

TSASC, Inc.
Board of Directors Meeting
November 14, 2024

Agenda

1. Approval of Minutes of Meeting of September 26, 2024
2. Approval of the Resolution Authorizing the Execution of a Security Agreement and Related Documents Relating to the Tobacco Settlement Bonds, Series 2017A and Series 2017B

TSASC, Inc.
Board of Directors Meeting
November 14, 2024

Approval of Minutes

WHEREAS, the Board of Directors of TSASC, Inc. has reviewed the minutes of its meeting held on September 26, 2024; it is therefore

RESOLVED, that the minutes of the meeting of the Board of Directors held on September 26, 2024 be, and they hereby are, adopted.

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS
OF TSASC, INC.**

September 26, 2024

A meeting of the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) was held on September 26, 2024 at approximately 4:29 p.m., conducted at 255 Greenwich Street, Room 6-M4, New York, New York 10007.

The following Board members attended, represented by their designees:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Muriel Goode-Trufant, Acting Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Finance Commissioner, represented by Dara Jaffee; and

Adrienne Adams, Speaker of City Council, represented by Emre Edev;

constituting a quorum of the Board. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Womack, Chairperson of the Board.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the meeting of the Board held on April 29, 2024. The minutes were circulated for the Board’s review. There being no further discussion, upon unanimous vote, the following resolution to adopt such minutes was duly approved:

WHEREAS, the Board of Directors of TSASC, Inc. has reviewed the minutes of its

meeting held on April 29, 2024; it is therefore

RESOLVED, that the minutes of the meeting of the Board of Directors held on April 29, 2024 be, and they hereby are, adopted.

Acceptance of the independent auditors' report on the audited financial statements for the fiscal years ended June 30, 2024 and June 30, 2023 and authorization to release such financial statements

The second item on the agenda was the approval of the independent auditors' report on the audited financial statements for the fiscal years ended June 30, 2024 and June 30, 2023 and authorization to release such financial statements. The approval of this report and financial statements was recommended by the Corporation's Audit Committee, after their meeting with independent auditors and management. The draft audited financial statements were provided to the Board for review. No further discussion was held and upon unanimous vote, the following resolution was adopted:

WHEREAS, the Audit Committee has met with the independent auditors of TSASC, Inc. (the "Corporation") and has reviewed the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and June 30, 2023 and such financial statements; and

WHEREAS, the Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate and has recommended that the Board accept the independent auditors' report and authorize the release of the financial statements; it is therefore

RESOLVED, that the Board hereby accepts the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and June 30, 2023 and authorizes the release of such audited financial statements; provided that both the independent auditors' report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller or Deputy Comptroller of the Corporation.

Verification of Annual Report Pursuant to Section 519 of the Not-for-Profit Corporation Law and Authorization of Presentation to the Members

The third item on the agenda was the review and authorization for presentation to the members of the Corporation's annual report. Mr. Womack noted that the report contained the

Corporation's financial information as required pursuant to §519 of the Not-for-Profit Corporation Law, and that the report directs members to the page numbers of the fiscal year 2024 audited financial statements where they can find specific information related to the Corporation. Mr. Womack explained that the proposed resolution would authorize the submittal of the report to the Members of the Corporation. There being no further discussion, upon unanimous vote, the below resolution was adopted:

WHEREAS, Section 519 of the New York Not-For-Profit Corporation Law (the "N-PCL") requires that the Board of Directors of not-for-profit corporations present an annual report relating to the financial conditions of such corporations to the members of such corporations at their annual meeting;

WHEREAS, in compliance with Section 519 of the N-PCL the Board of Directors of the Corporation has caused an annual report relating to the Corporation's most recent fiscal year (the "Annual Report") to be prepared; and

WHEREAS, the Board of Directors has reviewed such Annual Report, attached heretofore as Schedule I; it is therefore

RESOLVED, that the Board of Directors hereby approves and verifies the Annual Report as presented heretofore as Schedule I, and authorizes presentation to the Members of the Corporation; and it is

FURTHER RESOLVED, that Board of Directors hereby directs that the Annual Report be entered in the minutes of this meeting of the Board of Directors.

SCHEDULE I

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF TSASC, INC.

For the Fiscal Year Ended June 30, 2024 Under Section 519 of
the New York State Not-For-Profit Corporation Law

To: The Members of TSASC, Inc.

From: The Board of Directors of TSASC, Inc.

The Board of Directors respectfully submits for your information the following report relating to TSASC, Inc. for the twelve-month fiscal period ending June 30, 2024:

1. The assets and liabilities, including trust funds (listed separately), of the

Corporation as of the end of said fiscal period may be found on page 13 of the attached audited financial statements.

2. The principal changes in the assets and liabilities, including trust funds, of the Corporation during said fiscal period may be found on page 6 of the attached audited financial statements.
3. The revenues of the Corporation, both unrestricted and restricted to particular purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
4. The expenses of the Corporation, for both general and restricted purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
5. Concerning the membership of the Corporation:
 - (a) The number of members as of June 30, 2024 is 5
 - (b) The number of members remained the same during said fiscal period ended June 30, 2024
 - (c) The names and places of residence of the current members may be found in the books of the Corporation, which are kept at 255 Greenwich Street, 7th Floor, New York, NY 10007.

This report has been prepared pursuant to Section 519 of the New York State Not-for-Profit Corporation Law

Dated: September 26, 2024

New York, New York

Ratification of Amendment to Bond Counsel Agreement

The fourth item on the agenda was the approval of the resolution that would ratify an amendment to the Corporation's current Bond Counsel agreement. Mr. Womack noted that the Board previously authorized an agreement with Orrick, Herrington & Sutcliffe, LLP to serve as bond counsel through August 31, 2025. Mr. Womack explained that the proposed resolution would approve an amendment to the agreement for the rates listed in Schedule I included in the proposed resolution to ensure there is no lapse in service. There being no further discussion, upon unanimous vote, the below resolution was adopted:

WHEREAS, TSASC, Inc. (the "Corporation") previously entered into an agreement with Orrick, Herrington & Sutcliffe, LLP ("Orrick") to provide bond counsel services to the

Corporation for a period ending June 30, 2022 and subsequently extended that agreement (the “Original Agreement”); and

WHEREAS, the Original Agreement with Orrick provided for fees in an amount not to exceed \$80,000; and

WHEREAS, during the term of the Original Agreement, the Corporation’s management determined that additional bond counsel services were required, which exceeded the fees authorized in the Original Agreement; and

WHEREAS, to ensure there was no lapse in bond counsel services required during the term of the Original Agreement, the Corporation entered into a subsequent agreement with Orrick for the fees listed in Schedule I below (the “New Agreement”) for the period beginning May 21, 2024 through August 31, 2025, and now seeks the Board of Directors’ ratification of the New Agreement; and

WHEREAS, the Corporation’s Procurement Guidelines Section II(5)(ii) and (iii) allows the Corporation to award contracts on a non-competitive basis if the firm selected provides uniquely required services and if the award represents a continuation of existing services from a previous supplier, which is desirable for purposes of continuity or compatibility; it is therefore

RESOLVED, that the Board of Directors of the Corporation hereby approves the ratification of the New Agreement with Orrick for the period beginning May 21, 2024 through August 31, 2025, for the fees listed in Schedule I.

Schedule I

Bond Counsel– Orrick

(a) Hourly rates, for all positions, for services provided during the term of the Agreement other than the services described in (ii) below, provided that such fees shall not exceed \$350,000 for the term of the Agreement:

Title	Hourly Rate
Partner	\$985
Counsel	\$900
Associate	\$750
Paralegal	\$325

(b) Flat fees for specific transactions:

Transaction Description	Flat Rate
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Transactions under the current TSASC Indenture, which do not involve significant amendments to the Indenture	\$350,000
Transactions under the current TSASC Indenture that include significant amendments to the Indenture	\$475,000
Transactions under a new appropriation-backed credit	\$535,000
Tender or exchange offer (additional fee)	\$125,000

Resolution: Approval of Investment Guidelines

The fifth item on the agenda was the approval of the Corporation's Investment Guidelines. The Corporation is required to annually review its Investment Guidelines. No changes were proposed. There being no further discussion, upon unanimous vote, the below resolution was adopted:

WHEREAS, TSASC, Inc. (the "Corporation"), adopted Investment Guidelines on October 4, 2007 to establish policies for the investment of its funds and subsequently amended the Guidelines;

WHEREAS, the Corporation is required annually to review its Investment Guidelines and Corporation staff has recommended no changes to the Guidelines at this time; and

WHEREAS, the Board of Directors has reviewed the attached Investment Guidelines and has deemed them to be reasonable and appropriate; it is therefore

RESOLVED, that the Investment Guidelines, a copy of which will be filed with the Minutes of the Meeting, are hereby approved.

Resolution: Approval of Investment Report

The sixth item on the agenda was the approval of the Corporation's Investment Report for Fiscal Year 2023. Mr. Womack noted that pursuant to Section 2925(6) of the Public Authorities Law, the Corporation is required to annually prepare and approve an Investment Report which contains the Investment Guidelines, the independent audit of the investments, an investment income record of the Corporation, and a list of fees, commissions, or other charges paid by the Corporation for investment

services. Further, he explained that the proposed resolution would approve the Investment Report.

There being no further discussion, upon unanimous vote, the below resolution was adopted:

WHEREAS, TSASC, Inc. (the “Corporation”), pursuant to the Corporation’s Investment Guidelines, is required to annually prepare and approve an Investment Report; and

WHEREAS, the Board has reviewed the attached Investment Report and has deemed it to be reasonable and appropriate, it is therefore

RESOLVED, that the Investment Report is hereby approved.

Presentation by Governance Committee Chair

The seventh and final item on the agenda was presentation by the Governance Committee Chair, Albert Rodriguez. Section III(g) of the Governance Committee Charter requires the Governance Committee to conduct a self-evaluation of its functions annually. This was a review item only, and no vote was taken. Mr. Rodriguez, Chairperson of the Governance Committee, summarized the Committee’s self-evaluation report for fiscal year 2024, which report lists the Committee’s actions in the prior year and found that the Committee is functioning in satisfactory manner pursuant to its Charter.

Adjournment

There being no further business to come before the Board, upon unanimous vote, the meeting was duly adjourned.

SECRETARY

TSASC, INC.
Board of Directors

RESOLUTION ADOPTED [____], 2024
AUTHORIZING THE EXECUTION OF A SECURITY AGREEMENT
AND RELATED DOCUMENTS
RELATING TO THE
TOBACCO SETTLEMENT BONDS,
SERIES 2017A AND SERIES 2017B

WHEREAS, TSASC, Inc. (the “Corporation”) entered into an Amended and Restated Indenture, as supplemented by a Series 2017 Supplement (as supplemented, the “Indenture”), each dated as of December 1, 2016, by and between the Corporation and The Bank of New York Mellon, a New York banking corporation, as trustee (the “Trustee”); and

WHEREAS, pursuant to the Indenture, the Corporation issued its \$613,370,000 Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) (the “Series 2017A Bonds”) and its \$489,700,000 Tobacco Settlement Bonds, Fiscal 2017 Series B (Subordinate) (the “Series 2017B Bonds” and together with the Series 2017A Bonds, the “Series 2017 Bonds”); and

WHEREAS, in return for entering into the Indenture, the Corporation received on January 19, 2017, consideration in the form of \$705,836,447.71 in cash, constituting the net cash proceeds of the Series 2017 Bonds, and the exchange of \$450,000,000 in principal amount of bonds previously issued by the Corporation for \$450,000,000 in principal amount of Series 2017B Bonds with different terms; and the Corporation used such net cash proceeds to, among other things, defease certain bonds with different terms previously issued by the Corporation and secured by the Pledged TSRs (as defined herein); and

WHEREAS, the Series 2017 Bonds are secured by and payable from, among other things, all of the Corporation’s right, title and interest in and to 37.40% of the Tobacco Assets (as defined in the Security Agreement (defined and described herein)) (the “Pledged TSRs”); and

WHEREAS, the 62.60% of the Tobacco Assets owned by the Corporation that are not Pledged TSRs (the “Unpledged TSRs”) are not collateral for the payment of the Series 2017 Bonds or any other obligation of the Corporation and are currently deposited into the Unpledged TSRs Subaccount (as defined in the Security Agreement) and then paid by the Trustee from time to time to the TSASC Tobacco Settlement Trust (the “Trust”), as registered owner of the Residual Certificate (as defined in the Security Agreement); and

WHEREAS, in accordance with the terms of the Indenture, the Corporation has determined to provide certain additional credit support to the Series 2017 Bonds as provided in the Security Agreement, attached hereto as Exhibit A (the “Security Agreement”), by and between the Corporation and the Trustee, including to pledge, and grant a security interest in and lien on, the Unpledged TSRs to the Trustee, for the benefit of the holders of the Series 2017 Bonds, in order to secure the obligation of the Corporation to pay any Payment Deficiency (as defined in the

Security Agreement), all subject to the terms and conditions set forth in the Security Agreement; and

WHEREAS, the Trust and The City of New York (the “City”), as sole beneficiary of the Trust, are consenting to the execution, delivery, and performance by the Corporation of the Security Agreement; and

WHEREAS, the execution and delivery of the Security Agreement shall not alter any of the terms of the Series 2017 Bonds.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. The Security Agreement in substantially the form attached hereto as Exhibit A is hereby approved. The Corporation has determined that the recitals in the Security Agreement are true and correct. Each of the President, Secretary, Treasurer or Deputy Treasurer of the Corporation (each an “Authorized Representative”), acting alone, is hereby authorized to execute such Security Agreement with such changes, additions and deletions as the person so executing shall approve as necessary or desirable, such approval to be conclusively evidenced by such execution.

Section 2. Any Authorized Representative of the Corporation is hereby authorized to execute and deliver such documents, agreements, instruments and certifications and take such other action as may be necessary or desirable to give effect to this Resolution and the transactions described herein, including but not limited to, authorize the preparation and filing of a Uniform Commercial Code financing statement relating to the Security Agreement.

Section 3. Any Authorized Representative of the Corporation is hereby authorized to pay on behalf of the Corporation any fees or any other expenses that he or she shall deem reasonable and appropriate in connection with the transactions contemplated hereby.

SECURITY AGREEMENT

by and between

TSASC, INC.

and

THE BANK OF NEW YORK MELLON,
as Trustee,

Dated as of [Month] 1, 2024

relating to

Tobacco Settlement Bonds
Fiscal 2017 Series A (Senior) and Fiscal 2017 Series B (Subordinate)

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THIS SECURITY AGREEMENT, dated as of [Month] 1, 2024 (this “Agreement”) and effective as of the Effective Date (as defined herein), by and between TSASC, Inc., a New York local development corporation (the “Corporation”), and The Bank of New York Mellon, a New York banking corporation, as trustee (the “Trustee”) under the Amended and Restated Indenture, as supplemented by a Series 2017 Supplement, each dated as of December 1, 2016, by and between the Corporation and the Trustee (collectively, and as further amended and supplemented, the “Indenture”).

W I T N E S S E T H:

WHEREAS, pursuant to the Indenture, the Corporation issued its \$613,370,000 Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) (the “Series 2017A Bonds”) and its \$489,700,000 Tobacco Settlement Bonds, Fiscal 2017 Series B (Subordinate) (the “Series 2017B Bonds” and together with the Series 2017A Bonds, the “Series 2017 Bonds”); and

WHEREAS, in return for entering into the Indenture, the Corporation received on January 19, 2017, consideration in the form of \$705,836,447.71 in cash, constituting the net cash proceeds of the Series 2017 Bonds, and the exchange of \$450,000,000 in principal amount of bonds previously issued by the Corporation for \$450,000,000 in principal amount of Series 2017B Bonds with different terms; and the Corporation used such net cash proceeds to, among other things, defease certain bonds with different terms previously issued by the Corporation and secured by the Pledged TSRs (as defined herein); and

WHEREAS, the Series 2017 Bonds are secured by and payable from, among other things, all of the Corporation’s right, title and interest in and to 37.40% of the Tobacco Assets (as defined herein) (the “Pledged TSRs”); and

WHEREAS, the 62.60% of the Tobacco Assets owned by the Corporation that are not Pledged TSRs (the “Unpledged TSRs”) are not collateral for the payment of the Series 2017 Bonds or any other obligation of the Corporation and are currently deposited into the Unpledged TSRs Subaccount (as defined herein) and then paid by the Trustee from time to time to the Trust (as defined herein), as registered owner of the Residual Certificate (as defined herein); and

WHEREAS, with the consent of the Trust and the City (as defined herein), as sole beneficiary of the Trust, the Corporation has determined to provide certain additional credit support to the Series 2017 Bonds as provided herein, including to pledge, and grant a security interest in and lien on, the Unpledged TSRs to the Trustee, for the benefit of the holders of the Series 2017 Bonds, in order to secure the obligation of the Corporation to pay any Payment Deficiency (as defined herein) as set forth in Section 2.02(b) hereof, all subject to the terms and conditions set forth in this Agreement; and

WHEREAS, the execution and delivery of this Agreement shall not alter any of the terms of the Series 2017 Bonds.

NOW THEREFORE, in consideration of the foregoing and the prior consideration described in the second recital of this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to legally bound, the Corporation and the Trustee hereby agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. Capitalized terms used in this Agreement shall have the following meanings:

“Agreement” shall have the meaning given to such term in the first paragraph of this Agreement.

“Amended Payment Deficiency Notice” means the written notice, in substantially the form attached hereto as Exhibit C, which supersedes any previously provided Payment Deficiency Notice or Amended Payment Deficiency Notice and sets forth a revised Payment Deficiency.

“Authorized Officer of the Corporation” means the Chairperson, the President, a Vice President, the Treasurer, an Assistant Treasurer, the Comptroller, the Assistant Comptroller, the Secretary, an Assistant Secretary, their successors in office, and any other person authorized to act hereunder by appropriate Written Notice from an Authorized Officer of the Corporation to the Trustee.

“Business Day” means any day other than a Saturday, a Sunday, a day on which banking institutions in New York, New York are required or authorized by law to be closed or a day on which the New York Stock Exchange is closed.

“City” means The City of New York.

“Collections Account” has the meaning given such term in the Indenture.

“Corporation” shall have the meaning given to such term in the first paragraph of this Agreement.

“Effective Date” means [date of closing].

“Electronic Means” includes the following communications methods: email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“Electronic Notice” means notice delivered by Electronic Means.

“Eligible Investments” shall have the meaning given to such term in the Indenture.

“Indenture” shall have the meaning given to such term in the first paragraph of this Agreement.

“Interest Payment Date” means each June 1 and December 1, commencing on the first June 1 or December 1 occurring after the Effective Date.

“Outstanding” shall have the meaning given to such term in the Indenture.

“Payment Deficiency” has the meaning given such term in Section 3.01(c)(iv).

“Payment Deficiency Notice” has the meaning given such term in Section 3.01(c)(i).

“Pledged TSRs” shall have the meaning given to such term in the recitals to this Agreement.

“Purchase and Sale Agreement” means the Purchase and Sale Agreement, dated as of November 18, 1999, as amended by the Amendment, dated as of August 15, 2002, and as supplemented by the Confirmation and Acknowledgment, dated as of February 8, 2006, each between the Corporation and the City, in each case as may be further amended or supplemented.

“Residual Certificate” means the Residual Certificate, dated November 18, 1999, executed by the Corporation and authenticated by the Trustee, as may be further amended or supplemented.

“Security Agreement Collateral” shall have the meaning given to such term in Section 2.02(a).

“Senior Bonds Payment Deficiency” has the meaning given such term in Section 3.01(c)(ii).

“Senior Debt Service Account” means the account held by the Trustee by that name under the Indenture.

“Series 2017 Additional Pledged TSRs Account” shall have the meaning given to such term in Section 3.01(a).

“Series 2017 Bondholders” means the registered owners of the Series 2017 Bonds from time to time as shown on the books of the Trustee.

“Series 2017 Bonds” shall have the meaning given to such term in the recitals to this Agreement.

“Series 2017A Bonds” shall have the meaning given to such term in the recitals to this Agreement.

“Series 2017B Bonds” shall have the meaning given to such term in the recitals to this Agreement.

“Subordinate Bonds Payment Deficiency” has the meaning given such term in Section 3.01(c)(iii).

“Subordinate Debt Service Account” means the account held by the Trustee by that name under the Indenture.

“Tobacco Assets” shall have the meaning given to such term in the Purchase and Sale Agreement.

“Trust” means the TSASC Tobacco Settlement Trust.

“Trustee” shall have the meaning given to such term in the first paragraph of this Agreement.

“Unpledged TSRs” shall have the meaning given to such term in the recitals to this Agreement.

“Unpledged TSRs Subaccount” means the subaccount held by the Trustee by that name under the Indenture.

“Written Notice,” “written notice” or “notice in writing” means notice in writing which may be delivered by hand or first class mail, overnight delivery, electronically or by facsimile transmission.

Section 1.02 Interpretation.

(a) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Agreement.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) The terms “hereby,” “hereof,” “herein,” “hereunder” and any similar terms, as used in this Agreement, refer to this Agreement.

(d) The captions of the Articles and Sections of this Agreement and any table of contents shall be solely for convenience of reference, and shall not affect the meaning, construction or effect of this Agreement.

(e) Terms used herein that are defined in the New York Uniform Commercial Code, as amended, and not otherwise defined herein, shall have the meaning set forth in the New York Uniform Commercial Code, as amended, unless the context requires otherwise.

Section 1.03 Consideration. The Corporation hereby confirms the receipt and the adequacy of the consideration described in the second recital of this Agreement.

Section 1.04 No Liability. Neither the members, directors, or officers of the Corporation shall be liable personally or be subject to any personal liability or accountability solely by reason of the execution and delivery of this Agreement.

ARTICLE II DISPOSITION OF AND SECURITY INTEREST IN UNPLEDGED TSRS

Section 2.01 Disposition of Unpledged TSRs. As permitted by Section 6.07(a) of the Indenture, the Corporation hereby disposes of the Unpledged TSRs by granting the security interest set forth in Section 2.02(a) and by transferring the Unpledged TSRs to the Series 2017 Additional Pledged TSRs Account as set forth in Section 3.01.

Section 2.02 Grant of Security Interest.

(a) In order to secure the obligation of the Corporation set forth in Section 2.02(b), the Corporation hereby pledges to the Trustee, and grants to the Trustee a lien on and security interest in, all of the Corporation's right, title, and interest, whether now owned or hereafter acquired, in, to, and under: (i) the Unpledged TSRs, (ii) the Series 2017 Additional Pledged TSRs Account, all money, instruments, investment property, or other property credited thereto or on deposit therein, and all investment earnings thereon; and (iii) all proceeds of the foregoing (collectively, the "Security Agreement Collateral"). Notwithstanding any other provision, the "Security Agreement Collateral" does not include any (i) Unpledged TSRs received by the Corporation or the Trustee prior to the Effective Date, (ii) any Pledged TSRs, or (iii) any proceeds of the foregoing.

(b) The Corporation agrees to pay to the Trustee each Payment Deficiency not later than two Business Days prior to each Interest Payment Date. Such payment shall be made by the Trustee withdrawing the amount of such Payment Deficiency from the Series 2017 Additional Pledged TSRs Account pursuant to Section 3.01(f).

(c) The obligation of the Corporation described in Section 2.02(b) is payable solely from the Security Agreement Collateral. Notwithstanding any other provision, the Corporation shall have no obligation to pay Payment Deficiencies from any moneys or property other than the Security Agreement Collateral.

(d) The Security Agreement Collateral secures solely the obligation of the Corporation set forth in Section 2.02(b). Notwithstanding any other provision, the Security Agreement Collateral does not secure any other obligation, including, without limitation, any obligation arising under the Indenture or the Series 2017 Bonds. Notwithstanding any other provision, the Security Agreement Collateral is not subject to the lien of the Indenture and does not constitute "Collateral" as defined in the Indenture.

(e) The Corporation has caused or will have caused, within ten days after the Effective Date, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Security Agreement Collateral granted to the Trustee hereunder.

(f) The Corporation shall implement, protect, and defend the security interest made in this Section 2.02 by all appropriate action for the benefit of the Trustee and the Series 2017 Bondholders.

Section 2.03 Discharge of Agreement. This Agreement and the pledge, lien, and security interest, and the rights and obligations, created by this Agreement shall terminate and become null and void on the first of the following to occur: (i) ninety (90) days after the Corporation provides written notice of such termination to the Trustee, with a copy to the Trust and the City, as sole beneficiary of the Trust, (ii) June 1, 2028 or (iii) the date on which the Series 2017 Bonds are no longer outstanding in accordance with their terms under the Indenture. Upon such termination, the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee's lien, pledge, and security interest created hereunder. Any funds or other property

credited to or on deposit in the Series 2017 Additional Pledged TSRs Account shall be transferred to the Unpledged TSRs Subaccount.

ARTICLE III
ESTABLISHMENT AND APPLICATION OF
SERIES 2017 ADDITIONAL PLEDGED TSRS ACCOUNT; INVESTMENTS

Section 3.01 Establishment and Application of Series 2017 Additional Pledged TSRs Account.

(a) There is hereby created and established with the Trustee a trust account designated the “TSASC, Inc. Series 2017 Additional Pledged TSRs Account” (the “Series 2017 Additional Pledged TSRs Account”) to be held in the custody of the Trustee, separate and apart from all other funds of the Corporation or the Trustee, including, without limitation, the funds and accounts created and held under the Indenture.

(b) Promptly upon receipt by the Trustee of the Unpledged TSRs on or after the Effective Date, the Trustee shall first deposit the Unpledged TSRs in the Collections Account and then (i) transfer Unpledged TSRs in an amount specified by an Officer’s Certificate not to exceed \$500,000 for any Fiscal Year for deposit into the Operating Account to pay, for the current or next Fiscal Year, Operating Expenses projected to exceed the Operating Cap (as defined in the Indenture) for the current or next Fiscal Year and (ii) transfer all other Unpledged TSRs for deposit into the Series 2017 Additional Pledged TSRs Account.

(c) (i) In each calendar year while this Agreement is in effect and by no later than three Business Days prior to each June 1 beginning with June 1, 2025, the Corporation shall provide written notice to the Trustee, in substantially the form attached hereto as Exhibit A (a “Payment Deficiency Notice”), with a copy to the Trust and the City, as sole beneficiary of the Trust, of the Senior Bonds Payment Deficiency and the Subordinate Bonds Payment Deficiency.

(ii) The Senior Bonds Payment Deficiency means the amount needed to be added to the Senior Debt Service Account, after taking into account all transfers from the Collections Account made or to be made in connection with the next Interest Payment Date, in order for the balance in the Senior Debt Service Account to be sufficient to pay:

(1) unpaid interest due on the Outstanding Series 2017A Bonds on the next Interest Payment Date;

(2) principal of the Outstanding Series 2017A Bonds due on the next Interest Payment Date; and

(3) interest due on the Outstanding Series 2017A Bonds on the second succeeding Interest Payment Date.

(iii) The Subordinate Bonds Payment Deficiency means the amount needed to be added to the Subordinate Debt Service Account, after taking into account all transfers from the Collections Account made or to be made in connection with the next Interest Payment Date, in order for the balance in the Subordinate Debt Service Account to be sufficient to pay:

(1) interest due on the Outstanding Series 2017B Bonds on the next Interest Payment Date;

(2) principal of the Outstanding Series 2017B Bonds due on the next Interest Payment Date; and

(3) interest due on the Outstanding Series 2017B Bonds on the second succeeding Interest Payment Date.

(iv) The aggregate amount of the Senior Bonds Payment Deficiency and the Subordinate Bonds Payment Deficiency set forth in such Payment Deficiency Notice is the “Payment Deficiency.”

(v) Failure to make Turbo Redemptions (as defined in the Indenture) with respect to any Series 2017 Bonds that are Turbo Term Bonds (as defined in the Indenture) will not cause, or constitute, a Payment Deficiency.

(vi) If there is no Payment Deficiency, the Corporation shall provide written notice to the Trustee, in substantially the form attached hereto as Exhibit B, with a copy to the Trust and the City, as sole beneficiary of the Trust, that there is no Payment Deficiency. Upon the Trustee receiving written notice that there is no Payment Deficiency, the Trustee shall release all funds or other property credited to or on deposit in the Series 2017 Additional Pledged TSRs Account as provided in Section 3.01(h).

(d) If at any time after a Payment Deficiency Notice has been delivered to the Trustee, additional funds or other property is credited to or deposited in (or will be credited to or deposited in by no later than two Business Days prior to the next Interest Payment Date) the Senior Debt Service Account or the Subordinate Debt Service Account, the Corporation may provide an Amended Payment Deficiency Notice to the Trustee, with a copy to the Trust and the City, as sole beneficiary of the Trust, that supersedes any previously provided Payment Deficiency Notice or Amended Payment Deficiency Notice to reflect such reduced Payment Deficiency.

(e) Upon the Trustee receiving the Payment Deficiency Notice or Amended Payment Deficiency Notice, the Trustee shall retain the amount equal to the Payment Deficiency set forth therein in the Series 2017 Additional Pledged TSRs Account until such amounts are transferred to the Senior Debt Service Account or Subordinate Debt Service Account, as applicable, pursuant to Section 3.01(f), and the Trustee shall release any excess funds or other property credited to or on deposit in the Series 2017 Additional Pledged TSRs Account as provided in Section 3.01(h).

(f) By no later than two Business Days prior to each Interest Payment Date, the Trustee shall (i) withdraw from the Series 2017 Additional Pledged TSRs Account only the amount of the Senior Bonds Payment Deficiency needed to pay interest and principal due on the Outstanding

Series 2017A Bonds on such Interest Payment Date and transfer such amount to the Senior Debt Service Account, and (ii) withdraw from the Series 2017 Additional Pledged TSRs Account only the amount of the Subordinate Bonds Payment Deficiency needed to pay interest and principal due on the Outstanding Series 2017B Bonds on such Interest Payment Date and transfer such amount to the Subordinate Debt Service Account.

(g) In the event that there are insufficient funds in the Series 2017 Additional Pledged TSRs Account to pay the Payment Deficiency, then the amounts in the Series 2017 Additional Pledged TSRs Account shall be applied, first, in the order of priority described in Section 3.01(c)(ii) for the Outstanding Series 2017A Bonds and, second, in the order of priority described in Section 3.01(c)(iii) for the Outstanding Series 2017B Bonds.

(h) Upon the Trustee holding the full amount of the Payment Deficiency in the Series 2017 Additional Pledged TSRs Account described in Section 3.01(e), or upon the Corporation giving written notice to the Trustee that there is no Payment Deficiency under Section 3.01(c)(vi) and provided there is no interest or principal due and unpaid on the Outstanding Series 2017A Bonds and the Outstanding 2017B Bonds, any remaining funds or other property credited to or on deposit in the Series 2017 Additional Pledged TSRs Account shall be released from the lien of this Agreement, shall no longer constitute Security Agreement Collateral, and shall promptly be transferred by the Trustee to the Unpledged TSRs Subaccount.

Section 3.02 Investments. Pending its use or release under this Agreement, money in the Series 2017 Additional Pledged TSRs Account held by the Trustee may be invested by the Trustee in Eligible Investments maturing or redeemable at the option of the Corporation on or before the fifth Business Day immediately preceding each Interest Payment Date and shall be so invested as directed in a written certificate of an Authorized Officer of the Corporation. In the absence of negligence or willful misconduct on its part, the Trustee shall not be liable for any losses on investments made at the direction of the Corporation.

ARTICLE IV COVENANTS AND REPRESENTATIONS OF THE CORPORATION

Section 4.01 Contract; Obligations to Series 2017 Bondholders; Representations of the Corporation.

(a) The grant of a security interest, lien, and pledge made in this Agreement and the covenants herein set forth to be performed by the Corporation shall be for the equal benefit, protection, and security of the Series 2017 Bonds, without preference or priority of any Series 2017 Bond over another other Series 2017 Bond of the same class.

(b) The Corporation covenants to pay when due all sums payable by it under this Agreement, but only from the Security Agreement Collateral and subject to the limitations set forth in Section 1.04. The obligation of the Corporation to pay the amounts payable by the Corporation under this Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment, or counterclaim.

(c) The Corporation represents that (i) it is duly authorized pursuant to law to execute, deliver, and perform the terms of this Agreement; (ii) all action on its part required for or relating

to the Effective Date has been duly taken; (iii) this Agreement, upon the execution and delivery hereof, shall be a valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms; (iv) it is the sole owner of the Security Agreement Collateral and it has not, prior to the Effective Date, sold, transferred, assigned, pledged, granted a security interest in, set over or otherwise conveyed any right, title or interest of any kind in all or any portion of the Security Agreement Collateral, except for security interests that have been released prior to the date hereof; (v) the execution, delivery, and performance by the Corporation of this Agreement is not in contravention of law or any agreement, instrument, indenture, or other undertaking to which it is a party or by which it is bound and no other approval, consent, or notice from any governmental agency is required on the part of the Corporation in connection with the execution and delivery of this Agreement; (vi) the Trustee has a valid first priority perfected security interest in the Security Agreement Collateral; (vii) it is duly organized and validly existing in good standing as a local development corporation under the laws of New York; and (viii) its complete legal name is TSASC, Inc.

(d) This Agreement creates a valid security interest in the Security Agreement Collateral in favor of the Trustee to secure the obligations of the Corporation set forth in Section 2.02(b), enforceable by the Trustee in accordance with the terms hereof.

Section 4.02 Covenants.

(a) The Corporation shall from time to time authorize, execute or authenticate, deliver and file all financing statements, continuation statements, amendments to financing statements, documents and instruments, and shall take such other action, as is necessary or advisable to maintain or preserve the lien, pledge and security interest (and the perfection and priority thereof) created by this Agreement; to perfect or protect the validity of any grant made or to be made by this Agreement; to preserve and defend title to the Security Agreement Collateral and the rights of the Trustee in the Security Agreement Collateral against the claims of all persons and entities, including the challenge by any person or entity to the validity or enforceability of this Agreement; to enforce this Agreement, to pay any and all taxes levied or assessed upon all or any part of the Security Agreement Collateral; or to carry out more effectively the purposes of this Agreement.

(b) The Corporation shall not (i) permit the validity or effectiveness of this Agreement to be impaired, or permit the security interest, lien, and pledge created by this Agreement to be amended, hypothecated, subordinated, terminated, or discharged, or permit any party to be released from any covenants or obligations under this Agreement, except as may be expressly permitted hereby; (ii) permit any lien, charge, pledge, claim, security interest, mortgage, or other encumbrance (other than the security interest, lien, and pledge created by this Agreement) to be created on or extend to or otherwise arise upon or burden the Security Agreement Collateral, any part thereof, any interest therein, or the proceeds thereof; (iii) permit the security interest created by this Agreement not to constitute a valid first priority perfected security interest in the Security Agreement Collateral or any part thereof; or (iv) sell or dispose of any of the Security Agreement Collateral or any interest therein, except as permitted by this Agreement.

(c) The Corporation shall not, directly or indirectly, make distributions from the Series 2017 Additional Pledged TSRs Account except in accordance with this Agreement.

ARTICLE V
THE TRUSTEE

Section 5.01 Trustee's Duties and Obligations.

(a) The Trustee agrees to perform all the duties and obligations expressly imposed upon it by this Agreement, and, except for such duties and obligations, the Trustee shall not have any implied duties.

(b) The provisions of Article VIII of the Indenture relating to the rights, duties, indemnification and reimbursements of the Trustee are hereby incorporated in this Agreement as if set forth in full herein.

ARTICLE VI
MISCELLANEOUS

Section 6.01 Supplements and Amendments. This Agreement may be supplemented or amended by agreement among the parties hereto without the consent of any of the Series 2017 Bondholders.

Section 6.02 Notices. Unless otherwise expressly provided, all notices to the Corporation or the Trustee shall be in writing and shall be deemed sufficiently given if (i) sent by registered or certified mail, postage prepaid and return receipt requested, (ii) delivered during business hours or (iii) provided by Electronic Notice, as follows:

To the Corporation:	TSASC, Inc. 255 Greenwich Street, Seventh Floor New York, New York 10007 Attention: Secretary Phone: (212) 788-5882 Facsimile: _____ Email: _____
To the Trustee:	The Bank of New York Mellon 240 Greenwich Street, 7E New York, New York 10286 Attention: Corporate Trust Department Phone: (212) 815-4575 Email: wilson.lee@bnymellon.com
To the Trust:	[ADD NOTICE INFO]
To the City (as sole beneficiary of the Trust):	[ADD NOTICE INFO]

or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

Section 6.03 Beneficiaries. This Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Corporation, the Trustee, the Series 2017 Bondholders and the owner of the Residual Certificate to the extent specified herein.

Section 6.04 Successors and Assigns. All covenants and agreements in this Agreement by the Corporation shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Agreement shall bind its successors.

Section 6.05 Severability. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.06 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without reference to its conflict of law provisions (other than Section 5-1401 of the General Obligations Law), and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 6.07 Jurisdiction. Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court, or to the extent permitted by law, in such Federal court.

Section 6.08 Venue. Each party hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in Section 6.07. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Section 6.09 Waiver Of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

Section 6.10 No Recourse to Corporation. The Trustee and the Series 2017 Bondholders shall have no recourse against the Corporation, but shall look only to the Security Agreement Collateral in accordance with the terms hereof with respect to any amounts due hereunder.

Section 6.11 Signatures and Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation and the Trustee have caused this Agreement to be executed as of the day and year first above written.

TSASC, INC.

By: _____
Name:
Title: President

(SEAL)

ATTEST:

Name:
Title: Secretary

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____
Name:
Title:

EXHIBIT A
FORM OF PAYMENT DEFICIENCY NOTICE

[Date]¹

The Bank of New York Mellon, as Trustee
240 Greenwich Street, 7E
New York, New York 10286

Re: Security Agreement between TSASC, Inc. and The Bank of New York Mellon, as Trustee, dated as of [Month] 1, 2024 (the “Security Agreement”) relating to the TSASC Inc. Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) and Fiscal 2017 Series B (Subordinate)

Ladies and Gentlemen:

Pursuant to Section 3.01(c)(i) of the above-referenced Security Agreement, TSASC Inc. (the “Corporation”) hereby advises the Trustee of the following Senior Bonds Payment Deficiency, the Subordinate Bonds Payment Deficiency and collectively, the Payment Deficiency:

Calculation of the Senior Bonds Payment Deficiency:

1. Amount to be transferred to the Senior Debt Service Account from the Collections Account by June 1: \$ _____
2. Amount needed to pay:
 - a. unpaid interest due on the Outstanding Series 2017A Bonds on June 1, ____: \$ _____
 - b. principal of the Outstanding Series 2017A Bonds due on June 1, ____: \$ _____
 - c. interest due on the Outstanding Series 2017A Bonds on December 1, ____: \$ _____
3. There [is][is not] a Senior Bonds Payment Deficiency of \$ _____ [2 minus 1]

Calculation of the Subordinate Bonds Payment Deficiency:

4. Amount to be transferred to the Subordinate Debt Service Account from the Collections Account by June 1: \$ _____

¹ By no later than three Business Days prior to each June 1.

5. Amount needed to pay:

- a. unpaid interest due on the Outstanding Series 2017B Bonds on June 1, ____:
\$ _____
- b. principal of the Outstanding Series 2017B Bonds due on June 1, ____: \$ _____
- c. interest due on the Outstanding Series 2017B Bonds on December 1, ____:
\$ _____

6. There is a Subordinate Bonds Payment Deficiency of \$ _____ [5 minus 4]

Calculation of the Payment Deficiency:

Accordingly, the Payment Deficiency is \$ _____ [3 plus 6]

Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Security Agreement.

TSASC. INC.

By: _____

Name:

Title: President

cc: Trust and City (as sole beneficiary of the Trust)

EXHIBIT B

FORM OF NOTICE OF NO PAYMENT DEFICIENCY

[Date]²

The Bank of New York Mellon, as Trustee
240 Greenwich Street, 7E
New York, New York 10286

Re: Security Agreement between TSASC, Inc. and The Bank of New York Mellon, as Trustee, dated as of [Month] 1, 2024 (the "Security Agreement") relating to the TSASC Inc. Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) and Fiscal 2017 Series B (Subordinate)

Ladies and Gentlemen:

Pursuant to Section 3.01(c)(vi) of the above-referenced Security Agreement, TSASC Inc. (the "Corporation") hereby advises the Trustee that there is no Payment Deficiency, as calculated below.

Calculation of the Senior Bonds Payment Deficiency:

1. Amount to be transferred to the Senior Debt Service Account from the Collections Account by June 1: \$_____
2. Amount needed to pay:
 - a. unpaid interest due on the Outstanding Series 2017A Bonds on June 1, ____: \$_____
 - b. principal of the Outstanding Series 2017A Bonds due on June 1, ____: \$_____
 - c. interest due on the Outstanding Series 2017A Bonds on December 1, ____: \$_____
3. There is no Senior Bonds Payment Deficiency. [because 1 is more than 2]

Calculation of the Subordinate Bonds Payment Deficiency:

4. Amount to be transferred to the Subordinate Debt Service Account from the Collections Account by June 1: \$_____
5. Amount needed to pay:

² By no later than three Business Days prior to each June 1.

- a. unpaid interest due on the Outstanding Series 2017B Bonds on June 1, ____:
\$ _____
 - b. principal of the Outstanding Series 2017B Bonds due on June 1, ____: \$ _____
 - c. interest due on the Outstanding Series 2017B Bonds on December 1, ____:
\$ _____
6. There is no Subordinate Bonds Payment Deficiency. [because 4 is more than 5]

Calculation of the Payment Deficiency:

Accordingly, there is no Payment Deficiency.

Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Security Agreement.

TSASC. INC.

By: _____

Name:

Title: President

cc: Trust and City (as sole beneficiary of the Trust)

EXHIBIT C

FORM OF AMENDED PAYMENT DEFICIENCY NOTICE

[Date]

The Bank of New York Mellon, as Trustee
240 Greenwich Street, 7E
New York, New York 10286

Re: Security Agreement between TSASC, Inc. and The Bank of New York Mellon, as Trustee, dated as of [Month] 1, 2024 (the "Security Agreement") relating to the TSASC Inc. Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) and Fiscal 2017 Series B (Subordinate)

Ladies and Gentlemen:

Pursuant to Section 3.01(d) of the above-referenced Security Agreement, TSASC Inc. (the "Corporation") hereby advises the Trustee of the following updated Payment Deficiency and that this Amended Payment Deficiency Notice supersedes the [Amended] Payment Deficiency Notice dated [date] previously provided to the Trustee (the "Prior Notice").

Calculation of the Senior Bonds Payment Deficiency:

1. Senior Payment Deficiency calculated in the Prior Notice: \$ _____
2. Additional amount to be transferred to the Senior Debt Service Account from the Collections Account by June 1 of the current calendar year and not accounted for in the Prior Notice: \$ _____
3. Additional amount to be transferred to the Senior Debt Service Account from the Collections Account by December 1 of the current calendar year and not accounted for in the Prior Notice: \$ _____
4. The updated Senior Bonds Payment Deficiency is \$ _____ [1 minus 2 minus 3]

Calculation of the Subordinate Bonds Payment Deficiency:

5. Subordinate Payment Deficiency calculated in the Prior Notice: \$ _____
6. Additional amount to be transferred to the Subordinate Debt Service Account from the Collections Account by June 1 of the current calendar year and not accounted for in the Prior Notice: \$ _____

7. Additional amount to be transferred to the Subordinate Debt Service Account from the Collections Account by December 1 of the current calendar year and not accounted for in the Prior Notice: \$_____
8. The updated Subordinate Bonds Payment Deficiency is \$_____ [5 minus 6 minus 7]

Calculation of the Payment Deficiency:

Accordingly, the updated Payment Deficiency is \$_____ [4 plus 8]

Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Security Agreement.

TSASC. INC.

By:_____

Name:

Title: President

cc: Trust and City (as sole beneficiary of the Trust)