid under the assumption of projected CPI and Extraordinary Needs percentages.

The total amount of State Aid for all funds is comprised of Foundation Aid and a number of other State Aid categories. Foundation Aid is the largest component of State Aid for the YCSD. The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. No increases in Foundation Aid were received in fiscal years 2010-11 or 2011-12. In addition, within Foundation Aid there are stipulations that the YCSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement as outlined in the CFE and the Community Schools set-aside that was established in 2016-17. Future reductions in Foundation Aid or other aid categories of State Aid to the YCSD could adversely affect the financial condition of the YCSD. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid to Education."

Principal of and interest on the Project Bonds, including the Series 2021 Bonds, will be paid from State Aid to Education payable through (i) Installment Purchase Payments made by the YCSD under the Installment Sale Agreement or (ii) from the intercept of State Aid to Education by the State Comptroller. Both methods of payment are dependent upon lawful appropriations of State Aid to Education being made each year by the State to the YCSD. No assurance can be given that present State Aid to Education levels will be maintained in the future. The Yonkers Schools Act provides that (x) any amount of State Aid to Education paid by the State Comptroller pursuant to the State Aid to Education intercept provisions of the Yonkers Schools Act shall not obligate the State to make, nor entitle the YCSD to receive, any additional amounts of State Aid to Education, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid to Education and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain State Aid to Education at any particular level or amount. Financial difficulties of the State could result in reduced payments of State Aid to Education to municipalities and school districts in the State (including the YCSD) in future fiscal years. Given the YCSD's dependence on State Aid to Education (the only source of funds to make the installment purchase payments payable by the YCSD pursuant to the Series Facilities Agreements, including the Installment Sale Agreement), substantial reductions in the payment of State Aid to Education could adversely impact the YCSD's ability to pay, or timely pay, Installment Purchase Payments under the Series Facilities Agreements, including the Installment Sale Agreement, and accordingly, the payment of debt service on the Project Bonds, including the Series 2021 Bonds.

State financial difficulties may result in protracted and delayed State budget negotiations which may result in delays in the adoption of the State budget. Delays in adoption of the State budget could result in delayed payment of State Aid to Education to school districts in the State, including the YCSD. During the State's 2011-12 to 2019-20 fiscal years, State Aid to Education to school districts was paid in a timely manner; however, during the State's 2009-10 and 2020-21 fiscal years, State budgeting restrictions resulted in delayed payments of State Aid to Education to school districts in the State. In the past, adoption of a State budget has been delayed as long as four and a half months. There can be no assurance that (y) the State Legislature will continue to adopt State budgets in a timely fashion, or that (z) in the absence of such budget adoption, that the State Legislature will provide on a continuing resolution or other basis State Aid to Education to the YCSD on an interim basis.

Delay in the receipt of State Aid to Education by the YCSD could have a material adverse financial impact on the YCSD and result in a delay in the application of such State Aid to Education to the payment of Installment Purchase Payments under the Series Facilities Agreements, including the Installment Sale Agreement.

Impact of COVID-19

The outbreak of COVID-19 has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The degree of the impact of COVID-19 on the YCSD's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. There can be no assurances that the spread of COVID-19 will not result in a delay and/or reduction in State Aid paid to school districts, including the YCSD. Any delay or reduction in State Aid payment to the YCSD would have a negative impact on the YCSD's finances and operations. [Through the State fiscal year ending March 31, 2021, the YCSD received all scheduled State Aid payments.] For a discussion of the impact of COVID-19 on the YCSD, see "DISCUSSION OF FINANCIAL OPERATIONS OF THE CITY AND THE YCSD—Impact of the COVID-19 Pandemic on the BOE.

Appropriation of and Possible Changes to State Aid to Education

Statutory provisions currently exist or may hereafter be enacted which permit state and/or school aid otherwise payable to the YCSD and/or the City to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, at the present time, other than as provided in the State Aid Depository Agreement with respect to Project Bonds, there is no stated priority for the various multiple state and/or school aid diversion and intercept claims.

Principal of and interest on the Series 2021 Bonds will be paid from State Aid to Education payable through (i) Installment Purchase Payments made by the YCSD and the City under the Installment Sale Agreement or (ii) from the intercept of state and/or school aid payable to the YCSD or the City by the State Comptroller. Both methods of payment are dependent upon lawful appropriations of State Aid to Education being made each year by the State to the YCSD and the City. No assurance can be given that present state and/or school aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce state and/or school aid could have a material adverse effect upon the YCSD, requiring either a counterbalancing increase in revenues from other sources, to the extent available, or a curtailment of expenditures. Although the State has over the past five years provided State Aid to Education at levels averaging 80% per year of the YCSD's annual budget, neither this nor any other percentage of annual State Aid to Education is guaranteed. In the event that state and/or school aid is reduced by the State in the future, such reduction would result in a diminished flow of revenues for the payment of Installment Purchase Payments by the YCSD and the City under the Installment Sale Agreement, as well as diminished state and/or school aid available to be intercepted from the State Comptroller under the Yonkers Schools Act. Further, the Yonkers Schools Act provides that (x) any amount of state and/or school aid paid by the State Comptroller pursuant to the intercept provisions of the Yonkers Schools Act shall not obligate the State to make, nor entitle the YCSD to receive, any additional amounts of state and/or school aid, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of state and/or school aid and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain state and/or school aid at any particular level or amount.

Default by the YCSD and the City

No representations or assurances can be given that the YCSD or the City will perform their obligations under the Installment Sale Agreement. The obligation of the YCSD and the City to make Installment Purchase Payments under the Installment Sale Agreement is executory and dependent upon the receipt of State Aid to Education and the appropriation of such State Aid to Education by the YCSD and the City for the payment of Installment Purchase Payments under the Installment Sale Agreement. In the event State Aid to Education has been appropriated by the State to the YCSD and/or the City and either the YCSD has failed to provide for Installment Purchase Payments necessary for a fiscal year its budget, or the City has failed to appropriate such State Aid to Education, for the payment of the Installment Sale Agreement, there is no right to accelerate payments due under the Series 2021 Bonds and the sole source of payment for the Series 2021 Bonds will be the intercept of State Aid to Education by the State Comptroller. The failure of the YCSD to budget for, or the City to appropriate amounts necessary, to make Installment Purchase Payments due under the Installment Sale Agreement may result in the failure of the Issuer to make required debt service payments under the Series 2021 Bonds. In such event, the sole remedy available to the Bondholders will be the intercept of State Aid to Education by the State Comptroller.

Appropriation of Installment Purchase Payments by the City and the YCSD

The availability of Installment Purchase Payments under the Installment Sale Agreement are subject to and dependent upon lawful appropriations of State Aid to Education being made each year by the State Legislature and the City for such purposes. The Installment Sale Agreement is not a general obligation of the YCSD or the City. The obligations of the YCSD and the City under the Installment Sale Agreement to pay Installment Purchase Payments in any fiscal year of the YCSD or the City constitute a current expense of the YCSD and the City for such fiscal year and shall not constitute an indebtedness of the YCSD or the City within the meaning of any constitutional or statutory provision or other laws of the State. Neither the Installment Sale Agreement nor any representation by any public employee or officer creates any legal or moral obligation of the City to appropriate or the YCSD or the City make moneys available for the purposes of the Installment Sale Agreement. The failure of the YCSD and the City to pay Installment Purchase Payments due under the Installment Sale Agreement may result in the failure of the Issuer to make required debt service payments under the Series 2021 Bonds. In such event, there is no right to accelerate payments due under the Series 2021 Bonds and the sole remedy available to the Bondholders will be the intercept of [state and/or school aid] by the State Comptroller.

Competing Claims to State Aid to Education

Direct Claims

Revenue Anticipation Notes. Revenue anticipation notes are issued by the City on behalf of the YCSD in anticipation of the receipt of State Aid to Education. Such notes are payable in the first instance from State Aid to Education in anticipation of which such revenue anticipation notes were issued. State law requires that whenever the amount of the revenue anticipation notes issued by the City on behalf of the YCSD equals the amount of State Aid to Education remaining uncollected, the City is required to set aside in an account all of such State Aid to Education thereafter received by the YCSD to retire such revenue anticipation notes.

[Over the past five fiscal years, the City has issued [an average of \$[___] million revenue anticipation notes each year for YCSD purposes. No revenue anticipation notes issued in anticipation of the receipt of State Aid to Education are currently outstanding.]

[The State Aid Depository Agreement provides that, notwithstanding the provisions of the State Aid Depository Agreement providing for the flow of State Aid to Education to the Series Trustee, upon receipt of written instructions to the Depository from the City indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid to Education paid to the YCSD or the City must be set aside in a special bank account designated in such instructions to be used only for the repayment of the outstanding revenue anticipation notes issued by the City on behalf of the YCSD (the “RAN Repayment Requirement”), then each month the Depository shall immediately withdraw from the State Aid Depository Fund all State Aid to Education that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Depository Agreement, to the special bank account until the total amount of such withdrawals is equal to the principal amount of such RAN Repayment Requirement then outstanding. Notwithstanding the foregoing, in the event the YCSD or the City shall fail to pay an Installment Purchase Payment under the Installment Sale Agreement, the intercept provisions of the Yonkers Schools Act and the Indenture will operate to intercept any State Aid to Education payable to the YCSD or the City to the extent of such deficiency prior to the payment of such State Aid to Education to the YCSD and/or the City in accordance with the State Aid Depository Agreement. Accordingly, such State Aid to Education will be intercepted to pay Installment Purchase Payments under the Installment Sale Agreement prior to its application by the City to the payment of outstanding revenue anticipation notes of

the City. In accordance with the requirements of the Local Finance Law, it is the City's current practice to set aside in a special bank account the last State Aid to Education money received during the fiscal year. Payments to the special bank account are generally made in May and June of each year.]

Expenses for Handicapped Children. The State Comptroller deducts from State Aid to Education due to the YCSD amounts required by statute to reimburse the State for certain expenditures made by the State for the education of certain blind, deaf and handicapped children in the YCSD. Such expenditures were approximately \$[] million for 2016-17, \$[] million for 2017-18, \$[] million for 2018-19, \$[] million for 2019-20 and \$[] million for 2020-21, respectively, and \$[] million has been included in the 2021-22 budget for such expenditures.

Deductions for TRS Payments. TRS contributions are paid as a reduction in State Aid to Education payments due September 15, October 15 and November 15 of the succeeding fiscal year. Any deficiency or excess in TRS contributions are settled on a current basis in the month of January. For the 2019-20 and 2020-21 fiscal years, TRS contributions were \$25.8 million in 2019-20 and projected to be \$23.2 million in 2020-21. For 2021-22, \$ 23.7 million is budgeted in the General Fund for this purpose.

Contingent Claims.

State Finance Law Section 99-b. In the event of a default in the payment of the principal of and/or interest on outstanding general obligation indebtedness of the YCSD, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, State Aid to Education and assistance to the YCSD and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of such general obligation indebtedness for YCSD purposes. The YCSD is wholly dependent upon the City for taxation and debt issuance. As measured by the State Constitution and the Local Finance Law, as of August 14, 2021, the City has a total outstanding net indebtedness of \$512,517,970 (excluding \$23,910,695 in water debt, \$43,121,335 in budgetary appropriations, \$0 revenue anticipation notes issued against City revenues, and \$0 in debt reserves), which represents 29.07% of the City's debt limit. Excluding revenue anticipation notes, the YCSD's share of outstanding City net debt is \$188,020,000 (or 10.66%), as of August 14, 2021. In addition, the net indebtedness of the City as of August 14, 2021 includes \$6,000,000 in outstanding bond anticipation notes which were issued by the City to commence work on the Series 2021 Project. As of August 14, 2021, such bond anticipation notes and \$205,100,000 outstanding bonds issued for school purposes benefit from the Section 99-b statutory intercept mechanism for State Aid to Education.

The Series 2021 Bonds are not general obligation indebtedness of the City and accordingly do not benefit from the Section 99-b intercept.

Charter School Delinquencies. Pursuant to the Charter Schools Act, the YCSD is required to pay for the maintenance and operation of charter schools in the City. There is currently one charter school operating in the City. Enrollments at this school increased from [] students in the 2019-20 school year to [] in the 2020-21 school year. According to YCSD officials, in 2021-22 charter school funding is \$[] per student for regular education, \$[] per student for 20% special education, and \$[] per student for 60% special education, for a projected total of approximately \$[]. In the 2020-21 school year, the amount of charter school funding was \$[] per student for regular education, \$[] per student for 20% special education, and \$[] per student for 60% special education, for a total of \$[]. Increases are due to increases in expected charter school enrollment and increases in the per student cost. In the event the YCSD fails to make any required payment for the maintenance or operation of charter schools, the State Comptroller may deduct such

delinquent amounts from State Aid to Education otherwise payable to the YCSD and pay such amount to the charter schools.

Failure to Comply with Regulations. Payment of State Aid to Education may be withheld due to the failure of the City or the YCSD to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes.

The State's 2021-22 enacted budget links payment of school aid increases for 2021-22 to submission of Budget Transparency Reporting. The amount of total State Aid to Education budgeted to be received by the YCSD in fiscal year ending June 30, 2022 for the Consolidated Fund is \$372.3 million, which is an increase of \$29.5 million, or 8.6%, compared to the amount budgeted for the 2020-21 fiscal year.

Effect on State Aid

Statutory application and intercept of State Aid to Education for any of the above purposes or any other purpose would have the result of diminishing the flow of State Aid to Education to the YCSD and the City to make Installment Purchase Payments under the Installment Sale Agreement as well as possibly diminishing state and/or school aid subject to be intercepted by the State Comptroller under the Yonkers Schools Act. Furthermore, other State financing programs incorporate similar procedures for the application or withholding of State Aid to Education as security for the repayment of obligations, or the repayment of financial assistance provided to school districts in the State. Moreover, the State has the power to (i) create additional state and/or school aid intercept provisions, (ii) reduce or eliminate state and/or school aid paid to school districts and cities in the State and (iii) create state and/or school aid intercept provisions having a prior right to intercept state and/or school aid senior to the intercept of state and/or school aid provided by the Yonkers Schools Act. If the YCSD or the City is or becomes a participant in any such State financing program or otherwise pledges state and/or school aid, the extent to which State Aid to Education would be available (x) to pay Installment Purchase Payments under the Installment Sale Agreement or (y) to be intercepted by the State Comptroller and paid to the Trustee, could be adversely affected. No assurance is given that the YCSD or the City will not participate in any such State financing programs in the future.

In addition to the foregoing, it is important to note that State Aid may, after the payment of Base Installment Purchase Payments, be applied to the payment of Additional Payments under the Installment Sale Agreement for, among other things, casualty and indemnity obligations of the YCSD, in the event of a shortfall in the insurance coverage furnished by the YCSD to the Issuer. Accordingly, a significant casualty or indemnity event could substantially reduce State Aid coverage levels in relation to Base Installment Payment obligations of the YCSD and the City.

Additional Series of Project Bonds or Series of Additional Bonds

The YCSD currently intends to finance the completion of the New Community School Project and the Program with the issuance of additional Series of Project Bonds or Series of Additional Bonds under either the Indenture and/or separate Series Indentures which will rank on a Ratable Basis with the claims of the Series 2021 Bonds to State Aid to Education under the State Aid Depository Agreement or from the State Comptroller as an intercept of state and/or school aid under the Yonkers Schools Act. See APPENDIX D — “Summary of Certain Provisions of the Installment Sale Agreement” and APPENDIX C — “Summary of Certain Provisions of the Indenture of Trust.”

The issuance of additional Series of Project Bonds or Series of Additional Bonds will dilute the amount of State Aid to Education available to make Installment Purchase Payments with respect to the Series 2021 Bonds and the amount of state and/or school aid subject to intercept by the State Comptroller and payable to the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.” No limitation exists upon the principal amount of Project Bonds that may be issued, nor upon their payment dates or rate of amortization. This could result in a reduction in the funds available to make payments of principal of and interest on the Series 2021 Bonds.

Loss of Federal Tax Exemption

Interest on the Series 2021 Bonds may become subject to federal income taxation if certain events occur subsequent to the date of issuance of the Series 2021 Bonds that violate the requirements and limitations prescribed by the Code. Although the Issuer and the YCSD have each agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur. If certain requirements are violated, the interest on the Series 2021 Bonds may be deemed to be taxable from the date of issuance. The Series 2021 Bonds are not subject to mandatory redemption or to mandatory acceleration in the event of such an occurrence. No premium or additional interest will be paid to the bondholders or former bondholders to compensate the bondholders for any losses they may incur as a result of the interest on the Series 2021 Bonds becoming subject to federal income taxation. See “TAX MATTERS” below.

Enforceability of Remedies

The remedies available to the holders of the Series 2021 Bonds upon an event of default under the Indenture or other documents described herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Existing constitutional and statutory law and judicial decisions, including Title 11 of the United States Code, affect the payment rights of Bondholders, and the remedies specified by the federal bankruptcy laws, the Indenture and the various documents referred to herein may not be readily available or may be limited. The legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to enforceability of the legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally. In addition, such opinions will state that the availability of remedies may be limited by judicial application of principles of equity which may delay or preclude the exercise of remedies, including mortgage foreclosure.

State Aid Depository Agreement

Amounts held in the State Aid Depository Fund under the State Aid Depository Agreement are not pledged to the repayment of the Series 2021 Bonds. The State Aid Depository Fund is not a trust fund held under the Indenture and the Trustee does not and will not have a security interest in amounts held therein. In addition, the obligations of the City, the YCSD and the Depository relating to the collection, deposit and disbursement of State Aid contained in the State Aid Depository Agreement are not statutory obligations but contractual obligations of the Depository, the City, the YCSD and failure of such parties to comply with the provisions of the State Aid Depository Agreement would be actionable solely as a breach of contract matter. See also “Additional Series of Project Bonds or Series of Additional Bonds” above.

Statutory Interpretation

The City, the JSCB and the YCSD are subject to the limitations imposed by State law including, but not limited to, the Education Law, the General Municipal Law and the Local Finance Law. Generally,

such laws limit the power of the City to incur indebtedness, as well as the powers of the City and the YCSD to lease or purchase facilities and enter into installment purchase agreements similar to the Installment Sale Agreement. Notwithstanding such limitations, [the Corporation Counsel of the City] will provide an opinion to be delivered at the Series 2021 Bond closing to the effect that the Installment Sale Agreement is valid, binding and enforceable against the City, the JSCB and the YCSD in accordance with its terms subject to certain limitations (bankruptcy, discretion as to remedies, etc.). The Yonkers Schools Act has not been subjected to judicial review and the legal authority provided to the City, the JSCB and the YCSD by the Yonkers Schools Act could be subject to differing interpretation. Reference is hereby made to the form of opinion of [Corporation Counsel of the City] to be delivered upon issuance of the Series 2021 Bonds, a copy of which will be on file with the Trustee.

Absence of Public Market for the Series 2021 Bonds

The Underwriters are not obligated to make a secondary market in the Series 2021 Bonds, and any secondary market-making activities with respect to the Series 2021 Bonds may be discontinued at any time without notice. No assurance is given that an active public or other market will develop for the Series 2021 Bonds or as to liquidity of or the trading market for the Series 2021 Bonds. If a trading market does not develop or is not maintained, holders of the Series 2021 Bonds may experience difficulty in reselling the Series 2021 Bonds or may be unable to sell them at all. If a market for the Series 2021 Bonds develops, any such market may be discontinued at any time. If a public trading market develops for the Series 2021 Bonds, future trading prices of the Series 2021 Bonds will depend on many factors, including, among other things, prevailing interest rates, State Aid to Education paid to the YCSD and the market for similar securities. Depending on prevailing interest rates, the market for similar securities and other factors, including the financial condition of the YCSD, the Series 2021 Bonds may trade at a discount from their principal amount.

Cybersecurity Risks

The City and the YCSD rely on computer systems and technologies to conduct many of their operations, and face many potential cybersecurity threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on its computing and other digital networks and information systems. Cybersecurity incidents could result from unintentional events or errors or from malfeasance or deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's or the YCSD's technology systems for the purposes of misappropriating assets or information or causing operational or financial disruption and damage or extorting ransom. Cybersecurity breaches could compromise or damage one or more the City's or the YCSD's information and security systems and cause material disruption to its operations, services to students and financial position. There can be no assurance that any existing or additional cyber safety and security measures will prove adequate in the event that cybersecurity attacks are directed in the future against the City's or the YCSD's computer and technology systems. Additionally, third party cloud providers may pose a threat to the City's or the YCSD's computer and technology systems if their systems are compromised. The costs of security measures or remedying damage from security breaches and the resulting disruptions therefrom in the future could be greater than anticipated depending on what systems have been breached or compromised and to what extent. [The City maintains cybersecurity insurance.][**To be confirmed/ revised**]

TAX MATTERS

Federal Income Tax

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, based on existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the

Series 2021 Bonds is excluded from gross income for Federal income tax purposes and is not an “item of tax preference” for purposes of the Federal alternative minimum tax imposed on individuals.

The Series 2021 Bonds, other than those Series 2021 Bonds maturing on May 1, 20__ (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.

Certain of the Series 2021 Bonds maturing on May 1, 20__ (collectively, the “Discount Bonds”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Bond. In general, the “issue price” of a Series 2021 Bond means the first price at which at least 10 percent of such maturity of Series 2021 Bonds was sold to the public, i.e., a purchaser who is not an underwriter or a related party thereto of the Series 2021 Bonds. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2021 Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. Owners of Discount Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Discount Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2021 Bonds in order that interest on the Series 2021 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2021 Bonds, restrictions on the investment of bond proceeds and other moneys or properties, required ownership of the facilities financed by the Series 2021 Bonds by a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2021 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021 Bonds, irrespective of the date on which such noncompliance occurs. The Issuer, the YCSD and the City have made certain representations and certifications, and have covenanted in the Indenture, the Installment Sale Agreement, the Tax Certificate and the Arbitrage and Use of Proceeds Certificate to comply with the requirements of the Code and have made representations in such documents addressing various matters relating to the requirements of the Code. The opinion of Bond Counsel described above

is made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2021 Bonds. The proposed form of approving opinion of Bond Counsel is attached to this Official Statement as APPENDIX E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2021 Bonds should be aware that ownership of the Series 2021 Bonds, and the accrual or receipt of interest thereon, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences of their ownership of the Series 2021 Bonds and their accrual or receipt of interest thereon. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

Certain requirements and procedures contained or referred to in the Installment Sale Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2021 Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

State and Local Income Taxes

Bond Counsel is also of the opinion that, under existing statutes, including the Act, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

Any noncompliance with the federal income tax requirements set forth above would not affect the exemption of interest on the Series 2021 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2021 Bonds.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2021 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2021 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2021 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the

Series 2021 Bonds for audit examination or the course or result of an audit examination of the Series 2021 Bonds or of obligations which present similar tax issues, will not affect the market price, value or marketability of the Series 2021 Bonds. For example, various legislative proposals would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2021 Bonds) for taxpayers whose income exceeds certain threshold levels. No prediction is made as to whether any such proposals will be enacted. Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the foregoing matters.

All quotations from and summaries and explanations of provisions of law do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2021 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2021 BONDS.

APPROVAL OF LEGAL MATTERS

All legal matters incident to the authorization, issuance and delivery of the Series 2021 Bonds by the Issuer are subject to the approving opinion of Harris Beach PLLC, White Plains, New York, Bond Counsel to the Issuer. A copy of the opinion of Bond Counsel will be available at the time of delivery of the Series 2021 Bonds, the form of which is set forth in APPENDIX E — “Form of Opinion of Bond Counsel for the Series 2021 Bonds” hereto. Certain legal matters will be passed upon for Issuer by Lawrence Sykes, Esq., General Counsel. Legal matters pertaining to the JSCB will be passed upon by its special finance counsel, Hawkins Delafield & Wood LLP, and for the YCSD and the City by the Corporation Counsel of the City. Certain legal matters will be passed upon for the Underwriters (as defined herein) by their counsel, Orrick, Herrington & Sutcliffe LLP, New York.

FINANCIAL ADVISOR

Capital Markets Advisors, LLC (the “*Financial Advisor*”) serves as independent financial advisor to the City and the YCSD on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2021 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2021 Bonds was based on materials provided by the City and the YCSD and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the City or the YCSD or the information set forth in this Official Statement or any other information available to the City or the YCSD with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

LITIGATION

It is a condition of their acceptance of the Series 2021 Bonds at closing that the Underwriters receive certificates from the Issuer, the YCSD and the City to the effect that there is no pending or, to the

knowledge of the Issuer, the YCSD or the City, threatened litigation against the Issuer, the YCSD or the City that in any way questions or affects the validity of the Series 2021 Bonds, the Indenture, the License Agreement, the Installment Sale Agreement, the State Aid Depository Agreement, or any proceedings or transactions relating to the issuance, sale or delivery of the Series 2021 Bonds or the execution and delivery of any of such documents or that would materially and adversely affect the New Community School Project.

[As of the date of this Official Statement, the YCSD and the City have certified that they do not know of any fact or set of facts from which liability might arise which individually or collectively would materially and adversely affect the business or operations of the YCSD, the City or the New Community School Project.]

[On March 16, 2020, the Governor issued an Executive Order that closed all schools in the State due to the COVID-19 pandemic. As a result of this Order, the BOE provided remote instruction to its students for the balance of the academic school year. While schools were closed, the BOE ceased utilizing the services of its transportation providers. To date, the BOE and City have not been served with any summons and/or complaints regarding school shutdown due to the Covid-19 pandemic. However, the BOE has been served with a Notice of Claim filed by one of its bus transportation vendors seeking payment for invoices totaling approximately \$6.4 million, submitted during the school shutdown. In the view of the City's Corporation Counsel, the claim is severely lacking in legal merit because of contract language favorable to the City and BOE. As a result, the City does not believe that the claim will have any adverse material impact upon the City or BOE.]

RATINGS

The Series 2021 Bonds have been given underlying ratings (i) by Moody's Investors Service, Inc. of "___", and (ii) by S&P Global Ratings of "___".

Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions by such rating agency. A rating is not a recommendation to buy, sell or hold the Series 2021 Bonds. There is no assurance that a rating will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such lowering, suspension or withdrawal of a rating might have an adverse effect upon the market price or marketability of the Series 2021 Bonds. The Underwriters, the Issuer, the YCSD and the City undertake no responsibility after the issuance of the Series 2021 Bonds to assure the maintenance of any of the ratings or to oppose any revision or withdrawal thereof.

UNDERWRITING

Roosevelt & Cross Incorporated, as representative of the underwriters (the "**Underwriters**") under a Purchase Contract between the Issuer and the Underwriters (the "**Purchase Contract**"), has agreed, subject to certain conditions, to purchase the Series 2021 Bonds from the Issuer at a purchase price of \$_____, being the par amount of the Series 2021 Bonds, [plus/less] a [premium/discount] of \$_____ and less an underwriters' discount of \$_____, and to make a public offering of the Series 2021 Bonds. The Underwriters will be obligated to purchase all such Series 2021 Bonds if any are purchased. In connection with the public offering of the Series 2021 Bonds, the Underwriters will be receiving compensation in the amount of the Underwriters' discount.

The Underwriters' obligation under the Purchase Contract to accept delivery of the Series 2021 Bonds is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The public offering price set forth on the cover page hereof may be changed from time to time at the discretion of the Underwriters.

Pursuant to the Purchase Contract, the YCSD and the City have agreed to indemnify the Underwriters and the Issuer against certain liabilities to the extent permitted by law.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “**Rule**”), the JSCB will undertake, on behalf of the City and the YCSD, in a written agreement for the benefit of the holders and beneficial owners of the Series 2021 Bonds (the “Continuing Disclosure Agreement”) to electronically file with the Municipal Securities Rulemaking Board (“**MSRB**”), as the sole nationally recognized securities repository through the MSRB's Electronic Municipal Market Access (“**EMMA**”) System, on an annual basis no later than one calendar year after the end of each respective Fiscal Year of the City and the YCSD, commencing with the Fiscal Year ending June 30, 2021, certain financial and operating data concerning the City and the YCSD of the type included in this Official Statement and as specified in the Continuing Disclosure Agreement. In addition, the JSCB will undertake, on behalf of the City and the YCSD, for the benefit of the holders and beneficial owners of the Series 2021 Bonds, to electronically file with the MSRB through EMMA, in a timely manner, not in excess of ten (10) business days after the occurrence, notices of any of the events enumerated in the Rule. Any filing to be made under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the MSRB through EMMA as provided at <http://emma.msrb.org>. See APPENDIX F — “Form of Continuing Disclosure Agreement.”

The JSCB has not previously entered into any continuing disclosure agreement pursuant to the Rule.

MISCELLANEOUS

The summaries of and references herein to the Act, the Yonkers Schools Act, the Series 2021 Bonds, the Indenture, the Installment Sale Agreement, the State Aid Depository Agreement, the License Agreement, and other documents and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such documents for the complete provisions thereof, copies of which may be obtained from the Trustee.

[For the Fiscal Year ended June 30, 2020, the City has presented separate audited financial statements for the City and the BOE. The audited financial statements for such period are contained in APPENDIX A attached hereto. The City and BOE financial statements are audited by the independent accounting firm of PKF O’Connor Davies LLP. Neither the City nor the BOE is required to obtain the consent of its independent auditors as a condition to the use of its audited financial statements or information therefrom in this Official Statement. However, the auditing firm has consented to the use of their auditor’s reports on the basic financial statements of the City, for the year ended June 30, 2020. The BOE’s Financial Statements are included in the City’s Financial Statement and Auditor’s Report.]

Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the opinions, estimates or forecasts will be realized. This Official Statement is not to be construed as a contract or an agreement between the Issuer, the YCSD or the Underwriters and any purchaser of the Series 2021 Bonds.

The appendices hereto are an integral part of this Official Statement and must be read together with all of the foregoing statements.

The City and YCSD have reviewed the information contained herein that relates to them, their properties and operations, and has approved all such information for use within this Official Statement.

The distribution of this Official Statement to prospective purchasers of the Series 2021 Bonds by the Underwriters has been duly authorized by the Issuer, the City and the YCSD. This Official Statement is made available only in connection with the sale of the Series 2021 Bonds and may not be used in whole or in part for any other purpose.

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**CITY OF YONKERS INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
[Title]

YONKERS CITY SCHOOL DISTRICT

By: _____
[Title]

CITY OF YONKERS

By: _____
Commissioner of Finance & Management Services

_____, 2021

**CITY OF YONKERS COMBINED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

CERTAIN DEFINITIONS

[**To be updated for final bond documents**]

Act or IDA Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), as amended, and Chapter 83 of the 1982 Laws of New York, as amended.

Additional Bonds shall mean one or more series of bonds issued, executed, authenticated and delivered under this or a Series Indenture.

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

Arbitrage and Use of Proceeds Certificate shall mean, with respect to a Series of Bonds, the applicable Arbitrage and Use of Proceeds Certificate of the School Parties relating to such Series of Bonds.

Authorized Representative shall have the meaning ascribed thereto in the Installment Sale Agreement.

Bank shall mean any: (i) bank or trust company organized under the laws of any state of the United States of America; (ii) national banking association; (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America; or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bankruptcy Code shall mean Title 11 of the United States Code, as it is amended from time to time.

Base Facilities Agreement Payment Certificate shall have the meaning ascribed thereto in the State Aid Depository Agreement.

Beneficial Owner shall mean, whenever used with respect to a Bond, the Person in whose name such Bond is recorded as the beneficial owner of such Bond by the respective systems of DTC and each of the Participants of DTC.

Beneficial Ownership Interest shall mean the beneficial right to receive payments and notices with respect to the Bonds which are held by the Securities Depository under a book-entry system.

Bond Fund shall mean the special trust fund so designated, established pursuant to Section 5.1 of the Indenture.

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

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution shall mean the resolution of the Agency adopted on August 5, 2021, authorizing the New Community School Project and the issuance of the Series 2021 Bonds.

Bonds shall mean the Series 2021 Bonds and any Additional Bonds.

Bond Service Charges shall mean the principal, interest and redemption premium, if any, required to be paid on the Bonds when and as the same become due, whether by scheduled maturity or prior redemption.

Bond Year shall have the meaning ascribed thereto in the Tax Certificate.

Business Day shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banks in the State of New York, or in the cities in which the corporate trust office of the Trustee is located, are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange, Inc. is closed.

Cede & Co. shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Bonds in book-entry-only form.

City Engineer shall have the meaning ascribed thereto in the Installment Sale Agreement.

Closing Date shall mean the date of the original issuance and delivery of the Series 2021 Bonds.

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

Collecting Officer shall have the meaning ascribed thereto in the State Aid Depository Agreement.

Collection Percentage means, with respect to each month of a Collection Period, the ratio, expressed as a percentage, of the amount of State Aid to Education expected to be received during such month of such Collection Period to the total amount of State Aid to Education expected to be received during such Collection Period.

Collection Period means the four month period from and including December 1 of a Fiscal Year through and including March 31 of such Fiscal Year.

Commissioner shall mean the New York State Education Commissioner.

Commissioner of Finance shall have the meaning ascribed thereto in the State Aid Depository Agreement.

[Cooperative Agreement shall mean the cooperative Agreement dated as of March 10, 2020, between the City and JSCB, as amended or supplemented.]

Costs of Issuance shall mean issuance costs with respect to a Series of Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following: underwriter's spread (whether realized directly or derived through purchase of such Series of Bonds at a discount below the price at which they are expected to be sold to the public); counsel fees (including bond counsel, underwriter's counsel, Trustee's counsel, Agency's counsel, counsel to each of the School Parties, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Agency or the School Parties incurred in connection with the issuance of the Series of Bonds; professional consultant's fees; Rating Agency fees; Trustee, Paying Agent and Depository Bank fees; Credit Facility fees and the fees and expenses of counsel to the provider of the Credit Facility; accountant fees and other expenses related to the issuance of such Series of Bonds; printing and reproduction costs; filing and recording fees; costs of Rating Agencies; fees and expenses of the Agency incurred in connection with the issuance of such Series of Bonds; Blue Sky fees and expenses; and any other charges, fees, costs or expenses related to the issuance of such Series of Bonds.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Agency or the School Parties and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds.

Defeasance Obligations shall mean only: (1) cash; (2) non-callable direct obligations of the United States of America ("*Treasuries*"); (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated; (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively; or (5) securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof.

Depository Bank or Depository shall mean Manufacturers and Traders Trust Company, Buffalo, New York, acting as depository bank pursuant to the State Aid Depository Agreement, and shall include its successors and assigns in such capacity.

DTC shall mean The Depository Trust Company, a limited purpose trust company, Jersey City, New Jersey.

Environmental Compliance Agreement shall mean the Environmental Compliance and Indemnification Agreement, dated as of September 1, 2021, from the City and the YCSD to and for the benefit of the Issuer, as same may be further amended or supplemented from time to time.

Equipment shall mean all items of machinery, equipment, furniture, furnishings and fixtures necessary or attendant to the use of the Facilities.

Event of Default shall have the meaning specified in APPENDIX C.

Event of Nonappropriation shall mean the failure by the City or the YCSD to pay or cause to be paid, when due, the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement, as a result of: (i) the failure by the YCSD to include in the annual YCSD budget submitted to the Mayor of the City line items for the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement or to approve such payments after appropriation by the City therefor; (ii) the failure by the City to approve and appropriate the annual

YCSD budget containing line items for the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement and thereby appropriate funds for the payment thereof; or (iii) the failure by the YCSD to approve payment of Installment Purchase Payments or Additional Payments after appropriation by the City therefor.

Facilities Payment Obligations means, with respect to the Installment Sale Agreement, the Lease Payments, Installment Purchase Payments or other like payment obligations as so defined in the Installment Sale Agreement.

Fitch shall mean Fitch Ratings and its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally-recognized securities rating agency designated by the Trustee by notice to the Notice Parties.

Indenture or Series 2021 Indenture shall mean the Indenture of Trust (New Community School Project), dated as of September 1, 2021 between the Agency and the Trustee, pursuant to which the Series 2021 Bonds were issued, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI of the Indenture.

Installment Purchase Payments shall mean, collectively, the Base Installment Purchase Payments and the Reserve Payments.

Installment Sale Agreement shall mean the Installment Sale Agreement (New Community School Project), dated as of September 1, 2021, among the Agency and the School Parties, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.1 of the Indenture.

Interest Payment Date shall mean, with respect to the Series 2021 Bonds, May 1 and November 1 of each year, commencing [_____], through and including the maturity date of the Series 2021 Bonds.

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

JSCB shall mean the Yonkers Joint Schools Construction Board.

License Agreement or License shall mean the License Agreement (New Community School Project), dated as of September 1, 2021, between the City and the YCSD, as licensor and the Issuer, as licensee, as the same may be further amended or supplemented.

Moody’s shall mean Moody’s Investors Service Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Nationally Recognized Bond Counsel shall mean Harris Beach PLLC or other counsel acceptable to the Agency and the Trustee experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

Net Base Facilities Agreement Payment shall mean the Base Installment Purchase Payment as reduced by any credits from amounts available in the Bond Fund.

New Community School Project shall have the meaning ascribed to such term in the Installment Sale Agreement.

Notice Parties shall mean the Agency, the School Parties, the Paying Agent and the Trustee.

Opinion of Counsel shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Installment Sale Agreement or any other Security Document) be counsel for the School Parties or the Agency and who shall be acceptable to the Trustee.

Outstanding when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(a) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(b) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.1 of the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either:

(1) moneys, and/or

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

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, together with that documentation required under Section 10.1 hereof, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by any of the School Parties shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee

establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not a School Party.

Participants shall mean those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

Paying Agent shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Pledge and Assignment shall mean the Pledge and Assignment dated as of September 1, 2021, by the Agency to the Trustee, acknowledged by the City, the YCSD and the JSCB.

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.1 of the Indenture.

Project shall have the meaning assigned to such term by the Yonkers Schools Act.

Project Bonds shall mean the Bonds and any series of bonds of the Agency or any other public entity issued under a Series Indenture to finance all or a portion of the costs of a Project.

Project Costs shall mean, together with any other proper item of cost not specifically mentioned in the Indenture but authorized pursuant to the IDA Act or the Yonkers Schools Act, the cost of construction, alteration, enlargement, reconstruction, rehabilitation, remodeling, equipping or furnishing of a Facility and the financing or refinancing thereof, including interest on a Series of Bonds from the date thereof to completion of construction, reconstruction or rehabilitation of a Facility, the payment of the fees and expenses of the Trustee and of any provider of a Credit Facility during the construction, reconstruction or rehabilitation of a Facility, the cost of preparation of the site of a Facility and of any land to be used in connection therewith, the cost of any indemnity and surety bonds and premiums on insurance, the cost of reserves, a Credit Facility or a Qualified Swap, all Costs of Issuance, the costs of audits, the cost of all labor, materials, services, supplies and other expenses, the cost of all contract bonds, the cost of all machinery, apparatus, furniture, fixtures and equipment, the cost of engineering, architectural services, design, plans, specifications and surveys, estimates of cost, and all other expenses necessary or incident to determining the feasibility or practicability of a Facility, and such other expenses not specified in the Indenture as may be necessary or incident to the construction, alteration, enlargement, reconstruction, rehabilitation, remodeling, equipping and furnishing of a Facility, the financing or refinancing thereof and the placing of the same in use and operation.

Project Fund shall mean the special trust fund so designated, established pursuant to Section 5.1 of the Indenture.

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

(a) (i) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (iv) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a

bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(b) Federal Housing Administration debentures which are unconditionally guaranteed as to payment of principal and interest by an agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

(c) Collateralized (but such collateralization, if any, shall only be to the extent required by, and acceptable to, the District as determined by the Comptroller of the City) Certificates of Deposit issued by a commercial bank or trust company authorized to do business in the State and Time Deposit, Demand Deposit, and Money Market Accounts in a bank or trust company authorized to do business in the State.

(d) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

(e) Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.

(f) Money market funds rated “AAm” or “AAm-G” by S&P, or better.

(g) “State Obligations”, which means:

- (1) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
- (2) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.
- (3) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(h) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

- (1) the municipal obligations are (i) not subject to redemption prior to maturity, or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- (2) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

- (3) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
 - (4) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - (5) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
 - (6) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
- (i) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

- (1) The market value of the collateral and the type of the collateral are approved by the Comptroller of the City;
- (2) The Trustee or a third party acting solely as agent therefor or for the Agency (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- (3) The repurchase agreement shall state and an opinion of counsel to the provider addressed to the Agency and the Trustee shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and
- (4) The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Trustee (who shall give such direction if so directed by the Comptroller of the City), within ten (10) days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Agency or the Trustee.

(j) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by S&P and “Aa” by Moody’s; provided that, by the terms of the investment agreement:

- (1) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Project Fund, construction draws) on the Bonds;
- (2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Trustee hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- (3) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (4) the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Agency and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Agency and the Trustee;
- (5) the investment agreement shall provide that if during its term
 - (i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively (but not below "A-" or "A3", respectively), the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either
 - (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Agency, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral (of the type and having a market value as approved by the Comptroller of the City) free and clear of any third-party liens or claims, provided, however, that the provider can only exercise its option under this clause (a) if the Trustee shall receive a Rating Confirmation with respect thereto; or
 - (b) repay the principal of and accrued but unpaid interest on the investment with no penalty or premium to the Agency or the Trustee, and
 - (ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Agency or the Trustee (who shall give such direction, if so directed by the Comptroller of the City), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Agency or the Trustee, and
- (6) the investment agreement shall state and an opinion of counsel to the provider addressed to the Agency and the Trustee shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of the Collateral is in possession); and

(7) the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Agency or the Trustee (who shall give such direction, if so directed by the Comptroller of the City), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or the Trustee, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or the Trustee, as appropriate.

(k) Any other investment, whether similar or dissimilar to any of the foregoing, to the extent that the Trustee (if so directed by the Comptroller of the City) shall receive a Rating Confirmation with respect thereto.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Agency or the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Agency as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Agency or the City for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed or variable interest rate Bonds on a synthetic basis or otherwise, (iii) which has been designated in writing to the Trustee by an Authorized Representative of the City as a Qualified Swap with respect to such Obligations, and (iv) which provides that any termination or like payment thereunder shall be subordinated to the payment of the Bonds.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either at least as high as (i) the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Agency and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Bonds subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

Rating Agency shall mean Fitch, S&P or Moody's and such other nationally recognized securities rating agency as shall have awarded a rating to the Bonds at the request of the Agency.

Rating Category shall mean one of the generic rating categories of any of Fitch, Moody's or S&P without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean written evidence from each Rating Agency that no Outstanding Bond rating then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken as described or referred to therein.

Rebate Fund shall mean the special trust fund so designated, established pursuant to Section 5.1 of the Indenture.

Record Date shall mean, with respect to the Series 2021 Bonds, the fifteenth (15th) day of the month immediately preceding an Interest Payment Date.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.1 of the Indenture.

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

Refunded Bonds shall mean, with respect to a Series of Refunding Bonds, the Bonds refunded by such Refunding Bonds pursuant to Section 2.7 of the Indenture.

Refunding Bonds shall mean one or more series of Refunding Bonds issued, executed, authenticated and delivered under the Indenture.

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

Representation Letter shall mean the Blanket Issuer Letter of Representations from the Agency and the Trustee to DTC.

Reserved Rights shall mean, collectively,

(a) the right of the Agency to exercise in its own behalf its rights under the Installment Sale Agreement with respect to the payment and/or collection of Additional Payments due to the Agency in its own behalf under the Installment Sale Agreement;

(b) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the Installment Sale Agreement;

(c) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the Installment Sale Agreement;

(d) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the School Parties with respect to ensuring that the Facilities shall always constitute a qualified “project” as defined in and as contemplated by the IDA Act and the Yonkers Schools Act;

(e) the right of the Agency in its own behalf to enforce, receive Additional Payments payable under or otherwise exercise its rights under Article VII and Sections 2.3, 3.1, 3.2, 3.7, 3.9, 4.3, 4.5, 4.8, 5.2, 5.5, 8.1(b)-(f), 8.2, 8.3, 8.7, 9.1, 10.5, 10.6, 10.16, 10.17 and 10.18 of the Installment Sale Agreement;

(f) the right of the Agency to enforce the Environmental Compliance Agreement;
and

(g) the right of the Agency in its own behalf to enforce the Agency's Reserved Rights upon the occurrence of an Event of Default or an Event of Nonappropriation.

Responsible Officer shall mean, with respect to the Trustee, any officer within the corporate trust office of the Trustee, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer or other officer of the corporate trust office of the Trustee customarily performing functions similar to those performed by any of the above designated officers, who has direct responsibility for the administration of the trust granted in the Indenture, and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

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

Scheduled Debt Service Fund Earnings shall have the meaning ascribed thereto in the State Aid Depository Agreement.

School Party or School Parties shall mean, collectively or severally, as applicable, the City, the YCSD and the JSCB.

Securities Depository shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

Security Documents shall mean, collectively, the Installment Sale Agreement, the Indenture, and the Tax Compliance Documents.

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

Series Indenture shall mean, collectively, the Indenture and each other indenture of trust or bond resolution pursuant to which a series of Project Bonds shall be issued to finance all or a portion of the costs of a Project.

Series 2021 Bonds shall mean the Issuer's \$_____ School Facility Revenue Bonds (New Community School Project), Series 2021, authorized, issued, executed, authenticated and delivered under the Series 2021 Indenture.

Series Trustee shall mean the Trustee and each financial institution acting as Trustee under a Series Indenture.

Special Record Date shall mean such date as may be fixed for the payment of defaulted interest in accordance with Section 2.2 of the Indenture.

State shall mean the State of New York.

State Aid Depository Agreement shall mean the State Aid Depository Agreement, dated as of September 1, 2021, among the YCSD, the Depository Bank and the City, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

State Aid to Education shall have the meaning ascribed thereto in the State Aid Depository Agreement.

State Comptroller shall mean the State Comptroller of the State of New York.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Agency and the Trustee in accordance with Article XI of the Indenture.

Tax Certificate shall mean, with respect to a Series of Bonds, the Tax Certificate of the Agency with respect to such Series of Bonds.

Tax Compliance Documents shall mean, with respect to a Series of Bonds, the Arbitrage and Use of Proceeds Certificate and Tax Certificate with respect to such Series of Bonds.

Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, in its capacity as trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

YCSD shall mean the City School District of the City of Yonkers, a school district of the State of New York, acting by and through the Board of Education of the City School District of the City of Yonkers, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Yonkers Schools Act shall mean Chapter 355 of the Laws of 2016 of the State, as the same may be further amended from time to time.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

[To be updated for final bond documents**]**

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

Additional Bonds. So long as the Installment Sale Agreement is in effect and no Event of Default exists thereunder, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of: (i) financing Facilities in connection with the Program; (ii) providing funds to repair, relocate, replace, rebuild or restore an affected Facility in the event of damage, destruction or taking by eminent domain; (iii) providing such additions, rehabilitation or recreational facilities to one or more Facilities, provided such additions, rehabilitation or recreational facilities constitute a “project “ under the IDA Act and the Yonkers Schools Act; or (iv) refunding Outstanding Bonds. Such Series of Additional Bonds shall be payable from the Installment Purchase Payments under the Installment Sale Agreement. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture or a Series Indenture in connection therewith (except in the case of Refunding Bonds), the City, the YCSD and the Issuer shall enter into a lease or license agreement or amendment to the License, as applicable, to grant an interest in the Facility(ies) to the Issuer, and the Issuer and the School Parties shall enter into an amendment to the Installment Sale Agreement to subject the Facility(ies) to the Installment Sale Agreement and to provide, among other things, that the Installment Purchase Payments payable under the Installment Sale Agreement shall be increased and computed so as to amortize in full the principal of and interest on the Bonds including such Series of Additional Bonds. In addition, each of the School Parties and the Issuer shall enter into an amendment to the Tax Compliance Documents.

Each such Series of Additional Bonds shall be deposited with the Series Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of the Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(1) a copy of the resolution, duly certified by the Secretary of the Issuer, authorizing, issuing and awarding the Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture or a Series Indenture and any amendments of or supplements to the Tax Certificate, the License and the Installment Sale Agreement;

(2) original executed counterparts of the Supplemental Indenture or a Series Indenture and any amendment of or supplement to the License and the Installment Sale Agreement, expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture or a Series Indenture, the License and the Installment Sale Agreement, the Facilities referred to therein and the premises licensed pursuant to the License, as applicable, and sold under the Installment Sale Agreement shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Series 2021 Bonds shall mean and include the Additional Bonds being issued as well as the Series 2021 Bonds and any Additional Bonds theretofore issued;

(3) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Additional Bonds and the execution thereof have been duly authorized, that all

conditions precedent to the delivery thereof have been fulfilled, and that the issuance of the Additional Bonds will not cause the interest on any Series of Bonds Outstanding to become includable in gross income for federal income tax purposes;

(4) except in the case of Refunding Bonds refunding all Outstanding Bonds, a certificate of an Authorized Representative of each of the School Parties to the effect that the License, the Arbitrage and Use of Proceeds Certificate and the Installment Sale Agreement continue in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;

(5) to the extent applicable, those documents required under the Installment Sale Agreement;

(6) an original, executed counterpart of the amendment, if any, to the Tax Compliance Documents; and

(7) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

Upon the request of the JSCB, one or more Series of Additional Bonds may be authenticated and issued to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under this heading of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

Refunding Bonds may be authenticated and made available for delivery only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the second paragraph under this heading, as may be applicable) of:

(A) Irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and

(B) Either:

(i) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or

(ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Indenture, and any moneys required pursuant to the Indenture (with respect to all Outstanding Bonds or any part of

one or more series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Indenture.

The City shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

Each Series of Additional Bonds issued pursuant to Section 2.7 of the Indenture shall be equally and ratably secured under the Indenture with the Series 2021 Bonds and all other Series of Additional Bonds, if any, issued pursuant to the provisions under Section 2.7 of the Indenture, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture.

Notwithstanding anything in the Indenture to the contrary, no Series of Additional Bonds shall be issued unless the State Aid Depository Agreement, the Tax Compliance Documents and the Installment Sale Agreement are in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default.

Creation of Funds and Accounts. The Issuer establishes and creates the following special trust Funds and Accounts comprising such Funds: (1) Project Fund; (2) Bond Fund with (a) Principal Account (b) Interest Account and (c) Redemption Account; and (3) Rebate Fund.

All of the Funds and Accounts created under the Indenture shall be held by the Trustee. Additional Accounts, including Accounts within the Project Fund, shall be established upon the issuance of a Series of Additional Bonds. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate and be subject to the lien of the Indenture (except moneys deposited in the Rebate Fund).

The amounts deposited in the Funds and Accounts (except the Rebate Fund) created under the Indenture shall be subject to a security interest, lien and charge in favor of the Trustee (for the benefit of the Holders of the Bonds) until disbursed as provided in the Indenture, subject to the provisions of the Indenture.

Project Fund. There shall be deposited in the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture or otherwise required to be deposited therein pursuant to the Installment Sale Agreement. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Bondholders, until disbursed as provided in the Indenture. The Trustee shall apply the amounts on deposit in the Project Fund to the payment, or reimbursement, to the extent the same have been paid by or on behalf of the School Parties or the Issuer, of Project Costs.

The Trustee is authorized to disburse from the Project Fund the amount required for the payment of Project Costs and is directed to issue its checks (or make wire transfers if requested by the City) for each disbursement from the Project Fund, upon a requisition submitted to the Trustee, signed by an Authorized Representative of the JSCB.

The completion of the New Community School Project or abandonment thereof shall be evidenced by the filing of a certificate of an Authorized Representative of the JSCB in accordance with the Installment Sale Agreement. Upon the filing of such certificate, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be deposited in the Bond Fund for redemption of the Bonds.

In the event the City shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the Installment Sale Agreement, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be deposited in the Bond Fund for redemption of Bonds.

All earnings on amounts held in the Project Fund, excluding earnings required no less frequently than quarterly to be transferred to the Rebate Fund in compliance with the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be maintained within the Project Fund and made available for Project Costs.

Upon the occurrence and during the continuance of an Event of Default, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be deposited in the Bond Fund to be applied toward redemption of the Series 2021 Bonds.

Proceeds of insurance, condemnation awards or conveyance of one or more Facilities in lieu of condemnation deposited in the Project Fund pursuant to the Installment Sale Agreement shall be disbursed in accordance with the Indenture to pay costs of replacement, repair, rebuilding in or relocation of the affected Facility or to payment of Project Costs as shall otherwise be approved by Nationally Recognized Bond Counsel and permitted under the Yonkers Schools Act or after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments Into Rebate Fund; Application of Rebate Fund” below, transferred to the Bond Fund to be applied toward redemption of the applicable Series of Bonds.

Payments into Bond Fund. On or before November 10 of each Fiscal Year, commencing November 10, 2020, the Trustee shall deliver a Base Facilities Agreement Payment Certificate (computed as of the immediately preceding last Business Day of October of such Fiscal Year) to the Depository Bank, the Commissioner of Finance and the Collecting Officer in accordance with the State Aid Depository Agreement. The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) Proceeds from the Series 2021 Bonds shall be deposited in the Interest Account of the Bond Fund pursuant to Section 4.1 (a) of the Indenture. Upon the issuance of any Series of Additional Bonds, there shall be deposited in the Interest Account of the Bond Fund such amount, if any, of the proceeds of such Series of Additional Bonds as may be set forth in the related Supplemental Indenture.

(b) Moneys received from the Depository Bank pursuant to Section 202(g)(i) (first) of the State Aid Depository Agreement shall be deposited into the Bond Fund and applied first, to the payment of interest (and deposited in the Interest Account), second, to the payment of principal (and deposited in the Principal Account), and third, to the payment of sinking fund payments (and deposited in the Redemption Account).

(c) Moneys received from the State Comptroller pursuant to Section 5.4 of the Indenture in respect of Installment Purchase Payments and available for the payment of interest on the Bonds, which, subject to the priority for the application of such moneys so received set forth in Section 5.4 of the Indenture, shall be placed in the Interest Account of the Bond Fund and applied, together with amounts available in the Interest Account, to the payment of interest on the Bonds.

(d) Moneys received from the State Comptroller pursuant to Section 5.4 of the Indenture in respect of Installment Purchase Payments and available for the payment of principal of the Bonds, which, subject to the priority for the application of such moneys so received set forth in Section 5.4 of the Indenture, shall be placed in the Principal Account of the Bond Fund and applied, together with amounts available in the Principal Account, to the payment of principal of the Bonds.

(e) Moneys received from the State Comptroller pursuant to Section 5.4 of the Indenture in respect of Installment Purchase Payments and available for the payment of the Redemption Price of Bonds to be redeemed in whole or in part, which, subject to the priority for the application of such moneys so received set forth in Section 5.4 of the Indenture, shall be placed in the Redemption Account of the Bond Fund and applied, together with amounts available in the Redemption Account, to the payment of the Redemption Price of Bonds to be redeemed in whole or in part.

(f) The excess amounts referred to in the fourth sentence of Section 5.6(c) of the Indenture, which shall be credited to the Interest Account of the Bond Fund.

(g) Moneys transferred by the Trustee from the Redemption Account of the Bond Fund which shall be deposited in either the Interest Account or Principal Account of the Bond Fund, as so directed by an Authorized Representative of the City.

(h) Moneys transferred by the Trustee from the Project Fund to the Redemption Account of the Bond Fund as provided in Section 5.2 of the Indenture (after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and Section 5.11 of the Indenture), which amounts shall be held separately by the Trustee in a restricted subaccount, and may be invested, until applied to the redemption of the applicable Series of Bonds in accordance with Section 2.3(c) of the Indenture, by the Trustee at the direction of the City, and otherwise in accordance with the requirements of Section 5.7 of the Indenture, except the certification by the City required by Section 5.7 of the Indenture shall include an additional certification by the City that the contemplated investment is not at a yield in excess of the yield on the related Series of Bonds.

(i) All other receipts when and if required by the State Aid Depository Agreement, by the Installment Sale Agreement, by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in Section 8.3 of the Indenture) to the Redemption Account of the Bond Fund and applied as provided in Section 5.6(c) of the Indenture.

In the event that any Installment Purchase Payment received by the Trustee shall be an amount insufficient to pay the interest, principal and sinking fund payments next coming due on the Bonds, such amount shall be applied first, to the payment of interest, second, to the payment of principal, and third, to the payment of sinking fund payments.

State and/or School Aid Intercept. Pursuant to the Yonkers Schools Act, in the event the City or the YCSD shall fail (for any reason, including the failure of the State or appropriate legislative body of the City to appropriate moneys for such purpose) to make a payment under the Installment Sale Agreement in the amount and by the date the same is due, as set forth in the Indenture, of which failure the Trustee has actual knowledge in the case of a failed Installment Purchase Payment (or other failed

payment payable to the Trustee in its capacity as Trustee), or, in the case of any other failed payment of which the Trustee has received written notice from the party to whom such failed payment is owed under the Installment Sale Agreement, the Issuer irrevocably appoints the Trustee to act as its agent for the purpose of delivering a certificate to the State Comptroller (in substantially the form set forth in Appendix “C” attached to the Indenture), by no later than the next Business Day following the Trustee obtaining such actual knowledge or such notice of such failed payment, certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall, in accordance with the Yonkers Schools Act, withhold from the City and the YCSD any state and/or school aid payable to the City or the YCSD to the extent of the amount so stated in such certificate of the Trustee as not having been made, and the State Comptroller shall immediately pay over to the Trustee on behalf of the Issuer, the amount of such state and/or school aid so withheld. In the event that the State Comptroller should receive more than one such certificate from one or more Series Trustee, the Comptroller shall disburse such amounts so withheld on a *pari passu* basis with respect to any and all outstanding Series of Bonds. All such state and/or school aid so received shall be applied, *first*, to deposit in the Interest Account of the Bond Fund to the extent of any deficiency therein, *second*, to deposit in the Principal Account of the Bond Fund to the extent of any deficiency therein, *third*, to deposit in the Redemption Account of the Bond Fund to the extent of any deficiency therein, *fourth*, to satisfy any obligation of the YCSD under certain indemnification provisions of the Installment Sale Agreement, *fifth* to satisfy any obligation of the JSCB on the YCSD under the liability insurance provisions of the Installment Sale Agreement, and *sixth*, to satisfy any other obligations of the School Parties under the Installment Sale Agreement.

The appointment by the Issuer of the Trustee as agent as above-described shall be deemed a non-exclusive but irrevocable appointment (coupled with an interest) and the Issuer may appoint any other Series Trustee to similar purpose under the related Series Indenture. The Trustee accepts such agency and agrees so to act on behalf of the Issuer. Any amounts of such state and/or school aid received by the Trustee from the State Comptroller shall, subject to the priority set forth in the preceding paragraph, be deemed to satisfy the obligation of the City and the YCSD to make such defaulted payment to the extent of the amount received. Any amounts of such state and/or school aid received by the Trustee from the State Comptroller that are not in respect of Installment Purchase Payments shall forthwith be forthwith paid to or upon the order of the Issuer.

The Issuer covenants and agrees that it shall enter into no agreement, indenture or other instrument, including any Series Indenture or Series Facilities Agreement, in connection with the issuance of a Series of Project Bonds under a Series Indenture which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept under the Yonkers Schools Act of state and/or school aid payable to the City or the YCSD than the pledge effected pursuant to the Indenture; provided, however, that nothing contained in the Indenture shall be deemed (y) to limit or deny the ability of the Issuer or any other public entity, in connection with the issuance of another Series of Project Bonds, to pledge such State Aid to Education on a parity with the pledge effected under the Indenture, or (z) to require that any Series of Project Bonds issued under any other Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any payment dates under a Series Facilities Agreement be the same as those under the Installment Sale Agreement.

Application of Bond Fund. The Trustee shall: (i) on each Interest Payment Date on the Bonds pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Bonds; and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any redemption of Bonds.

The Trustee shall on each principal payment date on the Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if any, due on the Bonds, upon the presentation and surrender of the requisite Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Bonds).

Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the City, as promptly as practicable, to the purchase of Bonds of a Series as directed by the City at prices not exceeding the Redemption Price thereof applicable on the earliest date upon such Series of Bonds are next subject to optional redemption, plus in each case accrued interest to the date of redemption (accrued interest on such Bonds being payable out of the Interest Account of the Bond Fund). Any Bonds purchased in lieu of a mandatory redemption shall be surrendered to the Trustee for cancellation. Any amount in the Redemption Account not so applied to the purchase of Bonds by forty-five (45) days prior to the next date on which the Bonds are so redeemable shall be applied to the redemption of Bonds on such redemption date; provided that if such amount aggregates less than \$5,000, it need not be then applied to such redemption. Any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with the section under the heading "Defeasance" below) shall be transferred to the Interest Account. The Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the section under the heading "Selection of Bonds to be Redeemed" below. Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Bonds being redeemed plus interest on such Bonds accrued to the redemption date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund).

Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Interest Account or the Principal Account of the Bond Fund, as directed by an Authorized Representative of the City.

In the event of the issuance of a Series of Refunding Bonds pursuant to the section under the heading "Additional Bonds" above, the Trustee shall, upon the written direction of the City, withdraw from the specified Accounts of the Bond Fund those amounts deposited in each such Account so specified held for the payment of the principal, Sinking Fund Installments, Redemption Price and interest on the Series of Bonds or principal portion thereof to be refunded, provided, however, that such withdrawal shall not be made unless (i) immediately thereafter, the Series of Bonds or principal portion thereof being refunded shall be deemed to have been paid pursuant to the section under the heading "Defeasance" below, and (ii) the amount remaining in each Account of the Bond Fund after such withdrawal shall not be less than that amount otherwise then required to be on deposit in each such Account to pay the principal, Sinking Fund Installments, Redemption Price and interest of those Series of Bonds or principal portions thereof not being refunded.

Investment of Funds and Accounts. Amounts in the Bond Fund, the Project Fund and the Rebate Fund, may, if and to the extent then permitted by law, be invested only in Qualified Investments. Any investment authorized by the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the written request of an Authorized Representative of the City. Any investment under the Indenture shall be made in accordance with the Tax Compliance Documents, and the City shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund. Net income or gain received and collected from such investments

shall in the case of the Project Fund or the Bond Fund, be credited and losses charged to such Fund, as applicable, subject however to Section 5.11 of the Indenture.

Upon timely request of an Authorized Representative of the City, the Trustee shall notify the City ten (10) days prior to each Installment Purchase Payment Date under the Installment Sale Agreement of the amount of such net investment income or gain received and collected subsequent to the last such Installment Purchase Payment and the amount then available in the Project Fund and in each Account of the Bond Fund.

Upon the written direction of an Authorized Representative of the City, the Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of this Article. The Trustee shall not be liable for any losses incurred as a result of actions taken in good faith in accordance with Section 5.7(c) of the Indenture. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency and the City.

In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at fair market value as determined by the Trustee on the last Business Day of each October.

The fair market value of Qualified Investments shall be determined as follows:

- (1) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*), the average bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (2) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*, the average bid price at such nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or as quoted in the Interactive Data Service; and
- (3) as to certificates of deposit and bankers acceptances and other investments, the face amount thereof, plus accrued interest.

If more than one provision of this definition of “fair market value” shall apply at any time to any particular investment, the fair market value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Neither the Trustee nor the Agency shall be liable for any loss arising from, or any depreciation in the value of any obligations in which moneys of the Funds and Accounts shall be invested. The investments authorized by Section 5.7 of the Indenture shall at all times be subject to the provisions of applicable law, as amended from time to time.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture (excluding the Rebate Fund) and all investments made therewith shall be held by the Trustee in trust for the benefit of the Bondholders and

while held by the Trustee constitute part of the Trust Estate, and be subject to the lien of the Indenture. Moneys held by the Depository Bank under the State Aid Depository Agreement are not part of the Trust Estate unless and until the same are transferred to the Trustee for deposit in the Bond Fund in accordance with the State Aid Depository Agreement. Moneys held by the Trustee in the Rebate Fund are not part of the Trust Estate nor subject to the lien of the Indenture.

Repayment to the City For the Benefit of the YCSD from the Funds. After payment in full of the Bonds (in accordance with the defeasance provisions of the Indenture) and the payment of all fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents and all other amounts required to be paid under the Indenture and under each of the Security Documents, and the payment of any amounts are required to be rebated to the federal government pursuant to the Indenture and the Tax Compliance Documents, all amounts remaining in the Project Fund and the Bond Fund shall be paid to the City for the YCSD upon the expiration or sooner or later termination of the term of the Installment Sale Agreement.

Payments into Rebate Fund; Application of Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bondholder or any other Person.

The Trustee, following the receipt of a certificate of written direction from an Authorized Representative of the City pursuant to the Tax Compliance Documents, shall deposit in the Rebate Fund that amount from the Project Fund, as shall be so specified in such certificate of written direction as necessary to satisfy the requirements of the Tax Compliance Documents. .

In the event that the amount on deposit in the Rebate Fund exceeds the Rebate Requirement as determined in accordance with the Tax Compliance Documents, the Trustee, upon the receipt of written instructions from an Authorized Representative of the City, shall withdraw such excess amount and deposit it: (i) to any Account of the Project Fund; or (ii) to the Interest Account of the Bond Fund, as the City shall determine.

The Trustee, upon receipt of written instructions from an Authorized Representative of the City, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series of the Bonds, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Requirement with respect to such Series of Bonds as of the date of such payment and (ii) notwithstanding the provisions of the section under the heading "Defeasance" below, not later than thirty (30) days after the date on which all Bonds have been paid in full, 100% of the Rebate Requirement as of the date of payment.

The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from an Authorized Representative of the City to make such transfer.

Selection of Bonds to Be Redeemed. In the event of redemption of less than all the Outstanding Bonds of the same Series and maturity for which there is more than one registered Bond, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair. In the event of redemption of less than all the Outstanding Bonds of the same Series stated to mature on different dates, the principal amount of such Series of Bonds to be redeemed shall be applied in such order of maturity as shall be directed by an Authorized Representative of the City delivered to the Trustee, or, in the absence of any such direction, inverse order of maturity of the Outstanding Series of Bonds to be redeemed and randomly within a maturity; provided, however, that

in the case of any redemption of a Series of Bonds in accordance with the Indenture, the Authorized Representative of the City shall select the Bonds to be redeemed only (x) in inverse order of maturity, or (y) proportionately to each Outstanding maturity of the Bonds of such Series. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for: (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption; and (b) delivery to such Holder of a new Bond or Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

No Partial Redemption After Default. Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default thereunder, there shall be no redemption of less than all of the Bonds Outstanding other than a redemption required with respect to excess bond proceeds or insurance or condemnation proceeds unless there shall have been delivered to the Trustee an opinion of Nationally Recognized Bond Counsel that the failure to redeem Bonds to the extent of such proceeds shall not have an adverse effect on the tax-exempt status of interest on the Bonds.

Payment of Principal and Interest. The Issuer covenants that it will from the sources contemplated by the Indenture promptly pay or cause to be paid the principal of and interest on the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, redemption premium, if any, or interest on the Bonds or the Redemption Price, if any, together with interest accrued thereon to the date of redemption or for any claim based thereon against any such member, officer, director, employee or agent or against any natural person executing the Bonds. Neither the Bonds, the principal thereof, the interest thereon, nor the Redemption Price thereof, if any, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor. The Issuer shall not be required under the Indenture or the Installment Sale Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the Installment Purchase Payments pledged to the payment of the Bonds, and (iii) any income or gains therefrom.

Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the IDA Act, and the Yonkers Schools Act, to issue the Bonds authorized by the Indenture and to execute the Indenture, to sell its interest in the Facilities pursuant to the Installment Sale Agreement, to assign the Installment Sale Agreement and to pledge the Installment Purchase Payments pledged in the manner and to the extent set forth in the Indenture; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture have been

duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Issuer according to the import thereof.

Creation of Liens; Indebtedness; Sale of Facilities. Except to the extent contemplated in the last paragraph under the heading “State and/or School Aid Intercept” above with respect to the issuance of Project Bonds under a Series Indenture other than the Indenture, the Issuer shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture, the Pledge and Assignment and the Installment Sale Agreement. The Issuer further covenants and agrees not to sell (except pursuant to the Installment Sale Agreement), convey, transfer, lease, sublease, mortgage or encumber the real property constituting part of the Facilities or any of them or any part of such real property, except as specifically permitted under the Indenture and the Installment Sale Agreement, so long as any of the Bonds are Outstanding. The Issuer shall have no pecuniary liability for its covenants set forth in the Indenture, including those described under this heading.

Issuer Tax Covenant. The Issuer covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the School Parties or the Trustee, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance.

Events of Default; No Acceleration of Due Date. Each of the following events shall constitute an “Event of Default”:

(1) Failure to duly and punctually pay the interest on any Bond when the same shall become due and payable;

(2) Failure to duly and punctually pay the principal or redemption premium, if any, of any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise;

(3) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in subparagraphs (1) and (2) above) and (A) continuance of such failure for a period of thirty (30) days after receipt by the Issuer and the School Parties of written notice specifying the nature of such default from the Trustee, or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Issuer or the School Parties fail to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; and

(4) The occurrence of an “Event of Default” under Section 8.1(c) of the Installment Sale Agreement.

In no event shall the principal of any Bond be declared due and payable in advance of its final stated maturity, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

Enforcement of Remedies. Subject to the last paragraph of the immediately preceding heading, upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may

proceed and, upon the written request of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding to protect and enforce its rights and the rights of the Bondholders under the IDA Act, the Yonkers Schools Act, the Bonds, the Installment Sale Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity (including mandamus) or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or in the IDA Act or the Yonkers Schools Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable, to the extent permitted by law.

In the enforcement of any right or remedy under the Indenture, under any other Security Document, under the IDA Act or under the Yonkers Schools Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Issuer, for principal, interest, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the School Parties or the Issuer or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and in each case furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

Application of Revenues and Other Moneys After Default. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the provisions of the Indenture relating to compensation of the Trustee, the Bond Registrar and the Paying Agents, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall

not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

After payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, the funds realized following the occurrence of an Event of Default shall be applied *first*, as provided in paragraph First and Second of this heading; *second*, to pay any amounts which the School Parties are required to rebate to the federal government pursuant to the Indenture and the Tax Compliance Documents; *third*, to satisfy any obligation of the YCSD regarding indemnification of the Issuer and the Trustee; *fourth*, to satisfy any obligation of the JSCB and the YCSD regarding the maintenance of liability insurance; and *fifth*, to satisfy any other obligations of the School Parties under the Installment Sale Agreement. Nothing outlined under this heading shall be deemed to modify the application of state and/or school aid payable to City or the YCSD pursuant to the provisions outlined above under the heading "State and/or School Aid Intercept."

Whenever moneys are to be applied pursuant to the above provisions, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such written notice to all Bondholders promptly upon receipt of the deposit with it of any such moneys of such deposit and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Actions by Trustee. All rights of actions under the Indenture, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions outlined above under the heading "Application of Revenues and Other Moneys After Default," be for the equal benefit of the Holders of the Outstanding Bonds.

Majority Bondholders Control Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Individual Bondholder Action Restricted. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Security Document or by the IDA Act or the Yonkers Schools Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions described under the headings “Application of Revenues and Other Moneys After Default” and “Bond Insurer or Majority Bondholders Control Proceedings” above, be for the equal benefit of all Holders of the Outstanding Bonds, to the extent permitted by law.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal or Redemption Price, if applicable, of, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner provided in the Indenture and in said Bonds expressed.

Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Issuer, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or existing at law or in equity or by statute.

Delay or Omission. No delay or omission of the Trustee, of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Notice of Default. The Trustee shall promptly mail to the Issuer, to registered Holders of Bonds and to the School Parties by registered or certified mail, postage prepaid, return receipt requested, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required under this heading.

Waivers of Default. The Trustee shall waive any default under the Indenture and its consequences only upon the written request of the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee and reasonable legal fees and expenses in connection with such default shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other default, or impair any right consequent thereon.

Indemnity. The Trustee shall be under no obligation to institute any suit, or to take any remedial action under the Indenture or under any other Security Document or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created or in the enforcement of any rights and powers under the Indenture, or under any other Security Document, until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct, unlawful conduct or gross negligence.

Approvals or Consents by Trustee. The Trustee shall grant no approval, request or consent under the Security Documents except at the direction of the Holders of a majority in aggregate principal amount of the affected Series of Bonds Outstanding.

Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Installment Sale Agreement and any other amounts required to be rebated to the federal government pursuant to the Tax Compliance Documents or the Indenture, shall be paid in full or duly provided for, then the pledge of the Installment Purchase Payments under the Indenture and the estate and rights thereby granted, and all covenants, agreements and other obligations of the Issuer to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below. At the time of such cessation, termination, discharge and satisfaction, the Trustee and the Paying Agents shall pay over or deliver to the City for the benefit of the YCSD or on its order all moneys or securities held by them pursuant to the Indenture which are not required: (i) for the payment of principal or Redemption Price, if applicable, or interest on Bonds not theretofore surrendered for such payment or redemption; (ii) for the payment of all such other amounts due or to become due under the Security Documents; or (iii) for the payment of any amounts to the federal government under the Tax Compliance Documents or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (and/or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the

maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in first paragraph under this heading, if: (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice; and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds upon surrender thereof of the full amount to which they would be entitled by way of principal or Redemption Price and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment.

Prior to any defeasance becoming effective as provided in the immediately preceding paragraph, there shall have been delivered to the Issuer and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel addressed to, and acceptable in form and substance to, the Issuer and the Trustee to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and that the Bonds being defeased are no longer "Outstanding" under the Indenture; (B) a verification report from an independent certified public accountant or firm of independent certified public accountants or other recognized consultant or verification agent (in each case reasonably acceptable to the Issuer and to the Trustee) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, interest on, and redemption premium, if any, of the Bonds to be defeased on the maturity or redemption date, as applicable; (C) an escrow deposit agreement (reasonably acceptable to the Issuer and the Trustee); and (D) a certificate of discharge of the Trustee with respect to the Bonds being defeased.

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

- (1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action is not materially adverse to the interests of the Bondholders.
- (2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (3) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the Installment Purchase Payments or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure the federal tax exemption of the interest on the Bonds.

(7) To authorize the issuance of a Series of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture.

(8) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(9) To effect the delivery of a Credit Facility and/or a Qualified Swap for a Series of Bonds.

(10) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of either thereof under the Trust Indenture Act of 1939 or any similar federal statute in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(11) To permit the appointment of a co-trustee under the Indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the Indenture, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms.

Supplemental Indentures With Consent of Bondholders. Subject to the terms and provisions contained in the Indenture, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that if any such Supplemental Indenture would affect only the Holders of a single Series of Bonds then Outstanding, then only the consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding of such affected Series of Bonds shall be required. Nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, or a change in the method of determining the rate of interest on any Bond, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of Installment Purchase Payments other than the liens or pledge created by the Indenture, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this paragraph, without, in the case of items (ii) through and including (v) of this paragraph, the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds.

If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the purposes of this heading, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to S&P, Moody's and all Bondholders at least ten (10) days prior to the effective date thereof. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

Within one year after the date of such notice, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Holders of not less than a majority, or one hundred percent (100%), as the case may be, in aggregate principal amount of the Bonds then Outstanding (or, if such Supplemental Indenture shall affect only a single Series of Bonds, then only the written consent of the written consents of the Holders of not less than a majority in aggregate principal amount of the affected Series of Bonds Outstanding); and (ii) an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

The Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of this Section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Rights of School Parties. Any Supplemental Indenture which materially and adversely affects any rights, powers and authority of the School Parties under the Installment Sale Agreement or requires a revision of the Installment Sale Agreement shall not become effective unless and until the School Parties shall have given their written consent to such Supplemental Indenture signed by an Authorized Representative of each of the School Parties.

Amendments of Related Security Documents Not Requiring Consent of Bondholders. Subject to the heading immediately below, the Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to provide for the issuance of a Series of Additional Bonds; (v) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (vi) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture; and (vii) to make any other change that, in the judgment of the Trustee

(which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to the Indenture. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Bonds Outstanding.

Amendments of Related Security Documents Requiring Consent of the Bondholders. Except as provided in the immediately preceding heading, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding given and procured as provided in the heading “Supplemental Indentures with Consent of Bondholders” above (or, if such amendment, change or modification shall only affect one Series of Bonds, the consent of the Holders of not less than a majority in aggregate principal amount of the affected Series of Bonds Outstanding); provided, however, there shall be no amendment, change or modification to (i) the obligation of the City and the YCSD to make Installment Purchase Payments under the Installment Sale Agreement (except as provided therein or in connection with the issuance of a Series of Additional Bonds), without the prior written approval of the Holders of 100% in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the heading “Supplemental Indentures With Consent of Bondholders” above (or, if such amendment, change or modification shall affect only one Series of Bonds, the consent of the Holders of one hundred percent (100%) in aggregate principal amount of the affected Series of Bonds Outstanding), or (ii) the Tax Compliance Documents without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on such Series of Bonds to become includable in gross income for Federal income tax purposes. If at any time the School Parties shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed to the same Persons and in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exemption from federal income taxation of interest on any Series of Bonds Outstanding.

SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT SALE AGREEMENT

The following is a summary of certain provisions of the Installment Sale Agreement. This summary is qualified in its entirety by reference to the document itself.

Sale of the Facilities. The Issuer sells to the City and the YCSD, and the City and the YCSD purchase from the Issuer, the Issuer's interest in the Project Site and improvements comprising the Facilities and Equipment in their "as is," "where is" and "subject to all faults condition" and upon and subject to the terms and conditions set forth in the Installment Sale Agreement. The YCSD shall at all times during the Agreement Term occupy, maintain, use and operate the Facilities, or cause the Facilities to be occupied, maintained, used and operated, in the same manner as existing school buildings owned by the City and operated and maintained by the YCSD as of the Closing Date and as a "project" in accordance with the provisions of the Yonkers Schools Act and the IDA Act and for the general purposes specified in the recitals to the Installment Sale Agreement. The YCSD shall not occupy, use or operate the Facilities or allow the Facilities or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting the Facilities or which may constitute a nuisance, public or private.

Agreement Term. The Agreement Term shall commence on [September 16, 2021, and shall expire on midnight (New York City time) on September 15, 2051] (but in no event sooner than the date upon which the Bonds shall cease to be Outstanding and the lien of the respective Series Indenture shall have been discharged) or such earlier date as the Bonds shall cease to be Outstanding and all amounts payable by the YCSD and/or the City hereunder have been paid in full. The Issuer hereby delivers to the YCSD and the YCSD hereby accepts sole and exclusive possession of the Facilities, subject to the terms and conditions herein set forth. The Issuer makes no representations whatsoever in connection with the condition of the Facilities, and the Issuer shall not be liable for any defects therein.

Termination of License. The Issuer's interest in the Facilities shall be conveyed (subject to the terms of the Security Documents) from the Issuer to the YCSD and the City upon the date of completion or abandonment of the New Community School Project, as evidenced by the certificate of the JSCB delivered in accordance with the Installment Sale Agreement. The Installment Sale Agreement shall survive the transfer of the Issuer's interest in the Facilities to the YCSD and the City and shall remain in full force and effect until all of the principal of, and interest and premium, if any, on the Bonds and all other sums payable by the YCSD and/or the City under the Project Documents shall have been paid in full, and thereafter the indemnification obligations of the YCSD and release by the School Parties shall survive as set forth in the Installment Sale Agreement.

The New Community School Project. Pursuant to the License and the Bill of Sale to Issuer, respectively, the City and the YCSD have vested the Issuer with a valid license in the Facilities and title to the Equipment, which interest and title the Issuer is selling to the YCSD and the City, subject to the terms and conditions set forth in the Installment Sale Agreement.

As promptly as practicable after receipt of the proceeds of sale of a Series of Project Bonds, and out of said proceeds of sale, the JSCB will proceed as agent for and on behalf of the Issuer to effect the construction, rehabilitation, reconstruction, and/or equipping of the respective Project, the costs thereof to be paid from the proceeds of sale of such Series of Project Bonds deposited in the Project Fund established under the applicable Series Indenture. The JSCB agrees that it will use its best efforts to cause each Project, the costs of which are financed with a Series of Project Bonds, to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control (as applicable) only excepted. The City and the YCSD agree that no delay in the completion of a Project, the costs of which are financed with a Series of Project Bonds, shall be the basis for any diminution in or postponement of the amounts payable hereunder by the City and the YCSD. In order to effect management of such work, with respect to each Project, the JSCB has entered into the Program Manager Agreement and as soon as practicable after the applicable Closing Date will enter into one or more Construction Contracts for construction and completion of the respective Project, the costs of which are financed with a Series of Project Bonds, in accordance with the applicable Plans and Specifications and construction schedule approved by the City Engineer. The Program Manager Agreement, each Construction Contract and each other agreement, contract, purchase order or other obligation entered into by the JSCB as agent for the Issuer shall expressly provide that the Issuer shall have no liability thereunder, except to the extent of proceeds from the sale of the Bonds which may be available therefor. As soon as practicable after the Closing Date, the JSCB shall enter into contracts with one or more Architects for completion of the Design Phase. The Issuer shall not be liable in any manner for payment or otherwise to any contractor, subcontractor, laborer or supplier of materials in connection with the purchase of any materials to be incorporated into a Facility or Facilities, except to the extent and solely from the proceeds of sale of the Bonds. In the event that moneys in the applicable Accounts within a Project Fund are not sufficient to pay the costs necessary to complete the work with respect to a Project, or pay applicable Costs or Project Costs with respect to a Project in full, none of the School Parties shall be entitled to any reimbursement therefor from the Issuer, a Series Trustee or the Holders of any of the Bonds (except from proceeds of Additional Bonds which may be issued for that purpose), nor shall the City and YCSD be entitled to any diminution of the Base Installment Purchase Payments, Installment Purchase Payments or Additional Payments to be made under the Instalment Sale Agreement.

As between the Issuer and the JSCB, the JSCB, acting specifically as agent for the benefit of the Issuer, shall be responsible for the letting and supervision of contracts for the acquisition, construction, reconstruction, and equipping of a Facility, acceptance of a completed Facility or parts thereof, and all other matters incidental thereto. All contractors, materialmen, vendors, suppliers and other companies, firms or persons furnishing labor, services, equipment, furnishings or materials for or in connection with the work with respect to a Facility shall be designated by the JSCB, either on its own or as agent for the Issuer.

As between the Issuer, on the one hand, and the School Parties, on the other hand, the School Parties shall pay: (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance and transfer of an interest in the Facilities to the Issuer pursuant to the License, the Bill of Sale to Issuer, the delivery of any instruments and documents and their filing and recording, if required; (ii) all taxes and charges payable, if any, in connection with such conveyance and transfer, or attributable to periods prior to such conveyance and transfer;

and (iii) all expenses or claims incurred in connection with completion of a Project, the costs of which are financed with a Series of Project Bonds, and not funded from the proceeds of sale of such Series of Project Bonds (or any other Series of Additional Bonds).

The City and YCSD covenant and agree to continue the [Cooperation Agreement as amended] for its entire term and such additional terms as shall be required to complete all of the Projects financed with Series of Project Bonds.

The JSCB covenants that, at all times as it shall be effecting the work on a Project, the costs of which are financed with one or more Series of Project Bonds it will comply with all laws, acts, rules, regulations, permits, orders and requirements lawfully made, of any Federal, State, legislative, executive, administrative or judicial body, commission or office exercising any power of regulation or supervision over such work or over the manner of construction or operation thereof and with the conditions and requirements of all policies of liability insurance as specified in the Installment Sale Agreement. Upon completion of the work with respect to the Facilities, the JSCB will promptly obtain or cause to be obtained all required occupancy and operation permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of such Facility for the purposes contemplated by the Installment Sale Agreement and shall furnish copies of same to the Applicable Trustee, immediately upon receipt thereof.

The JSCB further covenants that all contracts entered into by the JSCB for a Project, the costs of which are financed with one or more Series of Project Bonds in connection with the design, construction, rehabilitation, reconstruction and/or equipping of a Facility shall: (i) be made in accordance with applicable law, including, but not limited to, the Yonkers Schools Act; (ii) contain a provision that the design and construction standards therefor shall be subject to the review and approval of the New York State Education Department; and (iii) contain a provision that the contractor shall furnish a labor and material bond guaranteeing prompt payment of moneys that are due to all persons furnishing labor or materials pursuant to the related contract and a performance bond, complying with New York General Municipal Law § 103-f.

The JSCB also covenants to cause its contractors, architects, consultants and others with whom it contracts with respect to the design, construction, rehabilitation, reconstruction, and/or equipping of a Facility, to provide liability insurance coverage against all forms of risk which are appropriate, including general and professional liability insurance normally associated with the type and nature of the service, product or combination thereof, contracted to be provided by such contractors, architects, consultants and others, and to name the Issuer as an additional insured as its interest may appear. The JSCB shall promptly deliver to the Issuer appropriate certificates of insurance evidencing the amount and scope of all liability insurance provided by each contractor, architect, consultant or other person pursuant to a contract with the JSCB with respect to the design, construction, rehabilitation, reconstruction, equipping, operation, maintenance and/or repair or otherwise providing work with respect to a Facility.

Upon the completion or abandonment by the JSCB of the New Community School Project or any portion thereof, the JSCB shall deliver a certificate of an Authorized Representative of the JSCB to the Issuer and the Trustee to such effect.

Additional Facilities. The Issuer and the School Parties recognize that, under the provisions of and subject to the conditions set forth in each Series Indenture, a Series of Additional Bonds or additional Series of Project Bonds may be issued from time to time pursuant to separate Series Indentures to finance the costs of the acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of Facilities and/or Additional Facilities.

Payment of Installment Purchase Payments. Subject to Section 4.4 of the Installment Sale Agreement, the City and the YCSD agree to pay or cause to be paid, the Base Installment Purchase Payments, with respect to the Series 2021 Bonds, as originally reflected on **Schedule A** to the Agreement. Base Installment Purchase Payments and Installment Purchase Payments must be deposited by or on behalf of the City and the YCSD, as provided in the State Aid Depository Agreement, with the respective Series Trustee by no later than each Base Installment Purchase Payment Date and Installment Purchase Payment Date, as applicable; *provided, however*, that there shall be credited against any Base Installment Purchase Payments and Installment Purchase Payments any amounts available for such purposes and on deposit in the applicable Bond Fund, including any amounts deposited to a Bond Fund pursuant to Section 5.4 of the respective Series Indenture and any amounts deposited to a Bond Fund pursuant to Section 4.1(a) of the respective Series Indenture.

Notwithstanding the foregoing and schedule of Base Installment Purchase Payments and Installment Purchase Payments, in the event the YCSD shall have failed to appropriate by November 1, commencing November 1, 2022, that amount of State Aid to Education required to make (less any amount on deposit in a Bond Fund on such November 1 and available on such date), and for the stated purpose of making, the Base Installment Purchase Payment and/or the Installment Purchase Payment due on the immediately succeeding April 1 (as set forth in **Schedule A** hereto), then: (y) the YCSD shall promptly deliver written notice of such failure to the Issuer and each Series Trustee, and (z) that Base Installment Purchase Payment and/or Installment Purchase Payment next due on such immediately succeeding April 1 (less any amount on deposit in the applicable Bond Fund on such November 1 and available on such date) shall instead be due on the November 15 immediately following such November 1 as if that November 15 were the originally scheduled Base Installment Purchase Payment Date and/or Installment Purchase Payment Date. Base Installment Purchase Payments and Installment Purchase Payments must be deposited by or on behalf of the YCSD, as provided in the State Aid Depository Agreement, with the respective Series Trustee by no later than each Base Installment Purchase Payment Date and Installment Purchase Payment Date, respectively; *provided, however*, that there shall be credited against any Base Installment Purchase Payment and Installment Purchase Payment, as applicable, any amounts available for such purpose and on deposit in each Bond Fund, including any amounts deposited to the Bond Fund pursuant to Section 5.4 of the respective Series Indenture, and any amounts deposited to the Bond Fund pursuant to Section 4.1(a) of the respective Series Indenture.

The YCSD shall have the option to make from time to time prepayments in part of payments due as aforesaid Installment Purchase Payments, with respect to a Series of Project Bonds, together with interest accrued and to accrue and premium, if any, to be paid on the applicable Series of Project Bonds, if, but only if, such prepayment is to be used for the redemption or defeasance of such Series of Project Bonds. The Trustee shall apply such

prepayments in such manner consistent with the provisions of the Applicable Indenture as may be specified in writing by an Authorized Representative of the YCSD at the time of making such prepayment. Upon any such prepayment, the respective Series Trustee shall, if necessary, and as applicable, recalculate the schedule of Base Installment Purchase Payments or Installment Purchase Payments, as applicable as set forth in the applicable Schedule A with respect to the applicable Series of Project Bonds, in accordance with the applicable Series Indenture and deliver a revised schedule to the YCSD and the Issuer, and such revised schedule shall be deemed to replace the then-existing applicable **Schedule A**.

Direction as to Payment of Base Installment Purchase Payments and Installment Purchase Payments. Installment Purchase Payments shall be paid to the applicable Series Trustee for credit to the applicable Bond Fund under each Series Indenture.

Indemnification of the Issuer and Applicable Trustee and Limitation on Liability. The YCSD shall, to the maximum extent permitted by law, at all times protect, defend and hold the Issuer, any Series Trustee, any Bond Registrar, any Paying Agents and the Depository Bank and their respective officers, members, directors, employees and agents (collectively, the “*Indemnified Parties*”) harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature and however caused, and taxes (of any kind and by whomsoever imposed), other than, with respect to any Indemnified Party, losses arising from the gross negligence or willful misconduct of such Indemnified Party, arising upon or about any of the Facilities or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Projects and the marketing, remarketing, issuance and sale of the Bonds from time to time for such purpose, (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, furnishing, installation or financing of the Facilities or any part of any thereof or the effecting of any work done in or about any of the Facilities, (iii) any defects (whether latent or patent) in any of the Facilities, (iv) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of any of the Facilities or any portion thereof, or (v) any Project Document or other document or instrument delivered in connection herewith or therewith or the enforcement of any of the terms or provisions hereof or thereof or the transactions contemplated hereby or thereby. Such indemnification set forth above shall be binding upon the YCSD for any and all claims, demands, expenses, liabilities and taxes set forth herein and shall survive the termination of the Project Documents. Except as provided above, no Indemnified Party shall be liable for any damage or injury to the person or property of the any School Party or its officials, members, directors, officers, employees, agents or servants or persons under the control or supervision of any School Party, or any other Person who may be about any of the Facilities, due to any act or negligence of any Person other than for the gross negligence or willful misconduct of such Indemnified Party.

Each School Party releases each Indemnified Party from, and agrees, to the maximum extent permitted by law, that no Indemnified Party shall be liable for and agrees to defend, indemnify and hold each Indemnified Party harmless against any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters set forth in the Installment Sale Agreement or at the direction of any School Party with respect to any of such matters above referred to;

provided, however, that such indemnification by the YCSD shall not extend to any Indemnified Party whose gross negligence or willful misconduct resulted in such expense, loss, damage, injury or liability. An Indemnified Party shall promptly notify the YCSD in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the YCSD pursuant to the Installment Sale Agreement; such notice shall be given in sufficient time to allow the YCSD to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a defense under the Installment Sale Agreement nor in any way impair the obligations of the YCSD under the Installment Sale Agreement, except that if (i) the Indemnified Party shall have had knowledge or notice of such claim or action but shall not have timely notified the YCSD of any such claim or action, (ii) the YCSD shall have had no knowledge or notice of such claim or action, and (iii) the YCSD's ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the Indemnified Party, then the YCSD's obligation to so defend and indemnify such Indemnified Party shall be qualified to the extent (and only to the extent) of such material impairment.

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

Anything to the contrary in the Installment Sale Agreement notwithstanding, the indemnification, hold harmless and release covenants of the School Parties contained in the Installment Sale Agreement shall remain in full force and effect after the termination of the Installment Sale Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions therein specified.

None of the School Parties shall be deemed an employee, agent or servant of the Issuer or under the Issuer's control or supervision.

Nature of Obligations of the City and the YCSD. Except as otherwise provided under this heading, the obligation of the City and the YCSD to pay Installment Purchase Payments and Additional Payments shall be absolute and unconditional, and such Installment Purchase Payments and Additional Payments shall be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Applicable Trustee, any purchaser of any Bond or any other person, and whether or not the Facilities or any of them are used or occupied by the School Parties or available for use or occupancy by the School Parties.

The obligation of the YCSD to pay Installment Purchase Payments shall be deemed executory only to the extent of State Aid to Education appropriated by the State and available to the City and/or the YCSD for the purpose of the Installment Sale Agreement and the State Aid Depository Agreement, and moneys budgeted by the YCSD and appropriated by the City for such purpose, and no liability on account thereof shall be incurred by the City and the YCSD beyond the amount of such moneys; *provided however*, that the failure of the City and the YCSD for any reason (including a failure by the YCSD to budget for Installment Purchase Payments, a

failure by the City to approve a budget for the YCSD providing for payment of Installment Purchase Payments or a failure by the State to appropriate State Aid Revenues) to make an Installment Purchase Payment or an Additional Payment shall be deemed a failure to make a payment for purposes of the Installment Sale Agreement and the Yonkers Schools Act, and in such event, the Issuer has appointed the Applicable Trustee to act as its agent for purposes of taking action under the intercept provisions of the Yonkers Schools Act. Further, the obligation of the City and the YCSD to pay Installment Purchase Payments is not a general obligation of the City or the YCSD. Neither the full faith and credit of the City or the YCSD nor the taxing power of the City is pledged to the payment of any Installment Purchase Payment or Additional Payment due under the Installment Sale Agreement. However, the obligations of the YCSD and the City under the Installment Sale Agreement to pay Additional Payments shall be a general obligation of the City and the YCSD, executory, however, only to the extent of moneys budgeted by the YCSD and approved and appropriated therefor by the City. It is understood that neither the Installment Sale Agreement nor any representation by any public employee or officer creates any legal or moral obligation to appropriate or make moneys available for the purposes of the Installment Sale Agreement.

The obligations of the City and the YCSD under the Installment Sale Agreement, including their respective obligation to pay the Installment Purchase Payments and Additional Payments in any Fiscal Year for which the Installment Sale Agreement is in effect, shall constitute a current expense of the YCSD for such Fiscal Year and shall not constitute an indebtedness of the City or the YCSD within the meaning of any constitutional or statutory provision or other laws of the State. The only source of moneys available to the City and the YCSD for the payment of any Installment Purchase Payment coming due under the Installment Sale Agreement shall be moneys comprising State Aid to Education lawfully appropriated by the State and available therefor from time to time to or for the benefit of the YCSD, and approved and appropriated for such purpose by the City.

The YCSD agrees that (i) its proposed expense budget for each ensuing Fiscal Year commencing with the Fiscal Year ending June 30, 2023 shall include, either as a separate item of expenditure or as an expenditure within a budget item, the amount of Installment Purchase Payments and Additional Payments to come due in such next Fiscal Year; and (ii) it shall approve payment of such Installment Purchase Payments and Additional Payments after appropriation by the City therefor. The City agrees that it shall approve a budget for the YCSD containing such item of expenditure or budget item and appropriate sufficient funds each ending Fiscal Year commencing with the Fiscal Year ending June 30, 2023 to make the Installment Purchase Payments and Additional Payments to come due in such next Fiscal Year, provided, however, that any such appropriation (y) of Installment Purchase Payments shall only be payable by the City and the YCSD to the extent of State Aid Revenues, and (z) of Additional Payments shall only be payable by the City and the YCSD to the extent contained in the YCSD budget approved by the City.

Subject to the limitations contained in the second paragraph under this heading, none of the School Parties will terminate the Installment Sale Agreement (other than such termination as is provided for therein) or be excused from performing its obligations therein for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, failure of title, or frustration of purpose, or any damage to or

destruction of any of the Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of any of the Facilities, or the failure of the Issuer to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Installment Sale Agreement.

The School Parties presently intend to continue the Installment Sale Agreement for its entire term and to pay all Base Installment Purchase Payments and all Installment Purchase Payments specified in the schedule attached to the Installment Sale Agreement as such Base Installment Purchase Payments come due under the terms and provisions of the Installment Sale Agreement.

No provision contained above shall be deemed to limit, impair or modify the intercept provisions of the Yonkers Schools Act or the application of the implementing provisions of the Applicable Indenture.

For purposes of this heading, references to the “approval” of the YCSD budget by the City shall include the affirmative approval of the YCSD budget by ordinance of the City’s City Council approved by the Mayor of the City or, in the absence of such an ordinance, the effectiveness by the passage of time of an YCSD budget pursuant to the charter of the City.

Directed State Aid Revenues. Pursuant to instructions, the Commissioner of Finance of the City and the President of the Board of Education have directed the State Comptroller’s Office to deposit all State Aid to Education into the State Aid Depository Fund established under the State Aid Depository Agreement, and the Commissioner of Financer of the City and the President of the Board of Education have further instructed the Depository Bank, pursuant to the terms and provisions of the State Aid Depository Agreement, to transfer State Aid to Education to the Applicable Trustee and each other Series Trustee in accordance with the State Aid Depository Agreement for the purpose of, in the case of the Applicable Indenture, making deposits in the Bond Fund with respect to amounts due on the Bonds and for replenishing deficiencies in the Debt Service Reserve Fund. The City and the YCSD agree not to modify the procedures set forth in the State Aid Depository Agreement for the collection, deposit or disbursement of State Aid Revenues, except as and to the extent permitted under the State Aid Depository Agreement.

Each of the City and the YCSD acknowledges that, pursuant to the intercept provisions of the Applicable Indenture (and the Yonkers Schools Act), in the event of a failure to make a payment under the Installment Sale Agreement in the amount and by the date the same is due (for any reason, including the failure of the YCSD or the City to budget for and appropriate moneys for such purpose and approve payment thereof with moneys appropriated therefor), the Issuer has appointed the Applicable Trustee to act as its agent under the Applicable Indenture for the purpose of delivering a certificate to the State Comptroller certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall be authorized to withhold from the City and the YCSD such state and/or school aid as is payable to the City or the YCSD to the extent of the amount so stated in such certificate of the Applicable Trustee as not having been made, and the State Comptroller shall immediately pay over to the Applicable Trustee on behalf of the Issuer, the amount of such state and/or school aid so withheld. Notwithstanding anything to the contrary contained in the Installment Sale

Agreement, amounts of such state and/or school aid received by the Applicable Trustee on behalf of the Issuer and applied to the Installment Purchase Payments or Additional Payments shall be deemed to satisfy the obligation of the City and the YCSD to make such defaulted payment to the extent of the amount received.

Operation, Maintenance and Repair. During the Agreement Term, the YCSD shall be responsible for, and pay all costs of, operating the Facilities, maintaining the same in good and safe condition, and making all necessary repairs and replacements, interior and exterior, structural and non-structural. All replacements, renewals and repairs shall be equal in quality, class and value to the original work and be made and installed in compliance with the requirements of all governmental bodies. The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of any of the Facilities, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of any of the Facilities, or to furnish any utilities or services for any of the Facilities and the YCSD agrees to assume full responsibility therefor.

Utilities, Taxes and Governmental Charges. The YCSD will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Facilities during the Agreement Term.

In addition, the YCSD shall (i) pay, or make provision for payment of, all lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any Federal, state or any municipal government upon the Issuer, the City or the YCSD with respect to or upon any of the Facilities or any part thereof or upon any payments under the Installment Sale Agreement when the same shall become due; (ii) duly observe and comply with all valid requirements of any governmental authority relative to the Facilities; (iii) not create or suffer to be created any lien or charge upon any of the Facilities or any part of any thereof, except Permitted Encumbrances, or upon the payments in respect thereof under the Installment Sale Agreement; and (iv) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall come into force, any lien or charge upon any of the Facilities or any part of any thereof, except Permitted Encumbrances, or upon any payments under the Installment Sale Agreement and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Installment Sale Agreement.

Additions, Enlargements and Improvements. The YCSD shall have the right at any time and from time to time during the Agreement Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, any of the Facilities, as the YCSD shall deem necessary or desirable in connection with the use of such Facilities. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the value of the related Facility or the rental value thereof. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so that the affected Facility shall at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances.

Additional Rights of YCSD. The Issuer agrees that the YCSD shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense equipment (not constituting part of any Project) in or upon any Facility as may in the YCSD's judgment be necessary for its purposes. It is further understood and agreed that any equipment erected or installed under the provisions of this Section shall be and remain the personal property of YCSD and, if not constituting part of any Project shall not become subject to this Agreement, and may be removed, altered or otherwise changed, upon or before the termination hereof.

Liability Insurance. The JSCB shall maintain or cause to be maintained with responsible insurers, for the benefit of the Issuer and the Applicable Trustee until the later of the completion of the Projects in accordance with the provisions of the Installment Sale Agreement set forth under the heading "The Project Fund", the following kinds and the following amounts of insurance with respect to the Facilities, with such variations as shall reasonably be required to conform to customary insurance practice:

During any period of construction or reconstruction of any of the Facilities, Builders' Special Form Insurance written on "100% builders' risk completed value, non-reporting form" including coverage therein for "completion and/or premises occupancy" and coverage for property damage insurance, all of which insurance shall include coverage for removal of debris, insuring the buildings, structures, facilities, machinery, equipment, fixtures and other property included within reconstruction of any of the Facilities against loss or damage by fire, lightning, vandalism, malicious mischief and other casualties, with standard extended coverage endorsement covering perils of windstorm, hail, explosion, aircraft, vehicles and smoke (except as limited in the standard form of extended coverage endorsement at the time in use in the State) at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the School Parties, the Issuer or the Applicable Trustee from becoming a co-insurer of any loss under the insurance policies; any such insurance may limit coverage to \$20,000,000 for any one Facility;

During any period of construction or reconstruction of any of the Facilities, commercial public liability insurance with respect to the construction activities at the Facilities in a minimum amount of \$26,000,000 per occurrence and aggregate, which insurance may be effected under overall blanket or excess coverage policies, provided, however, that at least \$1,000,000 is effected by a comprehensive liability insurance policy; and

Workers' compensation insurance and such other forms of insurance which the City, the YCSD or the Issuer is required by law to provide covering loss resulting from injury, sickness, disability or death of the employees of any contractor or subcontractor performing work with respect to any of the Facilities included within the Projects; the JSCB shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by law.

Prior to the commencement of construction of the Facilities, the JSCB shall deliver or cause to be delivered to the Issuer and to the Applicable Trustee duplicate copies of insurance policies obtained by the JSCB under the Installment Sale Agreement and/or binders evidencing compliance with the insurance requirements of the Installment Sale Agreement. If any change shall be made in any such insurance, a description and written notice of such change shall be

furnished by the JSCB to the Issuer and the Applicable Trustee thirty (30) days in advance of such change.

At least thirty (30) days prior to the expiration of any insurance policy required under the Installment Sale Agreement, the JSCB shall furnish the Issuer and the Applicable Trustee with evidence that such policy has been renewed or replaced or is no longer required by the Installment Sale Agreement.

All insurance required by the Installment Sale Agreement above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

The JSCB shall, at its own cost and expense of the YCSD and the City, make all proofs of loss and take all other steps necessary or reasonably requested by the Issuer or the Applicable Trustee to collect from insurers for any loss covered by any insurance required to be obtained under this heading. A School Party shall not do any act, or suffer or permit any act to be done, whereby any insurance required under this heading would or might be suspended or impaired. The YCSD assumes all risks that the proceeds of any insurance may be inadequate to fully indemnify the Issuer and the Applicable Trustee against, or to reimburse the Issuer and the Applicable Trustee for, any loss, liability, claim or judgment arising out of any risk, peril or insurable loss under the insurance required by the Installment Sale Agreement. The YCSD acknowledges that the YCSD shall be solely responsible for the payment of any loss, liability, claim or judgment, or any portion thereof, falling within any deductible or self insured retention or which is in excess of any available insurance coverage.

Damage, Destruction or Condemnation. The School Parties agree to notify the Issuer and the Applicable Trustee immediately in the case of damage to or destruction of any Facility or any portion thereof in an amount exceeding \$100,000 resulting from fire or other casualty, and shall state the plans of the School Parties with respect to the repair, reconstruction and restoration of the affected Facility.

If any Facility or portion thereof shall be condemned or taken by eminent domain, the Installment Sale Agreement (with respect to the affected Facility or portion thereof) and the interest of the City and the YCSD thereunder shall terminate when title to such Facility or portion thereof vests in the party condemning or taking the same (hereinafter referred to as the “*termination date*”), and the School Parties will promptly give notice thereof to the Issuer and the Applicable Trustee, and shall state the plans of the School Parties with respect to the replacement or restoration of the affected Facility.

If any Facility shall be damaged or destroyed (in whole or in part), or the whole or any part of any Facility shall be taken or condemned by a competent authority or by agreement between the City and/or the YCSD and those authorized to exercise such right or if the temporary use of any Facility or any part thereof shall be so taken by condemnation or agreement (a “*Loss Event*”) at any time while the Installment Sale Agreement is in effect:

- (i) the Issuer shall have no obligation to replace, repair, rebuild, restore or relocate the affected Facility; and

(ii) there shall be no abatement or reduction in the amounts payable by the City and the YCSD under the Installment Sale Agreement (whether or not the affected Facility is replaced, repaired, rebuilt, restored or relocated); and

(iii) the proceeds derived from the insurance (after payment of all reasonable expenses, costs and taxes (including attorneys' fees) (the "*Net Proceeds*") incurred in obtaining such proceeds) shall be deposited in the Project Fund, and, subject to the provisions clause (iv) below, at the option of the City, shall be applied to either (A) replace, repair, rebuild, restore or relocate the affected Facility, or (B) redeem a principal amount of Bonds equal to such proceeds in accordance with the Applicable Indenture; and

(iv) If the School Parties replace, repair, rebuild, restore or relocate the affected Facility, the Applicable Trustee shall disburse such proceeds from the Project Fund in the manner set forth in the Applicable Indenture to pay or reimburse the School Parties for the cost of such replacement, repair, rebuilding, restoration or relocation. Notwithstanding anything to the contrary in clause (iii) above, if (A) the aggregate net proceeds derived from insurance with respect to a particular loss are less than \$50,000, and (B) no Event of Default then exists under the Applicable Indenture or the Installment Sale Agreement; the School Parties shall be entitled to withdraw such proceeds from the Project Fund for application to Project Costs in accordance with the Installment Sale Agreement and with the Tax Compliance Documents.

Any such replacements, repairs, rebuilding, restorations or relocations shall be subject to the following conditions:

(i) the restored Facility shall be in substantially the same condition and value as an operating entity as existed prior to the damage or destruction;

(ii) the restored Facility shall continue to constitute a "project" as such term is defined in the Yonkers Schools Act, and the tax-exempt status of the interest on the Bonds shall not, in the opinion of Nationally Recognized Bond Counsel, be adversely affected; and

(iii) the restored Facility will be subject to no Liens other than Permitted Encumbrances.

All such repair, replacement, rebuilding, restoration or relocation of a Facility shall be affected with due diligence in a good and workmanlike manner in compliance with all applicable legal requirements and shall be promptly and fully paid for by the School Parties in accordance with the terms of the applicable contracts.

In the event such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding, restoration or relocation, the School Parties shall nonetheless complete the work and pay from its own moneys or from proceeds of Additional Bonds, if any, issued for such purpose that portion of the costs thereof in excess of such proceeds. All such replacements, repairs, rebuilding, restoration or relocations made, whether or not requiring the

expenditure of the money of the School Parties, shall automatically become a part of a Facility as if the same were specifically described in the Installment Sale Agreement.

Any balance of such proceeds remaining in the Project Fund after payment of all costs of replacement, repair, rebuilding, restoration or relocation of an affected Facility shall, subject to any rebate required to be made to the federal government pursuant to the Applicable Indenture or the Tax Compliance Documents, be used to redeem the Bonds as provided in the Applicable Indenture. If the entire amount of the Bonds and interest thereon has been fully paid, or provision therefor has been made in accordance with the Applicable Indenture, all such remaining proceeds shall be paid to the City for the benefit of the YCSD.

Compliance with Laws and Regulations. Each of the JSCB and the YCSD will, at its own cost and expense, promptly comply with, or cause to be complied with, all laws, rules, regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the School Parties and any of the Facilities or the use or manner of use of any of the Facilities; provided, however, the obligation of the JSCB or the YCSD to comply with any such law, rule, regulation or governmental requirement shall be suspended during any contest thereof in good faith by the JSCB or the YCSD, which contest is being diligently prosecuted. Each of the JSCB and the YCSD will also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Assignment and Sale by the School Parties. The School Parties will not sell, lease, transfer or otherwise dispose of or encumber any of their interest in any of the Facilities except in the case of Permitted Encumbrances or as provided under the heading "Release of Facilities" below; provided, however, that the YCSD may lease or license part of any Facility (x) for a purpose and use consistent with the License and the Installment Sale Agreement, (y) upon delivery to the Applicable Trustee of an Opinion of Counsel to the effect that such lease or license shall neither limit nor impair the obligations of the School Parties under the Installment Sale Agreement, and (z) upon delivery to the Applicable Trustee of an opinion of Nationally Recognized Bond Counsel to the effect that such lease or license will not cause interest on any of the Bonds to become includable in gross income for federal income tax purposes. The Installment Sale Agreement may be assigned in whole or in part by one or more of the School Parties upon written consent of the Issuer, the other School Parties and the Applicable Trustee (which consent may be unreasonably withheld) but no assignment shall relieve the School Parties from primary liability for any of its obligations under the Installment Sale Agreement, and in the event of any such assignment each of the School Parties shall continue to remain primarily liable for the respective payments specified in the Installment Sale Agreement and for performance and observance of the other agreements provided on its part in the Installment Sale Agreement.

Covenant not to Affect the Tax-Exempt Status of the Bonds. The School Parties each agree that throughout the Agreement Term, it will comply with the Tax Compliance Documents and it will take no action, or permit any action to be taken, with respect to any Facility which will impair the exemption of interest on any Outstanding Bonds from Federal income taxes.

Covenants as to State Aid Depository Agreement. The City and the YCSD agree not to revoke the instructions furnished to the State Comptroller's office to forward all State Aid to Education payments to the Depository Bank. The City and the YCSD also agree to comply with and not to terminate the State Aid Depository Agreement or materially modify the terms and provisions thereof, except as may be permitted under the terms of the State Aid Depository Agreement.

Release of Facilities. So long as there exists no event of default under the Installment Sale Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an event of default, the YCSD may, upon written notice to the Issuer and the Applicable Trustee and compliance with the following, effect the release of a Facility, to no longer be used by the YCSD as a public school, or the costs with respect to which have been financed with the Bonds which are no longer Outstanding, from the Installment Sale Agreement and the License. Upon receipt of such notice, the Issuer and the Applicable Trustee shall, at the sole cost and expense of the YCSD, execute and deliver any and all instruments necessary or appropriate to so release and remove such Facility from the Facilities subject to the Installment Sale Agreement and the License; provided, however, that in the event the release is of the last remaining Facility, the YCSD and the City must further pay Base Installment Purchase Payments necessary to effect the redemption in whole of the Bonds.

No conveyance or release effected under the provisions described under this heading shall entitle the YCSD or the City to any abatement or diminution of the Installment Purchase Payments or the Additional Payments required to be made by the YCSD and the City under the Installment Sale Agreement.

Compliance with Requirements for State Aid to Education and Other State and/or School Aid. The City and the YCSD will comply with all requirements necessary to ensure receipt of State Aid to Education and other state and/or school aid payable to the City or the YCSD over the term of the Installment Sale Agreement.

No Impairment of Pledge of State Aid to Education and Other State and/or School Aid. Each of the School Parties covenants and agrees that it shall enter into no agreement, indenture or other instrument, including any Series Facilities Agreement, in connection with a Series of Project Bonds under a Series Indenture, which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of state and/or school aid payable to the City or the YCSD under the Yonkers Schools Act; provided, however, that nothing contained in the Installment Sale Agreement shall be deemed (y) to limit or deny the ability of the issuer of a Series of Project Bonds to pledge State Aid to Education on a parity with the pledge effected by the Issuer under the Applicable Indenture, or (z) to require that any Series of Project Bonds issued under a Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Applicable Indenture, or that any lease rental payment dates or installment purchase payment dates, as applicable, under a Series Facilities Agreement be the same as provided for under the Installment Sale Agreement.

Events of Default. An "event of default" or a "default" shall mean, whenever they are used herein, any one or more of the following events:

(a) Default in the due and punctual payment of any Installment Purchase Payment (other than failure to pay as a result of an Event of Nonappropriation);

(b) Default in the due and punctual payment of any Additional Payment, which default shall continue for a period of thirty (30) days after payment thereof was due;

(c) Failure by any School Party to observe and perform any of the terms and covenants on its part to be observed or performed set forth in Section 4.4(d), 4.4(e), 4.4(f), 7.12 or 7.21 hereof;

(d) Failure of the YCSD to observe and perform the covenants set forth in Section 4.3 hereof, and continuance of any such failure for a period of thirty (30) days after receipt by the YCSD of written notice specifying the nature of such default from the Issuer or the Trustee;

(e) Failure of the JSCB to observe and perform the covenants set forth in Section 5.5 hereof, and continuance of any such failure for a period of thirty (30) days after receipt by the JSCB of written notice specifying the nature of such default from the Issuer or the Trustee;

(f) Failure by any School Party to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraphs (a), (b), (c), (d) and (e) of Section 8 to the Installment Sale Agreement, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the defaulting party and the other School Parties by the Issuer, any Series Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, unless by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and the defaulting party has within such period commenced to take appropriate actions to remedy such failure and is diligently prosecuting such actions.

(g) The City or the YCSD shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the City or the YCSD seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver; trustee, or other similar official for it for any substantial part of its property; or the City or the YCSD shall authorize any of the actions set forth above in this paragraph (g); or

(h) The entering of an order or decree appointing a receiver of the Facilities or any thereof with the consent or acquiescence of the City or the YCSD or the entering of such order or decree without the acquiescence or consent of the City or the YCSD if it shall not be vacated, discharged or stayed within ninety (90) days after entry.

Notwithstanding anything contained in this Section to the contrary, a failure by the City or the YCSD to pay when due any payment required to be made hereunder or a failure by the City or the YCSD to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, resulting from a failure by the Board of Education to include such payment obligation and moneys for such purposes in the annual budget for the YCSD, failure by the City to approve such budget and appropriate moneys for such purpose, or a failure by the YCSD to approve payment thereof after appropriation by the City therefor shall not constitute an event of default hereunder. However, the failure by the City or the YCSD to pay when due any payment required to be made by it under the Installment Sale Agreement shall constitute a failure to make a payment under the Installment Sale Agreement for purposes of the Yonkers Schools Act, and in such event the Issuer has appointed the Trustee to act as its agent for purposes of taking action under Section 5.4 of the Indenture. The City and the YCSD agree to provide written notice to the Trustee indicating either (i) the Board of Education submitted an annual budget for the YCSD to the Mayor of the City that fails to include a separate line item representing the full amount of Installment Purchase Payments payable during the applicable Fiscal Year, (ii) the City approved an annual budget for the YCSD that fails to include such a separate line item, or (iii) the YCSD failed to approve payment of such full amount after appropriation by the City therefor.

Remedies. Whenever any event of default as provided above shall have happened and be continuing, or whenever an Event of Nonappropriation shall have occurred and be continuing, the Issuer (with the prior written consent of the Applicable Trustee) or the Applicable Trustee, subject in all respects to the provisions under the heading “Nature of Obligations of the City and the YCSD” above, may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the School Parties under the Installment Sale Agreement. For so long as any of the Bonds are Outstanding or any amounts remain due and payable by the School Parties under the Installment Sale Agreement, neither the Issuer nor the Applicable Trustee shall take any action which shall have the effect of terminating the Installment Sale Agreement or the interest in or rights of possession of the City or the YCSD in the Facilities, provided, however, that in addition to any other rights or remedies granted under this heading to the Issuer, the Issuer may enforce any of the Issuer’s Reserved Rights without the consent of the Applicable Trustee or any other person, by an action for damages, injunction or specific performance.

No action taken pursuant to provisions under this heading shall relieve any School Party from the its obligations under the Installment Sale Agreement, all of which shall survive any such action.

Cure. Notwithstanding any remedy taken by the Issuer or the Applicable Trustee pursuant to the provisions described under the immediately preceding heading, if all arrears of

Installment Purchase Payments, and all other Additional Payments, shall have been paid, all other things shall have been performed in respect of which there was an event of default or Event of Nonappropriation and there shall have been paid the reasonable fees and expenses, including expenses of the Applicable Trustee (including reasonable attorneys' fees paid or incurred), then the event of default or Event of Nonappropriation shall be waived without further action by the Applicable Trustee or the Issuer.

No Remedy Exclusive. Subject to the provisions of the second sentence under the heading "Remedies" above, no remedy conferred in the Installment Sale Agreement upon or reserved to the Issuer or the Applicable Trustee 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 in the Installment Sale Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Applicable Trustee to exercise any remedy reserved to it in the Installment Sale Agreement it shall not be necessary to give any notice, other than such notice as may be expressly required in the Installment Sale Agreement.

Effect on Discontinuance of Proceedings. In case any proceeding taken by the Applicable Trustee under the Applicable Indenture or the Installment Sale Agreement or under any other Security Document on account of any event of default or Event of Nonappropriation under the Installment Sale Agreement or the Applicable Indenture shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Applicable Trustee, then, and in every such case, the Issuer, the Applicable Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights thereunder, and all rights, remedies, powers and duties of the Applicable Trustee shall continue as in effect prior to the commencement of such proceedings.

Limitations on Termination of Agreement. Neither the Issuer, the Applicable Trustee nor any School Party shall take or fail to take any action which would cause the Installment Sale Agreement to terminate while any Bonds remain Outstanding or any amounts remain due and payable under the Installment Sale Agreement or prior to the discharge of the lien of the Applicable Indenture.

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2021 Bonds, Bond Counsel to the Issuer proposes to issue its approving opinion in substantially the following form:

[To come**]**

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (“Disclosure Agreement”) is entered into as of September 1, 2021, by and between the YONKERS JOINT SCHOOLS CONSTRUCTION BOARD (the “JSCB”), on behalf of itself, the CITY SCHOOL DISTRICT OF THE CITY OF YONKERS (the “YCSD”) and the CITY OF YONKERS (the “City”), party of the first part, and MANUFACTURERS AND TRADERS TRUST COMPANY, as Trustee (the “Trustee”), party of the second part, in connection with the issuance by City of Yonkers Industrial Development Agency (the “Agency”) of its \$_____ aggregate principal amount School Facility Revenue Bonds (New Community School Project), Series 2021 (the “Series 2021 Bonds”). The Series 2021 Bonds are being issued pursuant to an Indenture of Trust (New Community School Project) dated as of September 1, 2021 (the “Indenture”).

In order to permit the Underwriters of the Series 2021 Bonds to comply with the provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 in connection with the public offering of the Series 2021 Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Bondholders, as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by JSCB, on behalf of each of the City and the YCSD, and the Trustee, in each case for the benefit of Bondholders and Beneficial Owners (as defined below) of the Series 2021 Bonds and in order to assist the Underwriters in complying with the Rule (as defined below). The JSCB and the Trustee acknowledge that the Issuer has not undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and the Issuer has no liability to any person, including any Bondholder or Beneficial Owner, concerning the Rule.

SECTION 2. Definitions. Capitalized terms used but not defined in this Disclosure Agreement shall have the meanings ascribed to them in the Indenture.

“Annual Report” shall mean any annual report and related annual information to be provided by the JSCB on behalf of the YCSD and the City, pursuant to Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any beneficial owner of a security, including a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares investment power which includes the power to dispose, or to direct the disposition, of such security subject to certain exceptions as set forth in the Undertaking, as defined below. Any assertion of beneficial ownership must be filed with full documentary support, as part of the written request described in Section 10 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chairman of the JSCB or his or her designee, or such other person as the JSCB shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent, designated in writing by the YCSD and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the period of twelve months beginning July 1 of each year and ending on June 30 of the same year, or any other twelve month period adopted by the YCSD as its fiscal year for accounting purposes.

“Listed Events” shall mean any of the events listed in Subsection 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“Repository” shall mean the MSRB as the sole repository of information required to be provided pursuant to the Rule, in each instance through and in accordance with EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of New York.

“Underwriters” shall mean collectively, Roosevelt & Cross Incorporated, on its own behalf and as the Representative of the other Underwriters set forth on Schedule I attached hereto, as the original underwriters of the Series 2021 Bonds required to comply with the Rule in connection with the offering of the Series 2021 Bonds.

SECTION 3. Obligations to Provide Continuing Disclosure.

On an annual basis, no later than one calendar year after the end of each respective Fiscal Year, commencing with the Fiscal Year ended June 30, 2021, the JSCB shall provide, on behalf of the YCSD or shall cause the Dissemination Agent to provide, to the Repository, an Annual Report which is consistent with the requirements of Sections 3 and 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in Section 4(ii) hereof. If the Fiscal Year changes, the JSCB shall give notice of such change in the same manner as required for a Listed Event. The JSCB shall provide sufficient copies of the Annual Reports to facilitate the Dissemination Agent’s carrying out its duties, as set forth under this Disclosure Agreement.

If the Dissemination Agent has not received on or before the last business day of a Fiscal Year, an Annual Report from the JSCB, on behalf of the YCSD, for the preceding Fiscal Year, and the Dissemination Agent does not have actual knowledge that the Annual Report has been provided to the Repository, the Dissemination Agent shall send a notice to the Repository in substantially the form attached hereto as Exhibit A, with a copy to the YCSD and the City.

The Dissemination Agent shall file a report with the JSCB and (if the Dissemination Agent is not the Trustee) with the Trustee, certifying that the Annual Report has been provided to the Repository to this Disclosure Agreement, stating the date it was so provided.

SECTION 4. Content of Annual Report. The Annual Report shall contain or include by reference the following core financial information and operating data:

(i) Specified Information.

(a) The audited financial statements of the YCSD for the most recently ended Fiscal Year prepared in accordance with generally accepted accounting principles consistently applied, as promulgated from time to time by the Government Accounting Standards Board. If the YCSD's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Subsection 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available; and

(b) Material historical quantitative data, including, but not limited to, information on State Aid to Education to be received by the YCSD and/or the City, as applicable, and all statutory intercepts applicable to the YCSD and/or the City, as applicable, not otherwise described in the Final Official Statement dated _____, 2021 ("Final Official Statement"), as well as any other revenues, expenditures, financial operations and indebtedness with respect to the Series 2021 Bonds generally of the type discussed in the sections and subsections of the Final Official Statement entitled, "THE PROGRAM AND THE NEW COMMUNITY SCHOOL PROJECT," "PROGRAM PARTICIPANTS", "DISCUSSION OF FINANCIAL OPERATIONS OF THE CITY AND THE YCSD," and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS —State Aid to Education."

(c) A report consolidating the information required from the YCSD under subsection 4(i)(a) above.

(ii) Cross-Reference. All or any portion of the Annual Report may be incorporated in the Annual Report by cross-reference to any other documents which were and are being filed under the Rule with the Repository, through and in accordance with EMMA. The audited or unaudited financial statements of the YCSD may be provided in the same manner.

(iii) Information Categories. The requirements contained in this Disclosure Agreement under Section 4(i)(b) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 4(i)(b) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

SECTION 5. Reporting of Listed Events.

(a) The YCSD shall provide or shall cause the Dissemination Agent to provide in a timely manner, not in excess of ten (10) business days after the occurrence, to the Repository, written notice of any of the following events, in each case with respect to the Series 2021 Bonds (“Listed Events”):

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2021 Bonds, or other material events affecting the tax status of the Series 2021 Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2021 Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the JSCB, the YCSD or the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the YCSD in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the YCSD, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the YCSD

13. The consummation of a merger, consolidation, or acquisition involving the YCSD or the Issuer or the sale of all or substantially all of the assets of the YCSD or the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the YCSD or the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the YCSD or the Issuer, any of which affect security holders, if material;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the YCSD or the Issuer, any of which reflect financial difficulties;

Note to clauses (15 and 16): For the purposes of the events identified in clauses (15) and (16) above, the term “financial obligation” to mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

17. Failure of the YCSD to comply with the requirements of Sections 3 and 4 of this Disclosure Agreement;

(b) The JSCB, on behalf of the YCSD, shall provide or shall cause the Dissemination Agent to provide in a timely manner to the Repository, written notice of a failure of any officer or other person authorized by the YCSD to comply with Sections 3, 4 and 5 hereof.

SECTION 6. Termination of Reporting Obligation. The JSCB's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2021 Bonds.

SECTION 7. Dissemination Agent. The JSCB may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the JSCB, on behalf of YCSD or the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. For so long as the Trustee shall be the Dissemination Agent, the JSCB shall pay the Dissemination Agent an annual fee of \$500.00 upon the execution of this Disclosure Agreement and on each anniversary thereof.

SECTION 8. Amendments. An amendment to the requirements set forth in this Disclosure Agreement (the "Requirements") may only take effect if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the YCSD, or type of business conducted; the Requirements, as amended, would have complied with the requirements of the Rule at the time of sale of the Series 2021 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders and/or Beneficial Owners, as determined by parties unaffiliated with the YCSD (such as, but without limitation, the YCSD's financial advisor or transaction counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the SEC staff to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) All or any part of the Rule, as interpreted by the staff of the SEC at the date of the Series 2021 Bonds, ceases to be in effect for any reason, and the YCSD elects that the Requirements shall be deemed terminated or amended (as the case may be) accordingly.

(c) In addition to subsections (a) and (b) above, this Disclosure Agreement may be amended by written agreement of the parties, without the consent of the Bondholders and/or Beneficial Owners, of the Bonds, if all of the following conditions are satisfied: (1) the JSCB, on behalf of the YCSD, shall have delivered to the Trustee an opinion of Counsel,

addressed to the YCSD, the City, the JSCB, the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to (i) the MSRB and (ii) the Issuer. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the JSCB from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the JSCB, at the direction of the YCSD or the City, chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the JSCB shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default; Venue. No Bondholder may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the Requirements (the “Undertaking”) or for any remedy for breach thereof, unless such Bondholder shall have filed with the YCSD evidence of ownership and a written notice of and request to cure such breach, and the YCSD shall have refused to comply within a reasonable time. All Proceedings shall be instituted only as specified herein, in any federal or state court located in the State and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the YCSD agrees to release the Dissemination Agent and the Trustee from any claim arising out of the discharge of any duties hereunder and to defend, indemnify and save the Trustee and the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Trustee and the Dissemination Agent’s negligence or willful misconduct. The obligations of YCSD under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2021 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the JSCB:

with copies to

YCSD:

the City:

To the Trustee:

Any person may, by written notice to the other persons noted above, designate a different address, telephone, electronic transmission, or facsimile number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Bondholders and Beneficial Owners (and the Trustee acting on behalf of Bondholders and/or Beneficial Owners), and shall create no rights in any other person or entity.

SECTION 14. Fiduciary Obligation. The Dissemination Agent agrees that it shall be bound by Section 9.3 of the Indenture as if it were a fiduciary under the Indenture.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Governing Law. THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW. TO THE EXTENT THIS DISCLOSURE AGREEMENT ADDRESSES MATTERS OF FEDERAL SECURITIES LAW, THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.

YONKERS JOINT SCHOOLS
CONSTRUCTION BOARD

By: _____
[Name]
[Title]

MANUFACTURERS AND TRADERS TRUST
COMPANY, as Trustee

By: _____
Authorized Officer

SCHEDULE I

Roosevelt & Cross Incorporated

[_____]

SCHEDULE I

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Yonkers Industrial Development Agency
Name of Bond Issue: \$_____ Yonkers Industrial Development Agency School Facility
Revenue Bonds (New Community School Project), Series 2021 (the
"Series 2021 Bonds")
Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN that City School District of the City of Yonkers (the "YCSD") has not provided an Annual Report with respect to the above-named Series 2021 Bonds as required by the Continuing Disclosure Agreement, dated as of _____, 2021 between the Yonkers Joint Schools Construction Board, on behalf of the YCSD and the City of Yonkers, and Manufacturers and Traders Trust Company, as trustee. [The _____ anticipates that an Annual Report will be filed by_____].

Dated: _____