



\$22,745,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ALBANY PUBLIC LIBRARY REVENUE BONDS,
SERIES 2016

Dated: Date of Delivery

Due: July 1, as shown on inside cover

Payment and Security: The Albany Public Library Revenue Bonds, Series 2016 (the "Series 2016 Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY"), payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement (the "Loan Agreement") dated as of November 9, 2016 between Albany Public Library (the "Library" or the "Institution") and DASNY, and all the funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Albany Public Library Revenue Bond Resolution, adopted November 9, 2016 (the "Resolution") and established under DASNY's Series Resolution Authorizing Up To \$26,000,000 Albany Public Library Revenue Bonds, Series 2016, adopted November 9, 2016 (the "Series 2016 Resolution").

The Loan Agreement is a general obligation of the Library and requires the Library to pay, in addition to the fees and expenses of DASNY and U.S. Bank National Association, the Trustee and Paying Agent, amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2016 Bonds, as such payments become due. The obligations of the Library under the Loan Agreement are secured by a pledge of all revenues of the Library, including real property tax assessments on all non-exempt real property located in the School District (defined herein), levied for library purposes.

The Series 2016 Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. DASNY has no taxing power.

Description: The Series 2016 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due July 1, 2017 and each January 1 and July 1 thereafter) on the Series 2016 Bonds will be payable by check or draft mailed to the registered owners thereof. Principal and Redemption Price of the Series 2016 Bonds will be payable at the designated corporate trust office of the Trustee and Paying Agent.

The Series 2016 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2016 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2016 Bonds, payments of the principal and Redemption Price of and interest on such Series 2016 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 –THE SERIES 2016 BONDS – Book-Entry Only System."

Redemption: *The Series 2016 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described in this Official Statement.*

Tax Matters: In the opinion of Harris Beach PLLC, Co-Bond Counsel to DASNY, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2016 Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2016 Bonds is, however, included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. In addition, in the opinion of Harris Beach PLLC, under existing statutes, including the Act (as defined herein), interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. See "PART 10 - TAX MATTERS" herein regarding certain other tax considerations.

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2016 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality of the Series 2016 Bonds by Harris Beach PLLC, Albany, New York, and Brown Hutchinson LLP, Rochester, New York, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Library by its counsel, Whiteman Osterman & Hanna LLP, Albany, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. DASNY expects to deliver the Series 2016 Bonds in definitive form in New York, New York, on or about December 7, 2016.

PiperJaffray®

\$22,745,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ALBANY PUBLIC LIBRARY REVENUE BONDS,
SERIES 2016

\$13,960,000 Serial Bonds

| Due July 1 | Principal Amount | Interest Rate | Yield | CUSIP Number[†] |
|-----------------------|-----------------------------|--------------------------|--------------|-------------------------------------|
| 2017 | \$ 585,000 | 2.000% | 0.890% | 64990C KL4 |
| 2018 | 715,000 | 3.000 | 1.110 | 64990C KM2 |
| 2019 | 735,000 | 3.000 | 1.290 | 64990C KN0 |
| 2020 | 760,000 | 4.000 | 1.480 | 64990C KP5 |
| 2021 | 795,000 | 4.000 | 1.640 | 64990C KQ3 |
| 2022 | 825,000 | 5.000 | 1.770 | 64990C KR1 |
| 2023 | 865,000 | 5.000 | 1.980 | 64990C KS9 |
| 2024 | 910,000 | 5.000 | 2.170 | 64990C KT7 |
| 2025 | 955,000 | 5.000 | 2.330 | 64990C KU4 |
| 2026 | 1,000,000 | 5.000 | 2.460 | 64990C KV2 |
| 2027 | 1,055,000 | 5.000 | 2.650** | 64990C KW0 |
| 2028 | 1,105,000 | 5.000 | 2.780** | 64990C KX8 |
| 2029 | 1,160,000 | 5.000 | 2.870** | 64990C KY6 |
| 2030 | 1,220,000 | 5.000 | 2.950** | 64990C KZ3 |
| 2031 | 1,275,000 | 5.000 | 3.020** | 64990C LA7 |

\$8,785,000 Term Bonds

\$2,730,000 3.500% Term Bonds due July 1, 2033 Yield 3.660% CUSIP Number[†] 64990C LB5

\$2,920,000 3.500% Term Bonds due July 1, 2035 Yield 3.730% CUSIP Number[†] 64990C LC3

\$3,135,000 3.625% Term Bonds due July 1, 2037 Yield 3.810% CUSIP Number[†] 64990C LD1

[†] Copyright, American Bankers Association (ABA). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2016 Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2016 Bonds.

** Priced at the stated yield to the July 1, 2026 optional redemption date at a redemption price of 100% of the principal amount of such Series 2016 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Library or the Underwriter to give any information or to make any representations with respect to the Series 2016 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, the Library or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Library and other sources that DASNY believes are reliable. Neither DASNY nor the Underwriter guarantees the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Library has reviewed the parts of this Official Statement describing the Library, the Tax Referendum (as defined herein), the Project, the Refunding Plan, the Estimated Sources and Uses of Funds, Continuing Disclosure and Appendix B. The Library will certify as of the dates of sale and delivery by DASNY of the Series 2016 Bonds that such parts of this Official Statement do not contain any untrue statements of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Library makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2016 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2016 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2016 Resolution and the Loan Agreement are on file with DASNY and the Trustee.

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

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY or the Library have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2016 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

| <u>Part</u> | <u>Page</u> | <u>Part</u> | <u>Page</u> |
|--|-------------|--|-------------|
| PART 1 – INTRODUCTION..... | 1 | PART 6 – ESTIMATED SOURCES AND USES OF FUNDS..... | 23 |
| Purpose of the Official Statement..... | 1 | PART 7 – DASNY..... | 23 |
| Purpose of the Issue..... | 1 | Background, Purposes and Powers..... | 23 |
| Authorization of Issuance..... | 1 | Governance..... | 24 |
| DASNY..... | 1 | Claims and Litigation..... | 27 |
| The Library..... | 1 | Other Matters..... | 27 |
| The Series 2016 Bonds..... | 2 | PART 8 – LEGALITY OF THE SERIES 2016 BONDS FOR | |
| Payment of the Series 2016 Bonds..... | 2 | INVESTMENT AND DEPOSIT..... | 27 |
| Security for the Series 2016 Bonds..... | 2 | PART 9 – NEGOTIABLE INSTRUMENTS..... | 28 |
| PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE | | PART 10 – TAX MATTERS..... | 28 |
| SERIES 2016 BONDS..... | 2 | Federal Income Tax..... | 28 |
| Payment of the Series 2016 Bonds..... | 2 | State and Local Income Taxes..... | 29 |
| Authorization of Project, Payment and Tax Levy..... | 3 | Other Considerations..... | 29 |
| Security for the Series 2016 Bonds..... | 3 | PART 11 – STATE NOT LIABLE ON THE SERIES 2016 BONDS..... | 30 |
| The Collection Agreement..... | 4 | PART 12 – COVENANT BY THE STATE..... | 30 |
| Events of Default and Acceleration..... | 4 | PART 13 – LEGAL MATTERS..... | 30 |
| General..... | 5 | PART 14 – UNDERWRITING..... | 30 |
| PART 3 – THE SERIES 2016 BONDS..... | 5 | PART 15 – VERIFICATION OF MATHEMATICAL | |
| Description of the Series 2016 Bonds..... | 5 | COMPUTATIONS..... | 31 |
| Redemption and Purchase in Lieu of Optional Redemption Provisions..... | 5 | PART 16 – CONTINUING DISCLOSURE..... | 31 |
| Book-Entry Only System..... | 7 | PART 17 – RATING..... | 31 |
| Principal, Sinking Fund Installment and Interest Requirements for the Series | | PART 18 – MISCELLANEOUS..... | 31 |
| 2016 Bonds..... | 10 | Appendix A – Definitions..... | A-1 |
| PART 4 – THE LIBRARY..... | 10 | Appendix B – Financial Statements of Albany Public Library and | |
| GENERAL INFORMATION..... | 10 | Independent Auditors’ Report..... | B-1 |
| Introduction..... | 10 | Appendix C – Summary of Certain Provisions | |
| Governance and Administration..... | 11 | of the Loan Agreement..... | C-1 |
| Service Area..... | 11 | Appendix D – Summary of Certain Provisions | |
| Real Property Taxes..... | 12 | of the Resolution..... | D-1 |
| Property Tax Cap Law..... | 12 | Appendix E – Form of Approving Opinions of | |
| Tax Collection Procedure..... | 13 | Co-Bond Counsel..... | E-1 |
| Library Budget..... | 13 | Appendix F – Form of Continuing Disclosure Agreement..... | F-1 |
| Insurance..... | 14 | | |
| Employees..... | 14 | | |
| Employee Pension Benefits..... | 15 | | |
| Other Post-Employment Benefits..... | 15 | | |
| ANNUAL FINANCIAL STATEMENT INFORMATION..... | 16 | | |
| Revenues and Expenditures..... | 16 | | |
| Fund Balances..... | 18 | | |
| OPERATING DATA..... | 18 | | |
| Valuations, Tax Rates and Levies..... | 18 | | |
| Selected Listing of Large Tax Payers..... | 19 | | |
| Economic and Demographic Information..... | 19 | | |
| Selected Wealth and Income Indicators..... | 20 | | |
| Major Employers..... | 20 | | |
| Unemployment Rate Statistics..... | 20 | | |
| Litigation..... | 21 | | |
| PART 5 – THE REFUNDING PLAN..... | 22 | | |

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DORMITORY AUTHORITY - STATE OF NEW YORK
GERRARD P. BUSHELL – PRESIDENT

515 BROADWAY, ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO:
\$22,745,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ALBANY PUBLIC LIBRARY REVENUE BONDS, SERIES 2016

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (“DASNY”) and the Albany Public Library (the “Library”) in connection with the offering by DASNY of \$22,745,000 principal amount of its Albany Public Library Revenue Bonds, Series 2016 (the “Series 2016 Bonds”).

The following is a brief description of certain information concerning the Series 2016 Bonds, DASNY and the Library. A more complete description of such information and additional information that may affect decisions to invest in the Series 2016 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2016 Bonds are being issued (i) to advance refund DASNY’s Albany Public Library Insured Revenue Bonds, Series 2007 (the “Series 2007 Bonds”), and (ii) to pay the Costs of Issuance of the Series 2016 Bonds. See “PART 5 - THE REFUNDING PLAN” and “PART 6 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2016 Bonds will be issued pursuant to DASNY’s Albany Public Library Revenue Bond Resolution, adopted November 9, 2016 (the “Resolution”), DASNY’s Series Resolution Authorizing Up To \$26,000,000 Albany Public Library Revenue Bonds, Series 2016, adopted November 9, 2016 (the “Series 2016 Resolution”), and the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the “Act”). The Resolution authorizes the issuance of multiple Series of Bonds.

DASNY

DASNY is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. See “PART 7 – DASNY.”

The Library

The Library is an education corporation and school district public library organized and existing under the laws of the State located in the City of Albany (the “City”), Albany County (the “County”), New York. The Library serves the residents of the City School District of the City of Albany (the “School District”). The Series 2016 Bonds will not be a debt of the State, the County, the City or the School District, nor will the State, the County, the City or the School District be liable thereon. See “PART 4 – THE LIBRARY – GENERAL INFORMATION” and “Appendix B – Financial Statements of Albany Public Library and Independent Auditors’ Report.”

The Series 2016 Bonds

The Series 2016 Bonds will be dated their date of delivery and will bear interest from such date (payable July 1, 2017 and on each January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. See “PART 3 – THE SERIES 2016 BONDS – Description of the Series 2016 Bonds.”

Payment of the Series 2016 Bonds

The Series 2016 Bonds will be special obligations of DASNY payable solely from the Revenues, which consist of certain payments to be made to DASNY by the Library under the Loan Agreement. The Loan Agreement is a general obligation of the Library. Pursuant to the Resolution and the Series 2016 Resolution, the Revenues and DASNY’s right to receive the Revenues have been pledged and assigned to U.S. Bank National Association, as trustee (the “Trustee”). See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – Payment of the Series 2016 Bonds.”

Security for the Series 2016 Bonds

The Series 2016 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Pledged Revenues granted by the Library to DASNY under the Loan Agreement. DASNY’s security interest in the Pledged Revenues will be a first lien thereon. The Pledged Revenues consist primarily of moneys derived from real property tax levies made or collected on behalf of the Library by the City of Albany (the “City”) billed through the City School District of the City of Albany (the “School District”). The Real Property Tax Law governs methods and procedures to levy, collect and enforce this tax.

The Series 2016 Bonds will also be secured by all funds and accounts authorized by the Resolution and established by the Series 2016 Resolution (with the exception of the Arbitrage Rebate Fund). In the event of nonpayment by the Library under the Loan Agreement, DASNY is authorized by law to direct State and local officers including, without limitation, officers of the City and the School District to pay over to DASNY any and all funds owed to the Library by the State or any political subdivision thereof in an amount sufficient to make all payments required to be made under the Loan Agreement. Such funds represent a portion of the Pledged Revenues. The Library may incur debt secured by a parity lien on certain of the Pledged Revenues (excluding the portion of the Pledged Revenues derived from the tax levy authorized by the Tax Referendum (as herein defined)) with the prior written consent of DASNY. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – Security for the Series 2016 Bonds.”

The Resolution authorizes the issuance by DASNY, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds. The Holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series.

The Series 2016 Bonds will not be a debt of the County, the City or the School District nor will the County, the City or the School District be liable thereon or under the Loan Agreement.

The Series 2016 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2016 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2016 Resolution, the Collection Agreement, and the Loan Agreement. Copies of the Resolution, the Series 2016 Resolution, the Collection Agreement, and the Loan Agreement are on file with DASNY and the Trustee. See also “Appendix C – Summary of Certain Provisions of the Loan Agreement” and “Appendix D – Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund refer to such fund established pursuant to the Resolution and the Series 2016 Resolution.

Payment of the Series 2016 Bonds

The Series 2016 Bonds will be special obligations of DASNY. The principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2016 Bonds are payable solely from the Revenues. The

Revenues consist of the required payments to be made by the Library under the Loan Agreement to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2016 Bonds. The Revenues and the right to receive them have been pledged and assigned to the Trustee for the benefit of the Series 2016 Bondholders.

The Loan Agreement is a general obligation of the Library and obligates the Library to make payments on account of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Series 2016 Bonds. Such payments are to be made annually on or before November 1, in an amount equal to the interest coming due on the immediately succeeding interest payment dates (January 1 and July 1) and the principal and Sinking Fund Installments, if any, coming due on the next succeeding July 1. The Loan Agreement also obligates the Library to pay, at least 15 days (or such lesser number of days as is acceptable to DASNY) prior to a redemption date of Series 2016 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Series 2016 Bonds. See “PART 3 – THE SERIES 2016 BONDS – Redemption and Purchase in Lieu of Optional Redemption Provisions.”

DASNY has directed, and the Library has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2016 Bonds.

Authorization of Project, Payment and Tax Levy

By referendum held on February 6, 2007 (the “Tax Referendum”), the qualified voters in the School District authorized the Library to finance the acquisition of property for four of the five library facilities and (A) the construction of two new libraries: the Arbor Hill/West Hill Branch located at 148 Henry Johnson Boulevard and the John J. Bach Branch located at 455 New Scotland Avenue, and (B) the renovation/upgrade of three existing libraries including (i) the conversion of a building at 331 Delaware Avenue into a full service library; (ii) the renovation and expansion of the John A. Howe Branch located at 105 Schuyler Street; and (iii) the renovation and expansion of the Pine Hills Branch located at 517 Western Avenue (the “Project”). The Tax Referendum also authorized the Library to assign and pledge to DASNY funds in an amount sufficient to make all payments required to be made pursuant to any agreement between the Library and DASNY, and authorized such funds to be raised by real property taxes levied annually on all taxable real property in the School District. The Project was financed by DASNY’s Albany Public Library Insured Revenue Bonds, Series 2007. Upon the refunding of the Series 2007 Bonds, the Tax Referendum remains in effect with respect to the Library’s obligations in connection with the Series 2016 Bonds. See “Appendix B – Financial Statements of Albany Public Library and Independent Auditors’ Report.”

Security for the Series 2016 Bonds

The Series 2016 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2016 Bonds (until disbursed as provided in the Resolution), all funds and accounts authorized under the Resolution and established under the Series 2016 Resolution (with the exception of the Arbitrage Rebate Fund) and DASNY’s security interest in the Pledged Revenues. There will not be a Debt Service Reserve Fund established in connection with the issuance of the Series 2016 Bonds and the Series 2016 Bonds will not be secured by a mortgage or any interest in real property of the Library.

Pledged Revenues

The Pledged Revenues consist of all Public Funds and all revenues of the Library, including the real property tax levies made on behalf of the Library by the School District on all non-exempt real property situated within the School District to be paid over annually to the Library and the Library’s right to receive such revenues. To secure its payment obligations under the Loan Agreement, the Library will grant a security interest to DASNY in the Pledged Revenues. DASNY’s security interest in the Pledged Revenues will be a first lien thereon and will not be subject to any preexisting liens. The Library may incur debt secured by a parity lien on the Pledged Revenues (excluding the portion of the Pledged Revenues derived from the tax levy authorized by the Tax Referendum) with the prior written consent of DASNY. See “PART 4 – THE LIBRARY” and “Appendix B – Financial Statements of Albany Public Library and Independent Auditors’ Report.”

In addition, in the event of nonpayment by the Library under the Loan Agreement, DASNY is authorized under the Act to direct State and local officers including without limitation, officers of the State Education Department, the City, the County and the School District, to pay over to DASNY any and all Public Funds in an amount sufficient to make all payments required to be made under the Loan Agreement.

The Collection Agreement

In connection with the issuance of the Series 2016 Bonds, the Library, DASNY, the School District and the Trustee will execute the Tax Pledge and Collection Agreement (the "Collection Agreement"). Pursuant to the Collection Agreement, the Library directs the School District to collect the real property tax levies made by the School District on behalf of the Library and to pay over those real property taxes collected directly to the Trustee (the "Receipts").

The Receipts will be deposited into a separate account held by the Trustee under the Collection Agreement. Promptly upon receipt of any Receipts during any calendar year, and in no event later than three (3) business days following receipt of the Receipts, the Trustee shall transfer the Receipts to the Debt Service Fund until such time as the sum of all Receipts transferred to the Debt Service Fund during such year is equal to the Debt Service Obligation for such year. The Debt Service Obligation for any year is equal to the interest on the Series 2016 Bonds due on January 1 and July 1 of the following year, plus the principal and Sinking Fund Installments on the Series 2016 Bonds due on July 1 of the following year. Following such time as the sum of all Receipts transferred to such Debt Service Fund during such year is equal to the Debt Service Obligation for such year, the Trustee shall transfer any such Receipts thereafter received in such Tax Receipts Account to the Library. To the extent that the Library makes any payment directly to the Trustee pursuant to its Loan Agreement, such payment shall be taken into account in determining whether the sum of all Receipts transferred to the applicable Debt Service Fund during such year is equal to the applicable Debt Service Obligation for such year.

Events of Default and Acceleration

The Resolution provides that events of default thereunder and under the Series 2016 Resolution constitute events of default only with respect to the Series 2016 Bonds. The following are events of default under the Resolution: (i) the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on such Series 2016 Bonds shall not be made when due and payable; (ii) DASNY takes any action, or fails to take any action, which would cause such Series 2016 Bonds to be "arbitrage bonds" within the meaning of the Code, or fails to comply with the provisions of the Code and as a result thereof, interest on the Series 2016 Bonds shall no longer be excludable from gross income for federal income tax purposes; (iii) a default by DASNY in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2016 Bonds or in the Resolution or in the Series 2016 Resolution which continues for 30 days after written notice thereof is given to DASNY by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of outstanding Series 2016 Bonds); or (iv) an "Event of Default," as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the Library under the Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless all sums payable by the Library under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee must, upon the written request of the Holders of not less than 25% in principal amount of the outstanding Series 2016 Bonds, declare the principal of and interest on all the Outstanding Series 2016 Bonds to be due and payable. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable.

The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of the Series 2016 Bonds then outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Holders of not less than a majority in principal amount of the outstanding Series 2016 Bonds have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Holders of the Series 2016 Bonds within 30 days after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of, or interest on, any of the Series 2016 Bonds, the Trustee shall be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2016 Bonds.

General

The Series 2016 Bonds will not be a debt of the State, the County, the City or the School District nor will the State, the County, the City or the School District be liable thereon or under the Loan Agreement. DASNY has no taxing power. See “PART 7 – DASNY.”

PART 3 – THE SERIES 2016 BONDS

Description of the Series 2016 Bonds

The Series 2016 Bonds will be issued pursuant to the Resolution and the Series 2016 Resolution, will be dated the date of delivery of the Series 2016 Bonds and will bear interest from such date (payable July 1, 2017 and January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement.

The Series 2016 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2016 Bonds may be exchanged for Series 2016 Bonds of the same maturity of any other authorized denomination. The Trustee may impose a charge sufficient to reimburse DASNY or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2016 Bond.

The principal or Redemption Price of the Series 2016 Bonds will be payable at the designated corporate trust office of U.S. Bank National Association, the Trustee. The Redemption Price of a Series 2016 Bond will be paid to any Bondholder of \$1,000,000 or more in aggregate principal amount of Series 2016 Bonds by wire transfer to the wire transfer address, within the continental United States specified by such Bondholder in the written request of such Bondholder made to the Trustee at the time the Series 2016 Bonds to be redeemed are presented and surrendered to the Trustee.

Interest on the Series 2016 Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day of the calendar month next preceding an interest payment date. In the event the Series 2016 Bonds shall no longer be issued in book-entry only form, interest will be paid to any Bondholder of \$1,000,000 or more aggregate principal amount of Series 2016 Bonds by wire transfer to the wire transfer address, within the continental United States specified by such Bondholder, upon the written request of such Holder received not less than 5 days prior to the Record Date, which written request may apply to multiple interest payment dates.

Such Bondholders may receive the Redemption Price to be paid on their Series 2016 Bonds by wire transfer at the address in the continental United States specified by such Bondholders in a written request given to the Trustee at the time presentation and surrender of the Series 2016 Bonds to be redeemed is made.

For a more complete description of the Series 2016 Bonds, see “Appendix D – Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Optional Redemption Provisions

Optional Redemption

The Series 2016 Bonds maturing on or before July 1, 2026 are not subject to optional redemption prior to maturity. The Series 2016 Bonds maturing after July 1, 2026 are subject to redemption prior to maturity, on or after July 1, 2026, in any order at the option of DASNY, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

DASNY’s obligation to redeem Series 2016 Bonds other than through mandatory Sinking Fund Installments may be conditioned upon the deposit of sufficient money with the Trustee to pay the Redemption Price of the Series 2016 Bonds to be redeemed on the redemption date.

Special Redemption

The Series 2016 Bonds are also subject to redemption as a whole or in part at any time at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project.

Mandatory Redemption

In addition, the Series 2016 Bonds maturing on July 1, 2033, July 1, 2035 and July 1, 2037 are also subject to mandatory sinking fund redemption, in part, on July 1 of each of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of Series 2016 Bonds specified for each of the years shown below:

Term Bond Maturing on July 1, 2033

| <u>Year</u> | <u>Sinking Fund Installments</u> |
|-------------------|----------------------------------|
| 2032 | \$1,345,000 |
| 2033 [†] | \$1,385,000 |

[†]Final maturity.

Term Bond Maturing on July 1, 2035

| <u>Year</u> | <u>Sinking Fund Installments</u> |
|-------------------|----------------------------------|
| 2034 | \$1,435,000 |
| 2035 [†] | \$1,485,000 |

[†]Final maturity.

Term Bond Maturing on July 1, 2037

| <u>Year</u> | <u>Sinking Fund Installments</u> |
|-------------------|----------------------------------|
| 2036 | \$1,540,000 |
| 2037 [†] | \$1,595,000 |

[†]Final maturity.

DASNY may from time to time direct the Trustee to purchase Series 2016 Bonds with moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2016 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2016 Bonds of the same maturity. The Library also may purchase Series 2016 Bonds at or below par and apply any Series 2016 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2016 Bonds of the same maturity. Series 2016 Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2016 Bonds so purchased payable on the next succeeding July 1. Series 2016 Bonds redeemed at the option of DASNY, purchased by DASNY or the Library (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as DASNY may direct in its discretion. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2016 Bonds of the maturity entitled to such Sinking Fund Installment will be reduced for such year.

Purchase in Lieu of Optional Redemption

The Series 2016 Bonds maturing on or before July 1, 2026 are not subject to purchase in lieu of optional redemption prior to maturity. The Series 2016 Bonds maturing after July 1, 2026 are subject to purchase in lieu of optional redemption prior to maturity on or after July 1, 2026, at the option of the Library with the prior written consent of DASNY, as a whole or in part at any time, at a purchase price of 100% of the principal amount to be purchased (the "Purchase Price") plus accrued interest to the date set for purchase (the "Purchase Date").

Selection of Bonds to be Redeemed or Purchased

In the case of redemptions or purchases in lieu of optional redemption of the Series 2016 Bonds described above under the subheadings “*Optional Redemption*” or “*Purchase in Lieu of Optional Redemption*,” DASNY will select the maturities of the Series 2016 Bonds to be redeemed or purchased. In the case of redemption of Series 2016 Bonds described above under the subheading “*Special Redemption*,” Series 2016 Bonds will be redeemed to the extent practicable pro rata among the Outstanding Series 2016 Bonds of each maturity, but only in integral multiples of \$5,000 within each maturity. If less than all of the Series 2016 Bonds of a maturity are to be redeemed (pursuant to an optional, special or mandatory redemption), the Series 2016 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2016 Bonds in the name of DASNY given by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2016 Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2016 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2016 Bond. Any such notice may contain conditions to DASNY’s obligation to redeem the Series 2016 Bonds. See “Appendix D – Summary of Certain Provisions of the Resolution.”

DASNY’s obligation to optionally redeem a Series 2016 Bond may be conditioned upon the deposit of sufficient money with the Trustee to pay the Redemption Price for all of the Series 2016 Bonds to be redeemed on the redemption date. If sufficient money is available on the redemption date to pay the Redemption Price and if notice has been mailed and the conditions, if any, to such condition have been satisfied or waived by DASNY, then interest on the Series 2016 Bonds of such maturity will cease to accrue from and after redemption date and such Series 2016 Bonds will no longer be considered to be Outstanding under the Resolution.

Notice of Purchase in Lieu of Optional Redemption and Its Effect

Notice of purchase of the Series 2016 Bonds in lieu of optional redemption will be given in the name of the Library to the registered owners of the Series 2016 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2016 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2016 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event the Series 2016 Bonds are called for purchase in lieu of optional redemption, such purchase shall not operate to extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2016 Bonds and such Series 2016 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Library’s obligation to purchase a Series 2016 Bond to be purchased or cause it to be purchased may be conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2016 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2016 Bonds to be purchased, the former registered owners of such Series 2016 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2016 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2016 Bonds in accordance with their respective terms.

In the event that not all of the outstanding Series 2016 Bonds of a maturity are to be purchased, the Series 2016 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2016 Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption, purchase in lieu of optional redemption and other provisions relating to the Series 2016 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative

of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds, totaling in the aggregate the principal amount of the Series 2016 Bonds, and will be deposited with DTC.

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

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for such Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity of the Series 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the

responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2016 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2016 Bond certificates will be printed and delivered to DTC.

For every transfer and exchange of Series 2016 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry-Only System" has been extracted from information furnished by DTC. None of DASNY, the Library, the Trustee or the Underwriter make any representation as to the completeness or the accuracy of such information or as the absence of material adverse changes in such information subsequent to the date hereof.

DASNY, THE LIBRARY, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS (1) PAYMENTS OF PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2016 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2016 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF DASNY, THE LIBRARY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY DASNY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2016 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2016 Bonds (other than under "PART 10 – TAX MATTERS" herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2016 Bonds.

Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds

The following table sets forth the amounts required to be paid by the Library during each twelve-month period ending June 30 of the years shown for the payment of interest on the Series 2016 Bonds payable on January 1 of such year and the Principal and Sinking Fund Installments, if any, of and interest on the Series 2016 Bonds payable on the succeeding July 1, and the aggregate payments to be made by the Library during each such period with respect to the Series 2016 Bonds.

| <u>12 Month Period Ending June 30</u> | <u>Principal and Sinking Fund Installments</u> | <u>Interest Payments</u> | <u>Total Debt Service Obligation</u> |
|---|--|--------------------------|--|
| 2017 | \$ 585,000 | \$ 536,799.79 | \$1,121,799.79 |
| 2018 | 715,000 | 935,593.76 | 1,650,593.76 |
| 2019 | 735,000 | 914,143.76 | 1,649,143.76 |
| 2020 | 760,000 | 892,093.76 | 1,652,093.76 |
| 2021 | 795,000 | 861,693.76 | 1,656,693.76 |
| 2022 | 825,000 | 829,893.76 | 1,654,893.76 |
| 2023 | 865,000 | 788,643.76 | 1,653,643.76 |
| 2024 | 910,000 | 745,393.76 | 1,655,393.76 |
| 2025 | 955,000 | 699,893.76 | 1,654,893.76 |
| 2026 | 1,000,000 | 652,143.76 | 1,652,143.76 |
| 2027 | 1,055,000 | 602,143.76 | 1,657,143.76 |
| 2028 | 1,105,000 | 549,393.76 | 1,654,393.76 |
| 2029 | 1,160,000 | 494,143.76 | 1,654,143.76 |
| 2030 | 1,220,000 | 436,143.76 | 1,656,143.76 |
| 2031 | 1,275,000 | 375,143.76 | 1,650,143.76 |
| 2032 | 1,345,000 | 311,393.76 | 1,656,393.76 |
| 2033 | 1,385,000 | 264,318.76 | 1,649,318.76 |
| 2034 | 1,435,000 | 215,843.76 | 1,650,843.76 |
| 2035 | 1,485,000 | 165,618.76 | 1,650,618.76 |
| 2036 | 1,540,000 | 113,643.76 | 1,653,643.76 |
| 2037 | 1,595,000 | 57,818.76 | 1,652,818.76 |

PART 4 – THE LIBRARY GENERAL INFORMATION

Introduction

The Albany Public Library (the “Library”) is a school district public library chartered by the Board of Regents of the State of New York to serve the residents of the City School District of the City of Albany (the “School District”). The Library is located in Albany, New York. It operates seven branches in the City of Albany (the “City”). The branches are located in the Arbor Hill/West Hill, New Scotland, Delaware, South End, Pine Hills, North Albany, and Center Square neighborhoods. It is one of 29 member libraries in the Upper Hudson Library System (“UHLS”), and is also the central library of the UHLS.

The Library offers City residents and the greater capital district a full program of public library services. In addition to traditional resources, the Library has integrated modern technologies into every aspect of its services. The Library is also noted for its wide range of adult, young adult and children’s programming and an outstanding electronic media collection. The Library serves approximately 97,856 City residents and approximately 446,626 additional residents of Albany and Rensselaer Counties, as the UHLS Central Library. The Library has an annual operating budget for fiscal year 2016 of \$7,394,990. Total library holdings of 335,792 items include 221,447 print materials, 75,529 DVDs and CDs, and 38,816 electronic items. The Library also offers access to over 14 electronic databases at the Library and by remote access. There are currently over 86,432 registered borrowers. To date, in 2016, there were over 861,524 patron visits to the Library and the library hosted 4,274 library-sponsored programs. The Library also circulated over 1,022,420 items in 2016 to date. In addition, community, cultural, and civic groups meet regularly at the Library. The total staff comprises approximately 64 full-time and 61 part-time employees. The Library is open to the public for, on average, 59 hours per week.

Governance and Administration

The Library is governed by a Board of Trustees (the “Board”) consisting of nine members, all of whom are elected by the residents of the School District. Any resident of the School District who is a U.S. citizen and is 18 years of age or older is eligible for election. Board members are elected for staggered five-year terms and can be elected for up to two full terms. The Board meets twelve times a year, or more frequently as required.

The present members of the Board are:

| Name | Principal Occupation | Term Ends (June 30) |
|--|----------------------|------------------------|
| Mary-Ellen Piché, <i>President</i> | Consultant | 2017 |
| Michael Neppel, <i>Vice President</i> | Attorney | 2020 |
| Alison Calacone, <i>Vice President for Finance</i> | Teacher | 2019 |
| Arlene Way, <i>Secretary</i> | Executive Director | 2017 |
| Andrew Bechard, <i>Trustee</i> | Attorney | 2019 |
| Elissa Kane, <i>Trustee</i> | Consultant | 2020 |
| Brenda Robinson, <i>Trustee</i> | Consultant | 2017 |
| Matthew Finn, <i>Trustee</i> | Teacher | 2021 |
| Karen Strong, <i>Trustee</i> | Program Coordinator | 2021 |

Scott Jarzombek has served as the Executive Director of the Library since June 2014. He is the chief administrative officer, overseeing the Library’s daily and financial operations, and acting as a liaison to the Board. Mr. Jarzombek began his career at the Library where he served as branch librarian for nine years. Before returning to the Library, he spent five years in other New York State public libraries in various leadership positions. Mr. Jarzombek earned a bachelor’s degree in history and secondary education from the University of Hartford (1999) and a master’s degree in library science from the University at Albany (2000). He holds a Public Librarian’s Professional Certificate from the New York State Education Department.

Melanie Metzger was appointed as the Library’s Assistant Director in October 2013. Ms. Metzger assists the Executive Director in the day-to-day operations of the Library, including personnel and financial matters. Prior to her term at the Library, Ms. Metzger worked at library systems in Texas for 11 years. She earned a bachelor’s degree in information management and technology (1998) and a master’s degree in library and information science (1999) from Syracuse University. She holds a Public Librarian’s Professional Certificate from the New York State Education Department.

Mary Mastrianni Cullinan joined the Library as Chief Fiscal Officer in October 2009. Ms. Cullinan is responsible for the Library’s budget, forecast, audit, banking, and all other financial operations. During her time at the Library, she has streamlined processes for the budget, five-year plan, and budget modifications, and has instituted policies for purchasing, fund balance, and investments. Ms. Cullinan was previously a finance manager for 21 years at the General Electric Company, where she completed programs in Financial Management, Management Development, and Six Sigma. She has also worked as an adjunct professor of corporate finance at the University at Albany, and as a corporate consultant. She holds a bachelor’s degree in mathematics and economics from Union College and a master’s degree in business administration from Northeastern University.

Service Area

The Library serves the area coterminous with that of the School District, which lies entirely within the City and encompasses a land area of about 19 square miles and has an estimated population of 97,856 residents. The City is situated on the western bank of the Hudson River and is approximately 140 miles north of New York City in the eastern portion of upstate New York.

The City is the capital of New York State and the county seat of Albany County. The Empire State Plaza, a complex consisting of a 40-story office tower and several smaller office towers and buildings and situated in the City’s downtown, is the location of many of the State’s agencies and departments. Schools, hospitals, banking, recreation, water, gas, and electric facilities are available to the residents of the City. Police protection is provided by the Albany Police Department and fire protection is furnished by the Albany Fire Department, both of which are controlled and operated by the City government.

The City is also a trading and distribution center of agricultural and manufactured products between western New York State, the New England States, northeast New York, Canada, New York City and points south with

transportation available by air, rail, truck and water. The Port of Albany, operated by the Albany Port District Commission, handles cargo consisting of more than a dozen different commodities originating in and being shipped to foreign countries and other cities in the United States. Industrial activity in the City includes printing, publishing, foundries, machine shops, bakeries, meat packing, dental equipment, and paper products.

The City is a center for higher education and is home to the University at Albany (SUNY), SUNY Polytechnic Institute, the College of Saint Rose, Sage College at Albany, Maria College, Albany Law School, Albany College of Pharmacy and Health Services, and Albany Medical College. Located nearby are Siena College in the Town of Colonie, Union College in Schenectady, and Rensselaer Polytechnic Institute and Russell Sage College in Troy.

Passenger rail service to New York City, Buffalo, Montreal, and Boston is provided by Amtrak at the Albany-Rensselaer train station, which is located in Rensselaer, New York but is easily accessible. Major bus lines operate in all directions from the Albany Bus Terminal. Truck traffic is facilitated by US I-87 (Adirondack Northway) and I-90 (New York State Thruway) with several access points in the City. The Albany International Airport, located nearby in the Town of Colonie, provides comprehensive commercial passenger and freight service and also accommodates both general aviation and military services.

Real Property Taxes

Funding for the operations of the Library is primarily derived from real property taxes levied by the School District on behalf of the Library. The School District derives its power to levy an ad valorem real property tax on behalf of the Library from the State Constitution, the State Education Law and the State Real Property Tax Law. The Real Property Tax Law governs the methods and procedures to levy, collect and enforce this tax. The City prepares real property assessment rolls used by the School District to levy the Library tax. The City, in conjunction with the State Board of Real Property Services, determines assessment valuations. In addition, the State Board of Real Property Services annually establishes equalization rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain state aid and are used by many localities in the calculation of debt contracting and real property tax limitations.

Property Tax Cap Law

State Education Law governs the process by which a school district public library can cause the levy of a tax, or an increase thereof, on its behalf by a school district. However, on June 24, 2011, the Property Tax Cap Law, as written in Chapter 97 of the State Laws of 2011, was signed into law. The Property Tax Cap Law establishes a limit on the annual growth of property taxes levied by local governments. It does not specifically mention libraries; however, guidance issued by the office of the State Comptroller and jointly by the State Department of Taxation and Finance and the State Department of State indicates that it is intended to cover libraries. It applies for any fiscal year commencing after January 1, 2012. The power of local governments to levy real property taxes on all taxable real property within their boundaries without limitation as to rate or amount is subject to statutory limitations pursuant to formulae set forth in the Property Tax Cap Law. The Property Tax Cap Law restricts the increase in the amount of the succeeding year's tax levy to no more than the lesser of 2% of the prior year's tax levy or an inflation rate as computed under the Property Tax Cap Law, with limited exceptions.

The Property Tax Cap Law does not explicitly address how school district libraries affiliated with a school district which levies property tax on their behalf (such as the Library) will be treated, i.e., as a part of a school district or local government or as its own local government. However, the guidance noted above indicates that the tax levy of a library that has a separate independent elected board and has the authority to levy a tax or can require a school district to levy a tax on its behalf is subject to the tax levy limit. Further, to the extent that the budget of a library is comprised of revenues generated by a tax levy that the school district is required to impose on behalf of the library, those tax revenues are believed to fall within the tax levy limit of the library.

This interpretation means that school district libraries, like the Library, have their own, separate tax cap, and that the mechanism to exceed the tax cap is the same as for local governments under Part A of the Property Tax cap Law. To exceed the tax cap, the Property Tax Cap Law requires a library board to pass a vote by a 60% margin of its trustees, then bring the proposal to a public vote. If the public approves the proposal by a simple majority (more than 50%), only then may the tax cap be exceeded. The Library's budgets for the fiscal year beginning January 1, 2015 and January 1, 2016 (exclusive of the appropriation for debt service on the Series 2016 Bonds) did not exceed

the 2% tax cap limit.* The qualified voters in the School District approved said budgets by an approval rate of 81.8% and 75.8%, respectively. The voter approval for the Library's Series 2007 Bonds, which will be refunded with the 2016 Series Bonds, was obtained on February 6, 2007, prior to the enactment of the Property Tax Cap Law.

Tax Collection Procedure

The Board of Trustees of the Library propose, and the voters of the School District approve, all increases to the tax levy the Library requires to fund its annual operating budget. Once approved by the voters, the annual tax levy for library taxes cannot change from year to year unless it is affirmatively increased or decreased by the voters of the School District. At the special referendum conducted on February 6, 2007, the voters of the School District approved an additional levy of library taxes in a maximum annual amount of up to \$1,860,000 for thirty (30) years to pay the annual debt service for the Branch Improvement Plan and the 2007 Series Bonds issued therefor.

In September of the year preceding the Library's fiscal year, the School District Tax Receiver collects, together with the school taxes, the property taxes necessary to meet that levy on behalf of the Library. Such taxes are due and payable on September 1st, but may be paid without penalty by September 30th. Unpaid taxes accrue interest of 3% on October 1st, an additional 4% on November 1st, and an additional 1% on December 1st and the first day of each month thereafter until paid. In addition, unpaid taxes as of November 16th are assessed a 5% penalty by the County of Albany when it takes responsibility for collection from the School District. By agreement between the School District and the Library, the School District pays to the Library 100% of the Library's tax levy in a given year by November. As such, the Library receives its full levy from the School District prior to the start of the Library's fiscal year. Uncollected amounts and any deficiency in tax collection are the liability of Albany County, which makes the School District whole and has the power to re-levy, lien upon, and sell delinquent properties to recoup its liability.

Library Budget

The Library's fiscal year extends from January 1st to December 31st. At the beginning of the preceding calendar year, the budget is developed by the Chief Fiscal Officer with input from the Executive Director and staff. It is then brought to the Board Finance Committee for review and recommendation to the Library Board. The Library Board then approves the proposed budget. Under State Education Law, only changes to the Library tax levy are submitted to the voters of the School District. Any such vote must be held prior to July 1st and subsequent to April 1st and the Library has historically held its votes simultaneous with the School District's budget vote on the third Tuesday in May. The Library's 2017 budget includes a tax levy of \$6,652,455 to support the 2017 operating budget, which was approved by the School District voters on May 16, 2016. A summary of the Library budget is set forth in more detail below. In the event the electorate does not approve a proposed levy change in a given year, the Library's appropriation reverts to the tax levy for the previous year.

* In connection with each of these years, the Library's Board of Trustees initially passed a resolution to override the tax cap levy limit as a hedge against uncertainty. When it became clear that the actual increase would be under the allowable tax cap levy limit, the resolutions overriding the tax cap levy limit for both years were rescinded.

Budget Summaries

| | Fiscal Year Ending Dec. 31, 2016 | Fiscal Year Ending Dec. 31, 2017 |
|------------------------------------|----------------------------------|----------------------------------|
| Revenues | | |
| Tax Revenues | 8,420,686 | 8,504,893 |
| Revenue, Contracts, Misc. | 426,150 | 426,863 |
| Total Revenues | 8,846,836 | 8,931,756 |
| Fund Balance Used | 401,467 | 382,849 |
| Total Revenue & Support | 9,248,303 | 9,314,605 |
| Expenditures | | |
| Salaries & Employee Benefits | 5,152,657 | 5,294,167 |
| Materials | 655,000 | 655,000 |
| Occupancy | 761,333 | 675,000 |
| Administrative | 441,000 | 453,000 |
| Automation | 385,000 | 385,000 |
| Debt Service | 1,853,313 | 1,852,438 |
| Total Expenditures | 9,248,303 | 9,314,605 |

Insurance

The Library maintains a comprehensive package of insurance coverage. The policy coverage (both its limits and policy scope) is periodically evaluated to assure the appropriate coverage is maintained based upon replacement value of existing physical library structures and an analysis of potential liabilities. At the present time, the Library maintains coverages in the following amounts:

- Building (blanket): \$24,143,097
- Contents (blanket): \$22,866,000
- Business Income/Extra Expense (blanket): \$5,000,000
- Earthquake (blanket): \$2,000,000
- Flood (blanket): \$2,000,000
- Computer Hardware/Software: \$750,000
- Employee Dishonesty/Forgery or Alteration/Theft Disappearance & Destruction: \$25,000 each
- General Liability (aggregate): \$2,000,000
- Employee Benefit Liability (aggregate): \$2,000,000
- Auto Liability: \$1,000,000
- Umbrella: \$5,000,000
- Directors and Officers: \$1,000,000
- Workers' Compensation (limit): \$500,000

Employees

The Library currently employs approximately 64 full-time and 61 part-time individuals, all under the supervision of the Executive Director. The Library employs librarians, library assistants, and library clerks to provide direct service to the public, as well as administrative, facilities, and collection management personnel. The majority of the Library's staff is organized in a bargaining unit represented by the Civil Service Employees Association, Inc. The Library has a history of satisfactory relations with its employees. The current collective bargaining agreement expires on November 30, 2016. Negotiations on a successor agreement are currently underway, and the terms of the current agreement will remain in place, pursuant to State law, until a successor agreement is in place.

Employee Pension Benefits

The Library is a member of the New York State and Local Employees Retirement System and its employees are eligible participants.* The retirement system is noncontributory, except for (1) employees who joined the New York State and Local Employees' Retirement System between July 27, 1976 and December 31, 2009, who contribute 3% of their salary for the first 10 years of membership, (2) employees who joined the system between January 1, 2010 and March 31, 2011, who contribute 3% of their salary throughout their active membership, and (3) employees who join the system after April 1, 2012, who contribute 3% of their salary until April 1, 2013, and then contribute 3%-6% of their salary throughout active membership. Under the authority of the State Retirement and Social Security Law, the Comptroller annually certifies the rates used in computing the employers' contributions based on salaries paid during the systems' fiscal year ending March 31.

The Library has made 100% of its required contributions each year. The required contributions for the current year and four preceding years:

| <u>Year</u> | <u>ERS Contribution</u> |
|-------------|-----------------------------|
| 2011 | \$405,759 |
| 2012 | \$382,750 |
| 2013 | \$530,434 |
| 2014 | \$513,866 |
| 2015 | \$470,241 |
| 2016* | \$529,714 |
| 2017* | \$496,709 |

Source: APL 2015 Audit by Bonadio Group

*Library's Budget

The Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") revised and established new financial reporting requirements for the Library beginning with its fiscal year ended December 31, 2015. GASB 68 requires the Library to recognize its long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. As of December 31, 2015, the Library's net pension liability was \$434,545.

Other Post-Employment Benefits

The Library provides post-employment healthcare benefits and other non-pension benefits ("OPEB") to various categories of former employees. GASB Statement No. 45 ("GASB 45") requires the Library to account for and report its costs associated with OPEB. The Library's financial statements are prepared and audited using GASB rather than Financial Accounting Standards Board guidelines of generally accepted accounting principles. GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

GASB 45 requires that the Library adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for the Library. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If the Library contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the Library account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every three years for the Library.

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability ("AAL"), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the

* Full-time employees are mandatory members and part-time employees are offered an opportunity to join.

measurement date, was approximately \$2,042,428. The actuarial value of the Plan's assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$2,042,428. For the fiscal year ending December 31, 2015, the Library's annual OPEB cost was \$344,240 and the ARC was \$341,963. The Library is on a pay-as-you-go funding basis and paid \$134,409 for the fiscal year ending December 31, 2015 resulting in a projected year-end Net OPEB obligation of \$2,042,428.

Should the Library be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Library's finances and could force the Library to reduce services, raise taxes or both. At the present time, however, there is no current requirement for the Library to partially fund its actuarial accrued OPEB liability. The Library continues funding the expenditure on a pay-as-you-go basis.

ANNUAL FINANCIAL STATEMENT INFORMATION

The Library's financial statements audited by Bonadio & Co., LLP, Certified Public Accountants are for fiscal year ending December 31, 2015 are attached as Appendix B to this Official Statement. The financial information that follows will be provided by the Library annually via the filing of the Library's annual financial statements in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Revenues and Expenditures

The Library receives approximately ninety-two percent (92%) of its operating revenue from a real property tax levied and collected by the School District on all non-exempt real property situated within the School District. The revenues earmarked for debt service on the Bonds are one-hundred percent (100%) supported by a real property tax levy not to exceed the \$1,860,000 per year as approved by the voters in 2007.

The revenues and expenses of the Library are determined by the operating budget proposed by the Library staff and voted upon by the Board of the Library annually. The fiscal management of the Library is governed according to each annual operating budget. The Library does not amortize any of its capital acquisitions against income and, in certain years, may expend funds for capital items, which may result in a deficit. Deficits may also arise from unanticipated and emergency expenses.

Below is a summary of the Library's unrestricted revenues and expenditures for the last four fiscal years.

Albany Public Library
Summary of Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years Ended December 31st

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|------------------|-----------------------|------------------|--------------------|
| <u>Revenues</u> | | | | |
| Real Property Taxes | \$8,354,377 | \$8,289,072 | \$8,289,073 | \$8,184,187 |
| Departmental Income | 153,200 | 165,792 | 191,315 | 205,683 |
| Gifts & Donations | 39,066 | 17,944 | 17,828 | 4,023 |
| Interest Income | 107,045 | 103,645 | 112,845 | 70,674 |
| Misc. Local Sources | | | | 247,480 |
| Unrealized Loss on Investments | (57,718) | (69,435) | (117,522) | (42,232) |
| Realized Gain on Investments | 115 | 129 | 745 | 137 |
| State & Federal Aid | 283,102 | 516,518 | 401,032 | 400,726 |
| Total Revenues | <u>8,885,187</u> | <u>9,023,665</u> | <u>8,895,316</u> | <u>9,070,678</u> |
| <u>Expenditures</u> | | | | |
| Culture & Recreation | 5,463,118 | 6,754,542 | 5,672,483 | 5,511,298 |
| Capital Outlay | 720 | 93,327 | 10,043 | 189,407 |
| Debt Service | 1,860,500 | 1,854,313 | 1,854,813 | 1,854,250 |
| Employee Benefits | 1,515,405 | 1,466,120 | 1,263,314 | 1,024,299 |
| Total Expenditures | <u>8,839,743</u> | <u>10,168,302</u> | <u>8,800,653</u> | <u>8,579,254</u> |
| Excess (Deficiency) of Revenue Over Expenditures | <u>\$ 45,444</u> | <u>\$ (1,144,637)</u> | <u>\$ 94,663</u> | <u>\$ 491,424</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | 1,853,313 | 1,854,313 | 1,854,313 | 1,854,586 |
| Transfers Out | (1,853,313) | (1,854,313) | (1,854,313) | (1,854,586) |
| Total Other Financing Sources | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$0</u> | <u>\$ 0</u> |
| <u>Excess (Deficiency) of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses</u> | | | | |
| | <u>\$45,444</u> | <u>(1,144,637)</u> | <u>94,663</u> | <u>491,424</u> |
| <u>Change in Fund Balance</u> | | | | |
| Adjustment for Capital Outlay Reported as Expenditures | \$180,712 | \$1,115,770 | \$387,510 | \$533,689 |
| Adjustments for Changes in <u>Adjusted Change in Fund Balance</u> | <u>\$226,156</u> | <u>(\$25,867)</u> | <u>\$482,173</u> | <u>\$1,025,113</u> |

The Library's budget is based on estimates of revenues and expenses. The table below sets forth the Library's operating budget for fiscal year 2016.

2016 Budget

Revenues

| | |
|------------------------------------|---------------------------|
| Tax Revenues | \$8,420,686 |
| Revenue, Contracts, Misc. | 426,150 |
| Total Revenues | <u>8,846,836</u> |
| Fund Balance Used | 401,467 |
| Total Revenue & Support | <u>\$9,248,303</u> |

Expenditures

| | |
|------------------------------|---------------------------|
| Salaries & Employee Benefits | \$5,152,657 |
| Materials | 655,000 |
| Occupancy | 761,333 |
| Administrative | 441,000 |
| Automation | 385,000 |
| Debt Service | 1,853,313 |
| Total Expenditures | <u>\$9,248,303</u> |

Fund Balances

The State's General Municipal Law governs the Library's investment policies. The table below represents the accumulated liquid funds held in the General Fund and the net assets of the Library for each of the fiscal years ending December 31, 2012, through December 31, 2015. The table was prepared from the Library's accounting records, which are maintained on the basis of accounting practices by the Uniform System of Accounts for Libraries and Library Systems mandated by the State of New York.

Accumulated Fund Balances

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--------------|--------------|--------------|--------------|--------------|
| General Fund | \$3,674,247 | \$3,621,387 | \$4,673,361 | \$4,568,867 |
| Net Assets | \$14,564,886 | \$15,154,097 | \$16,312,326 | \$16,818,920 |

OPERATING DATA

Funding for the operations of the Library is primarily derived from real property taxes levied by the School District on behalf of the Library on all non-exempt real property located within the School District. The following information summarizes the tax base upon which the Library is dependent for funding.

Valuations, Tax Rates and Levies

Summary of Valuations

| Year | Total Taxable Assessed Value | Equalization Rate | Equalized Value |
|------|------------------------------|-------------------|-----------------|
| 2016 | \$4,757,794,003 | 105.80% | \$4,496,969,757 |
| 2015 | \$4,748,941,235 | 109.47% | 4,338,121,161 |
| 2014 | \$4,761,408,703 | 111.71% | 4,262,294,068 |
| 2013 | \$4,824,344,843 | 107.00% | 4,508,733,498 |
| 2012 | \$4,879,126,215 | 102.00% | 4,783,457,074 |
| 2011 | \$4,939,599,657 | 99.40% | 4,969,416,154 |
| 2010 | \$5,118,697,444 | 98.00% | 5,223,160,657 |
| 2009 | \$5,134,573,172 | 101.30% | 5,068,680,328 |
| 2008 | \$5,112,594,418 | 100.00% | 5,112,594,418 |
| 2007 | \$3,417,949,312 | 71.00% | 4,814,013,115 |

Source: City of Albany, Assessor's Office

**Library Tax Rates per \$1,000 of
Assessed Valuation**

| <u>Year</u> | <u>Homestead Rate</u> | <u>Non-Homestead Rate</u> |
|-------------|-----------------------|---------------------------|
| 2015-2016 | 1.530005 | 2.128094 |
| 2014-2015 | 1.544560 | 2.058670 |
| 2013-2014 | 1.506128 | 2.118552 |
| 2012-2013 | 1.505306 | 2.055701 |
| 2011-2012 | 1.441170 | 1.982290 |
| 2010-2011 | 1.26355 | 1.59757 |
| 2009-2010 | 1.14350 | 1.61150 |
| 2008-2009 | 1.04900 | 1.57910 |
| 2007-2008 | 0.97450 | 1.58540 |
| 2006-2007 | 1.11610 | 1.41100 |

Source: City of Albany Treasurer

The real property tax revenues received for the past five years is set forth in the table entitled “Summary of Unrestricted Revenue and Expenditures” in this “PART 4 – THE LIBRARY” above.

Selected Listing of Large Tax Payers

| <u>Name of Taxpayer</u> | <u>Type of Business</u> | <u>Assessed Valuation</u> |
|-----------------------------|-------------------------|---------------------------|
| 99 Washington LLC | Commercial | \$43,200,000 |
| Wal-Mart Stores East LP | Commercial | 21,750,000 |
| Washington Commons | Commercial | 21,629,947 |
| Healthcare Trust of America | Commercial | 20,989,700 |
| Omni Development Corp. | Commercial | 17,000,000 |
| 80 State Street Partners | Commercial | 15,500,000 |
| HTA-Patroun Creek, LLC | Commercial | 17,640,000 |
| Albany Downtown Hotel | Commercial | 14,074,600 |
| 1367 Washington Ave LLC | Commercial | 11,750,000 |
| First States Investors | Commercial | 10,100,000 |

The ten larger taxpayers listed above have a total assessed valuation of \$193,634,247, which represents 3.99% of the tax base of the School District.

Source: School District Tax Rolls.

Economic and Demographic Information

The following table sets forth population statistics for the School District/City, Albany County and the State of New York.

Population Trends

| <u>Year</u> | <u>*City of Albany</u> | <u>*County of Albany</u> | <u>**New York State</u> |
|--------------------------|------------------------|--------------------------|-------------------------|
| 1990 | 100,031 | 292,793 | 17,990,455 |
| 2000 | 94,301 | 294,565 | 18,976,457 |
| 2010 | 97,856 | 304,204 | 19,378,104 |
| 2015 (estimate)** | 98,469 | 309,381 | 19,795,791 |

*Source: Capital District Regional Planning Commission

**Source: US Bureau of the Census

Selected Wealth and Income Indicators

The following tables set forth per capita and family median income statistics for the City, the County and the State of New York.

| | Per Capita Income 2010-2014 | Median Family Income 2010-2014 |
|-------------------------|--|---|
| City of Albany | \$24,342 | \$59,798 |
| County of Albany | \$32,624 | \$82,749 |
| State of NY | \$32,829 | \$71,419 |

Source: US Bureau of the Census, 2010-2014 American Community Survey

Major Employers

| <u>Name</u> | <u>Type of Service</u> | <u>Approximate Employees</u> |
|---------------------------------------|------------------------|----------------------------------|
| State of New York | Government | 42,665 |
| St. Peter's Health Partners | Medical | 12,130 |
| Albany Medical Center | Hospital | 8,652 |
| University at Albany | Education | 5,000 |
| Federal Government | Government | 4,962 |
| Albany County | Government | 2,479 |
| City School District of Albany | Education | 1,600 |
| Empire Blue Cross | Insurance | 1,600 |
| City of Albany | Government | 1,500 |
| Veteran's Administration Hospital | Hospital | 1,375 |
| Center for Disabilities Holding Corp. | Social Services | 1,253 |
| Northern River Family Services | Social Services | 1,250 |
| National Grid | Utility | 1,100 |

Sources:

Albany Business Review 2016 Book of Lists, Capital District Business Review and the Capital District Regional Planning Group
U.S. Department of Labor, Bureau of Labor Statistics, 2016 Quarterly Census of Employment and Wages, Veterans Administration

Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest area for which such statistics are available (which includes the School District) is the tri-county area of Albany-Schenectady-Troy. The information set forth below with respect to this combined area is included for informational purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the region is necessarily representative of the School District, or vice versa. Due to the City of Albany's status as the seat of State government, the region benefits from a very stable job market.

| | Annual Average | | | | | |
|---|-----------------------|-------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Albany-Schenectady-Troy, NY MSA* | 7.3% | 7.1% | 7.3% | 6.3% | 5.1% | 4.5% |
| NY State | 8.6% | 8.3% | 8.5% | 7.7% | 6.3% | 5.3% |

*MSA: Metropolitan Statistical Area

Source: NY State Dept. of Labor, Local Area Unemployment Statistics Program

2016 Monthly Figures

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Albany-Schenectady-Troy, NY MSA* | 4.6% | 4.5% | 4.3% | 4.0% | 3.7% | 3.9% | 4.1% | 4.0% | -- | -- | -- | -- |
| NY State | 5.4% | 5.4% | 5.2% | 4.6% | 4.2% | 4.5% | 5.0% | 4.9% | -- | -- | -- | -- |

*MSA: Metropolitan Statistical Area

Source: NY State Dept. of Labor, Local Area Unemployment Statistics Program

Litigation

There are no suits pending or, to the knowledge of the Library's officers and members of the Board, threatened against the Library wherein an unfavorable result would have a material adverse effect on the financial condition of the Library or impair the levy and collection of the ad valorem taxes authorized by the February 6, 2007 referendum.

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PART 5 - THE REFUNDING PLAN

A portion of the proceeds of the Series 2016 Bonds, together with other available funds, will be used to provide for the payment of the outstanding Series 2007 Bonds. Simultaneously with the issuance and delivery of the Series 2016 Bonds, such proceeds will be deposited with the trustee for the Series 2007 Bonds, and together with other available funds, will be used to purchase direct non-callable obligations of the United States of America (the "Government Securities"), the principal of and interest on which, when due, together with uninvested cash, will provide moneys sufficient to pay the principal and redemption price of and interest on the Series 2007 Bonds to and including July 1, 2017, the redemption date. See "PART 15 - VERIFICATION OF MATHEMATICAL COMPUTATIONS." At the time of such deposit, DASNY will give such trustee irrevocable instructions to give notices of the defeasance and redemption of the Series 2007 Bonds and to apply the maturing principal of and interest on the Government Securities, together with any uninvested cash, to the payment of the principal and redemption price of and interest on the Series 2007 Bonds to and including such redemption date. In the opinion of Harris Beach PLLC, upon making such deposit and giving such irrevocable instructions, the Series 2007 Bonds will be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of DASNY with respect to the Series 2007 Bonds will be discharged and satisfied.

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PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

| Sources of Funds | |
|---------------------------------------|-------------------|
| Principal Amount of Series 2016 Bonds | \$22,745,000.00 |
| Net Original Issue Premium | 1,904,762.55 |
| Funds on Hand | <u>728,875.00</u> |
| Total Sources | \$25,378,637.55 |

| Uses of Funds | |
|--------------------------------|------------------|
| Deposit to Refunding Escrow | \$25,012,183.90 |
| Costs of Issuance ¹ | 277,791.25 |
| Underwriter's Discount | <u>88,662.40</u> |
| Total Uses | \$25,378,637.55 |

¹ Includes legal fees, DASNY fee, and other costs related to the issuance of the Series 2016 Bonds.

PART 7 – DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At September 30, 2016, DASNY had approximately \$49 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 field sites across the State.

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. The appointment by the Speaker of the State Assembly and one of the appointments to the Board by the Governor are currently vacant.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of DASNY annually choose the following officers, of which the first two must be members of DASNY: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

JOHN B. JOHNSON, JR., *Vice-Chair*, Watertown.

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of

Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

JONATHAN H. GARDNER, ESQ., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

PAUL S. ELLIS, ESQ.

Paul S. Ellis was appointed as a Member of DASNY by the Speaker of the State Assembly on September 19, 2016.

MARYELLEN ELIA, *Commissioner of Education of the State of New York*, Loudonville; *ex-officio*.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

HOWARD A. ZUCKER, M.D., J.D., *Commissioner of Health of the State of New York*, Albany; *ex-officio*.

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that, he served as First Deputy Commissioner leading the State Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the State Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

ROBERT F. MUJICA, JR., *Budget Director of the State of New York*, Albany; *ex-officio*.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing

the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll, and insurance, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all DASNY financings. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, and engineering, as well as other technical services. Mr. Curro joined DASNY in 2001 as Director of

Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by DASNY and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

Environmental Quality Review

DASNY complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2016. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 – LEGALITY OF THE SERIES 2016 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2016 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities of the State may limit the investment of funds of such authorities in the Series 2016 Bonds.

The Series 2016 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 – NEGOTIABLE INSTRUMENTS

The Series 2016 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2016 Resolution.

PART 10 – TAX MATTERS

Federal Income Tax

In the opinion of Harris Beach PLLC, Co-Bond Counsel to DASNY, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Furthermore, Harris Beach PLLC is of the opinion that interest on the Series 2016 Bonds is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2016 Bonds is, however, included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2016 Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.

The Series 2016 Bonds maturing on July 1 in the years 2017 through 2031, inclusive (collectively, the “Premium Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner’s original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.

The difference between the principal amount of the Series 2016 Bonds maturing on July 1 in the years 2033, 2035, and 2037 (collectively, the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial purchaser of such an owner’s adjusted basis for purposes of determining an owner’s gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of such corporation’s federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2016 Bonds in order that interest on the Series 2016 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2016 Bonds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds, irrespective of the date on which such noncompliance occurs. In the Resolution, the Loan Agreement, the Tax Certificate as to Arbitrage delivered by DASNY and the Library at the time of delivery of the Series 2016 Bonds and accompanying documents, exhibits and certificates, DASNY and the Institution have made certain representations and certifications, and have covenanted to comply with certain procedures, designed to assure

compliance with the requirements of the Code. The opinion of Co-Bond Counsel described above is made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Harris Beach PLLC expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2016 Bonds. The proposed form of approving opinion of Harris Beach PLLC is attached to this Official Statement as Appendix E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2016 Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2016 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Harris Beach PLLC expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2016 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2016 Bonds, (ii) interest on the Series 2016 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2016 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2016 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2016 Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2016 Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Harris Beach PLLC expresses no opinion as to any tax consequences with respect to the Series 2016 Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of other bond counsel

State and Local Income Taxes

Harris Beach PLLC is also of the opinion that, under existing statutes, including the Act, interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

Any noncompliance with the federal income tax requirements set forth above would not affect the exemption of interest on the Series 2016 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Harris Beach PLLC expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2016 Bonds.

Interest on the Series 2016 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Harris Beach PLLC expresses no opinion as to the tax treatment of the Series 2016 Bonds under other state or local jurisdictions. Each purchaser of Series 2016 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2016 Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Harris Beach PLLC has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2016 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2016 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal

Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2016 Bonds for audit examination or the course or result of an audit examination of the Series 2016 Bonds or of obligations which present similar tax issues, will not affect the market price, value or marketability of the Series 2016 Bonds. For example, various legislative proposals have been introduced, the effect of which would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2016 Bonds) for taxpayers whose income exceeds certain threshold levels. No prediction is made as to whether any such proposals will be enacted. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding the foregoing matters.

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

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2016 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2016 BONDS.

PART 11 – STATE NOT LIABLE ON THE SERIES 2016 BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2016 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 – COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with DASNY and with the holders of DASNY's notes or bonds.

PART 13 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2016 Bonds by DASNY are subject to the approval of Harris Beach PLLC, Albany, New York, and Brown Hutchinson LLP, Rochester, New York, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2016 Bonds. The proposed form of each such opinion is set forth in Appendix E hereto. Certain legal matters will be passed upon for the Underwriter by its Counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. Certain legal matters will be passed upon for the Library by its counsel, Whiteman Osterman & Hanna LLP, Albany, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of DASNY to finance the Project in accordance with the provisions of the Act, the Resolution, the Series 2016 Resolution and the Loan Agreement.

PART 14 – UNDERWRITING

Piper Jaffray & Co., Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2016 Bonds from DASNY at an aggregate purchase price of \$24,561,100.15 (which represents the par amount of the Series 2016 Bonds, less the Underwriter's discount of \$88,662.40, plus net premium of \$1,904,762.55) and to make a public offering of Series 2016 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2016 Bonds if any are purchased.

The Series 2016 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

PART 15 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to DASNY its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by DASNY and its representatives. Included in the scope of its examination will be a verification of (a) the mathematical accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Governmental Securities deposited with the trustee under the resolution pursuant to which the Series 2007 Bonds was issued to pay the interest on and the maturing principal and redemption price of the Series 2007 Bonds on the redemption date as described in “PART 5 - THE REFUNDING PLAN,” and (b) the mathematical computations supporting the conclusion of Harris Beach PLLC that the bonds are not “arbitrage bonds” under the Code and regulations promulgated thereunder. Causey Demgen & Moore P.C. will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2016 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes.

PART 16 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the Library will enter into a written agreement (the “Continuing Disclosure Agreement”) with Digital Assurance Certification LLC (“DAC”), as disclosure dissemination agent, the Trustee, and DASNY. The proposed form of the Continuing Disclosure Agreement is attached hereto as Appendix F.

Except as described below, in the previous five (5) years, the Library has complied in all material respects with its prior undertakings pursuant to paragraph (b)(5)(i) of Rule 15c2-12. The Library previously entered into an agreement to provide continuing disclosure in connection with the issuance of the Series 2007 Bonds (the “Series 2007 Continuing Disclosure Agreement”). Under the Series 2007 Continuing Disclosure Agreement, the Library is required to file audited financial statements and certain operating data (collectively, the “Annual Report”) no later than 150 days after the end of its fiscal year ending December 31st with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) System. The Library timely filed its Annual Report for its 2011, 2012, 2013, 2014 and 2015 fiscal years ending December 31st, but the original filings for 2011, 2012, 2013 and 2015 did not conform to the requirements of the 2007 Continuing Disclosure Agreement because certain tabular information was missing from the filings. The Library has corrected the 2011, 2012 and 2013 operating data by refileing its Annual Report for these fiscal years with EMMA. The Library will update and correct the 2015 operating data by filing this Official Statement, and the Annual Report contained herein, with EMMA.

PART 17 – RATING

Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aa1” to the Series 2016 Bonds. Such rating reflects only the views of such rating agency and any desired explanation of the significance of such rating or any outlooks or other statements with respect thereto should be obtained from the rating agency at the following addresses: Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2016 Bonds.

PART 18 – MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2016 Resolution, the Collection Agreement, and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2016 Resolution, the Collection Agreement, and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2016 Resolution, the Collection Agreement, and the Loan Agreement are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2016 Bonds are fully set forth in the Resolution and the Series 2016 Resolution. Neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2016 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as expressions of opinion and not as representations of fact.

The information regarding DTC and DTC's book-entry only system has been furnished by DTC. DASNY believes that this information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of this information.

"Appendix A – Definitions," "Appendix C – Summary of Certain Provisions of the Loan Agreement," "Appendix D – Summary of Certain Provisions of the Resolution," and "Appendix E – Form of Approving Opinions of Co-Bond Counsel" have been prepared by Harris Beach PLLC, Albany, New York, and Brown Hutchinson LLP, Rochester, New York, Co-Bond Counsel.

"Appendix B –Financial Statements of the Albany Public Library and Independent Auditors' Report" contains certain audited financial statements of the Library for the year ended December 31, 2015 and the reports of the Library's independent auditors, Bonadio & Co., LLP, on such financial statements.

The information regarding the Library, the Tax Referendum, the Project, the Refunding Plan, the Estimated Sources and Uses of Funds, Continuing Disclosure and Appendix B was supplied by the Library. DASNY believes that this information is reliable, but DASNY makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

The Library has reviewed the parts of this Official Statement under the headings "PART 1 – INTRODUCTION – Purpose of the Issue" and "– The Library," "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – Authorization of Project, Payment and Tax Levy," "PART 3 –THE SERIES 2016 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds", "PART 4 – THE LIBRARY," "PART 5 – THE REFUNDING PLAN," "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," and "Appendix B – Financial Statements of Albany Public Library and Independent Auditors' Report." The Library shall certify as of the dates of sale and delivery of the Series 2016 Bonds that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The Library has agreed to indemnify DASNY, the Underwriter and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by DASNY.

**DORMITORY AUTHORITY OF
THE STATE OF NEW YORK**

By: /s/ Gerrard P. Bushell
Authorized Officer

DEFINITIONS

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DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in this Official Statement, including the summaries of certain provisions of the Resolution and the Loan Agreement, the following terms have the meanings ascribed to them below. Any capitalized terms not defined herein shall have the definition ascribed to it under the Resolution and/or the Loan Agreement.

Act means the Dormitory Authority Act being Title 4 of Article 8 of the Public Authorities Law of the State, as amended, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State, as amended.

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in an amount more particularly described in Schedule A attached to the Loan Agreement.

Arbitrage Rebate Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Authority means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Authority.

Authority Fee means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and any construction of the Project, if any, as more particularly described in Schedule B of the Loan Agreement.

Authorized Newspaper means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Officer means (i) in the case of the Authority, the Chair, the Vice- Chair, the Executive Director and President, the Deputy Executive Director and Vice President, the General Counsel and Assistant Secretary, the Chief Financial Officer and Treasurer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, the Managing Director, Construction and Metro New York Operations and Assistant Treasurer, the Managing General Counsels and Assistant Secretaries, the Director, Financial Management and Assistant Treasurer, and the Senior Financial Analysts and Assistant Treasurers, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the Institution to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer, an Assistant Trust Officer or an Authorized Signatory of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

Board of Regents means the Board of Regents of the University of the State of New York.

Bond or *Bonds* means any of the bonds of the Authority authorized and issued pursuant to the Resolution and to a Series Resolution.

Bond Counsel means an attorney or law firm appointed by the Authority with respect to a Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under a Series Resolution as it may be amended from time to time.

Bond Year means, except as otherwise provided in a Series Resolution authorizing a Series of Bonds or the Bond Series Certificate relating thereto, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds or *Holder* or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series.

Book Entry Bond means a Bond of a Series authorized to be issued, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond.

Business Day means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Collection Agreement means the Tax Pledge and Collection Agreement dated as of the date of issuance of the Series 2016 Bonds, or any other agreement, by and among the Institution, the Authority, the School District and the Trustee executed in connection with the issuance of a Series of Bonds, as the same shall have been amended, supplemented or otherwise modified.

Construction Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Continuing Disclosure Agreement means the agreement, if any, entered into in connection with the issuance of a Series of Bonds, by and among the Authority, the Institution and the Trustee, or such other parties thereto designated at such time, providing for continuing disclosure.

Contract Documents means, as applicable, any general contract or agreement for the construction of the Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institution relating to any construction of the Project, and any amendments to the foregoing.

Cost or *Costs of Issuance* means the items of expense incurred in connection with the authorization, sale and issuance of Bonds of a Series, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Reserve Fund Facility, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or *Costs of the Project* means costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of a Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of a

Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds of a Series prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of a Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant the Resolution or to the applicable Loan Agreement or Mortgage. In connection with the issuance of Bonds to refund obligations of the Authority issued to make loans to the Institution for Costs of a Project, "Cost of a Project" includes amounts required to effect, and costs and expenses of, such refunding.

Credit Facility means, if applicable with respect to a Series of Bonds, an irrevocable letter of credit, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement pursuant to which the Authority is entitled to obtain money to pay the principal and Sinking Fund Installments of and interest on particular Bonds whether or not the Authority is in default under the Resolution, which is issued or provided by:

- (i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;
- (ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;
- (iii) the Government National Mortgage Association or any successor thereto;
- (iv) the Federal National Mortgage Association or any successor thereto; or
- (v) any other federal agency or instrumentality approved by the Authority.

Debt Service Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means, if applicable, a reserve fund for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds so designated, created and established by the Authority by or pursuant to a Series Resolution.

Debt Service Reserve Fund Requirement means, if applicable, the amount of moneys required to be deposited in the Debt Service Reserve Fund, if any, as determined in accordance with the Series Resolution pursuant to which such Debt Service Reserve Fund has been established.

Defeasance Security means:

- (i) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligation;
- (ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and
- (iii) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise

subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation;

provided, however, that for purposes of (i), (ii) and (iii) above, such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof; and

(iv) any other investments acceptable to the Rating Service(s) for defeasance.

Depository means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series.

Event of Default (i) when used with respect to the Resolution, shall have the meaning given such term in Section 11.02 of the Resolution, and (ii) when used with respect to the Loan Agreement, shall have the meaning given to such term in Section 31(a) of the Loan Agreement.

Exempt Obligation means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services,

(ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Facility Provider means the issuer of a Credit Facility or Reserve Fund Facility.

Federal Agency Obligation means:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Government Obligation means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America are pledged;

(iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to the Project, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over the Project.

Institution means the Albany Public Library, a school district public library and an education corporation chartered under the Board of Regents of the State of New York, or any successor thereto.

Insurance Consultant means a person or firm which is qualified to survey risks and to recommend insurance coverage for Institution facilities and services and organizations engaged in like operations and which is selected by the Institution.

Intercreditor Agreement means an agreement by and among, *inter alia*, the Authority, the Trustee, and creditors of the Institution relating to Parity Indebtedness, which agreement may pertain to (i) the relative priorities of the liens upon any Mortgage or Pledged Revenues or other shared collateral, (ii) limitations or conditions upon their respective rights to enforce, foreclose or realize upon such liens, and (iii) the application of any money realized from the enforcement, foreclosure or other realization upon such liens.

Investment Agreement means an agreement for the investment of moneys with a Qualified Financial Institution.

Loan Agreement means a Loan Agreement or any other agreement, by and between the Authority and the Institution in connection with the issuance of a Series of Bonds, as the same shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

Maximum Annual Debt Service means on any date, when used with respect to the Bonds, the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds payable during such year.

Mortgage means, if any, a mortgage granted by the Institution to the Authority in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property as security for the performance of the Institution's obligations under the Loan Agreement with respect to a Series of Bonds, as such Mortgage may be amended or modified from time to time with the consent of the Authority.

Mortgaged Property means, if any, the land or interest therein described in each Mortgage, if any, together with the buildings and improvements thereon or hereafter erected thereon and the furnishings and equipment owned by the Institution located thereon or therein as may be specifically identified in a Mortgage.

Outstanding, when used in reference to Bonds of a Series, means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under a Series Resolution except:

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with the Resolution; and
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution.

Parity Indebtedness means indebtedness secured by a parity lien on Pledged Revenues (excluding the Authority's security interest in the Project Levy) with the prior written consent of the Authority.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of a Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

- (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligation;
- (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligation;
- (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;
- (iv) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged; or
- (v) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category.

Permitted Encumbrances means, when used in connection with the Project, any of the following

- (i) The lien of taxes and assessments which are not delinquent;

(ii) The lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited;

(iii) Minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(iv) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(v) Security interests, liens and other encumbrances to secure the purchase price of any equipment or furnishings; and

(vi) Such other encumbrances, defects, and irregularities to which the prior written consent of the Authority has been obtained.

Permitted Investments means:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, rated by at least one Rating Service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) commercial paper issued by a domestic corporation rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase;

(vii) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;

(viii) Investment Agreements that are fully collateralized by Permitted Collateral; and

(ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated, at the time an investment therein is made or the same is

deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service.

“Pledged Revenues” means all Public Funds, all revenues received by the Institution from the operation of the Institution, all the proceeds, product, rents and profits of the Institution’s facilities and all other income available to the Institution from any other source, all proceeds from the sale of general intangibles, documents, instruments and inventory and all proceeds thereof owned, leased or used by the Institution in the conduct of all or any part of its business, all investment income, gifts, bequests, contributions, grants and donations, excluding only grants, gifts, bequests, contributions and other donations and any income derived therefrom to the extent specifically restricted by the donor or grantor to a specific object or purpose inconsistent with the support of payments to be made by the Institution under the Loan Agreement, and all rights to receive the same, whether in the form of accounts, payment intangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes or other rights, and the proceeds thereof, and all supporting evidence and documents relating to any of the above described property, including without limitation, payment records, correspondence, together with all books of account and ledgers in which the same are reflected or maintained, all whether now existing or hereafter arising, along with the right of the Institution to exercise its rights under the Education Law and any and all proceeds resulting from the exercise of that right.

Prior Pledges means the “Prior Pledges” as such term is defined in a Loan Agreement, if applicable.

Project means each “dormitory” as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of a Series of Bonds, as more particularly described in a Loan Agreement or a Series Resolution.

Project Levy means the Public Funds authorized by referendum of the qualified voters of the School District to be levied and collected yearly and to be paid to the Institution in an aggregate annual amount not less than the aggregate Maximum Annual Debt Service on all Series of Bonds issued pursuant to the Resolution and then Outstanding, which in the case of the Series 2016 Bonds, shall mean the referendum of the qualified voters of the School District approved on February 6, 2007 authorizing an annual levy in an aggregate amount not to exceed \$1,860,000.

Provider Payments means the amount, certified by a Facility Provider to the Trustee, payable to such Facility Provider on account of amounts advanced by it under a Credit Facility or Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto.

Public Funds means all moneys apportioned, appropriated or otherwise payable to the Institution by the State or a Political Subdivision, as such term is defined in Section 100 of the General Municipal Law including the Project Levy.

Qualified Financial Institution means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000:

- (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any money held under the Resolution purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Rating Services, as the case may be, that have assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns.

Record Date means, unless a Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating thereto provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price when used with respect to a Bond of a Series, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Resolution or to the applicable Series Resolution or Bond Series Certificate.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

Related Agreements means, in connection with the Bonds, each agreement, if any, entered into in connection with a Reserve Fund Facility or Credit Facility to which the Institution is a party.

Reserve Fund Facility means a surety bond, insurance policy, letter of credit or other financial guaranty or instrument authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund to be delivered in lieu of or substitution of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means the Authority's Albany Public Library Revenue Bond Resolution adopted November 9, 2016, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

Restricted Gift means, when used in connection with the Project, any gift, grant or bequest of money or other property made or given by any person the use of which has been restricted by such person to paying any cost or expense that constitutes a Cost of the Project.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority which pursuant to the applicable Loan Agreement are required to be paid to the Trustee for such Series of Bonds (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund), and all amounts received as a consequence of the enforcement of such Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon the Pledged Revenues for such Series of Bonds.

School District means the City School District of the City of Albany, New York.

Serial Bonds means the Bonds so designated in a Series Resolution or a Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant the Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series Resolution means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

Series 2016 Bonds means the Authority's Albany Public Library Revenue Bonds, Series 2016, authorized by the Series 2016 Resolution.

Series 2016 Resolution means the Authority's Series Resolution Authorizing Up To \$26,000,000 Albany Public Library Revenue Bonds, Series 2016, adopted November 9, 2016, as the same may be amended, supplemented or otherwise modified from time to time.

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation, when used with respect to any Bonds of such Series, so long as any such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto to be paid on a single future July 1 (or such other date as is set forth in the applicable Series Resolution or Bond Series Certificate) for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

State means the State of New York.

Supplemental Resolution means any resolution of the Authority amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Resolution.

Tax Certificate means the Tax Certificate as to Arbitrage of the Authority and the Institution, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Bonds in which the

Authority and the Institution make representations and agreements as to arbitrage and compliance with the provisions of Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

Term Bonds means, with respect to a Series of Bonds, the Bonds so designated in a Series Resolution or a Bond Series Certificate and payable from Sinking Fund Installments.

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to a Series Resolution or Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for in the Resolution with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

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**FINANCIAL STATEMENTS OF
ALBANY PUBLIC LIBRARY AND INDEPENDENT AUDITORS' REPORT**

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ALBANY PUBLIC LIBRARY

FINANCIAL STATEMENTS

**Together with
Independent Auditor's Reports
As of December 31, 2015**

Bonadio & Co., LLP
Certified Public Accountants

Table of Contents

INDEPENDENT AUDITOR'S REPORT 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)..... 3-7

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

 Statement of net position 8

 Statement of activities..... 9

Fund Financial Statements:

 Balance sheet - Governmental funds..... 10

 Statement of revenues, expenditures, and changes in fund balance - Governmental funds.. 11

 Reconciliation of total governmental fund balance to net position of governmental activities. 12

 Reconciliation of the statement of revenues, expenditures, and changes in fund balance
 to the statement of activities..... 13

 Notes to financial statements 14-30

REQUIRED SUPPLEMENTARY INFORMATION

 Statement of revenues, expenditures, and changes in fund balance – Budget and
 Actual – General Fund..... 31

 Schedule of funding progress – other post-employment benefits plan 32

 Schedule of proportionate share of net pension liability 33

 Schedule of contributions – pension plans 34

OTHER REQUIRED REPORT

 Independent Auditor's Report on internal control over financial reporting and on
 compliance and other matters based on an audit of financial statements performed
 in accordance with *Government Auditing Standards*..... 35-36

Schedule of Findings and Responses..... 37

INDEPENDENT AUDITOR'S REPORT

March 31, 2016

To the Board of Trustees of
Albany Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Albany Public Library (Library) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Albany Public Library, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT - Continued

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other poste employment benefits plan, schedule of proportionate share of net pension liability, and schedule of contributions – pension plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016 on our consideration of the Albany Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Albany Public Library's internal control over financial reporting and compliance.

Bonadio & Co., LLP

ALBANY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2015

This discussion and analysis of Albany Public Library's (Library) financial performance provides an overview of the financial activities for the year ended December 31, 2015. This document should be read in conjunction with the Library's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements, and required supplemental information. The financial statements include two types of statements that present different views of the Library:

- The first statements are government-wide financial statements that provide both short-term and long-term information about the Library's overall financial status.
- The remaining statements are fund financial statements that focus on individual segments of the Library, reporting the operations in more detail than the entity-wide statements. The governmental fund statements tell how general government services, such as culture and recreation, were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the Library's budget to actual for the year.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

One of the most important questions asked about the Library's finances is, "Is the Library, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Library as a whole and about its activities in a manner that helps answer this question. These government-wide statements include all assets and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These government-wide financial statements report the Library's net position and changes in that position. The Library's net position – the difference between assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the Library's financial health, or financial position. Over time, increases or decreases in the Library's net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

The Library's net position decreased from \$15,353,600 to \$14,221,980 as depicted in the following table.

Table 1

Governmental Activities

| | <u>2015</u> | <u>2014</u> | <u>Change</u> | <u>Percent Change</u> |
|----------------------------------|----------------------|----------------------|---------------------|---------------------------|
| Current assets | \$ 8,222,816 | \$ 8,065,574 | \$ 157,242 | 2% |
| Restricted assets | 2,017,421 | 2,024,837 | (7,416) | 0% |
| Capital assets | <u>36,615,872</u> | <u>37,786,771</u> | <u>(1,170,899)</u> | -3% |
| Total assets | <u>46,856,109</u> | <u>47,877,182</u> | <u>(1,021,073)</u> | |
| Deferred outflows of resources | <u>432,291</u> | <u>-</u> | <u>432,291</u> | |
| Current liabilities | 1,504,695 | 1,551,547 | (46,852) | -3% |
| Long-term liabilities | <u>26,814,963</u> | <u>26,827,239</u> | <u>(12,276)</u> | 0% |
| Total liabilities | <u>28,319,658</u> | <u>28,378,786</u> | <u>(59,128)</u> | |
| Deferred inflows of resources | <u>4,403,856</u> | <u>4,144,796</u> | <u>259,060</u> | 6% |
| Net position: | | | | |
| Net investment in capital assets | 11,720,218 | 12,228,271 | (508,053) | -4% |
| Restricted for debt | 1,853,448 | 1,860,329 | (6,881) | 0% |
| Restricted for capital projects | 163,973 | 164,508 | (535) | 0% |
| Unrestricted | <u>827,247</u> | <u>1,100,492</u> | <u>(273,245)</u> | -25% |
| Total net position | <u>\$ 14,564,886</u> | <u>\$ 15,353,600</u> | <u>\$ (788,714)</u> | |

The Library's fiscal year 2015 revenues totaled \$8,879,000 (see Table 2). Property taxes accounted for 92% of total revenues. Expenses totaled \$9,468,211 of which approximately 45% is comprised of salaries and benefits for librarians and support staff.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

Table 2
Change in Net Position (Rounded)
Governmental
Activities

| | <u>2015</u> | <u>2014</u> | <u>Change</u> | <u>Percentage Change</u> |
|---------------------------|---------------------|---------------------|-------------------|------------------------------|
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 153,200 | \$ 165,792 | \$ (12,592) | -8% |
| Operating grants | 232,107 | 158,736 | 73,371 | 46% |
| Capital grants | 7,250 | 247,100 | (239,850) | - |
| General revenues: | | | - | |
| Real property taxes | 8,354,377 | 8,289,072 | 65,305 | 1% |
| Donations and other | 32,879 | 17,944 | 14,935 | 83% |
| Interest income | 107,045 | 103,645 | 3,400 | 3% |
| Investment loss | (51,603) | (69,306) | 17,703 | -26% |
| State and federal sources | 43,745 | 110,680 | (66,935) | -60% |
| Total revenues | <u>8,879,000</u> | <u>9,023,663</u> | <u>(144,663)</u> | -2% |
| Program expenses: | | | | |
| Culture and recreation | 8,276,898 | 8,765,576 | (488,678) | -6% |
| Debt service - interest | 1,191,313 | 1,216,813 | (25,500) | 100% |
| Total expenses | <u>9,468,211</u> | <u>9,982,389</u> | <u>(514,178)</u> | -6% |
| Change in net position | <u>\$ (589,211)</u> | <u>\$ (958,726)</u> | <u>\$ 369,515</u> | -39% |

- Operating grants increased \$73,371 due to an increase in grants of \$12,760 and reclassification of \$60,611 from Book Processing to Operating Grants.
- Capital grants relate to NYS construction grant project completion.
- Donations and other increased predominately due to a \$16,500 rebate from National Grid related to lighting replacement at the Washington Avenue Branch.

Table 3 presents the cost of the Library's governmental function of culture and recreation – as well as the program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Library by this function.

Table 3
Governmental Activities

| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
|-------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| | <u>Total Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Net Cost of Services</u> |
| Culture and recreation | \$ 8,276,898 | \$ 8,765,576 | \$ 7,884,341 | \$ 8,193,948 |
| Debt service - interest | 1,191,313 | 1,216,813 | 1,191,313 | 1,216,813 |
| | <u>\$ 9,468,211</u> | <u>\$ 9,982,389</u> | <u>\$ 9,075,654</u> | <u>\$ 9,410,761</u> |

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE (Continued)

- The cost of all governmental activities this year was \$9,468,211.
- The users of the Library's programs funded \$153,200 of the costs through user fees.
- Operating and capital grants subsidized certain expenses with contributions in the amount of \$239,357.
- Most of the Library's net costs of \$9,075,654 were funded by local taxpayers.

FUND ANALYSIS

The Library utilizes three funds – General, Capital Projects, and Debt Service. The General Fund is used for the day to day operations of the Library. Significant activities within the General Fund include salaries and benefits, maintenance and operation of the buildings, and purchase of books, periodicals, and other resources for the community's use. The General Fund ended the year with an approximate \$53,000 surplus and a \$3.67 million fund balance compared to an approximate \$1 million operating deficit and a \$3.60 million fund balance in 2014. The Capital Projects Fund essentially broke even for the year compared to a \$90,000 operating deficit in 2014. The Debt Service Fund's activity consisted of an interfund transfer of approximately \$1.9 million and a debt payment of the same which is consistent with the 2014 activity.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the 2015 budget revenue was projected to be \$8,779,327 and actual revenue was \$8,884,696 resulting in a favorable variance of \$105,369. This favorable variance was substantially due to increased interest income received in the current year.

Total expenditures were budgeted at \$7,685,746; actual expenditures were \$6,978,523, resulting in a favorable variance of \$707,223. This favorable variance was a result of controlling costs.

The general fund balance at the end of the year was \$3,674,247. The current fund balance is necessary to sustain library operations and repay debt service obligations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets, Net

As of December 31, 2015, the Library had \$36,615,872 invested in a broad range of capital assets including land, buildings, computers, and other research and educational equipment, net of accumulated depreciation. Depreciation expense was \$1,351,611 and \$1,350,498 for the years ended December 31, 2015 and 2014, respectively.

Table 4
Capital Assets (Net of Depreciation)

| | <u>2015</u> | <u>2014</u> |
|----------------------------|----------------------|----------------------|
| Land | \$ 1,216,367 | \$ 1,216,367 |
| Buildings and improvements | 34,634,601 | 35,582,203 |
| Furniture and Equipment | 739,154 | 952,742 |
| Vehicles | 25,750 | 35,459 |
| Capital assets, net | <u>\$ 36,615,872</u> | <u>\$ 37,786,771</u> |

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long -Term Debt

As of December 31, 2015, the Library has a loan agreement with DASNY to repay \$24,620,000 in revenue bonds outstanding. There were no new debt issuances during 2015. As of December 31, 2015, the Library has \$2,042,428 accrued for other postemployment benefits and \$117,336 accrued for compensated absences. More detailed information about the Library's long-term debt is included in the notes to the financial statements.

FACTORS BEARING ON THE FUTURE OF ALBANY PUBLIC LIBRARY

The Library was aware of existing circumstances that could significantly affect its financial health in the future:

- Decisions to initiate new programs or services or to eliminate current programs or services will have an impact on the Library's financial position.
- Use of Library programs and services will continue to grow. Increased demand for programs and services may require additional staff and/or resources.
- The Library has a collective bargaining agreement which expires on November 30, 2016.
- Approximately 14% of the existing workforce fall within five years of the minimum retirement age and will be eligible to draw postemployment benefits.
- The Library completed a bonded \$29.1 million facilities improvement project for the renovation of two existing branch library buildings, the renovation of another building into a branch library, and the construction of two additional branch libraries. This project was completed in 2010 and has resulted in a significant expansion of the Library's facilities which will likely result in additional staffing and operating expenses.
- The debt service on the bonds for the facilities improvement will be paid through an additional tax levy not to exceed \$1.86 million per year which will run through FY 2037.

CONTACTING ALBANY PUBLIC LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Albany Public Library's finances and to show Albany Public Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Albany Public Library at 161 Washington Avenue, Albany, NY 12210.

ALBANY PUBLIC LIBRARY**STATEMENT OF NET POSITION
DECEMBER 31, 2015****ASSETS**

CURRENT ASSETS:

| | |
|----------------------|------------------|
| Cash | \$ 5,437,943 |
| Investments | 2,614,527 |
| Accounts receivable | 662 |
| Prepaid expenses | <u>169,684</u> |
| Total current assets | <u>8,222,816</u> |

RESTRICTED ASSETS:

| | |
|--|------------------|
| Deposits with bond trustee - cash | 597,897 |
| Deposits with bond trustee - investments | <u>1,419,524</u> |
| Total restricted assets | <u>2,017,421</u> |

NONCURRENT ASSETS:

| | |
|---|-------------------|
| Capital assets, net of accumulated depreciation | <u>36,615,872</u> |
| Total noncurrent assets | <u>36,615,872</u> |

TOTAL ASSETS

46,856,109

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|----------------|
| Deferred outflows of resources - pensions | <u>432,291</u> |
|---|----------------|

Total assets and deferred outflows of resources

47,288,400**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:

| | |
|---------------------------------------|------------------|
| Current portion of bonds payable | 675,000 |
| Accounts payable and accrued expenses | 240,539 |
| Accrued interest expense | <u>589,156</u> |
| Total current liabilities | <u>1,504,695</u> |

NONCURRENT LIABILITIES:

| | |
|---------------------------------------|-------------------|
| Bonds payable, net of current portion | 24,220,654 |
| Compensated absences payable | 117,336 |
| Other postemployment benefits | 2,042,428 |
| Net pension liability | <u>434,545</u> |
| Total noncurrent liabilities | <u>26,814,963</u> |

DEFERRED INFLOWS OF RESOURCES:

| | |
|--|---------------|
| Property taxes and grant funding received in advance | 4,308,030 |
| Deferred inflows of resources - pensions | <u>95,826</u> |

Total deferred inflows of resources

4,403,856

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

32,723,514**NET POSITION**

| | |
|----------------------------------|----------------|
| Net investment in capital assets | 11,720,218 |
| Restricted for debt service | 1,853,448 |
| Restricted for capital projects | 163,973 |
| Unrestricted | <u>827,247</u> |

TOTAL NET POSITION

\$ 14,564,886

The accompanying notes are an integral part of these statements.

ALBANY PUBLIC LIBRARY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Expenses</u> | <u>Program Revenues</u> | | | Net (Expenses) Revenues and Changes in Net Position |
|--|---------------------|---------------------------------|-----------------------------|---------------------------|--|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> | <u>Capital Grants</u> | |
| FUNCTIONS/PROGRAMS: | | | | | |
| Culture and recreation | \$ 8,276,898 | \$ 153,200 | \$ 232,107 | \$ 7,250 | \$ (7,884,341) |
| Debt service - interest | <u>1,191,313</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,191,313)</u> |
| TOTAL FUNCTIONS/PROGRAMS | <u>\$ 9,468,211</u> | <u>\$ 153,200</u> | <u>\$ 232,107</u> | <u>\$ 7,250</u> | <u>(9,075,654)</u> |
| GENERAL REVENUES: | | | | | |
| Real property taxes | | | | | 8,354,377 |
| Donations and other | | | | | 32,879 |
| Interest income | | | | | 107,045 |
| Unrealized loss on investments, net | | | | | (51,603) |
| State and federal sources | | | | | <u>43,745</u> |
| TOTAL GENERAL REVENUES | | | | | <u>8,486,443</u> |
| CHANGE IN NET POSITION | | | | | (589,211) |
| TOTAL NET POSITION - beginning of year, previously reported | | | | | 15,353,600 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | | | | | <u>(199,503)</u> |
| NET POSITION - beginning of year as restated | | | | | <u>15,154,097</u> |
| TOTAL NET POSITION - end of year | | | | | <u>\$ 14,564,886</u> |

The accompanying notes are an integral part of these statements.

ALBANY PUBLIC LIBRARY

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|---------------------|---|
| ASSETS | | | | |
| Cash | \$ 5,437,943 | \$ - | \$ - | \$ 5,437,943 |
| Investments | 2,614,527 | - | - | 2,614,527 |
| Accounts receivable | 662 | - | - | 662 |
| Prepaid expenditures | 169,684 | - | - | 169,684 |
| Restricted assets: | | | | |
| Deposits with bond trustee - cash | - | 4,159 | 593,738 | 597,897 |
| Deposits with bond trustee - investments | - | 159,814 | 1,259,710 | 1,419,524 |
| TOTAL ASSETS | <u>\$ 8,222,816</u> | <u>\$ 163,973</u> | <u>\$ 1,853,448</u> | <u>\$ 10,240,237</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | | |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | \$ 240,539 | \$ - | \$ - | \$ 240,539 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Property taxes received in advance | 4,211,106 | - | - | 4,211,106 |
| Grant funding received in advance | 96,924 | - | - | 96,924 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>4,548,569</u> | <u>-</u> | <u>-</u> | <u>4,548,569</u> |
| FUND BALANCE: | | | | |
| Nonspendable | | | | |
| Prepaid expenditures | 169,684 | - | - | 169,684 |
| Restricted | | | | |
| Debt service | - | - | 1,853,448 | 1,853,448 |
| Capital projects | - | 163,973 | - | 163,973 |
| Assigned | | | | |
| Designated for subsequent year's expenditures | 759,752 | - | - | 759,752 |
| Unassigned | 2,744,811 | - | - | 2,744,811 |
| TOTAL FUND BALANCE | <u>3,674,247</u> | <u>163,973</u> | <u>1,853,448</u> | <u>5,691,668</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 8,222,816</u> | <u>\$ 163,973</u> | <u>\$ 1,853,448</u> | <u>\$ 10,240,237</u> |

The accompanying notes are an integral part of these statements.

ALBANY PUBLIC LIBRARY

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-----------------------------|-------------------------|---|
| REVENUE: | | | | |
| Real property taxes | \$ 8,354,377 | \$ - | \$ - | \$ 8,354,377 |
| Departmental income | 153,200 | - | - | 153,200 |
| Gifts and donations | 39,066 | - | - | 39,066 |
| Interest income | 104,121 | 9 | 2,915 | 107,045 |
| Unrealized loss on investments | (49,170) | 61 | (2,609) | (51,718) |
| Realized gain on investments | - | 115 | - | 115 |
| State and federal aid | 283,102 | - | - | 283,102 |
| | <u>8,884,696</u> | <u>185</u> | <u>306</u> | <u>8,885,187</u> |
| Total revenues | | | | |
| EXPENDITURES: | | | | |
| Culture and recreation | 5,463,118 | - | - | 5,463,118 |
| Capital outlay | - | 720 | - | 720 |
| Debt service | - | - | 1,860,500 | 1,860,500 |
| Employee benefits | 1,515,405 | - | - | 1,515,405 |
| | <u>6,978,523</u> | <u>720</u> | <u>1,860,500</u> | <u>8,839,743</u> |
| Total expenditures | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>1,906,173</u> | <u>(535)</u> | <u>(1,860,194)</u> | <u>45,444</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 1,853,313 | 1,853,313 |
| Transfers out | (1,853,313) | - | - | (1,853,313) |
| | <u>(1,853,313)</u> | <u>-</u> | <u>1,853,313</u> | <u>-</u> |
| Total other financing sources (uses) | | | | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | 52,860 | (535) | (6,881) | 45,444 |
| FUND BALANCE - beginning of year | <u>3,621,387</u> | <u>164,508</u> | <u>1,860,329</u> | <u>5,646,224</u> |
| FUND BALANCE - end of year | <u>\$ 3,674,247</u> | <u>\$ 163,973</u> | <u>\$ 1,853,448</u> | <u>\$ 5,691,668</u> |

The accompanying notes are an integral part of these statements.

ALBANY PUBLIC LIBRARY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

| | | |
|--|--------------------|----------------------|
| Fund balance, all governmental funds | | \$ 5,691,668 |
| Amounts reported for governmental activities in the statement of net position are different due to the following: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | |
| Cost of capital assets | \$ 45,708,510 | |
| Accumulated depreciation | <u>(9,092,638)</u> | 36,615,872 |
| GASB 68 related government wide activity | | |
| Deferred outflows of resources | | 432,291 |
| Net pension liability | | (434,545) |
| Deferred inflows of resources | | (95,826) |
| Long-term liabilities, including bonds payable and other debt, are not due and payable in the current period and are, therefore, not reported in the funds | | |
| Accrued interest on bonds | | (589,156) |
| Compensated absences (sick and vacation) | | (117,336) |
| Other postemployment benefits | | (2,042,428) |
| Proceeds of long-term debt are recorded as other financing sources in the government funds; however, amounts are capitalized as long term liabilities in the Statement of Net Position for government activities | | |
| Outstanding balance of revenue bonds and bond premium | | <u>(24,895,654)</u> |
| Net position of governmental activities | | <u>\$ 14,564,886</u> |

The accompanying notes are an integral part of these statements.

ALBANY PUBLIC LIBRARY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | | | |
|--|----|----------------|---------------------|
| Net changes in fund balance - Total governmental funds | | \$ | 45,444 |
| Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position. | | | |
| Depreciation expense, net of disposals | \$ | (1,351,611) | |
| Capital outlays, net of disposals | | <u>180,712</u> | <u>(1,170,899)</u> |
| Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities | | | 101,423 |
| In the statement of activities certain operating expenses - compensated absences (accrued sick and vacation) and accrued interest costs are measured by the amount earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used (amount paid). | | | (2,749) |
| Other postemployment benefits are recorded as pay-as-you-go for the governmental funds, but are recorded on the full accrual basis for the statement of activities. | | | (225,276) |
| Principal payments on long-term debt are recorded as expenditures in the governmental funds, but are not reported on the statement of activities. Amortization expense for the bond premium is recorded as an expenditure in the governmental funds, but is not reported on the statement of activities. | | | |
| Amortization of bond premium | | 12,846 | |
| Bond principal payment | | <u>650,000</u> | <u>662,846</u> |
| Change in net position - Governmental activities | | | <u>\$ (589,211)</u> |

The accompanying notes are an integral part of these statements.

ALBANY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Albany Public Library (Library) is a municipal corporation formed in 2002. The Library commenced operations during July, 2002 in the City of Albany (the "City"), New York and is governed by a Board of Trustees which may consist of as many as nine members. A substantial portion of the Library's funding is provided by City of Albany taxpayers billed through the City School District of Albany.

The Library is chartered as a school district public library by the New York State Board of Regents and provides library services to residents within the geographic borders of the City of Albany.

The financial statements of Albany Public Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the entity's accounting policies are described below.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities present financial information about the Library's governmental activities. These statements include the financial activities of the overall government in its entirety. Interfund activity has been removed from these statements.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the Library's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the Library's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of Albany Public Library are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Fund Financial Statements (Continued)

The governmental funds are each considered major funds in the fund financial statements:

- A. General Fund - The general fund is the principal fund of the Library and includes all operations not required to be recorded in other funds.
- B. Capital Projects Fund - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital projects.
- C. Debt Service Fund - These funds are used to account for resources used to make principal and interest payments on the long-term debt.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

The modified accrual basis of accounting is followed by the governmental funds. Under this basis of accounting, revenue is recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenue sources considered susceptible to accrual in addition to real property taxes include state aid and library system aid. For those types of revenue sources, such as grants, where expenditures are the prime factor for determining eligibility, revenue is recognized when the expenditure is made.

Expenditures are recorded when the fund liability is incurred, except that:

- A. Expenditures for prepaid expenses are recognized at the time of the disbursements.
- B. Debt service is recognized as an expenditure when due.
- C. Compensated absences are recognized as an expenditure when paid out.

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

The Library's fund balance in the fund financial statements differs from net position of governmental activities in the government-wide financial statements primarily from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used for the statement of activities.

- Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

- Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Budget and Budgetary Accounting

The fiscal year of the Library begins on the first day of January and ends on the thirty-first day of December; however, the tax levy is coincident with the City School District's fiscal year of July 1 through June 30. The proposed tax levy and supplemental propositions for the Library, as established by the trustees, shall be placed before the voters in the year preceding the year which a proposed budget has been established (i.e., in 2014 for the budget to be prepared for fiscal year 2015). All levy propositions require approval by a majority of voters in the City School District of Albany, hereinafter referred to as the majority. Upon approval of such proposed tax levy and of any propositions by the majority, the proposed tax levy becomes the Library tax levy for the following year. In the event that the proposed tax levy is not approved by the majority, the proposed library budget is deemed amended so that the portion of the proposed budget providing for real property tax revenue to be received from the school district be changed to equal the real property tax revenue provided for in the Library budget in effect as of the time of the vote as amended by the supplemental appropriations if approved. In the event that the voters do not approve the proposed tax levy as aforesaid, and upon the proposed budget being deemed amended aforesaid, the real property taxes to be levied by the school district for the Library are levied in an amount consistent with the prior year rather than the amount as set forth in the proposed tax levy.

After the annual budgets have been adopted, the school district levies upon the taxable real property the amounts to be raised by tax for the purposes of the Library as specified in the Library's annual budget and causes the amount so levied to be collected, in the same manner and at the same time and by the same officers as school taxes are assessed, levied, and collected.

The budget is adopted annually on a basis consistent with GAAP.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments

Investments consist of U.S. Treasury and New York State securities and are stated at fair value based on quoted market prices.

Credit Risk

In compliance with New York State law, Library investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State of New York, time deposit accounts, and certificates of deposit issued by a bank or trust company located in and authorized to do business in New York State, and certain joint or cooperative investment programs.

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the fair value of purchased securities in repurchase transactions must be maintained, and the securities must be held by a third party in the Library's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of New York State General Municipal Law.

Capital Assets, Net

Capital assets are reported at actual acquisition cost. Donated assets are reported at the estimated fair market value at the time received. The capitalization threshold for building improvements, furniture, and equipment is established at \$1,500. Depreciation is computed using the straight-line method over the estimated useful life of the capital asset and is reported as an expense in the government-wide financial statements. The following are the estimated useful lives:

| | |
|----------------------------|------------|
| Land | N/A |
| Buildings and improvements | 5-40 years |
| Furniture and equipment | 3-20 years |
| Vehicles | 5-7 years |

Inexhaustible Collections

The value of books, art collections, and library materials, constituting inexhaustible collections, is not readily determinable and, therefore, the Library has not capitalized them or otherwise recognized such assets on the financial statements. In addition books used in the circulating library have not been capitalized.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Deferred Outflows and Inflows of Resources (Continued)

The Library has the following reported in this category;

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The Library has the following item that qualifies for reporting in this category;

The net amount of the Library's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Compensated Absences

The liability for compensated absences (accrued vacation and personal time) is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds inasmuch as it will be funded from current financial resources and as long-term debt for amounts to be paid from future financial resources.

Retirement Benefits

Library employees participate in the New York State and Local Employees' Retirement System and Group Term Life Insurance plans.

Other Postemployment Benefits

In addition to providing the retirement benefits described above, the Library provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the Library and its employees. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the Library. The Library pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance.

At the fund level, the Library recognized the current cost of providing benefits for December 31, 2015 by recording \$147,354, which is its share of insurance premiums for 26 currently enrolled retirees, as expenditure for the current year.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Position

Government-Wide Statements

In the Government-wide statements, there are three classes of net position:

Net investment in capital assets consists of net capital assets, (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

Restricted net position includes items where constraints placed on them are either externally imposed by creditors, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position includes all other items that do not meet the definition of the above two classifications and are deemed to be available for general use by the Library.

Fund Balance

Fund Statements

In the fund financial statements there are five allowable classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance consists of the prepaid expenditures in the general fund at December 31, 2015.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Library has the following restricted fund balances at December 31, 2015:

Capital projects – The capital projects restricted fund balance is used to restrict the portion of fund balance that is used to properly maintain the Library's facilities and is not available for appropriation. The restricted fund balance is maintained with the capital projects fund.

Debt service – The debt service restricted fund balance is used to restrict the portion of fund balance that will be used to pay down a portion of the DASNY serial bonds. The restricted fund balance is maintained within the debt service fund.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision making authority, i.e., the Board of Trustees. The Library has no committed fund balance at December 31, 2015.

Assigned fund balance – Includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. Amounts designated for subsequent years' expenditures reported in the general fund amount to \$759,752 at December 31, 2015.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Library.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance (Continued)

Order of Fund Balance Spending Policy

The Library's policy is to apply expenditures against non-spendable fund balance (if allowable), restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balance is determined first and then restricted fund balance for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Grants Received in Advance

The Library reports grants received in advance on its balance sheet. This arises as a result of the Library receiving grants in advance of the work to be performed. Once the work is performed, usually construction in nature, the revenue recognition criteria is met this deferred inflow is removed from the balance sheet and the statement of net position and revenue is recognized.

Property Taxes Received in Advance

The Library reports property taxes received in advance on its balance sheet. This arises as a result of the fiscal year end differences between the Library and the Albany City School District. The Library receives the entire tax levy by December 31 each year, but the tax levy covers the period of July 1 through June 30 resulting in six months of property tax revenue being received in advance of its recognition period. In the subsequent period, when the revenue recognition criteria is met this deferred inflow is removed from the balance sheet and the statement of net position and revenue is recognized.

Newly Adopted Accounting Standards

During the year ended December 31, 2015, the Library adopted the following:

In June 2012, the GASB issued Statements *No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans.

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

2. CASH AND INVESTMENTS

All deposits were covered entirely by collateral or federal depository insurance at December 31, 2015.

| | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|---|-------------------------|----------------------------|
| Cash | \$ 5,455,935 | \$ 5,437,006 |
| Collateralized with securities held by the pledging financial institution's trust department or agent in the Library's name | \$ 5,205,935 | |
| Covered by FDIC insurance | <u>250,000</u> | |
| Total | <u>\$ 5,455,935</u> | |

The Library typically does not purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The Library does not purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

The Library's unrestricted investments consisted of the following at December 31, 2015:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity in Years</u> |
|-------------------------|---------------------|---|
| Certificates of Deposit | \$ 462,444 | >1.00 |
| Municipal Bonds | 1,442,679 | <1.00 |
| Municipal Bonds | <u>709,404</u> | >1.00 |
| | <u>\$ 2,614,527</u> | |

Credit risk of the Library's investments at December 31, 2015 is as follows:

| <u>Average rating</u> | <u>State and Local Agencies</u> | <u>Certificates of Deposit</u> |
|-----------------------|-------------------------------------|------------------------------------|
| AAA | \$ 754,836 | \$ - |
| AA+ | 57,973 | - |
| AA- | 559,804 | - |
| AA | 487,112 | |
| A+ | 159,588 | |
| Unrated | <u>132,770</u> | <u>462,444</u> |
| Total | <u>\$ 2,152,083</u> | <u>\$ 462,444</u> |

3. DEPOSITS WITH BOND TRUSTEE

These amounts are maintained in two separate funds by a capital projects fund and a debt service fund. The capital projects fund holds proceeds from the Library's 2007 bond issuance. The use of these funds is restricted and is limited only to construction in accordance with the Library facilities plan. The debt service funds holds amounts required to be set aside by the Library's bond agreement to pay future principal and interest payments related to the 2007 bonds.

Investments held by the trustee in each fund are as follows as of December 31, 2015:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity in Years</u> |
|------------------------|---------------------|---|
| U.S. Treasury Bills | <u>\$ 1,419,524</u> | 0.50 |

4. CAPITAL ASSETS, NET

A summary of changes in capital assets for the year ended December 31, 2015, is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Adjustments/ Disposals</u> | <u>Ending Balance</u> |
|----------------------------------|--------------------------|-----------------------|-------------------------------|-----------------------|
| Capital assets - not depreciated | | | | |
| Land | <u>\$ 1,216,367</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,216,367</u> |
| Capital assets - depreciated | | | | |
| Buildings and improvements | 42,156,855 | 90,541 | - | 42,247,396 |
| Furniture and equipment | 2,084,038 | 90,171 | - | 2,174,209 |
| Vehicles | 70,538 | - | - | 70,538 |
| Total depreciable cost | <u>44,311,431</u> | <u>180,712</u> | <u>-</u> | <u>44,492,143</u> |
| Less: Accumulated depreciation | | | | |
| Buildings and improvements | 6,488,066 | 1,124,729 | - | 7,612,795 |
| Furniture and equipment | 1,217,882 | 217,173 | - | 1,435,055 |
| Vehicles | 35,079 | 9,709 | - | 44,788 |
| Total accumulated depreciation | <u>7,741,027</u> | <u>1,351,611</u> | <u>-</u> | <u>9,092,638</u> |
| Capital assets, net | <u>\$ 37,786,771</u> | <u>\$ (1,170,899)</u> | <u>\$ -</u> | <u>\$ 36,615,872</u> |

Depreciation expense was allocated to culture and recreation for the year ended December 31, 2015.

5. LONG-TERM LIABILITIES

On June 13, 2007 the Dormitory Authority of the State of New York issued \$29.1 million of insured revenue bonds secured by real property tax revenues to assist the Library in the completion of the facilities plan. The facilities plan is a project which consists of the acquisition of property for four of the five library facilities, the construction of two new libraries, and the renovation of three existing libraries. Approximately \$12.7 million was issued as serial bonds and \$16.4 million was issued as term bonds.

The serial bonds carry an interest rate of 4% to 4.5% and mature between July 1, 2008 and July 1, 2025. The term bonds were divided into two lots with \$5.7 million paying 5% due on July 1, 2030 and \$10.7 million paying 5% due July 1, 2037. Payments on the bonds are due on the first day of every January and July beginning on January 1, 2008. The bonds were issued at a premium of approximately \$385,000, with this balance being amortized over the term of the bonds at \$12,846 annually.

Interest on long-term debt for the year was composed of:

| | |
|--|---------------------|
| Interest paid - Long-term debt | \$ 1,204,313 |
| Plus: interest accrued in the current year | 589,156 |
| Less: interest accrued in the prior year | <u>(602,156)</u> |
| Total interest expense | <u>\$ 1,191,313</u> |

The Library's bond indebtedness as December 31, 2015 is summarized below:

| | December 31, 2014 <u>Balance</u> | <u>Additions</u> | Payments/ <u>Amortization</u> | December 31, 2015 <u>Balance</u> |
|-----------------------------------|--|------------------|----------------------------------|--|
| Insured revenue bonds | \$ 25,270,000 | \$ - | \$ 650,000 | \$ 24,620,000 |
| Premium on bonds, net | <u>288,500</u> | <u>-</u> | <u>12,846</u> | <u>275,654</u> |
| | <u>\$ 25,558,500</u> | <u>\$ -</u> | <u>\$ 662,846</u> | <u>\$ 24,895,654</u> |
| Current portion of long term debt | | | | <u>675,000</u> |
| Long term portion | | | | <u>\$ 24,220,654</u> |

5. LONG-TERM LIABILITIES (Continued)

The long-term debt service requirements for the Library's bonds are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2016 | 675,000 | 1,178,313 | 1,853,313 |
| 2017 | 700,000 | 1,151,313 | 1,851,313 |
| 2018 | 730,000 | 1,122,438 | 1,852,438 |
| 2019 | 760,000 | 1,091,413 | 1,851,413 |
| 2020 | 795,000 | 1,059,113 | 1,854,113 |
| 2021-2025 | 4,535,000 | 4,736,475 | 9,271,475 |
| 2026-2030 | 5,705,000 | 3,563,750 | 9,268,750 |
| 2031-2035 | 7,275,000 | 1,988,000 | 9,263,000 |
| 2036-2037 | <u>3,445,000</u> | <u>260,500</u> | <u>3,705,500</u> |
| Total | <u>\$ 24,620,000</u> | <u>\$ 16,151,315</u> | <u>\$ 40,771,315</u> |

The bond agreement required the creation of a capital projects fund and a debt service fund. The agreement mandates that the bond proceeds are deposited into the capital projects fund. The monies in this fund are to be used to pay costs of bond issuance as well as the costs associated with the facilities project. This fund is to be held by the bond trustee. The balance of this account on December 31, 2015 is \$163,973.

The debt service fund is also held by the bond trustee. The Library is required to deposit monies for upcoming principal and interest payments into this account. The balance of this account at December 31, 2015 is \$1,853,448.

The balance of compensated absences consists of:

| | <u>Balance December 31, 2014</u> | <u>Net Change (A)</u> | <u>Balance December 31, 2015</u> |
|----------------------|--|---------------------------|--|
| Compensated absences | <u>\$ 101,587</u> | <u>\$ 15,749</u> | <u>\$ 117,336</u> |

(A) Additions and deletions to compensated absences are shown net because it is impracticable to determine these amounts separately.

6. RETIREMENT PLANS

Plan Description

The Library participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the system and for the custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

6. RETIREMENT PLANS (Continued)

Funding Policy

The Systems are noncontributory, except for (1) employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and (2) employees who join the System after January 1, 2010, will contribute 3% of their salary throughout their active membership, and (3) employees who join the System after April 1, 2012, will contribute 3% of their salary until April 1, 2013, and then contribute 3%-6% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

The Library made 100% of its required contributions each year. The required contributions for the current year and two preceding years were:

| | <u>ERS</u> |
|------|------------|
| 2015 | \$470,241 |
| 2014 | \$513,866 |
| 2013 | \$530,434 |

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billings due February 2015 would be based on the pension value as of March 31, 2014).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Library reported a liability of \$434,545 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, the Library's proportion was 0.0128630%, which was an increase of 0% from its proportion measured December 31, 2014.

For the year ended December 31, 2015, the Library recognized pension expense of \$369,311. At December 31, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|-------------------------------------|
| Differences between expected and actual experience | \$ 13,910 | \$ - |
| Changes of Assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 75,475 | - |
| Changes in proportion and differences between the Library's contributions and proportionate share of contributions | - | 95,826 |
| Contributions subsequent to the measurement date | - | - |
| Total | <u>\$ 89,385</u> | <u>\$ 95,826</u> |

6. **RETIREMENT PLANS** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | | |
|------------------------------|------------|----|----------------|
| Plan's Year Ending March 31, | 2016 | \$ | (1,610) |
| | 2017 | | (1,610) |
| | 2018 | | (1,610) |
| | 2019 | | (1,610) |
| | 2020 | | - |
| | Thereafter | | - |
| | | \$ | <u>(6,440)</u> |

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014. The actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|--|
| Actuarial cost method | Entry age normal |
| Inflation | 2.70% |
| Salary scale | 4.9 percent indexed by service |
| Projected COLAs | 1.4% compounded annually |
| Decrements | Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010 |
| Mortality improvement | Society of Actuaries Scale MP-2014 |
| Investment Rate of Return | 7.5% compounded annually, net of investment expenses |

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized below:

| <u>Asset Type</u> | <u>Long Term Expected Real Rate</u> | |
|-------------------------|-------------------------------------|-------------|
| | <u>2015</u> | <u>2014</u> |
| Domestic Equity | 7.3% | 7.3% |
| International Equity | 8.6% | 8.6% |
| Private Equity | 11.0% | 11.0% |
| Real Estate | 8.3% | 8.3% |
| Absolute Return | 6.8% | 6.8% |
| Opportunistic Portfolio | 8.6% | 8.6% |
| Real Asset | 8.7% | 8.7% |
| Bonds, Cash & Mortgages | 4.0% | 4.0% |
| Cash | 2.3% | 2.3% |
| Inflation Indexed Bonds | 4.0% | 4.0% |

6. RETIREMENT PLANS (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) or 1 percent higher (8.5%) than the current rate:

| | <u>1 % Decrease (6.5%)</u> | <u>Current Assumption (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|--|----------------------------|--------------------------------------|-------------------------------|
| Proportionate Share of Net Pension liability | \$ 2,896,430 | \$ 434,545 | \$ (1,643,896) |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015, were as follows:

| | <u>Pension Plan's Fiduciary Net Position</u> | <u>Library's proportionate share of Plan's Fiduciary Net Position</u> | <u>Library's allocation percentage as determined by the Plan</u> |
|---|--|---|--|
| Total pension liability | \$ 164,591,504,000 | \$ 21,171,405 | 0.0128630% |
| Net position | (161,213,259,000) | (20,736,862) | 0.0128630% |
| Net pension liability (asset) | <u>\$ 3,378,245,000</u> | <u>\$ 434,543</u> | 0.0128630% |
| Fiduciary net position as a percentage of total pension liability | 97.9% | 97.9% | |

7. OTHER POSTEMPLOYMENT BENEFITS

The Library provides postemployment benefits of health, dental, vision, and prescription drug coverage to retired employees and their dependents through two plans prior to Medicare eligibility in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Library's contractual agreement. The Library is required to calculate and record a net other postemployment benefit (OPEB) obligation at year-end. The net OPEB obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Library's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the Library's net OPEB obligation:

| | |
|---|---------------------|
| Annual required contribution (ARC) | \$ 341,963 |
| Interest on net OPEB obligation | 64,293 |
| Adjustment to ARC | <u>(62,016)</u> |
| Annual OPEB cost (expense) | 344,240 |
| Contributions made | <u>134,409</u> |
| Increase in net OPEB obligation | 225,276 |
| Net OPEB obligation - beginning of year | <u>1,817,152</u> |
| Net OPEB obligation - end of year | <u>\$ 2,042,428</u> |

Trend information – The Library's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Annual OPEB Cost Contributed</u> | <u>% of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|-------------------------|-------------------------------------|-----------------------------------|----------------------------|
| 12/31/2015 | \$ 344,240 | \$ 134,409 | 39% | \$ 2,042,428 |
| 12/31/2014 | \$ 344,240 | \$ 118,964 | 35% | \$ 1,817,152 |
| 12/31/2013 | \$ 436,328 | \$ 153,013 | 35% | \$ 1,054,219 |

Funded Status and Funding Progress

At December 31, 2015, the actuarial accrued liability for benefits was \$3,847,975, all of which is unfunded. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

In the January 1, 2014 actuarial valuation, the following methods and assumptions were used:

| | |
|---|--|
| Actuarial cost method | Projected unit credit |
| Discount rate* | 4.0% |
| Health Care Premium and Contribution Trend Rate | 9.07% initially. The rate is reduced to an ultimate rate of 5.0% by year 2021. |
| Mortality table | RP-2000 Healthy Mortality Table, Projected Generationally with Scale AA |
| Withdrawal rates | 2003 SOA Pension Plan Turnover Study (Small Plan <1,000 lives) |
| Unfunded actuarial accrued liability: | |
| Amortization period | 30 years |
| Amortization method | Level dollar |
| Amortization basis | Open |

* As the plan is unfunded, the assumed discount rate considers that the Library's investment assets are low risk in nature, such as money market funds or certificates of deposit.

8. COMMITMENTS AND CONTINGENCIES

Grant Programs

The Library participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The Library believes based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will be immaterial to the Library's financial position or results of operations.

Pending Litigation

The Library has been named as defendant in certain actions. A review by management and the Library's attorney indicate these actions are either fully covered by insurance or not substantial enough to materially affect the financial position of the Library.

9. CHANGE IN ACCOUNTING PRINCIPLES

The Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. Accordingly, beginning Net Position, Deferred Outflows of Resources and Net Pension Liability (Asset) of the Governmental Activities were adjusted as noted in the following table:

| | Government-Wide Statement of Net Position | | | |
|--|---|--------------------------|--------------------------------------|-----------------|
| | Net Pension Asset | Net Pension Liability | Deferred outflows of Resources | Net Position |
| Balance at December 31, 2014, as previously reported | \$ - | \$ - | \$ - | 15,353,600 |
| Restatement of beginning balance - Adoption of GASB Statement No. 68 | | | | |
| NYS Employee Retirement System Plan | - | 581,263 | 381,760 | (199,503) |
| Balance at December 31, 2014, as restated | \$ - | \$ 581,263 | \$ 381,760 | \$ 15,154,097 |

10. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Library is required to adopt the provisions of this Statement for the year ending December 31, 2016.

The Library has not yet assessed the impact of these statements on its future financial statements.

OTHER REQUIRED REPORT

ALBANY PUBLIC LIBRARY

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <i>Original Budget</i> | <i>Amended Budget</i> | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|--|----------------------------|---------------------------|---------------------|---|
| REVENUES: | | | | |
| Real property taxes | \$ 8,288,077 | \$ 8,288,077 | \$ 8,354,377 | \$ 66,300 |
| Departmental Income | 215,000 | 251,313 | 153,200 | (98,113) |
| Donated use of property | 10,000 | 10,000 | 39,066 | 29,066 |
| Interest income | 5,000 | 54,951 | 104,121 | 49,170 |
| Unrealized gains and (losses) | - | - | (49,170) | (49,170) |
| State and Federal sources | <u>261,250</u> | <u>280,355</u> | <u>283,102</u> | <u>2,747</u> |
| Total revenues | <u>8,779,327</u> | <u>8,884,696</u> | <u>8,884,696</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Culture and recreation | 6,136,078 | 5,443,290 | 5,463,118 | (19,828) |
| Employee benefits | <u>1,549,668</u> | <u>1,521,054</u> | <u>1,515,405</u> | <u>5,649</u> |
| Total expenditures | <u>7,685,746</u> | <u>6,964,344</u> | <u>6,978,523</u> | <u>(14,179)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>1,093,581</u> | <u>1,920,352</u> | <u>1,906,173</u> | <u>(14,179)</u> |
| OTHER FINANCING USES: | | | | |
| Transfers out to Debt Service | <u>(1,853,313)</u> | <u>(1,853,313)</u> | <u>(1,853,313)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(1,853,313)</u> | <u>(1,853,313)</u> | <u>(1,853,313)</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | <u>(759,732)</u> | <u>67,039</u> | <u>52,860</u> | <u>(14,179)</u> |
| NET CHANGE IN FUND BALANCE | <u>(759,732)</u> | <u>67,039</u> | <u>52,860</u> | <u>(14,179)</u> |
| FUND BALANCE, BEGINNING OF YEAR | <u>3,621,387</u> | <u>3,621,387</u> | <u>3,621,387</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 2,861,655</u> | <u>\$ 3,688,426</u> | <u>\$ 3,674,247</u> | <u>\$ (14,179)</u> |

The accompanying notes are an integral part of these statements.

ALBANY PUBLIC LIBRARY

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN
DECEMBER 31, 2015**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Accrued Liability (AAL) - Entry Age</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Percentage of Covered Payroll</u> |
|---|--|--|--------------------------------|-------------------------|----------------------------|--|
| 1/1/2014 | \$ - | \$ 3,847,975 | \$ 3,847,975 | 0% | N/A | N/A |
| 1/1/2011 | \$ - | \$ 4,274,903 | \$ 4,274,903 | 0% | N/A | N/A |
| 1/1/2009 | \$ - | \$ 6,145,423 | \$ 6,145,423 | 0% | N/A | N/A |

N/A - Not available

ALBANY PUBLIC LIBRARY

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|---|--|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.012863% | | | | | | | | | |
| Proportionate share of the net pension liability (asset) | \$434,545 | | | | | | | | | |
| Covered-employee payroll | \$2,753,103 | | | | | | | | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 15.78% | | | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 97.9% | | | | | | | | | |

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

ALBANY PUBLIC LIBRARY

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|--|--|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Contractually required contribution | \$ 470,241 | | | | | | | | | |
| Contributions in relation to the contractually required contribution | 470,241 | | | | | | | | | |
| Contribution deficiency (excess) | \$ - | | | | | | | | | |
| Covered-employee payroll | \$ 2,753,103 | | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 17.08% | | | | | | | | | |

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 31, 2016

The Board of Trustees of the
Albany Public Library:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Albany Public Library (Library) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated March 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albany Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albany Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albany Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

ALBANY PUBLIC LIBRARY

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

Type of independent auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not
considered to be material weaknesses? Yes No

Noncompliance material to the financial
statements noted? Yes No

Section II - Financial Statement Findings

None.

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**SUMMARY OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2016 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Construction of the Project

To the extent applicable, the Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series Resolution and the Loan Agreement, the Institution shall complete the acquisition, design, construction, reconstruction, rehabilitation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to the Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of the Project; Additional Bonds

(a) The Institution, with the prior written consent of the Authority, may amend the Project to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake. The Institution shall provide such moneys as in the reasonable judgment of the Authority may be required for the cost of completing the Project in excess of the moneys in the Construction Fund established for such Project, whether such moneys are required as a result of an increase in the scope of the Project or otherwise. Such moneys shall be paid to the Trustee for deposit in the Construction Fund within fifteen (15) days after receipt by the Institution of written notice from the Authority that such moneys are required.

(b) The Authority, upon the request of the Institution, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the Construction Fund. Nothing contained in the Loan Agreement or in the Resolution shall be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent hereof to reserve to the Authority full and complete discretion to decline to issue such Bonds. The proceeds of any additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Series of Bonds.

(Section 6)

Financial Obligations

(a) Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or the Loan Agreement, including, without limitation, moneys in the Debt Service Fund, but excluding interest accrued but unpaid on investments held in the Debt Service Fund, if any, the Institution unconditionally agrees to pay or cause to be paid, so long as the Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(i) On or before the date of delivery of the Bonds, the Authority Fee as set forth in Schedule B attached to the Loan Agreement;

(ii) On or before the date of delivery of the Bonds, such amount, if any, as is required, in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of the Bonds, and other costs in connection with the issuance of the Bonds;

(iii) [Reserved];

(iv) On or before each November 1 commencing on November 1, 2017, an amount equal to the interest coming due on the Bonds on the immediately succeeding January 1 and July 1;

(v) On or before each November 1 commencing on November 1, 2017, an amount equal to the principal and Sinking Fund Installment on the Bonds coming due on the immediately succeeding July 1;

(vi) Except as otherwise agreed to in writing by the Authority, at least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased, other than Bonds being redeemed pursuant to Sinking Fund Installments in accordance with clause (v) above, is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(vii) The Annual Administrative Fees as set forth in Schedule A to the Loan Agreement;

(viii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (A) for the Authority Fee then unpaid, (B) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (C) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, (D) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement or the Resolution in accordance with the terms thereof and (E) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution;

(ix) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the Loan Agreement;

(x) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds, and any fees or expenses incurred by the Authority in connection therewith including those of any rebate analyst or consultant engaged by the Authority;

(xi) [Reserved]; and

(xii) To the extent not otherwise set forth in this paragraph (a), including without limitation, in the event of any insufficiency, any amounts necessary to pay the principal, Sinking Fund Installment, or Redemption Price, if any, of, and interest on, the Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Resolution and the Series Resolution, whether at maturity, upon acceleration, redemption or otherwise.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year as described in paragraph (a)(v) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, either (i) the Institution delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed or (ii) the Trustee, at the direction of the Authority,

has purchased one or more Bonds of the Series and maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered. In addition, subject to the provisions of the Loan Agreement and of the Collection Agreement, the Institution shall receive a credit against the amounts required to be paid by the Institution during a Bond Year as described paragraphs (a)(iv) and (v) above on account of payments made to the Trustee pursuant to the Collection Agreement.

The Authority pursuant to the Loan Agreement directs the Institution, and the Institution agrees, to make the payments required by paragraph (a) as follows: (i) the payments required by paragraphs (a)(iv), (a)(v), (a)(vi), (a)(ix) and (a)(xii) above directly to the Trustee for deposit and application in accordance with the Resolution; (ii) the payments required by paragraph (a)(ii) above directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution, as directed by the Authority; (iii) the payments required by paragraph (a)(x) above directly to the Trustee for deposit in the Arbitrage Rebate Fund; and (iv) the payments required by paragraphs (a)(i), (a)(vii) and (a)(viii) under this heading "Financial Obligations" to or upon the written order of the Authority.

(b) Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically described in this subdivision), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

(c) The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any Holder of Bonds for any cause whatsoever including, without limiting the generality of the foregoing, if applicable, failure of the Institution to complete the Project or, if applicable, the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds are or the Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part contained in the Loan Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance.

The Loan Agreement and the obligations of the Institution to make payments under the Loan Agreement are general obligations of the Institution.

(d) The Authority, for the convenience of the Institution, shall furnish to the Institution statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided in the Loan Agreement. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

(e) The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the Loan Agreement which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority described under the heading "Defaults and Remedies" arising out of the Institution's failure to make such payment and no payment by

the Authority shall be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

(f) The Institution, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in the Debt Service Fund and applied in accordance with the terms of the Resolution or held by the Trustee for the payment of Bonds in accordance with the terms of the Resolution. Upon any voluntary payment by the Institution or any payment made pursuant to certain provisions of the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the terms of the Resolution with respect to such Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(g) If the Institution elects to purchase Bonds, with the consent of the Authority, the Institution shall give written notice to the Authority, the Trustee and each Facility Provider whenever Bonds are to be purchased at the election of the Institution, which written notice shall include the maturity and principal amount of the Bonds to be so purchased. All such purchases shall be subject to the condition that money for the payment of the purchase price therefore is available on the date set for each such purchase.

(Section 9)

Security Interest in Pledged Revenues.

As security for the payment of all liabilities and the performance of all obligations of the Institution pursuant to the Loan Agreement, the Institution does continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Institution's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues.

The Institution represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance under the Loan Agreement. The Institution agrees that it shall not, except as provided by the Resolution, hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge described under this heading; provided, however, that the Institution may incur indebtedness secured by a parity lien on Pledged Revenues (excluding however the Authority's security interest in the Project Levy) with the prior written consent of the Authority ("Parity Indebtedness"), which consent shall not be unreasonably withheld.

(Section 11)

Collection of Pledged Revenues

(a) Subject to the provisions of paragraph (b) below, commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution, pursuant to the provisions of the Collection Agreement or otherwise, shall deliver, or cause to be delivered, to the Trustee for deposit in accordance with the Resolution all Pledged Revenues (other than the amounts subject to any Parity Indebtedness) within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding January 1 or July 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased, and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the provisions of the Loan Agreement, the Authority notifies

the Institution that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be made directly to the Authority or the Trustee notwithstanding anything contained in this paragraph, but the Institution shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the Institution with respect to the Pledged Revenues.

(b) Notwithstanding anything to the contrary in paragraph (a) above, in the event that, on or prior to the date on which a payment is to be made pursuant to the provisions of the Loan Agreement on account of the principal, Sinking Fund Installments or Redemption Price of or interest on Outstanding Bonds, the Institution has made, or has caused to be made, such payment pursuant to the Collection Agreement or from its general funds or from any other money legally available to it for such purpose, the Institution shall not be required solely by virtue of paragraph (a) above, to deliver Pledged Revenues to the Trustee.

(c) Any Pledged Revenues collected by the Institution that are not required to be paid to the Trustee pursuant to the terms of the Loan Agreement shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Institution for any of its corporate purposes provided that no Event of Default nor any event which but for the passage of time or the receipt of notice or both would be an Event of Default has occurred and is continuing.

(d) It is agreed that all State officers or local officers, including without limitation, officers of the State Education Department, School District, the City of Albany, the County of Albany, and officers of the Institution are authorized, required and directed to pay Public Funds to the Authority or the Trustee for deposit in the funds created under the Resolution upon the filing of a certificate by an Authorized Officer of the Authority with such officer stating the amount, if any, needed to satisfy the obligations of the Institution which have not been satisfied by the Institution when due under the Loan Agreement. Such certificate may be filed at any time. The direction may be rescinded by the Authority by the filing of a rescinding notice with the officer receiving the certificate. Copies of any certificate filed pursuant to this paragraph shall be delivered to the Trustee and the Institution.

(Section 12)

Warranty of Title; Title Insurance; Utilities and Access

The Institution warrants and represents to the Authority that (i) it has good and marketable title to the Project, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Institution's programs and (ii) the Institution has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from the Project for proper operation and utilization of the Project and for utilities required to serve the Project, together with, if applicable, such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institution of the Project.

The Institution covenants that title to the Project shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances.

The Institution warrants, represents and covenants that (i) the Project is or will continue to be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation) and (ii) to the extent applicable has or will have its own separate and independent means of access, apart from any other property owned by the Institution or others; provided, however, that such access may be through common roads or walks owned by the Institution used also for other parcels owned by the Institution.

(Section 14)

Consent to Pledge and Assignment by the Authority

The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive any or all of the payments required to be made pursuant to the Loan Agreement,

any or all security interests granted by the Institution under the Loan Agreement, including without limitation the security interest in the Pledged Revenues given by the Institution pursuant to the Loan Agreement, and all funds and accounts established by the Resolution and pledged under the Resolution, in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee described in this paragraph, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement. Any realization upon any pledge made or security interest granted by Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institution under the Loan Agreement.

(Section 15)

Additional Representation and Covenants

The Institution warrants and represents that (i) it has the requisite power and authority (A) to authorize, execute and deliver, and to perform its obligations under, the Loan Agreement, the Collection Agreement and the Related Agreements, (B) to incur the indebtedness contemplated thereby and (C) to make the pledge of and grant the security interest in the Pledged Revenues given in the Loan Agreement, (ii) the Loan Agreement, the Collection Agreement and the Related Agreements constitute the valid and binding obligations of the Institution enforceable in accordance with their terms, and (iii) the execution and delivery of, consummation of the transactions contemplated by and performance of the Institution's obligations under the Loan Agreement, the Collection Agreement and the Related Agreements, including, but not limited to, the pledge of and security interest in the Pledged Revenues made or granted pursuant to the Loan Agreement, do not violate, conflict with or constitute a default under the charter or bylaws of the Institution or any indenture, mortgage, trust, or other commitment or agreement to which the Institution is a party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

The Institution warrants, represents and covenants (i) that the Pledged Revenues, or any right to receive or collect the same or the proceeds thereof, are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, other than any Parity Indebtedness, prior to, or of equal rank with, the pledge thereof made pursuant to the Loan Agreement and (ii) that all corporate action on the part of the Institution to authorize the pledge thereof and the granting of a security interest therein has been duly and validly taken. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect such pledge and security interest and all of the rights of the Authority and the Holders of Bonds thereunder against all claims and demands of all persons whomsoever.

(Section 16)

Tax-Exempt Status of the Institution

(a) The Institution represents that it is an education corporation and school district public library organized and existing under the laws of the State. The Institution further represents that: (i) no part of its earnings inure to the benefit of any private non-governmental entity or individual, (ii) it is not subject to federal, state or local taxation, and (iii) upon dissolution, its assets must be returned to the Board of Regents to the extent of any state aid or gifts for public use received by it, with remaining assets, if any, to be used as directed in the vote abolishing the library. The Institution agrees that it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of

the Institution, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(b) The Institution agrees that it shall take no action, enter into any agreement, or use or permit the Project to be used in any manner, nor shall it fail to take any action or consent to the failure to take any action, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 17)

Use and Possession of the Project

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institution shall have sole and exclusive control and possession of and responsibility for (i) the Project, (ii) the operation of the Project and supervision of the activities conducted therein or in connection with any part thereof and (iii) the maintenance, repair and replacement of the Project; provided, however, that, except as otherwise limited by the Loan Agreement, the foregoing shall not prohibit use of the Project by persons other than the Institution or its patrons, staff or employees in furtherance of the Institution's corporate purposes, if such use will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

(Section 21)

Restrictions on Religious Use

The Institution agrees that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof such Project or portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; provided, further, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project or portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may, upon reasonable notice, conduct such inspections as the Authority deems necessary to determine whether the Project or any portion or real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this paragraph an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 22)

Covenant as to Insurance

(a) The Institution agrees to maintain, or cause to be maintained, insurance with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by entities located in the State of a nature similar to that of the Institution, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. The Institution shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(b) The Institution shall furnish to the Authority annually (1) a certificate or report of an Insurance Consultant that the insurance coverage maintained by the Institution is adequate and in accordance with the standards above, and (2) any certificates of workers' compensation insurance and disability benefits insurance coverage required by the New York State Workers' Compensation Board.

(c) If the Authority shall so request in writing, the Institution shall provide to the Authority summaries or other evidence of its insurance coverage and shall obtain endorsements reasonably requested by the Authority.

(Section 25)

Indemnity by Institution

(a) To the extent permitted by law, the Institution releases and agrees to hold harmless and indemnify the Authority and its members, officers, officials, counsel, consultants, agents and employees from and against all, and agrees that the Authority and its members, officers, officials, counsel, consultants, agents and employees shall not be liable for any, (i) liabilities, suits, actions, claims, demands, damages, losses, expenses and costs of every kind and nature resulting from any action taken in accordance with, or permitted by, the Loan Agreement, the Collection Agreement, any Related Agreement or the Resolution, or arising therefrom or incurred by reason thereof or arising from or incurred by reason of the financing of the Project, or (ii) loss or damage to property or any injury to or death of any or all persons that may be occasioned by any cause whatsoever pertaining to the Project or arising by reason of or in connection with the presence on, in or about the premises of such Project of any person; including in each case, without limiting the generality of the foregoing, causes of action and attorneys' fees and other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing and including any loss, damage or liability which may arise as a result of the negligence (but excluding any loss, damage or liability which may arise as a result of the gross negligence, willful misconduct or intentional misrepresentation) of any party so indemnified by the Institution, and to deliver at the request of the Authority any further instrument or instruments in form satisfactory to the Authority as in the reasonable judgment of the Authority may be necessary to effectuate more fully the provisions of this paragraph (a); provided, however, that (i) the indemnity provided in this sentence shall be effective only to the extent of any loss or liability that may be sustained by the Authority in excess of net proceeds received from any insurance carried with respect to such loss or liability and (ii) the Authority and the Institution shall each provide waiver of rights of subrogation against the other in any insurance coverage obtained relating to the Project. The indemnity provided for such parties by this paragraph (a) shall be in addition to and not limited by any of the provisions of paragraph (b) below or any provisions of the Loan Agreement relating to the Institution's maintenance of insurance, taxes and assessments; provided, however, that, to the extent the Authority receives indemnification pursuant to such provisions, the Authority shall not be entitled to additional indemnification pursuant to this paragraph (a).

(b) The Institution agrees, to the extent permitted by law, to indemnify and hold harmless the Authority, any member, officer, official, employee, counsel, consultant and agent of the Authority, each and any purchaser of Bonds whose name is set forth in a contract of purchase between any such purchaser or purchasers and the Authority providing for the sale of Bonds by the Authority or on a bid submitted at public sale for the purchase of Bonds and each person, if any, who controls any such purchaser within the meaning of Section 15 of the Securities Act of 1933, as amended (all such parties being collectively called the "Indemnified Parties") against any and all losses, claims, damages, liabilities or expenses whatsoever, joint or several, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) are caused by, arise out of or are based upon any

untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact relating to the Institution, the Project or the use of proceeds of the Bonds made, provided or certified by the Institution or any agent thereof and contained in an official statement, or other offering document, or any amendment thereof or supplement thereto, relating to the Bonds offered for sale thereby, or caused by, arising out of or based upon any omission or alleged omission from such an official statement, or any amendment thereof or supplement thereto, of any material fact relating to the Institution or the Project or the use of proceeds of the Bonds necessary in order to make the statements made therein in the light of the circumstances under which they were made not misleading.

(c) In case any action shall be brought in respect of which indemnity may be sought against the Institution pursuant the provisions of the Loan Agreement summarized under this caption, any person seeking indemnity under the provisions of the Loan Agreement summarized under this caption shall promptly notify the Institution in writing, and the Institution shall promptly assume the defense thereof, including the employment of counsel and the payment of all expenses; provided, however, that the Institution shall have the right to negotiate and consent to settlement and that it shall be the duty of such person to cooperate with the Institution in asserting such defense and in reaching such settlement. Any such person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such person unless the employment of such counsel has been specifically authorized by the Institution. The Institution shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Institution or if there be a final judgment for the plaintiff in any such action with or without the Institution's consent, the Institution agrees to indemnify and hold harmless such person from and against any loss or liability by reason of such settlement or judgment in accordance with the provisions of the Loan Agreement summarized under this caption.

(Section 30)

Defaults and Remedies.

(a) As used in the Loan Agreement, the term "Event of Default" shall mean:

(i) the Institution shall (A) default in the timely payment of any amount payable as described under the heading "Financial Obligations" (other than as described in paragraphs (a)(i), (a)(ii) or (a)(xii) thereof) or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance with the Loan Agreement, the Series Resolution or with the Resolution, and such default continues for a period in excess of seven (7) days or (B) default in the timely payment of any amount payable as described under the heading "Financial Obligations" in paragraphs (a)(i), (a)(ii), or (a)(xii) thereof; or

(ii) the Institution defaults in the due and punctual performance of any other covenant in the Loan Agreement contained and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institution by the Authority or the Trustee or, if such default is not capable of being cured within thirty (30) days, the Institution fails to commence within said thirty (30) days to cure the same and to diligently prosecute the cure thereof; or

(iii) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any other Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or

(iv) the Institution shall (A) be generally not paying its debts as they become due, (B) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (C) make a general assignment for the benefit of its general creditors, (D) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

(v) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institution, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Institution, or any petition for any such relief shall be filed against the Institution and such petition shall not be dismissed or stayed within ninety (90) days; or

(vi) the charter of the Institution shall be suspended or revoked; or

(vii) a petition to dissolve the Institution shall be filed by the Institution with the Board of Regents, the legislature of the State or other governmental authority having jurisdiction over the Institution; or

(viii) an order of dissolution of the Institution shall be made by the Board of Regents, the legislature of the State or other governmental authority having jurisdiction over the Institution, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(ix) a petition shall be filed with a court having jurisdiction for an order directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(x) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

(xi) a final judgment for the payment of money, which is not covered by insurance or reserves set aside by the Institution, which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against the Institution and at any time after thirty (30) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal; or

(xii) the Institution shall be in default in connection with any indebtedness secured by the Pledged Revenues and as a consequence thereof such indebtedness has been or is capable of being declared immediately due and payable.

(b) Upon the occurrence of an Event of Default the Authority may take any one or more of the following actions:

(i) declare all sums payable by the Institution under the Loan Agreement immediately due and payable;

(ii) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(iii) withhold any or all further performance under the Loan Agreement;

(iv) maintain an action against the Institution under the Loan Agreement to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement;

(v) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement by any one or more of the following actions: (A) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that (1) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor, and may continue to do so commencing on each such interest payment date to the extent of amounts due on Outstanding Bonds on the next interest payment date therefor, with respect to the Pledged Revenues, until such amounts are fully collected, (2) written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (C) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority; provided, however, that (1) the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate purposes and (3) the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (E) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (F) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(vi) to the extent permitted by law and as applicable, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being hereby given by the Institution, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of

action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this subparagraph (vi), (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of this subparagraph (vi) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by this subparagraph (vi) during the term of the Loan Agreement;

(vii) Reserved;

(viii) Reserved; and

(ix) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) enter the Project and take possession of any such fixtures, furnishings and equipment; or (ii) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in a commercially reasonable manner and upon five (5) days' prior written notice to the Institution of the time and place of such sale.

All rights and remedies in the Loan Agreement given or granted to the Authority are cumulative, nonexclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made as described in paragraph (b) of this heading "Defaults and Remedies" and its consequences if such Event of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 31)

Arbitrage; Tax Exemption

Each of the Institution and the Authority covenants that it shall take no action, nor shall it approve the Trustee taking any action or making any investment or use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use.

Neither the Institution nor any "related person" (as such term is defined for purposes of Section 148 of the Code) shall purchase any Series 2016 Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Institution or by a related

person of Series 2016 Bonds will not cause interest on the Series 2016 Bonds to be included in the gross income of the owners of the Series 2016 Bonds for purposes of federal income taxation.

The Institution covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Institution contained in the Tax Certificate then to be untrue and shall comply with all covenants and agreements of the Institution contained in the Tax Certificate, in each case to the extent required by and otherwise in compliance with such Tax Certificate.

The Authority has undertaken full responsibility for performing rebate calculations that may be required from time to time with respect to the Bonds. Upon request, the Institution covenants that it will provide such information not in the Authority's possession as the Authority deems necessary to calculate the yield on the Bonds and to comply with the arbitrage and rebate requirements of the Code, and any other information as may be necessary to prepare the rebate calculation to the Authority or an entity which the Authority has designated no less than once a year measured from the date of issuance of the Bonds. The Institution shall be obligated to pay the costs in connection therewith in accordance with the Loan Agreement. The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of excess earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution, the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations.

(Section 36)

Consultation with the Institution

(a) The Authority agrees that it will consult with the Institution prior to (i) giving any direction for the deposit or application of voluntary payments pursuant to the terms of the Loan Agreement, (ii) giving any notice to the Trustee of its election to redeem Bonds or of the Bonds to be redeemed pursuant to the Resolution and (iii) rebating any moneys to the Department of the Treasury of the United States of America; provided, however, that such consultation shall not be a condition precedent to any action to be taken by the Trustee pursuant to a direction of, or upon receipt of a notice from, the Authority, and failure to so consult with the Institution shall not affect the validity of any proceedings for the redemption of the Bonds or of any other action taken by the Trustee pursuant to such direction or upon receipt of such notice.

(b) The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of earnings on the gross proceeds of the Bonds, as determined in accordance with the Code, and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations.

(c) In the event that the Authority is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Institution. In the event that the Institution is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Authority. Upon the occurrence of such an event, the Institution and the Authority shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

(Section 38)

Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Institution under certain provisions of the Loan Agreement and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Loan Agreement shall nevertheless survive any such termination. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 45)

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution pertaining to the Bonds. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers herein refer to sections in the Resolution.

Resolution and Bonds Constitute a Contract

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its Albany Public Library Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of a Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by a Series Resolution.

(Section 1.03)

Refunding Bonds and Additional Obligations

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing or Bond Series Certificate relating to such Refunding Bonds.

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution and pursuant to a Series Resolution, or prior or equal to the rights of the Authority and Holders of Bonds of a Series; provided, however, that this paragraph shall not prohibit the Institution from incurring Parity Indebtedness.

(Sections 2.04 and 2.05)

Pledge of Revenues

The proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and, except as otherwise provided in the Resolution, all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, are, subject to the adoption of a Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal and Redemption Price of

and interest on such Series of Bonds, all in accordance with the provisions of the Resolution and such Series Resolution. The pledge of the applicable Revenues and the assignment of the Authority's security interest in the applicable Pledged Revenues shall also be for the benefit of the applicable Facility Provider as security for the payment of any amounts payable to such Facility Provider under the Resolution; provided, however, that, except as otherwise provided in the applicable Series Resolution or Bond Series Certificate, such pledge and assignment shall, in all respects, be subject and subordinate to the rights and interest therein of the Bondholders of such Series of Bonds. The pledge made by the Resolution shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and all funds and accounts established by the Resolution and by a Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and the funds and accounts established by the Resolution and pursuant to a Series Resolution and which are pledged by the Resolution as provided therein, which pledge shall constitute a first lien thereon, subject only to the applicable Prior Pledges and any parity lien on Pledged Revenues (excluding the Project Levy) securing Parity Indebtedness.

(Section 5.01)

Establishment of Funds and Accounts

Unless otherwise provided by a Series Resolution, the following funds are authorized to be established and shall be held and maintained for each Series of Bonds by the Trustee separate and apart from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;

Debt Service Fund; and

Arbitrage Rebate Fund.

Accounts and subaccounts within each of the foregoing funds may from time to time be established in accordance with a Series Resolution, a Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds of a Series, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution, unless otherwise provided in the applicable Series Resolution; provided, however, that any Debt Service Reserve Fund established by or pursuant to a Series Resolution, the amounts held therein and amounts derived from any Reserve Fund Facility related thereto, shall not be held in trust for the benefit of the Holders of Bonds other than the Bonds of the Series secured thereby as provided in such Series Resolution and are pledged solely thereto and no Holder of the Bonds of any other Series shall have any right or interest therein.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

(Section 5.03)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any moneys paid to the Authority for the acquisition, construction, reconstruction, renovation or equipment of any Project. The Trustee shall also deposit in the Construction Fund all amounts paid to it by the Institution which by the terms of the applicable Loan Agreement are required to be deposited therein.

(a) Except as otherwise provided in the Resolution and in any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance and the Costs of the Project with respect to such Series of Bonds or for refunding other notes or bonds of the Authority the proceeds of which were applied to making a loan to the Institution. For purposes of internal accounting, the Construction Fund may contain one or more further subaccounts, as the Authority or the Trustee may deem proper.

(b) Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification, and the respective amounts of each such payment. Payments for Costs of each Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority, (which certificate shall, to the extent that the Institution has undertaken the primary responsibility for the construction of such Project or any portion thereof, be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution naming the Project in connection with which payment is to be made and describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project), except that payments to pay interest on Bonds of a Series shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Construction Fund to the Debt Service Fund.

(c) Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to a Project shall be deposited in the Construction Fund and, if necessary, such fund may be re-established for such purpose.

(d) A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or upon delivery to the Institution and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy or use, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the moneys, if any, then remaining in the Construction Fund relating to such Project, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project in connection with such Project which are then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

First: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the Debt Service Reserve Fund, if any, such amount as shall be necessary to make the amount on deposit in such fund equal to the applicable Debt Service Reserve Fund Requirement, if any; and

Third: To the Debt Service Fund, to be applied in accordance with the terms of the Resolution, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

The Revenues and any other moneys, which, by any of the provisions of a Loan Agreement or the Collection Agreement, are required to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustee in the following order of priority:

First: To the Debt Service Fund, unless otherwise provided in the applicable Series Resolution or Bond Series Certificate, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, and (b) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the Resolution, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse each Facility Provider for Provider Payments which are then unpaid the respective Provider Payments and to replenish each Debt Service Reserve Fund, if any, to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

Third: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the amount set forth in such direction;

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of a Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the applicable Loan Agreement or Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

The Trustee shall, promptly after making the above required payments, notify the Authority and the Institution of any balance of Revenues remaining on the immediately succeeding July 1. After making the above required payments, the balance, if any, of the Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be deposited by the Trustee in the Construction Fund or the Debt Service Fund, or paid to the Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution.

(Section 5.05)

Debt Service Fund

(a) The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent out of the Debt Service Fund:

(i) the interest due and payable on all Outstanding Bonds of a Series on such interest payment date;

(ii) the principal amount due and payable on all Outstanding Bonds of a Series on such interest payment date; and

(iii) the Sinking Fund Installments, if any, due and payable on all Outstanding Bonds of a Series on such interest payment date.

The amounts paid out pursuant to this heading shall be irrevocably pledged to and applied to such payments.

(b) Notwithstanding the provisions of paragraph (a) above, the Authority may, at any time subsequent to the first day of July of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of a Series to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Institution and delivered to the Trustee in accordance with the applicable Loan Agreement shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; provided, however, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(c) Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding January 1 or July 1, and the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of a Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund, such moneys shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority given pursuant to the provisions of the Resolution to the redemption of Bonds of a Series as provided in the Resolution, at the Redemption Prices specified in the Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the

United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to a Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to such Series of Bonds and (ii) if and to the extent required by the Code, pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time (i) the amounts held in the Debt Service Fund and the Debt Service Reserve Fund, if applicable, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of a Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, (ii) the amounts held in the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Series secured thereby and the interest accrued and unpaid and to accrue on such Bonds to the next date on which such Bonds may be redeemed or (iii) in either case, to make provision pursuant to the terms of the Resolution for the payment of such Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Institution. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds of a Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by a Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the terms of the Resolution and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance with such instruction.

(Section 5.08)

Investment of Funds and Accounts Held by the Trustee

(a) Money held under the Resolution by the Trustee shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution.

(b) In lieu of the investments of money in obligations authorized in paragraph (a) of this heading, the Trustee shall, upon direction of the Authority, signed by an Authorized Officer of the Authority, invest money in the Construction Fund or Debt Service Reserve Fund in any Permitted Investment; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution, provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(d) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

(e) Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this heading. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) of this heading. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(f) No part of the proceeds of a Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond of a Series to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(Section 6.02)

Creation of Liens

Except as permitted under the Resolution or by a Series Resolution the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Bonds, the Revenues pledged for such Series of Bonds, the Pledged Revenues or the funds and accounts established by the Resolution or by a Series Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution; and provided, further, however, that nothing contained in the Resolution shall prevent the Institution from incurring Parity Indebtedness.

(Section 7.06)

Amendment of Loan Agreement

(a) A Loan Agreement may, without the consent of the Holders of Bonds of the applicable Series, be amended, changed, modified or supplemented for any one or more purposes:

(i) to add an additional covenant or agreement for the purpose of further securing the payment of the Institution’s obligations under such Loan Agreement that is not contrary to or inconsistent with the covenants and agreements of the Institution contained in such Loan Agreement;

(ii) to prescribe further limitations and restrictions upon the Institution’s right to incur, issue, assume or guaranty indebtedness that are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(iii) to surrender any right, power or privilege reserved to or conferred upon the Institution, if surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Institution contained in such Loan Agreement; provided, however, that if the same would adversely affect the rights of a Facility Provider, no amendment, change, modification, termination or waiver shall become effective until consented to in writing by the Facility Provider affected thereby;

(iv) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of a Project, to amend the description of a Project, to add an additional Project to such Loan Agreement or to account for the issuance of Refunding Bonds or other obligations of the Authority refinancing the debt incurred by the Authority to generate the amounts loaned to the Institution under the Loan Agreement;

(v) to amend such Loan Agreement to establish, amend or modify the Authority Fee or the Annual Administrative Fee payable by the Institution in connection with the Bonds of a Series; or

(vi) with the prior written consent of the Trustee to cure any ambiguity, or to correct or supplement any provisions contained in such Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in such Loan Agreement or to amend, modify or waive any other provision of such Loan Agreement provided that the same does not adversely affect the interests of the Bondholders of such Series of Bonds in any material respect.

(b) Notwithstanding the provisions of paragraph (a) above, a Loan Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds of the applicable Series, as hereinafter provided, if such amendment, change, modification, termination or waiver (i) reduces the amount payable by the Institution under such Loan Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute "Events of Default" under such Loan Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority under such Loan Agreement upon the occurrence of an "Event of Default" thereunder, or (iv) adversely affects the rights of the Bondholders of such Series of Bonds in any material respect. No such amendment, change, modification, termination or waiver shall take effect without the prior written consent of the Holders of at least a majority in principal amount of the Bonds of such Series then Outstanding.

(c) No amendment, change, modification or termination of a Loan Agreement, or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties thereto. No such amendment, change, modification or waiver shall become effective unless there has been delivered to the Trustee an opinion of Bond Counsel to the effect that the same is not inconsistent with the Resolution and will not adversely affect the exclusion of interest on a Bond of a Series from gross income for purposes of federal income taxation. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee.

(d) For the purposes of this heading, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to an amendment, change, modification, alteration or termination permitted under this heading in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds of a Series; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the amendment, change, modification, alteration or termination and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

For the purposes of this heading, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of a Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Institution, the Authority and all Holders of Bonds of such Series.

For all purposes of this heading, the Trustee shall be entitled to conclusively rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may without the consent of the Holders of the Bonds Outstanding adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

- (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (c) To prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (e) To confirm, as further assurance, any pledge under the Resolution or under a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, or any Series Resolution, of the Revenues, or any pledge of any other moneys, securities or funds;
- (f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of a Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds of such Series issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions; or
- (g) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of a Series in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent

The provisions of the Resolution or of a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of a Series of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 9.02)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (herein called “Event of Default”) if:

(a) With respect to a Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any such Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to a Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds of such Series or in a Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(e) With respect to a Series of Bonds, the Authority shall have notified the Trustee that an “Event of Default” as defined in the applicable Loan Agreement, arising out of or resulting from the failure of the Institution to comply with the requirements of such Loan Agreement shall have occurred and is continuing and all sums payable by the Institution under such Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any Event of Default specified in the Resolution, other than an Event of Default specified in paragraph (c) under the heading “Event of Default,” then and in every such case the Trustee upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of

the Outstanding Bonds of a Series shall, by notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of such Series to be due and payable. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in a Series Resolution or in the Bonds of a Series to the contrary notwithstanding. At any time after the principal of the Bonds of a Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of such Series of Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under a Series Resolution (other than principal amounts payable only because of a declaration and acceleration described under this heading) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default actually known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in such Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration described under this heading) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the applicable Facility Provider or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series, shall proceed (subject to the provisions of the Resolution relating to the compensation of the Trustee) to protect and enforce its rights and the rights of the Bondholders under the Resolution or of such Facility Provider or under the applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or in any Series Resolution granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under a Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of a Series Resolution or of a Series of Bonds, with interest on overdue payments of the principal of or interest on such Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under a Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in a Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Priority of Payments After Default

If at any time the moneys held by the Trustee under the Resolution and under a Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies described under this heading or

otherwise, shall be applied (after first depositing in the Arbitrage Rebate Fund all amounts required to be deposited therein and then paying all amounts owing to the Trustee under the Resolution) as follows:

(a) Unless the principal of all the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all such amounts due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) Unless otherwise provided in a Series Resolution, if the principal of all of the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds.

The provisions of this heading are in all respects subject to the provisions of the Resolution describing extension of payment of Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution described under this heading, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of the Resolution shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds of a Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Amounts held by the Trustee after payments to be made pursuant to the Resolution have been made and no Bonds of such Series are Outstanding shall be paid and applied in accordance with the Resolution.

(Section 11.05)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of not less than a majority in principal amount of the Outstanding Bonds of a Series shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under a Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions of the Resolution and of such Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

A Holder of any of the Bonds of a Series shall not have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

(a) If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or other securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution. Such moneys or securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Loan Agreement.

(b) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. All Outstanding Bonds of a Series or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will, as verified by the report of a firm of independent certified public accountants, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of a Series on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with this paragraph. The Trustee shall select which Bonds of such Series and maturity payment of which shall be made in accordance with this paragraph in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; provided, further, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Loan Agreement.

(c) Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable,

either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

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FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

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FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2016 Bonds, Harris Beach PLLC, Albany, New York, and Brown Hutchinson LLP, Rochester, New York, Co-Bond Counsel, propose to issue their approving opinions as to the Series 2016 Bonds in substantially the following form:

December 7, 2016

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: \$22,745,000 Dormitory Authority of the State of New York
Albany Public Library Revenue Bonds, Series 2016

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York, constituting a public benefit corporation created and existing under and pursuant to the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944 (constituting Title 4 and Title 4-B of Article 8 of the New York Public Authorities Law), as amended (the "Act"), have examined a record of proceedings relating to the issuance of \$22,745,000 aggregate principal amount of Albany Public Library Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2016 Bonds are issued under and pursuant to the Act, the Albany Public Library Revenue Bond Resolution adopted by the Authority on November 9, 2016 (the "General Resolution") and the Series 2016 Resolution Authorizing Albany Public Library Revenue Bonds, Series 2016 adopted by the Authority on November 9, 2016 (the "Series 2016 Resolution"). The General Resolution and the Series 2016 Resolution are herein collectively referred to as the "Resolutions". Capitalized terms used herein that are not otherwise defined shall have the meaning given to such terms in the Resolutions.

The Series 2016 Bonds are dated, mature, are payable, bear interest and are subject to redemption and purchase as provided in the Resolutions and the Bond Series Certificate of the Authority fixing the terms and the details of the Series 2016 Bonds.

The Authority and Albany Public Library (the "Institution") have entered into a Loan Agreement, dated as of November 9, 2016 (the "Loan Agreement"), providing, among other things, for a loan by the Authority to the Institution of the proceeds of the Series 2016 Bonds for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal of and interest on the Series 2016 Bonds, which payments have been pledged by the Authority to the Trustee for the benefit of the Holders of the Series 2016 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2016 Bonds, restrictions on the investment of bond proceeds and other moneys or property, and the rebate to the United

States of certain earnings in respect of investments. In the Resolutions and the Loan Agreement and the tax and arbitrage certificate, dated the date hereof (the “Tax Certificate”) of the Authority and the Institution, such parties have separately covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

In rendering the opinion set forth in paragraph 5 below, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificate by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with their covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificate, interest on the Series 2016 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original issuance and delivery of the Series 2016 Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state, or local tax consequences with respect to the Series 2016 Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Certificate or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Further, although interest on the Series 2016 Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2016 Bond depending upon the tax status of such holder and such holder’s other items of income and deduction.

We have also examined the Series 2016 Bonds as executed and authenticated.

Based on the foregoing, and subject to the further assumptions and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2016 Bonds thereunder.
2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.
3. The Series 2016 Bonds have been duly and validly authorized and issued in accordance with the Act, and in accordance with the Resolutions. The Series 2016 Bonds are legal, valid and binding special obligations of the Authority payable as provided in Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Resolutions and the Act.
4. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.
5. Under existing statutes, regulations, administrative rulings and court decisions as of the date hereof, the interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals and corporations; we note, however, that interest on the Series 2016 Bonds is included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

The difference between the principal amount of the Series 2016 Bonds maturing on July 1 in the years 2033, 2035 and 2037 (collectively, the “Discount Bonds”), and the initial offering price to the public (excluding

bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds.

6. Under existing statutes, including the Act, interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2016 Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Except as stated in paragraphs 5 and 6 herein, we express no opinion as to any federal or state and local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2016 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2016 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

HARRIS BEACH PLLC

December 7, 2016

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

\$22,745,000 Dormitory Authority of the State of New York
Albany Public Library Revenue Bonds, Series 2016

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York, constituting a public benefit corporation created and existing under and pursuant to the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944 (constituting Title 4 and Title 4-B of Article 8 of the New York Public Authorities Law), as amended (the "Act"), have examined a record of proceedings relating to the issuance of \$22,745,000 aggregate principal amount of Albany Public Library Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2016 Bonds are issued under and pursuant to the Act, the Albany Public Library Revenue Bond Resolution adopted by the Authority on November 9, 2016 (the "General Resolution") and the Series 2016 Resolution Authorizing Albany Public Library Revenue Bonds, Series 2016 adopted by the Authority on November 9, 2016 (the "Series 2016 Resolution"). The General Resolution and the Series 2016 Resolution are herein collectively referred to as the "Resolutions". Capitalized terms used herein that are not otherwise defined shall have the meaning given to such terms in the Resolutions.

The Series 2016 Bonds are dated, mature, are payable, bear interest and are subject to redemption and purchase as provided in the Resolutions and the Bond Series Certificate of the Authority fixing the terms and the details of the Series 2016 Bonds.

The Authority and Albany Public Library (the "Institution") have entered into a Loan Agreement, dated as of November 9, 2016 (the "Loan Agreement"), providing, among other things, for a loan by the Authority to the Institution of the proceeds of the Series 2016 Bonds for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal of and interest on the Series 2016 Bonds, which payments have been pledged by the Authority to the Trustee for the benefit of the Holders of the Series 2016 Bonds.

We have also examined the Series 2016 Bonds as executed and authenticated.

Based on the foregoing, and subject to the further assumptions and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2016 Bonds thereunder.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2016 Bonds have been duly and validly authorized and issued in accordance with the Act, and in accordance with the Resolutions. The Series 2016 Bonds are legal, valid and binding

special obligations of the Authority payable as provided in Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2016 Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2016 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2016 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

BROWN HUTCHINSON LLP

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FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

The Library will enter into a written agreement (the “Continuing Disclosure Agreement”) with Digital Assurance Certification LLC (“DAC”), as disclosure dissemination agent, the Trustee and DASNY. The Continuing Disclosure Agreement shall be in substantially the following form.

AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK ALBANY PUBLIC LIBRARY REVENUE BONDS, SERIES 2016

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the “Disclosure Agreement”), dated as of December 7, 2016, is executed and delivered by the Dormitory Authority of the State of New York (the “Issuer” or “DASNY”), Albany Public Library (the “Obligated Person”), U.S. Bank National Association, as Trustee (the “Trustee”) and Digital Assurance Certification, L.L.C. (“DAC”), as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute “advice” within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer’s or the Obligated Person’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany

each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Dissemination Agreement” means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

“Disclosure Representative” means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Obligated Person’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

“Resolution” means DASNY’s bond resolution(s) pursuant to which the Bonds were issued.

“Trustee” means U.S. Bank National Association and its successors and assigns.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 180 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending December 31, 2016, such date and each anniversary thereof, the “Annual Filing Date.” Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:
 1. Principal and interest payment delinquencies;
 2. Non-Payment related defaults, if material;
 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 5. Substitution of credit or liquidity providers, or their failure to perform;
 6. Adverse tax opinions, IRS notices or events affecting the tax status of the securities;
 7. Modifications to rights of securities holders, if material;
 8. Bond calls, if material;
 9. Defeasances;
 10. Release, substitution, or sale of property securing repayment of the securities, if material;
 11. Ratings changes;
 12. Tender offers;
 13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
 14. Merger, consolidation, or acquisition of the Obligated Person, if material; and
 15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data;”

(viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include operating data and financial information of the type included in the Official Statement for the Bonds in “PART 4-THE LIBRARY” under the heading “ANNUAL FINANCIAL STATEMENT INFORMATION” (unless such information is included in the Audited Financial Statements) and in the tables entitled “Summary of Valuations: and “Library Tax Rates per \$1,000 of Assessed Valuation” under the subheading “OPERATING DATA - Valuations, Tax Rates and Levies,” together with a statement as to whether the residents of the School District approved the Library’s most recent administrative budget and such narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material

notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;

7. Modification to rights of the security holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) of this Section 4 and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence

pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file

such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the

Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section 4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

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

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

ALBANY PUBLIC LIBRARY,
Obligated Person

By: _____
Name: _____
Title: _____

DORMITORY AUTHORITY OF THE STATE OF NEW YORK,
Issuer

By: _____
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): Albany Public Library
Name of Bond Issue: Albany Public Library Revenue Bonds, Series 2016
Date of Issuance: December 7, 2016
Date of Official Statement: November 18, 2016

| <u>Maturity</u> | <u>CUSIP No.</u> |
|-----------------|------------------|
| 07/01/2017 | 64990C KL4 |
| 07/01/2018 | 64990C KM2 |
| 07/01/2019 | 64990C KN0 |
| 07/01/2020 | 64990C KP5 |
| 07/01/2021 | 64990C KQ3 |
| 07/01/2022 | 64990C KR1 |
| 07/01/2023 | 64990C KS9 |
| 07/01/2024 | 64990C KT7 |
| 07/01/2025 | 64990C KU4 |
| 07/01/2026 | 64990C KV2 |
| 07/01/2027 | 64990C KW0 |
| 07/01/2028 | 64990C KX8 |
| 07/01/2029 | 64990C KY6 |
| 07/01/2030 | 64990C KZ3 |
| 07/01/2031 | 64990C LA7 |
| 07/01/2033 | 64990C LB5 |
| 07/01/2035 | 64990C LC3 |
| 07/01/2037 | 64990C LD1 |

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): Albany Public Library
Name of Bond Issue: Albany Public Library Revenue Bonds, Series 2016
Date of Issuance: December 7, 2016

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of _____, 2016, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, U.S. Bank National Association, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Obligated Person

cc: Issuer
Obligated Person

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

_____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of _____, 2016 by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of _____, 2016 by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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