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GUARANTY AGREEMENT

From

CRYSTAL RUN VILLAGE, INC.,  
as Guarantor

To

THE BANK OF NEW YORK,  
as Trustee,

and  
ACA FINANCIAL GUARANTY CORPORATION,  
as Bond Insurer

Dated as of June 1, 2006

Orange County Industrial Development Agency  
Civic Facility Revenue Bonds  
(Special Needs Facilities Pooled Program)  
\$3,635,000 Series 2006G-1  
\$220,000 Series 2006G-2 (Federally Taxable)

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## GUARANTY AGREEMENT

This Guaranty Agreement made and entered into as of June 1, 2006 (this "Guaranty Agreement") (capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture or the Installment Sale Agreement, as defined herein), from CRYSTAL RUN VILLAGE, INC., a not-for-profit corporation organized and existing under and by virtue of the laws of the State of New York (the "Guarantor" or the "Participant"), having an office at 601 Stony Ford Road, Middletown, New York 10941, party of the first part, to THE BANK OF NEW YORK, a New York banking corporation duly authorized to accept and execute trusts under the laws of the State of New York, together with any successor trustee (the "Trustee") at the time serving as such under the Indenture referred to below, having its principal corporate trust office at 101 Barclay Street, Floor 21W, New York, New York 10286, and ACA FINANCIAL GUARANTY CORPORATION, a corporation duly organized and existing as a stock insurance company under the laws of the State of Maryland (the "Bond Insurer"), having its principal office at 140 Broadway, 47th Floor, New York, New York 10005, parties of the second part:

### WITNESSETH:

WHEREAS, the Orange County Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York and established pursuant to the Act hereinafter mentioned by Chapter 390 of the 1972 Laws of New York, as amended (the "Agency"), intends to issue its Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program), Series 2006G-1 in the aggregate principal amount of \$3,635,000 and Series 2006G-2 (Federally Taxable) in the aggregate principal amount of \$220,000 (collectively, the "Bonds"); and

WHEREAS, the Bonds are to be issued pursuant to the New York State Industrial Development Agency Act, being Title 1 of Article 18-A of the General Municipal Law of the State of New York, constituting Chapter 24 of the Consolidated Laws of the State of New York, as amended, and said Chapter 390 of the 1972 Laws of New York, as amended, a resolution of the Agency adopted on May 17, 2006 and under and pursuant to an Indenture of Trust, dated as of even date herewith, between the Agency and the Trustee (as the same may be amended or supplemented, the "Indenture"); and

WHEREAS, a portion of the proceeds derived from the issuance of the Bonds are to be used to provide funds for the Participant to undertake a certain project (the "Project") consisting of: (a) the refinancing of certain existing taxable indebtedness of the Company originally incurred to finance the costs of (i) acquiring, constructing and equipping of eight 2,000-3,000 square-foot single family homes for the treatment and habilitation of people with developmental disabilities (the "Improvements"), located in Orange County, New York, as follows: (A) at 54 Corbett Road, Montgomery, New York 12549 (the "Corbett Road Facility"), (B) at 64 Carter Road, New Hampton, New York 10958 (the "Carter Road Facility"), (C) at 189 Pine Tree Road, Monroe, New York 10950 (the "Pine Tree Road Facility"), (D) 227 Jacobs Road, Westtown, New York 10998 (the "Jacobs Road Facility"), (E) at 3595 Route 208, Campbell Hall, New York 10916 (the "Route 208 Facility"), (F) at 295 Depot Street, Pine Bush,

New York 10916 (the "Depot Street Facility"), (G) at 355 Arcadia Road, Goshen, New York 10924 (the "Arcadia Road Facility") and (H) at 43 Lexington Drive, Newburgh, New York 12550 (the "Lexington Drive Facility"); and (ii) the acquisition of in and around the Improvements of certain items of equipment and other tangible personal property (the "Equipment", and together with the Land and the Improvements, the "Facility"); (b) paying certain costs incurred (and to be incurred) in connection with certain capital expenditures associated with the maintenance, upgrade and rehabilitation of portions of the Facility; (c) the funding of a debt service reserve fund as security for the Series 2006G-1 Bonds; (d) paying certain costs and expenses incidental to the issuance of the Bonds (the costs associated with items (a) through (d) above being hereinafter collectively referred to as the "Project Costs"); and (e) the sale of the facilities financed with the Bonds to the Participant or such other person as may be designated by the Participant and agreed upon by the Agency; and

WHEREAS, as additional security for the Bonds and for the Guarantor's obligations under the Bond Insurance Agreement referred to below, the Guarantor and the Agency will grant a mortgage lien on and security interest in the Mortgaged Property to the Trustee and the Bond Insurer; and

WHEREAS, simultaneously with the issuance and delivery of the Bonds, two non-cancelable bond insurance policies (collectively, the "Bond Insurance Policy") will be issued by the Bond Insurer pursuant to, among other agreements, an Insurance Agreement, dated as of even date herewith, from the Guarantor to the Bond Insurer (as the same may be amended or supplemented, the "Bond Insurance Agreement"), which Bond Insurance Policy will provide for the prompt payment of the principal of, interest and Sinking Fund Installments on the Bonds when due, to the extent that the Trustee has not received sufficient funds for such payment; and

WHEREAS, the Guarantor is desirous that (i) the Agency issue, sell and deliver the Bonds and apply the proceeds as aforesaid and enter into the Company Lease and the Installment Sale Agreement with the Guarantor and (ii) the Bond Insurer issue and deliver the Bond Insurance Policy, and is willing to enter into this Guaranty Agreement in order to enhance the marketability of the Bonds and thereby achieve interest cost and other savings to the Guarantor as an inducement to the purchase of the Bonds by all who shall at any time become the holders of the Bonds;

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration received, the Guarantor does hereby represent, warrant, covenant and agree with the Trustee and the Bond Insurer as follows:

**ARTICLE I**  
**REPRESENTATIONS AND WARRANTIES OF**  
**THE GUARANTOR**

Section 1.1. Guarantor Representations and Warranties. The Guarantor does hereby represent and warrant as follows:

(a) The Guarantor is a not-for-profit corporation duly incorporated and organized under the laws of the State of New York and in good standing in the State of New York, has power to enter into and perform this Guaranty Agreement and to own its corporate property and assets, has duly authorized the execution and delivery of this Guaranty Agreement by proper corporate action, and neither this Guaranty Agreement, the authorization, execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which the Guarantor is a party or by which it or its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation or bylaws, or any other requirement of law, or result in the imposition of any lien, charge or encumbrance of any nature whatsoever. This Guaranty Agreement constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

(b) The assumption by the Guarantor of its obligations hereunder will result in a direct financial benefit to the Guarantor.

(c) The Guarantor is organized and operated exclusively for not-for-profit purposes, and no part of the earnings of the Guarantor inures to the benefit of any person, private shareholder or individual.

Section 1.2. Insurance Requirements. In addition to any insurance required pursuant to Section 4.5 of the Installment Sale Agreement, the Guarantor does hereby warrant and agree as follows:

(a) At all times throughout the term of this Guaranty Agreement, including without limitation during any period of construction or reconstruction of the Facility, the Guarantor shall maintain insurance, or cause there to be maintained insurance, if applicable, with insurance companies licensed to do business in the State, against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Guarantor and acceptable to the Bond Insurer. In addition to this general requirement, such insurance shall, for purposes of subsections (b) through (f) of this Section 1.2, include, without limitation, insurance coverage described in paragraphs (i) through (v) below (hereinafter, "Specific Coverage"):

- (i) (A) Property damage insurance, and (B) during any period of construction, reconstruction or substantial renovation of the Facility (to the extent not

otherwise covered by property damage insurance), Builders' All Risk 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, machinery, equipment, facilities, fixtures and other property constituting a part of the Facility against loss or damage to the Facility by all risk of physical loss at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the Guarantor or the Trustee or the Bond Insurer from becoming a co-insurer of any loss under the insurance policies but in any event in amounts equal to 100% of the actual replacement value of the Facility as determined by a qualified insurance appraiser or insurer (selected by the Guarantor) not less often than once every three years, at the expense of the Guarantor; any such insurance may provide that the insurer is not liable to the extent of the first \$10,000 with the result that the Guarantor is its own insurer to the extent of \$10,000 of such risks;

- (ii) Boiler and machine property damage insurance in respect of any steam and pressure boilers and similar apparatus located on the Facility Realty from risks normally insured against under boiler and machinery policies and in amounts and with deductibles customarily obtained for similar business enterprises and in each case approved by the Bond Insurer;
- (iii) To the extent any Facility may be located in a flood zone, or if otherwise required by federal law, flood certification or flood insurance, to the extent not covered by property damage insurance, in an amount equal to the greater of the full replacement cost or the maximum amount then available under the National Flood Insurance Program;
- (iv) Director's and Officer's insurance coverage in a minimum of \$1,000,000 and that is customarily provided by other enterprises of like size and type as the Guarantor; and
- (v) Such other insurance, including revision of the insurance requirements set forth above, in such amounts and against such insurable hazards as the Trustee (at the specific written direction of the Directing Party) or the Bond Insurer from time to time may reasonably require.

(b) All Specific Coverage required by Section 1.2(a) above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State and having an A.M. Best rating that is commercially reasonable and customarily provided by the enterprises of like size and type as that of the Guarantor and acceptable to the Bond Insurer. The Bond Insurer may change such rating requirements on a nondiscriminatory basis if required by substantial changes in insurance industry premiums, risks or coverage. At least once every two fiscal years, the Guarantor agrees to deliver a certificate of an independent insurance consultant to the Trustee and the Bond

Insurer which indicates that the insurance then maintained by the Guarantor meets the requirements of Section 1.2 hereof and Section 4.5(a) of the Installment Sale Agreement.

(c) Each of the policies evidencing the Specific Coverage required above to be obtained shall (subject to the provisions of the Underlying Facility Realty Documents, if applicable):

- (i) designate the Guarantor, the Bond Insurer and the Trustee as additional insureds as their respective interests may appear;
- (ii) provide that all insurance proceeds with respect to loss or damage to the property of the Facility be endorsed and made payable to the Trustee and shall name the Trustee and the Bond Insurer as a loss payee under the standard loss payee clause and as a mortgagee under the terms of a standard mortgagee clause, which insurance proceeds shall be paid over to the Trustee and deposited in the Participant's Account in the Renewal Fund;
- (iii) provide that there shall be no recourse against the Trustee or the Bond Insurer for the payment of premiums or commissions or (if such policies or binders provide for the payment thereof) additional premiums or assessments;
- (iv) provide that in respect of the interest of the Trustee and the Bond Insurer in such policies, the insurance shall not be invalidated by any action or inaction of the Guarantor or any other Person and shall insure the Trustee and the Bond Insurer regardless of, and any losses shall be payable notwithstanding, any such action or inaction;
- (v) provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried by the Trustee or the Bond Insurer to the extent that such other insurance provides the Trustee or the Bond Insurer, as the case may be, with contingent and/or excess liability insurance with respect to its interest in the Facility;
- (vi) provide that if the insurers cancel such insurance for any reason whatsoever, including the insured's failure to pay any accrued premium, or the same is allowed to lapse or expire, or there be any reduction in amount, or any material change is made in the coverage, such cancellation, lapse, expiration, reduction or change shall not be effective as to the Trustee or the Bond Insurer until at least thirty (30) days, or ten (10) days due to nonpayment of premium, after receipt by the Trustee and the Bond Insurer, respectively, of written notice by such insurers of such cancellation, lapse, expiration, reduction or change;
- (vii) waive any right of subrogation of the insurers thereunder against any Person insured under such policy, and waive any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment

or otherwise, in respect of any liability of any Person insured under such policy; and

- (viii) contain such other terms and provisions as any owner or operator of facilities similar to the Facility would, in the prudent management of its properties, require to be contained in policies or interim insurance contracts with respect to facilities similar to the Facility owned or operated by it.

(d) The Net Proceeds of any Specific Coverage insurance received with respect to any loss or damage to the property of the Facility shall be deposited in the Participant's Account in the Renewal Fund and applied in accordance with Section 5.1 of the Installment Sale Agreement and the Indenture.

(e) The Guarantor shall deliver or cause to be delivered to the Trustee and the Bond Insurer, in a form acceptable to the Bond Insurer, the following documents evidencing compliance with the Specific Coverage requirements of this Section 1.2: (i) on or prior to the Closing Date: (A) a broker's certificate of coverage, upon which the Bond Insurer and the Trustee may conclusively rely in order to confirm compliance with the requirements of this Section 1.2, confirming that the Guarantor, as of the Closing Date, has obtained Specific Coverage in accordance with the requirements of this Section 1.2, and (B) evidence of property insurance and certificates or other evidence of other required insurance and, (ii) as soon as practicable thereafter, duplicate copies of insurance policies and/or binders. At least seven (7) Business Days prior to the expiration of any such policy, the Guarantor shall furnish the Trustee and the Bond Insurer with evidence that such policy has been renewed or replaced or is no longer required by this Guaranty Agreement.

(f) The Guarantor shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Trustee (upon the specific written direction of the Directing Party) or the Bond Insurer to collect from insurers for any loss covered by any insurance required to be obtained by this Section 1.2. The Guarantor shall not do any act, or suffer or permit any act to be done, whereby any Specific Coverage required by this Section 1.2 would or might be suspended or impaired.

(g) THE GUARANTOR ACKNOWLEDGES THAT THE INSURANCE SPECIFIED HEREIN AND IN THE INSTALLMENT SALE AGREEMENT IS NOT IN ANY WAY A REPRESENTATION BY THE AGENCY, THE BOND INSURER OR THE TRUSTEE THAT SUCH INSURANCE, WHETHER IN SCOPE OR COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE BUSINESS OR INTEREST OF THE GUARANTOR.



## ARTICLE II

### AGREEMENT TO GUARANTEE

Section 2.1. Obligations Guaranteed. (a) The Guarantor hereby unconditionally guarantees to the Bond Insurer and the Trustee for the benefit of the Holders from time to time of the Bonds (1) the full and prompt payment of the principal of the Bonds and the indebtedness represented thereby, and the redemption premium, if any, on the Bonds when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise; (2) the full and prompt payment of interest on the Bonds when and as the same shall become due and payable; and (3) the full and prompt payment of any moneys due the Bond Insurer as the same shall become due and payable under the Bond Insurance Agreement (the payments referred to in clauses (1), (2) and (3) hereof being collectively referred to as the "Guaranteed Obligations"). The Guarantor further hereby irrevocably and unconditionally agrees that upon any default in any of the Guaranteed Obligations, the Guarantor will promptly pay the same. All payments by the Guarantor shall be paid in lawful money of the United States of America. Each and every default in any of the Guaranteed Obligations shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

(b) The Guarantor further agrees that this Guaranty Agreement constitutes an absolute, unconditional, present and continuing guarantee of payment and not of collection, and waives any right to require that any resort be had by the Bond Insurer, the Trustee or the Holders of the Bonds to (1) any security held by or for the benefit of the Holders of the Bonds or the Bond Insurer for any of the Guaranteed Obligations, (2) the Bond Insurer's, the Trustee's or any Bondholder's rights against any other Person, or (3) any other right or remedy available to the Bond Insurer, the Trustee or any Holder of the Bonds by contract, applicable law or otherwise. The obligations of the Guarantor under this Guaranty Agreement are direct, unconditional and completely independent of the obligations of any other person or entity, and a separate cause of action or separate causes of action may be brought and prosecuted against the Guarantor without the necessity of joining the Agency or any other party or previously proceeding with or exhausting any other remedy against any other person who might have become liable for any of the Guaranteed Obligations or of realizing upon any security held by or for the benefit of the Holders of the Bonds or the Bond Insurer.

(c) Reference is made to Article X of the Indenture which provides that, subject to certain conditions, the Indenture may be discharged prior to the date on which all of the Bonds have become due and payable if there shall be deposited with the Trustee moneys and/or Government Obligations in an amount sufficient to pay the entire principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to the maturity or redemption thereof. If any lien, encumbrance or charge based on any claim of any kind (including, without limitation, any claim for income, franchise or other taxes, whether federal, state or otherwise but excluding any claim against any Bondholder) shall be asserted or filed against any moneys so deposited with the Trustee (or the income therefrom) so as to

(1) interfere with the due application by the Trustee of such moneys to the payment of the Bonds pursuant to the applicable provisions of the Indenture, or

(2) subject the Holders of the Bonds or the Bond Insurer to any obligation to refund any moneys applied to payment of the Bonds,

then the Guarantor promptly will take, or cause the taking of, such action (including, but not limited to, the payment of money) as may be necessary to prevent, or to nullify the cause or result of, such interference or such obligation, as the case may be.

The discharge of the lien and pledge of the Indenture prior to the date on which all Bonds have become due and payable shall not release the Guarantor from its obligations under this Guaranty Agreement.

The Guarantor further waives any benefits of any credit for the fair market value of the Facility in any action for foreclosure or for a deficiency judgment (including any credit under Section 1371 of the New York Real Property Actions and Proceedings Law).

Section 2.2. Obligations Unconditional. The obligations of the Guarantor under this Guaranty Agreement shall be absolute and unconditional, and shall remain in full force and effect until the Guaranteed Obligations shall have been paid in full or provided for, and all costs, the Bond Insurer's fees and expenses, the Trustee's fees and commissions and expenses, if any, referred to in Section 2.5 hereof shall have been paid in full, and, to the extent permitted by law, such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Guarantor:

(a) the invalidity, irregularity, illegality or unenforceability of, or any defect in, any of the Project Documents, the Bonds or any collateral security for any thereof;

(b) any present or future law or order of any government (de jure or de facto) or of any agency thereof purporting to reduce, amend or otherwise affect the Bonds or any other obligation of the Agency or any other obligor or to vary any terms of payment;

(c) any claim of immunity on behalf of the Agency or any other obligor or with respect to any property of the Agency or any other obligor;

(d) the compromise, settlement, release, extension, indulgence, change, modification or termination of any or all of the obligations, covenants or agreements of any obligor under any of the Project Documents;

(e) the failure to give notice to any obligor under any of the Project Documents of the occurrence of any default or Event of Default under the terms and provisions of any of the Project Documents (except as may be specifically provided in any such Project Document);

(f) the actual or purported sale, assignment, subleasing or mortgaging of all or any part of the interest of the Agency in the Company Lease or the Facility or any failure of leasehold title with respect to the Agency's interest in the Facility under the Company Lease;

(g) the actual or purported assignment, subleasing or mortgaging of all or any part of the interest of the Guarantor in the Company Lease or the Installment Sale Agreement;

(h) the actual or purported assignment of any of the obligations, covenants and agreements contained in this Guaranty Agreement or in any other Project Document;

(i) the waiver of the payment, performance or observance by the Agency or the Guarantor or any other obligor under any of the Project Documents of any of the obligations, conditions, covenants or agreements of any or all of them contained in any such Project Document;

(j) the receipt and acceptance by the Bond Insurer, the Trustee or the Agency of notes, checks or other instruments for the payment of money made by the Guarantor or any other obligor under any of the Project Documents and any extensions and renewals thereof;

(k) the extension of the time for payment of the principal of, redemption premium, if any, or interest on the Bonds or any other amounts that are due or may become due under any of the Project Documents, or of the time for performance of any other obligations, covenants or agreements under or arising out of the Bonds or any of the Project Documents or any extension or renewal thereof;

(l) the modification or amendment (whether material or otherwise) of any duty, obligation, covenant or agreement set forth in the Bonds or in any of the Project Documents;

(m) the taking of or the omission to take any action referred to in the Bonds or in any of the Project Documents;

(n) any failure, omission, delay or lack on the part of the Agency, the Bond Insurer, the Trustee or any other Person to enforce, assert or exercise any right, power or remedy conferred on the Agency, the Bond Insurer, the Trustee or such other Person in this Guaranty Agreement or in any of the Project Documents or any other act or acts on the part of the Agency, the Bond Insurer, the Trustee or the Holders from time to time of the Bonds;

(o) the voluntary or involuntary liquidation, dissolution, merger, consolidation, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Guarantor or the Agency or any other obligor under any of the Project Documents or any or all of the assets of any of them, or any allegation or contest of the validity of this Guaranty Agreement or any other Project Document in any such proceeding; it is specifically understood, consented and agreed to that this Guaranty Agreement shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if such proceedings had not been instituted; and it is the

intent and purpose of this Guaranty Agreement that the Guarantor shall and does hereby waive all rights and benefits which might accrue to the Guarantor by reason of any such proceedings to the extent permitted by law;

(p) to the extent permitted by law, the release or discharge of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement by operation of law;

(q) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty Agreement;

(r) any release or impairment of the security pledged under the Indenture or under any other Project Document;

(s) the release, substitution or replacement in accordance with the terms of the Installment Sale Agreement of any property subject thereto or any redelivery, repossession, surrender or destruction of any such property, in whole or in part;

(t) any limitation on the liability or obligations of the Trustee, the Agency, the Bond Insurer or the Guarantor or any other obligor under any of the Project Documents, or any termination, cancellation, frustration, invalidity or unenforceability, in whole or in part, of the Installment Sale Agreement or the Indenture or any other Project Document or any term thereof, or the Bonds;

(u) any failure of the Agency, the Bond Insurer or the Trustee to mitigate damages resulting from any default by any obligor under any of the Project Documents;

(v) the merger or consolidation of any obligor under any of the Project Documents into or with any other person, or any sale, lease or transfer of any or all of the assets of any such obligor to any person;

(w) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor;

(x) the failure of the Bond Insurer to make payments when due under the Bond Insurance Policy; or

(y) any other occurrence whatsoever, whether similar or dissimilar to the foregoing.

Section 2.3. No Waiver or Set-Off. No act of commission or omission of any kind or at any time upon the part of the Agency, the Bond Insurer or the Trustee in respect of any matter whatsoever shall in any way impair the rights of the Trustee or the Bond Insurer to enforce any right, power or benefit under this Guaranty Agreement and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Guarantor of its obligations hereunder), which the Guarantor has or may have against the Agency, the Bond Insurer or the Trustee shall be available hereunder to the Guarantor.

Section 2.4. Events of Default. An “Event of Default” shall exist if any of the following occurs and is continuing:

(a) the Guarantor defaults in any guarantee referred to in Section 2.1(a) hereof and such default continues (subject to any applicable grace period), for a period of two (2) days after written notice has been given to the Guarantor by the Trustee or the Bond Insurer;

(b) the Guarantor fails to observe and perform any covenant, condition or agreement (other than such referred to in Section 2.4(a) above) of this Guaranty Agreement and (i) continuance of such default or failure for a period of thirty (30) days after written notice of such default or failure has been given to the Guarantor by the Trustee or the Bond Insurer or (ii) if by reason of the nature of such default or failure the same can be remedied, but not within the said thirty (30) days, the Guarantor fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same;

(c) any warranty, representation or other statement made or given by or on behalf of the Guarantor to the Agency, the Trustee, the Bond Insurer or the initial purchaser(s) of the Bonds contained in this Guaranty Agreement or in any of the other Project Documents is false, misleading or incorrect in any material respect as of the date made;

(d) the Guarantor shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, (vii) take any action for the purpose of effecting any of the foregoing, or (viii) be adjudicated a bankrupt or insolvent by any court;

(e) a proceeding or case shall be commenced, without the application or consent of the Guarantor in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Guarantor or of all or any substantial part of its assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 days; or any order for relief against the Guarantor shall be entered in an involuntary case under such Bankruptcy Code; the terms “dissolution” or “liquidation” of the Guarantor as used above shall not be construed to prohibit any action otherwise permitted by Section 2.5 hereof; or

(f) an Event of Default under Section 8.01(a)(i), (ii) or (iii) of the Indenture due to an “Event of Default” under the Installment Sale Agreement or under any other Project Document to which the Guarantor is a party shall occur and be continuing.

Upon an Event of Default the Trustee and the Bond Insurer shall have the right to proceed first and directly against the Guarantor under this Guaranty Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any security held by the Trustee, the Bond Insurer or any obligor under any of the Project Documents. All moneys recovered by the Trustee pursuant to this Guaranty Agreement shall be deposited in accordance with Section 8.04 of the Indenture and used and applied in accordance with Section 8.04 of the Indenture.

Neither the Trustee nor the Bond Insurer shall be under any obligation to institute any suit or to take any remedial action under this Guaranty Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under this Guaranty Agreement, until it shall be indemnified to its satisfaction against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its gross negligence or willful misconduct.

Section 2.5. Waiver of Notice; Expenses. The Guarantor hereby expressly waives notice from the Trustee, the Bond Insurer or the Holders from time to time of the Bonds of their acceptance and reliance on this Guaranty Agreement or of any action taken or omitted in reliance hereon. The Guarantor further expressly waives diligence, presentment, demand for payment, protest, any requirement that any right or power be exhausted or any action be taken against the Agency or the Guarantor or against any collateral security for the Guaranteed Obligations. The Guarantor agrees to pay all costs, the Bond Insurer's fees and expenses, the Trustee's fees and commissions and expenses (including all court costs and reasonable attorneys' fees) which may be incurred by the Trustee or the Bond Insurer in enforcing or attempting to enforce this Guaranty Agreement following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. Benefit and Enforcement. This Guaranty Agreement is entered into by the Guarantor for the benefit of the Trustee, the Agency, the Bond Insurer and the Holders from time to time of the Bonds.

Section 2.7. Survival of Guaranteed Obligations. If the Trustee or the Bond Insurer receives any payment on account of the Guaranteed Obligations, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be transferred or repaid to a trustee, receiver, assignee for the benefit of creditors or any other party under any bankruptcy act or code, state or federal law or common law or equitable doctrine or for any other reason whatsoever, then to the extent of any sum not finally retained by the Trustee or the Bond Insurer, as applicable, this Guaranty Agreement shall remain in full force and effect until the Guarantor shall have made payment to the Trustee or the Bond Insurer, as applicable, of such sum, which payment shall be due on demand. If the Trustee or the Bond Insurer, as applicable, chooses to contest any such matter, the Guarantor agrees to indemnify and hold harmless the Trustee or the Bond Insurer, as applicable, with respect to all costs (including court costs and reasonable attorneys' fees and expenses) of such litigation.

Section 2.8. Waiver of Rights of Trustee and Bond Insurer. No payment hereunder by the Guarantor shall entitle the Guarantor by subrogation to the rights of the Trustee

or the Bond Insurer to any payment by any other obligor or out of the property of any other obligor, except after payment and performance in full of the Guaranteed Obligations. The Guarantor waives any benefit of, or any right to participation in, any security whatsoever now or hereafter held by the Trustee or the Bond Insurer.

Section 2.9. No-Default Certificates. (a) The Guarantor shall deliver to the Bond Insurer, the Trustee and, upon the prior written request of the Agency therefor, to the Agency with each delivery required by Section 6.6(a) of the Installment Sale Agreement, a certificate of an Authorized Representative of the Guarantor as to whether or not, as of the close of such preceding Fiscal Year of the Guarantor, and at all times during such Fiscal Year, the Guarantor was in compliance with all the provisions which relate to the Guarantor in this Guaranty Agreement and in any other Project Document to which it shall be a party, and if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default, he shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default hereunder, and any action proposed to be taken by the Guarantor with respect thereto. In addition, upon twenty (20) days prior request by the Bond Insurer, the Agency or the Trustee, the Guarantor will execute, acknowledge and deliver to the Bond Insurer, the Agency and the Trustee a certificate of an Authorized Representative of the Guarantor either stating that to his knowledge no default or breach exists hereunder or specifying each such default or breach of which he has knowledge.

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

## ARTICLE III

### NOTICE OF SERVICE OF PROCESS, PLEADINGS AND OTHER PAPERS

Section 3.1. Service of Process. The Guarantor represents that it is subject to service of process in the State of New York and covenants that it will remain so subject so long as any of the Guaranteed Obligations are outstanding. If for any reason the Guarantor should cease to be so subject to service of process in the State of New York, the Guarantor hereby designates and appoints, without power of revocation, the Executive Director of the Guarantor and his successor(s) as its agent for service of process, and if such agent shall cease to act or otherwise cease to be subject to service of process in the State of New York, the Secretary of State of the State of New York, as the respective agents of the Guarantor upon whom may be served all process, pleadings, notices or other papers which may be served upon the Guarantor as a result of any of its obligations under this Guaranty Agreement; provided, however, that the serving of such process, pleadings, notices or other papers shall not constitute a condition to the Guarantor's obligations hereunder.

Section 3.2. Notices. All notices, certificates or other communications required or permitted to be given hereunder shall be in writing and shall be given by hand delivery, Federal Express, or other reputable courier service, or by postage prepaid registered or certified mail, return receipt requested, and shall (except to the extent otherwise expressly provided herein) be deemed to have been given and received (whether actually received or not) (i) when received at the following addresses if hand delivered or sent by Federal Express, or other reputable courier service, and (ii) three (3) Business Days after being post-marked if sent by registered or certified mail, return receipt requested, addressed as any party hereto shall designate by written notice to the other party in accordance with the terms of this Section 3.2; provided, however, that no such notice of change of address and/or addressee shall be effective unless and until actually received by the party to whom such notice is sent. Any notice required to be sent to the Guarantor, or any notice including process, pleadings or other papers served upon the foregoing agents, shall at the same time, be sent in the manner set forth above in this Section to Crystal Run Village, Inc., 601 Stony Ford Road, Middletown, New York 10941, Attention: Executive Director, with a copy to Nolan & Heller, LLP, 39 North Pearl Street, 3rd Floor, Albany, New York 12207, Attention: Robert G. Wakeman, Esq., or to such other alternate address as may be furnished by the Guarantor to the Trustee and the Bond Insurer in writing.

Section 3.3. Consent to Jurisdiction. The Guarantor irrevocably and unconditionally (a) agrees that any suit, action or other legal proceeding arising out of this Guaranty Agreement may be brought in the courts of record of the State of New York in Orange County or the courts of the United States, Southern District of New York; (b) consents to the jurisdiction of each such court in any such suit, action or proceeding; and (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts. For such time as any of the Guaranteed Obligations shall be unpaid in whole, or in part, the Guarantor's agents designated in Section 3.1 hereof shall accept and acknowledge on the Guarantor's behalf service of any and all process in any such suit, action or proceeding brought in any such court. The Guarantor agrees and consents that any such service of process upon such agents and written notice of such service to the Guarantor in the manner set forth in Section 3.2 hereof shall be taken and held to be valid personal service upon the Guarantor



whether or not the Guarantor shall then be doing, or at any time shall have done, business within the State of New York and that any such service of process shall be of the same force and validity as if service were made upon the Guarantor according to the laws governing the validity and requirements of such service in the State of New York, and waives all claim of error by reason of any such service. Such agents shall not have any power or authority to enter into any appearance or to file any pleadings in connection with any suit, action or other legal proceedings against the Guarantor or to conduct the defense of any such suit, action or any other legal proceeding except as expressly authorized by the Guarantor.

## ARTICLE IV

### MISCELLANEOUS

Section 4.1. No Alteration Without Consent. No amendment, change, modification, alteration or termination of the Indenture, the Installment Sale Agreement or the Bonds shall be made which would in any way increase any or all of the Guarantor's obligations under this Guaranty Agreement without obtaining the prior written consent of the Guarantor. Neither the acts or omissions recited in Section 2.2 hereof, nor any partial redemption of the Bonds, shall constitute any such amendment, change, modification, alteration or termination within the meaning of this Section 4.1.

Section 4.2. Guaranty Agreement to Become Effective. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally when the Bonds shall have been issued, sold and delivered by the Agency and the Bond Insurance Policy shall have been issued and delivered by the Bond Insurer.

Section 4.3. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Bond Insurer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default, default, omission or failure of performance hereunder 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 Trustee and the Bond Insurer to exercise any remedy reserved to it in this Guaranty Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Guaranty Agreement. In the event any provision contained in this Guaranty Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Guaranty Agreement.

Section 4.4. Entire Agreement; Counterparts. This Guaranty Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

Section 4.5. Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses or Sections in this Guaranty Agreement contained, shall not affect the validity or enforceability of the remaining portions of this Guaranty Agreement, or any part thereof.

Section 4.6. Release. Upon the payment and satisfaction of all Guaranteed Obligations and, if applicable, upon payment of the costs, fees, commissions and expenses required by Section 2.5, the Trustee and the Bond Insurer shall release in writing the Guarantor from its obligations hereunder except as provided in Section 2.1(c) or 2.7 hereof.

Section 4.7. Right of Set-Off. The Guarantor hereby grants to the Trustee, the Bond Insurer and each Bondholder for the equal and ratable benefit of all Bondholders a lien and right to set-off for all of its liabilities and obligations under this Guaranty Agreement against all the deposits, credits and property of the Guarantor and any collateral of the Guarantor now or hereafter in the possession, under the control of the Trustee and/or the Bond Insurer and/or any Bondholder, and agrees that the same may be applied against such liabilities and obligations then due, at any time after an Event of Default has occurred under this Guaranty Agreement.

Section 4.8. Applicable Law. This Guaranty Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles thereof.

Section 4.9. Successors and Assigns. This Guaranty Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 4.10. Date of Guaranty Agreement for Reference Purposes Only. The date of this Guaranty Agreement shall be for reference purposes only and shall not be construed to imply that this Guaranty Agreement was executed on the date first above written. This Guaranty Agreement was executed and delivered on the Closing Date.


Section 4.11. Incorporation of Certain Indenture Provisions. (a) All provisions of Article IX of the Indenture shall be construed as extending to and including all of the rights, duties and obligations imposed upon the Trustee under this Guaranty Agreement as fully and for all purposes as if said Article IX were contained in this Guaranty Agreement.

(b) All provisions of Section 7.10 of the Indenture shall be construed as extending to and including all of the rights, duties and obligations imposed upon the Bond Insurer under this Guaranty Agreement as fully and for all purposes as if said Section 7.10 were contained in this Guaranty Agreement.

Section 4.12. Default of Other Parties. No provision of this Guaranty Agreement shall be construed to apply the terms hereof or the liability of the Guarantor hereunder to a default by any party under the Bonds other than the Guarantor.


IN WITNESS WHEREOF, the Guarantor has duly authorized the execution of this Guaranty Agreement as of the date first above written.

CRYSTAL RUN VILLAGE, INC.

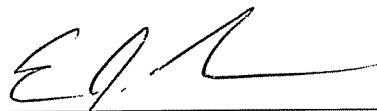
By:   
William Sammis  
Chief Financial Officer

Accepted this 15<sup>th</sup> day of June, 2006 by:

THE BANK OF NEW YORK,  
as Trustee

By:   
Christopher W. Palermo  
Assistant Vice President

ACA FINANCIAL GUARANTY  
CORPORATION

By:   
Eric J. Torkelson  
Director and Associate General Counsel