

NEW ISSUE**\$38,165,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
 MASTER BOCES PROGRAM LEASE REVENUE BONDS
 (GENESEE VALLEY ISSUE), SERIES 2008**

Dated: Date of Delivery**Due: August 15, as shown on the inside cover**

Payment and Security: The Series 2008 Bonds (as defined herein) will be special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from and secured by a pledge of certain payments to be made by the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties ("Genesee Valley BOCES") pursuant to a Lease and Agreement (the "Agreement"), dated as of March 28, 2007, between Genesee Valley BOCES and the Authority and all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Authority's Master BOCES Program Lease Revenue Bond Resolution adopted August 15, 2001, as heretofore amended and supplemented (the "Master Resolution"), and established by the Authority's Series Resolution Authorizing Up To \$40,000,000 Master BOCES Program Lease Revenue Bonds (Genesee Valley Issue), Series 2008, adopted March 28, 2007 (the "Series 2008 Resolution" and, together with the Master Resolution and the "Resolutions").

The Agreement, which is a general obligation of Genesee Valley BOCES, requires Genesee Valley BOCES to pay amounts sufficient to pay, or cause to be paid, the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2008 Bonds as such payments become due (the "Basic Rent"), as well as additional rental fees and expenses of the Authority and the Trustee (collectively with the Basic Rent, the "Rentals"). Payment of BOCES obligations under the Agreement shall be made pursuant to the provisions of the Act (as hereinafter defined) which provides that the Comptroller of the State of New York shall deduct from any State funds payable to Genesee Valley BOCES an amount equal to the amount payable by Genesee Valley BOCES to the Authority under the Agreement for the ensuing school year. To secure its payment of all of the Rentals due under the Agreement, including the Basic Rent, Genesee Valley BOCES will assign and pledge to the Authority a portion of any and all public funds apportioned by the State of New York (the "State") to Genesee Valley BOCES sufficient to pay such amounts (the "Pledged Revenues"). The Series 2008 Bonds will be secured by the pledge and assignment to the Trustee of the Basic Rent payments to be paid by Genesee Valley BOCES to the Authority under the Agreement and the Authority's interest in the Pledged Revenues. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to Genesee Valley BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2008 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS."

The scheduled payment of principal of and interest on the Series 2008 Bonds when due will be guaranteed by a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2008 Bonds by Assured Guaranty Corp. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS - Bond Insurance."



Genesee Valley BOCES does not levy and collect taxes. The component school districts of Genesee Valley BOCES, however, are required to levy taxes to pay their allocable share of Genesee Valley BOCES' administrative expenses, including the payment of each component school district's proportionate share of the amount due from Genesee Valley BOCES to the Authority under the Agreement. See "PART 4 – BOARD OF COOPERATIVE EDUCATIONAL SERVICES."

The Series 2008 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2008 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due August 15, 2008 and each February 15 and August 15 thereafter) on the Series 2008 Bonds will be payable by check mailed to the registered owners thereof and principal will be payable at the corporate trust office of The Bank of New York, New York, New York, Trustee and Paying Agent.

The Series 2008 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 2008 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2008 Bonds, payments of the principal, Sinking Fund Installments if any, and Redemption Price of and interest on such Series 2008 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 2008 BONDS – Book-Entry Only System" herein.

Redemption: The Series 2008 Bonds are subject to redemption prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and Genesee Valley BOCES described herein, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2008 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that, by virtue of the Act, interest on the Series 2008 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions. See "PART 11 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2008 Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2008 Bonds may be subject to prior sale or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Nixon Peabody LLP, New York, N. Y., Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by its counsel Hiscock & Barclay, LLP, Albany, N. Y., and for Genesee Valley BOCES by its counsel Timothy R. McGill, Esq., Fairport, N. Y. The Authority expects to deliver the Series 2008 Bonds in definitive form in New York, New York, on or about March 13, 2008.

Roosevelt & Cross, Incorporated**Jackson Securities**

\$38,165,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(GENESEE VALLEY ISSUE), SERIES 2008

\$30,640,000 Serial Bonds

<u>Due</u> <u>August 15</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>	<u>Due</u> <u>August 15</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
2008	\$1,425,000	4.00%	2.40%	64982PG63	2014	\$1,525,000	5.00%	3.70%	64982PH96
2009	1,350,000	4.00%	2.60%	64982PG71	2015	1,775,000	4.00%	3.86%	64982PJ29
2010	1,375,000	3.50%	2.85%	64982PG89	2015	250,000	5.00%	3.86%	64982PJ37
2010	650,000	5.00%	2.85%	64982PG97	2016	2,025,000	5.00%	4.02%	64982PJ45
2011	1,825,000	3.50%	3.15%	64982PH21	2017	2,025,000	5.00%	4.18%	64982PJ52
2011	200,000	5.00%	3.15%	64982PH39	2018	2,025,000	5.00%	4.35%	64982PJ60
2012	475,000	3.50%	3.35%	64982PH47	2019	2,025,000	5.25%	4.50% *	64982PJ78
2012	1,550,000	4.50%	3.35%	64982PH54	2020	2,025,000	5.25%	4.63% *	64982PJ86
2013	660,000	3.75%	3.50%	64982PH62	2021	2,025,000	5.25%	4.74% *	64982PJ94
2013	1,365,000	5.00%	3.50%	64982PH70	2022	1,905,000	5.25%	4.82% *	64982PK27
2014	500,000	4.00%	3.70%	64982PH88	2023	1,660,000	5.00%	4.90% *	64982PK35

\$3,575,000 5.000% Term Bond Due August 15, 2025 to Yield 5.100% CUSIP 64982PK43
\$3,950,000 5.000% Term Bond Due August 15, 2027 to Yield 5.200% CUSIP 64982PK50

* Priced to the first call on August 15, 2018 at par.

1) CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2008 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2008 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2008 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2008 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, Genesee Valley BOCES or the Underwriters to give any information or to make any representations with respect to the Series 2008 Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Authority, Genesee Valley BOCES or the Underwriters.

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 2008 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 Genesee Valley BOCES and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriters guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority or of the Underwriters.

Genesee Valley BOCES has reviewed the parts of this Official Statement describing Genesee Valley BOCES, the Project, the Estimated Sources and Uses of Funds and Appendix B. Genesee Valley BOCES shall certify as of the dates of sale and delivery of the Series 2008 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. Genesee Valley BOCES makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

The New York State Department of Education (the "Department") has reviewed the parts of this Official Statement relating to BOCES generally and the Department's participation in the transaction contemplated herein. The Department shall certify as of the date of delivery of the Series 2008 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Department makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer") has reviewed the parts of the Official Statement under the captions "PART 1 – INTRODUCTION – Bond Insurance", "PART 2–SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS–Bond Insurance" and "Appendix F-Specimen Insurance Policies" herein and the Insurer shall certify as of the date of delivery of the Series 2008 Bonds, that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Insurer 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 Resolutions, the Agreement and the Agreement of Lease do not purport to be complete. Refer to the Act, the Resolutions, the Agreement and the Agreement of Lease for full and complete details of their provisions. Copies of the Resolutions, the Agreement and the Agreement of Lease are on file with the Authority 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 the Authority or Genesee Valley BOCES have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2008 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2008 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>
1. INTRODUCTION	1	Financial Information	19
Purpose of the Official Statement	1	Budgetary Procedures	20
Purpose of the Issue	1	State Aid	20
Authorization of Issuance	1	Revenue Anticipation Notes	21
The Authority	2	Litigation	21
Genesee Valley BOCES	2	6. THE PROJECT	21
The Series 2008 Bonds	2	7. ESTIMATED SOURCES AND USES OF FUNDS	22
Payment of the Series 2008 Bonds	2	8. THE AUTHORITY	22
Security for the Series 2008 Bonds	2	Background, Purposes and Powers	22
Bond Insurance	3	Outstanding Indebtedness of the Authority (Other than	
The Project	3	Indebtedness Assumed by the Authority)	23
2. SOURCES OF PAYMENT AND SECURITY		Outstanding Indebtedness of the Agency Assumed	
FOR THE SERIES 2008 BONDS	3	by the Authority	24
Payment of the Series 2008 Bonds	3	Governance	25
Direct Payment by the State Comptroller	4	Claims and Litigation	29
Security for the Series 2008 Bonds	4	Other Matters	29
Bond Insurance	4	9. LEGALITY OF THE SERIES 2008 BONDS	
Lease Payments	6	FOR INVESTMENT AND DEPOSIT	29
Pledge of State Aid	7	10. NEGOTIABLE INSTRUMENTS	29
Debt Service Reserve Fund	7	11. TAX MATTERS	30
Issuance of Additional Obligations	8	Federal Income Taxes	30
General	8	Original Issue Discount	30
Defaults and Remedies under the Agreement	8	Original Issue Premium	30
Defaults and Remedies under the Master Resolution	8	State Taxes	31
3. THE SERIES 2008 BONDS	9	Ancillary Tax Matters	31
Description of the Series 2008 Bonds	9	Changes in Federal Tax Law and Post Issuance Events	31
Redemption Provisions	9	12. STATE NOT LIABLE ON THE SERIES 2008 BONDS	31
Book-Entry Only System	10	13. COVENANT BY THE STATE	32
Principal and Interest Requirements	13	14. LEGAL MATTERS	32
4. BOARDS OF COOPERATIVE		15. UNDERWRITING	32
EDUCATIONAL SERVICES	13	16. CONTINUING DISCLOSURE	32
General Description of BOCES	13	17. SOURCES OF INFORMATION AND CERTIFICATIONS	33
State Aid to BOCES	14	Appendix A - Definitions	A-1
State Appropriations	15	Appendix B - Financial Statements of Genesee Valley BOCES	B-1
Obligations of Component School Districts	16	Appendix C - Summary of Certain Provisions of	
5. GENESEE VALLEY BOCES	16	the Lease and Agreement	C-1
Description	16	Appendix D - Summary of Certain Provisions of	
Purpose of a BOCES	16	the Master Resolution	D-1
General Information	16	Appendix E - Form of Approving Opinion of Bond Counsel	E-1
Educational Program/Services	17	Appendix F - Specimen Insurance and Surety Policies	F-1
Facilities	19		

[THIS PAGE INTENTIONALLY LEFT BLANK]



DORMITORY AUTHORITY - STATE OF NEW YORK - 515 BROADWAY ALBANY, N.Y. 12207
DAVID D. BROWN, IV - EXECUTIVE DIRECTOR **GAIL H. GORDON, ESQ. - CHAIR**

OFFICIAL STATEMENT RELATING TO
\$38,165,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(GENESEE VALLEY ISSUE), SERIES 2008

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover and the inside cover page and appendices, is to provide information about the Authority and the Genesee Valley BOCES in connection with the offering by the Authority of \$38,165,000 aggregate principal amount of the Master BOCES Program Lease Revenue Bonds (Genesee Valley Issue), Series 2008 (the "Series 2008 Bonds").

The following is a brief description of certain information concerning the Series 2008 Bonds, the Authority and the Project (as hereafter defined). A more complete description of such information and additional information that may affect decisions to invest in the Series 2008 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2008 Bonds are being issued and will be used together with other available moneys to (i) pay Costs of the Project, and (ii) pay all or a portion of the Costs of Issuance of the Series 2008 Bonds, including the payment of the premium for the Reserve Fund Facility and payment of the premium for the municipal bond insurance policy. See "PART 7 – ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Dormitory Authority Act (the "Act") empowers the Authority, among other things, to issue its bonds for the purpose of financing the acquisition, construction or improvement of "board of cooperative educational services school facilities." The Act further authorizes any board of cooperative educational services in the State (a "BOCES"), when authorized by its voters, to convey a leasehold interest in property owned by such BOCES to the Authority and to lease the property back from the Authority for purposes of financing such BOCES' school facilities. Consistent with the Act, Genesee Valley BOCES will, pursuant to the Agreement of Lease, lease certain property on which the Project is to be located to the Authority (the "Agreement of Lease" or the "BOCES Lease") and the Authority will in turn sublease the Project back to Genesee Valley BOCES pursuant to the Lease and the Agreement.

The Series 2008 Bonds will be issued pursuant to the Master Resolution, the Series 2008 Resolution and the Act. The Master Resolution authorizes the issuance of multiple Series of Bonds for BOCES throughout the State. Each Series of Bonds is to be separately secured by (i) the funds and accounts, including a debt service reserve fund, but excluding the Arbitrage Rebate Fund, established pursuant to a Series Resolution, (ii) certain payments to be made under a Lease and Agreement to be executed by and between the Authority and the BOCES for whose benefit the applicable Series of Bonds is to be issued and (iii) the pledge and assignment by such BOCES in its Lease and Agreement of a portion of State aid payable to such BOCES sufficient to pay the amounts due under such Agreement. Neither the funds and accounts

established under any Series Resolution nor any Lease and Agreement nor the pledge of State aid for one Series of Bonds shall secure any other Series of Bonds, except that an additional Series of Bonds issued to finance a project for a BOCES for which Bonds have already been issued may be secured on a subordinate basis to the outstanding Series of Bonds for such BOCES. The Series 2008 Bonds will be the sixth series of bonds issued pursuant to the Master Resolution and the first series of bonds issued for Genesee Valley BOCES. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – Issuance of Additional Bonds."

The Authority

The Authority 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 and to purchase and make certain loans in connection with its student loan program. See "PART 8 – THE AUTHORITY."

Genesee Valley BOCES

Genesee Valley BOCES was established in 1994 as a merger of Genesee Valley-Wyoming BOCES and the Livingston-Steuben-Wyoming BOCES. It provides services to 22 school districts in Genesee, Livingston, Steuben and Wyoming counties encompassing a land mass of approximately 1,680 miles. Many of the services are intended to enhance local district educational programs, while others are dedicated to helping schools operate more efficiently. Genesee Valley BOCES programs offer advantages of specialization and economy of scale. Through cooperative bidding and purchasing services, school business managers take advantage of buying through sophisticated networks so they can save both time and money. See "PART 5 – Genesee Valley BOCES."

The Series 2008 Bonds

The Series 2008 Bonds will be dated and bear interest from their delivery date, payable each February 15 and August 15, commencing August 15, 2008. The Series 2008 Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 – THE SERIES 2008 BONDS – Description of the Series 2008 Bonds."

Payment of the Series 2008 Bonds

The Series 2008 Bonds are special obligations of the Authority payable solely from the Basic Rent Payments to be made by Genesee Valley BOCES under the Agreement. Pursuant to the Master Resolution, such payments and the Authority's right to receive the same have been pledged to the Trustee. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS."

The Act provides that the Comptroller of the State of New York will deduct from any State funds payable to Genesee Valley BOCES an amount equal to the amount payable by Genesee Valley BOCES to the Authority under the Agreement for the ensuing school year and pay such amount directly to the Trustee. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to the BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2008 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS–Security for the Series 2008 Bonds."

Genesee Valley BOCES does not have the power to levy and collect taxes. The component school districts of Genesee Valley BOCES, however, are required to levy real property taxes to pay their allocable share of Genesee Valley BOCES expenses related to the Project. The Act provides that the amount due from Genesee Valley BOCES to the Authority under the Agreement constitutes either an "administrative expense" or a "capital expense", as determined by the Commissioner of the State Education Department. See "PART 4 – BOARD OF COOPERATIVE EDUCATIONAL SERVICES."

Security for the Series 2008 Bonds

The Series 2008 Bonds will be secured by the pledge and assignment to the Trustee of Basic Rent, the proceeds from the sale of the Series 2008 Bonds (until disbursed as provided by the Master Resolution) and all funds and accounts authorized by the Master Resolution and established by the Series 2008 Resolution (with the exception of the Arbitrage

Rebate Fund), which include a Debt Service Reserve Fund. The Agreement requires Genesee Valley BOCES to pay Basic Rent to the Authority as well as additional rental fees and expenses of the Authority and the Trustee (together with Basic Rent the "Rentals"). To secure the payment of the Rentals, Genesee Valley BOCES will assign and pledge to the Authority a portion of any and all public funds apportioned by the State to Genesee Valley BOCES in an amount sufficient to pay such Rentals.

Bond Insurance

Concurrently with the issuance of the Series 2008 Bonds, Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2008 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2008 Bonds when due as set forth in the form of the Policy included in Appendix F. The Insurer will also, concurrently with the issuance of the Series 2008 Bonds, issue its surety bond (the "Surety Bond") for deposit into the Debt Service Reserve Fund in order to satisfy the Debt Service Reserve Fund Requirement. See "PART 2–SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS–Bond Insurance" and the description of the Surety Bond in "PART 2–SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS–Debt Service Reserve Fund" and See "Appendix F – Specimen Insurance Policies."

The Project

The Project consists of the construction of and renovations and additions to the Batavia and Mt. Morris campuses of Genesee Valley BOCES. For a further description of the Project expected to be financed with the proceeds of the Series 2008 Bonds, see "PART 6 – THE PROJECT."

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Bonds, including the Series 2008 Bonds, issued under the Master Resolution. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolutions, the Agreement and the Agreement of Lease for a more complete description of such provisions. Copies of the Resolutions, the Agreement and the Agreement of Lease are on file with the Authority and the Trustee. See also "Appendix C–Summary of Certain Provisions of the Lease and Agreement" and "Appendix D- Summary of Certain Provisions of the Master Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2008 Bonds

The Series 2008 Bonds will be special obligations of the Authority. The principal and Redemption Price of and interest on the Series 2008 Bonds are payable solely from the Revenues. The Revenues consist of the Basic Rent required to be paid by Genesee Valley BOCES under the Agreement on account of the principal and Redemption Price of and interest on the Series 2008 Bonds and to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement as well as the Pledged Revenues and the Authority's right to receive same. A Reserve Fund Facility in the form of the Insurer's Surety Bond will be deposited in the Debt Service Reserve Fund to meet the Debt Service Reserve Fund Requirement. See "Appendix A - Revenues." The Revenues and the right to receive them have been pledged to the Trustee.

Genesee Valley BOCES will assign and pledge to the Authority a portion of any and all public funds payable by the State to Genesee Valley BOCES in an amount sufficient to pay all Rentals due under the Agreement. State aid is normally paid to Genesee Valley BOCES by the State on or about February 1, June 1 and September 1 of each year (but such schedule may be changed by the State in its discretion). The Act provides that the Comptroller of the State of New York (the "State Comptroller") is to deduct from any State funds to become due to Genesee Valley BOCES an amount equal to the amount payable by Genesee Valley BOCES to the Authority under the Agreement for the ensuing school year. It is expected that the September 1 payment of State aid to Genesee Valley BOCES will be sufficient to pay the Basic Rent due on such date (i.e., an amount sufficient to pay principal of and interest on the Series 2008 Bonds on the succeeding February 15 and August 15). To the extent that payments from the State Comptroller to the Trustee pursuant to the Resolution and the Memorandum of Understanding are less than the Basic Rent due on September 1, Genesee Valley

BOCES would be required to make such payment (with amounts paid later by the State or with other monies of Genesee Valley BOCES) by January 15 (with respect to the February 15 debt service payment) and July 15 (with respect to the August 15 debt service payment).

The Basic Rent payable in connection with the Series 2008 Bonds is to be paid to the Trustee on September 1 of each year commencing on September 1, 2008 in accordance with the provisions of the Act and the terms of the Memorandum of Understanding. Basic Rent is equal to the interest and principal coming due on the next succeeding February 15 and August 15. In addition, the installment due on September 1 of any year includes the amount, if any, required to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

Direct Payment by State Comptroller

The Act requires the Authority to certify annually to the Commissioner of Education (the "Commissioner") the total amount payable to it in each year by Genesee Valley BOCES. The Commissioner is then required by law to certify to the State Comptroller the amount of State aid payable to Genesee Valley BOCES and the amount to be paid by Genesee Valley BOCES to the Authority for the ensuing school year. The State Comptroller is thereafter required by law to deduct the amount so certified as payable to the Authority from any State aid to become due to Genesee Valley BOCES and pay it to or upon the order of the Authority.

The State is not legally obligated to appropriate any moneys for the purpose of providing State aid or assistance to Genesee Valley BOCES or any other BOCES. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to the BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2008 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

Genesee Valley BOCES does not have the power to levy and collect taxes. The component school districts of Genesee Valley BOCES, however, are required to levy taxes to pay their allocable share of Genesee Valley BOCES administrative expenses, including the payment of each component school district's proportionate share of the amount due from Genesee Valley BOCES to the Authority under the Agreement. See "PART 4 – BOARD OF COOPERATIVE EDUCATIONAL SERVICES."

The Series 2008 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Security for the Series 2008 Bonds

The Series 2008 Bonds will be secured by the pledge and assignment to the Trustee of Basic Rent, the proceeds from the sale of the Series 2008 Bonds (until disbursed as provided by the Resolutions) and all funds and accounts authorized by the Master Resolution and established by the Series 2008 Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund, and the Authority's security interest in the Pledged Revenues. The Series 2008 Bonds are the first series of bonds issued for Genesee Valley BOCES under the Master Resolution. Pursuant to the terms of the Resolutions, the funds and accounts established by the Resolutions secure only the Series 2008 Bonds and do not secure any other Series of Bonds issued under the Master Resolution. See "– Issuance of Additional Bonds" herein.

Bond Insurance

The following information is not complete and reference is made to Appendix F for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Series 2008 Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Series 2008 Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable

by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Series 2008 Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Series 2008 Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the holder of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent, to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the holders of the Series 2008 Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (unaudited), total liabilities of \$961,967,238 (unaudited), total surplus of \$399,571,264 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2006, Assured Guaranty had total admitted assets of \$1,248,270,663 (audited), total liabilities of \$962,316,898 (audited), total surplus of \$285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of \$916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

" The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 29, 2008); and

" The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2008 Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "Bond Insurance-The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Series 2008 Bonds or the advisability of investing in the Series 2008 Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Bond Insurance".

Lease Payments

Consistent with the Act, Genesee Valley BOCES will, pursuant to the Agreement of Lease, lease certain property on which the Project is to be located to the Authority and the Authority will in turn sublease such property and the Project back to Genesee Valley BOCES pursuant to the Agreement. The Series 2008 Bonds are not secured by any real estate interest in the Project. The Agreement is a general obligation of Genesee Valley BOCES. Genesee Valley BOCES' obligation to pay Rentals under the Agreement is absolute and unconditional without any right of set-off, recoupment or counterclaim against the Authority.

The Authority has covenanted for the benefit of the Holders of the Series 2008 Bonds that it will not create, or cause to be created, any lien or charge upon the Revenues or its interest in the Pledged Revenues, the proceeds of the Series 2008 Bonds or the funds or accounts established under the Master Resolution, which is prior to, or equal to, the pledge made by the Master Resolution.

Pledge of State Aid

As additional security for the payment of the Rentals, including Basic Rent, to the Authority, Genesee Valley BOCES will assign and pledge to the Authority, a portion of any and all public funds payable by the State to Genesee Valley BOCES in an amount sufficient to pay such Rentals. Genesee Valley BOCES further agrees that all State and local officials concerned are authorized to apportion and pay to or upon the order of the Authority all such pledged funds. The pledge and assignment will be irrevocable (in accordance with the Act) and will continue until the date on which the liabilities of the Authority incurred as a result of the issuance of the Series 2008 Bonds have been paid or otherwise discharged.

Debt Service Reserve Fund

The Master Resolution requires that the Debt Service Reserve Fund be maintained at its requirement, which is an amount equal to one-half of 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 Series 2008 Bonds payable during such year.

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund on the fourth Business Day preceding each interest payment date is less than the amount which is necessary to pay the principal and Sinking Fund Installments, if any, of and interest on Outstanding Bonds payable on such interest payment date. The Master Resolution requires, and the Agreement provides, that the amount necessary to restore the Debt Service Reserve Fund to its requirement is to be included in the Basic Rent. Moneys in the Debt Service Reserve Fund in excess of its requirement may be deposited in other funds and accounts and applied by the Trustee in accordance with the Master Resolution. See “Appendix D – Summary of Certain Provisions of the Master Resolution.”

Reserve Fund Insurance Policy

Assured Guaranty has made a commitment to issue a financial guaranty insurance policy for the Debt Service Reserve Fund with respect to the Series 2008 Bonds (the “Reserve Fund Insurance Policy”), effective as of the date of issuance of such Series 2008 Bonds. Under the terms of the Reserve Fund Insurance, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Series 2008 Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority (the “Insured Payments”).

Assured Guaranty will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Authority to the Trustee or Paying Agent, as beneficiary of the Reserve Fund Insurance Policy on behalf of the holders of the Series 2008 Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which Assured Guaranty receives a demand for payment therefor in accordance with the terms of the Reserve Fund Insurance Policy.

No payment shall be made under the Reserve Fund Insurance Policy in excess of \$1,860,287.50 (the “Reserve Fund Insurance Policy Limit”). Pursuant to the terms of the Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by Assured Guaranty under the Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to Assured Guaranty, the amount available under the Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

The Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law. See “Appendix F – Specimen Insurance and Surety Policies.”

Issuance of Additional Bonds

In addition to the Series 2008 Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for Genesee Valley BOCES and other BOCES for other specified purposes, including to refund Outstanding Bonds issued under the Master Resolution. Each Series of Bonds issued under the Master Resolution will be separately secured by the pledge and assignment of the Applicable Revenues, the Authority's interest in the Applicable Pledged Revenues, the proceeds from the sale of such Series of Bonds and all funds and accounts (with the exception of the Arbitrage Rebate Fund) authorized by the Applicable Series Resolution. Any additional Series of Bonds issued to finance a Project for Genesee Valley BOCES would be paid and secured on a subordinate basis to the Series 2008 Bonds unless otherwise consented to by a majority of the holders of the Series 2008 Bonds. Therefore, to the extent Pledged Revenues or Genesee Valley BOCES payments of Basic Rent were insufficient to pay for the Series 2008 Bonds and such additional Bonds, amounts would be applied first to pay the Series 2008 Bonds and then such additional Bonds.

General

The Series 2008 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 8 – THE AUTHORITY."

Defaults and Remedies under the Agreement

Among the events that would constitute an "event of default" under the Agreement are the failure by Genesee Valley BOCES to pay the Rentals within seven days after they become due or to observe or perform any of the covenants, conditions or agreements contained in the Agreement which continues for the applicable grace period after notice of such failure has been given to Genesee Valley BOCES. In the event any such event of default will have happened and be continuing, the Authority may exercise such remedies available at law or in equity other than termination of the Agreement. In no event will an "event of default" under the Agreement cause an acceleration of the Rentals due under the Agreement.

Defaults and Remedies under the Master Resolution

"Events of Default" under the Master Resolution include: (i) the failure to pay principal, Sinking Fund Installments, if any, or Redemption Price of, and interest on the Series 2008 Bonds when due; (ii) the failure to comply with the provisions of the Code applicable to the Series 2008 Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code, with the result that interest on the Series 2008 Bonds is no longer excludable from the gross income of the Holders thereof; and (iii) a default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolutions or in the Series 2008 Bonds on the part of the Authority to be performed and such default continues for 30 days after written notice specifying such default and requiring same to be remedied will have been given to the Authority by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Holders of not less than 25% in principal amount of such Outstanding Series 2008 Bonds, unless, if such default is not capable of being cured within 30 days, the Authority has commenced to cure such default within said 30 days and diligently prosecutes the cure thereof.

The Resolutions provide that if an "event of default" occurs and continues, the Trustee may proceed, and upon the written request of the Insurer or at the written request of the Facility Provider of a Reserve Fund Facility or of the Holders of not less than 25% in principal amount of the Outstanding Series 2008 Bonds (in either case, with the consent of the Insurer) or, in the case of a happening and continuance of an "event of default" specified in clause (ii) above, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2008 Bonds with the consent of the Insurer, the Trustee will proceed (subject to the provisions of the Master Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolutions 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 Resolutions or in aid or execution of any power therein 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 deems most effectual to protect and enforce such rights. In no event will an "event of default" cause an acceleration of the Series 2008 Bonds under the Resolutions.

In the enforcement of any remedy under the Resolutions, the Trustee may 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 Resolutions or of the Series 2008 Bonds, with interest on overdue payments of the principal of or interest on the Series 2008 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 Resolutions and under such Series 2008 Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Series 2008 Bonds, and to recover and enforce a judgment or decree against the Authority but solely as provided in the Resolutions and in such Series 2008 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.

PART 3 – THE SERIES 2008 BONDS

Description of the Series 2008 Bonds

The Series 2008 Bonds will be issued pursuant to the Master Resolution, will be dated the date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2008 Bonds will be issued as fully registered bonds. The Series 2008 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2008 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2008 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2008 Bonds, the Series 2008 Bonds will be exchangeable for other fully registered Series 2008 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Master Resolution. See "Book-Entry Only System" herein and "Appendix D – Summary of Certain Provisions of the Master Resolution."

Interest on the Series 2008 Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as it appears on the registration books held by the Trustee, or, at the option of a Holder of at least \$1,000,000 in principal amount of the Series 2008 Bonds by wire transfer to the Holder of such Series 2008 Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or redemption price of the Series 2008 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York, New York, New York, the Trustee and Paying Agent. As long as the Series 2008 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "– Book-Entry Only System" herein.

For a more complete description of the Series 2008 Bonds, see "Appendix D – Summary of Certain Provisions of the Master Resolution."

Redemption Provisions

The Series 2008 Bonds are subject to optional, special and mandatory redemption as described below.

Optional Redemption

The Series 2008 Bonds maturing on or before August 15, 2018 are not subject to optional redemption prior to maturity. The Series 2008 Bonds maturing after August 15, 2018 are subject to redemption prior to maturity on or after August 15, 2018 in any order (a) from amounts in the Debt Service Fund in excess of moneys required to pay interest, principal and Sinking Fund Installments and in excess of amounts on deposit therein for special redemption, as a whole at any time or in part on any interest payment date, or (b) at the option of the Authority, as a whole or in part at any time, at par plus accrued interest to the redemption date.

Mandatory Redemption

In addition, the Series 2008 Bonds are also subject to redemption, in part, on each August 15, 20 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on August 15 (or such preceding Interest Payment Date) of each year the principal amount of Series 2008 Bonds specified for each of the years shown below:

Series 2008 Bonds Maturing on <u>August 15, 2025</u>		Series 2008 Bonds Maturing on <u>August 15, 2027</u>	
<u>Year</u>	<u>Sinking Fund Installments</u>	<u>Year</u>	<u>Sinking Fund Installments</u>
2024	\$1,745,000	2026	\$1,925,000
2025†	\$1,830,000	2027†	\$2,025,000

†Final maturity.

Special Redemption

The Series 2008 Bonds are also subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of the Authority on any interest payment date, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project; or (ii) from unexpended proceeds of the Series 2008 Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully registered securities 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 2008 Bond certificate will be issued for each maturity of each Series of the Series 2008 Bonds, each in the aggregate principal amount of such maturity of such Series, and will be deposited with DTC.

DTC 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

Purchases of Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 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 2008 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 any Series of the Series 2008 Bonds, except in the event that use of the book entry system for a Series of the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 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 Series 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 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.

As long as the DTC book-entry-only system is used for the Series 2008 Bonds, redemption notices shall be sent to Cede & Co. If less than all of the Series 2008 Bonds within a maturity of a Series of the Series 2008 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other nominee) will consent or vote with respect to Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority 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 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2008 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 receipt of funds and corresponding detail information from the Authority 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 the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2008 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2008 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2008 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2008 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2008 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the Series 2008 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service with respect to a Series of the Series 2008 Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for a Series of the Series 2008 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Series 2008 Bonds of a Series may thereafter be exchanged for an equal aggregate principal amount of Series 2008 Bonds of such Series in any other authorized denominations and of the same maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book Entry Only System" has been extracted from information given by DTC. Neither the Authority, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'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 2008 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2008 Bonds (other than under the captions "TAX EXEMPTION" and "CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2008 Bonds.

Principal and Interest Requirements

The following table sets forth the amounts required to be paid by Genesee Valley BOCES during each twelve month period ending August 14 of the Bond Years shown for the payment of debt service on the Series 2008 Bonds.

12-Month Period Ending <u>August 14,</u>	Principal of <u>Series 2008 Bonds</u>	Interest Payments on <u>Series 2008 Bonds</u>	Total Debt Service on <u>Series 2008 Bonds</u>
2008	\$1,425,000	\$ 762,776	\$2,187,776
2009	1,350,000	1,749,575	3,099,575
2010	2,025,000	1,695,575	3,720,575
2011	2,025,000	1,614,950	3,639,950
2012	2,025,000	1,541,075	3,566,075
2013	2,025,000	1,454,700	3,479,700
2014	2,025,000	1,361,700	3,386,700
2015	2,025,000	1,265,450	3,290,450
2016	2,025,000	1,181,950	3,206,950
2017	2,025,000	1,080,700	3,105,700
2018	2,025,000	979,450	3,004,450
2019	2,025,000	878,200	2,903,200
2020	2,025,000	771,888	2,796,888
2021	2,025,000	665,575	2,690,575
2022	1,905,000	559,263	2,464,263
2023	1,660,000	459,250	2,119,250
2024	1,745,000	376,250	2,121,250
2025	1,830,000	289,000	2,119,000
2026	1,925,000	197,500	2,122,500
2027	2,025,000	101,250	2,126,250

PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES

General Description of BOCES

The ability to create a Board of Cooperative Educational Services (“BOCES”) was first established in 1948 and is found in sections 1950 and 1951 of the State Education Law. Initially, the legislation was aimed at enabling small rural school districts to combine their resources to provide services that otherwise would have been uneconomical, inefficient or unavailable. Under the legislation, BOCES are formed regionally (usually by a county or adjoining counties) as a consortium of the public school districts within the region. At present there are 37 BOCES, serving 689 of the 698 school districts in the State. BOCES membership is not available to the five large city school districts in the State: New York City, Buffalo, Rochester, Yonkers and Syracuse.

A BOCES is formed under the State Education Law by the school districts of a supervisory district for the purpose of providing various educational services for such school districts on a cooperative or shared basis, which services may either be too expensive or duplicative for each school district to provide for itself. A BOCES is usually formed by an order of the Commissioner of Education after a petition has been made to him requesting the establishment of the BOCES by the respective Boards of Education of the various school districts to be included in the proposed BOCES. The decision to establish a BOCES is not subject to voter approval.

The number of school districts comprising an individual BOCES varies. In each case, the territory within which each BOCES operates encompasses the territory of its component school districts. A school district may decide to join an established BOCES by vote of its board of education without voter approval. Once it has joined, however, a school district may not withdraw and is thereafter obligated for its share of BOCES administrative expenses (including the Rentals due to the Authority under an Applicable Agreement).

Once formed by the Commissioner, a BOCES is governed by a Board, whose members are elected by the boards of education of the component school districts. A Board consists of five to fifteen members. Members of the BOCES Board are elected at the BOCES annual meeting and serve for terms of three years.

BOCES operate under the Education Law and the Rules and Regulations of the Commissioner of Education. The powers of the BOCES are set forth in the Education Law, which provides for their relationship with the local school districts and specifies their duties and responsibilities. A BOCES is not authorized to enter into an Agreement with the Authority unless a proposition authorizing the acquisition, construction, reconstruction or financing of a board of cooperative education services school facility and specifying the costs is approved by a majority vote of the voters throughout the BOCES' component school districts. In addition, the BOCES may not begin construction on any Project unless and until it has been approved by the Commissioner.

Each BOCES is authorized to provide such program services as the Commissioner may approve and must provide any educational service that is (a) requested by the component school districts and (b) approved by the Commissioner, who first determines that the proposed program service meets an educational need and can most effectively be provided on a regional, rather than local, level. Except for BOCES administrative and capital facilities expenses, which are allocated to and are a responsibility of the component school districts to the extent provided by the Education Law, each school district is responsible for the costs of only those educational programs or services in which it decides to participate.

The legislation permits BOCES to provide a wide variety of programs and services, which include:

General Education, including summer school.

Career Education – Vocational training in agriculture, distributive education, health, home economics, business and office programs, technical education and trade, industrial and service education.

Special Education - Educational services for children with special needs and/or handicaps.

Management and Instructional Support Services – A wide variety of administrative, educational and extracurricular activities.

Education in the Arts

Environmental Education

State Aid to BOCES

A BOCES has no taxing authority and except for certain Federal grants and payments for services rendered under certain contracts with public agencies, colleges and other entities, derives all of its financial support for operations from its component school districts and the State. State law provides that State aid is paid to the BOCES, and then is to be paid by the BOCES to the component school districts to partially reimburse them for payments made to the BOCES, based upon the amount paid by the component school districts for program services and administrative and facilities expenses. The component school districts pay for these expenses through real property tax levies. Program services are funded by component school districts based on the district's participation in a specific program. Administrative expenses of a BOCES (including the Rentals due to the Authority under an Applicable Agreement), as well as facilities expenses for capital projects not funded through surpluses are shared on a pro rata apportioned basis (based on attendance or enrollment formulas or property values) by the component school districts. All State aid payable to a BOCES, including services aid and facilities aid, as well as administrative aid, is available to be applied to pay Rentals.

BOCES costs are paid, and aided by the State, in the following manner:

BOCES Services Aid

When a school district decides to subscribe to one of the BOCES programs, it agrees to pay a tuition or service fee. The aggregate amount of fees equals the BOCES' costs of providing the service. Each participating school district pays its pro-rata share of the program's costs.

The participating school district pays its fee in installments during the school year in which the BOCES provides the service, enabling the BOCES to meet payroll and other expenses. These payments are made on an estimated basis during the year. At the end of the school year, the exact cost is determined by audit.

The audited cost then becomes the basis on which State aid is calculated. These moneys are then paid to the BOCES in the school year following the school year in which the service was provided. The BOCES, in turn, allocates and pays this money to the component school districts as a reimbursement in the same school year that the BOCES receives it from

the State. Therefore, in any given year, a school district will be paying to the BOCES its share of the estimated cost of the program it is currently participating in and will also be receiving moneys from the BOCES from State aid intended to partially reimburse such school districts for its share of audited educational costs paid by it to the BOCES in the prior year.

The amount of State aid paid to each BOCES is the sum of the amounts determined for each component school district by applying a State aid formula, which is prescribed by statute. Since this formula includes in its calculation the tax rate and actual valuation of taxable property of the various component school districts, the amount of the aid actually paid to each BOCES varies depending upon these tax rates and property valuations. In all cases, the amount of State aid is less than the total costs of each BOCES program services. Each school district is therefore directly responsible to its BOCES for its share of the cost of educational programs in which it participates, with State aid reimbursing a portion of the school district's share.

BOCES Administrative Aid

The BOCES administrative expenses, including the Rentals due to the Authority under an Applicable Agreement, are charged against all component school districts based upon attendance or enrollment formulas or property values and regardless of their participation in any BOCES educational program.

Certain BOCES administrative expenses cannot exceed in the aggregate, for purposes of State aid payments, 10% of the total BOCES expenses, including the program operating expenses. The entire amount of BOCES payments to the Authority, as well as certain other BOCES expenses, are administrative expenses, but are not subject to the 10% limit in calculating State aid. Unlike State aid for BOCES program operating expenses, which is received by each BOCES (and therefore by its component school districts) in the school year following the school year of expenditure, State aid for BOCES payments to the Authority may be received by each BOCES in the current school year in which such payment is made. The State appropriations for this aid are made on an estimated basis and are paid to each BOCES. In all cases, the amount of State aid for administrative expenses is less than the actual amount of these administrative expenses. Each school district is therefore directly responsible to its BOCES for its share of administrative expenses, with State aid reimbursing a portion of the school district's share.

BOCES Facilities Aid

The BOCES' facilities expenses are charged against all component school districts based upon attendance or enrollment formulas or property values and regardless of their participation in any BOCES educational program.

BOCES Facilities Aid may be claimed for approved expenditures for facility construction, purchase or lease. The amount of aid payable on account of approved expenses is determined by multiplying the approved expenses by the aid ratio established by the State Education Law. Approved expenses are those incurred by the component school district during the current school year for approved debt service payments on debt instruments used to finance BOCES construction, for expenditures from budgetary appropriations or capital reserves in support of BOCES construction and for expenditures for lease of BOCES facilities. In all cases, the amount of State aid for facilities expenses is less than the actual amount of these facilities expenses. Each school district is therefore directly responsible to its BOCES for its share of facilities expenses, with State aid reimbursing a portion of the school district's share.

State Appropriations

The State has made appropriations to the BOCES program in each year since 1949 when the program was initiated. The amount of State aid payable to each BOCES has varied in accordance with a statutory formula set forth in the Education Law, except that payments in lieu of BOCES aid were made for the school year ending June 30, 2002 in an amount specified by the Legislature. The amount apportioned by the State for payment to a BOCES during a BOCES school year, which ends June 30th, is payable in installments, approximately 25% of which is payable in February, approximately 30% of which is payable in June, and the remaining balance is payable in September. During the BOCES fiscal year, the State aid payment made in February is made in one State fiscal year, and the State aid payments made in June and September occur in the subsequent State fiscal year.

All of the State aid payable to BOCES is subject to intercept under the Act up to the amount of the Rentals payable by the BOCES under its Agreement with the Authority. *While the BOCES program has received State aid in each year since its inception, both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to the BOCES. Such amendments could result in the increase, decrease or*

elimination of the amount of State aid available for the payment of debt service on the Series 2008 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

Obligations of Component School Districts

All component school districts are required to pay their allocable share of the BOCES administrative expenses notwithstanding that they may elect not to participate in any of the BOCES educational programs. Each component school district pays a proportional share of BOCES administrative expenses (based on attendance or enrollment formulas or property values) through tax levies and local school boards vote on the BOCES administrative budget each spring. The portion of the budget allocated to payments to the Authority, however, is not subject to such vote of the local school boards. The Education Law requires that each component school district will add the amount of its share of BOCES administrative expenses to its budget and will pay such amount to the BOCES. The moneys collected for and on behalf of the BOCES by each component school district are required by law to be paid by the school district to the BOCES treasurer. Under other provisions of New York law, component school districts of a BOCES are political subdivisions of the State of New York and (with certain exceptions) have the power to levy and collect ad valorem taxes on real property.

Under New York law, if the budget of a school district is not approved by the voters, provision is made for the board of education of the school district to adopt, without voter approval, a budget to pay for the basic or minimal needs of the school district which will include its allocable share of the BOCES administrative expenses.

All the taxable property of each such school district is subject to levy of ad valorem taxes, without limitation as to rate or amount, to pay the school district's allocable share of BOCES administrative expenses. In addition, each county or other political subdivision having responsibility for the enforcement of delinquent school taxes is required to pay to the school districts the full amount of school taxes which remain uncollected before the end of the school year.

PART 5 – Genesee Valley BOCES

Description

Genesee Valley BOCES furnishes educational and administrative services to 22 schools in the 1,680 square mile area encompassing Genesee, Livingston, Steuben and Wyoming counties. The Genesee Valley BOCES was established in 1994 as a merger of Genesee-Wyoming BOCES and the Livingston-Steuben-Wyoming BOCES, is one of the 38 BOCES across New York State that enable school districts, through combined resources, to be the beneficiaries of certain desired programs and services, which would otherwise be unavailable or too costly. These component districts are under the supervision of a District Superintendent, who is the regional representative of the Commissioner of Education, as well as the Chief Executive Officer of the BOCES. Governance of Genesee Valley BOCES is by an eleven-member board of education, the members of whom are elected by the Genesee Valley BOCES component district board members. Genesee Valley BOCES works in partnership with its staff, components, and community stake-holders to develop and deliver high quality programs that meet local and regional needs. Funding sources include state and federal grants, service fees, tuition, and cross-contracted services with other BOCES.

Purpose of a BOCES

A BOCES is formed pursuant to the Education Law by two or more school districts and a supervisory district for the purpose of providing various educational services on a cooperative or shared basis, which services would either be economically unfeasible or duplicative for each school district to provide for itself.

The BOCES makes available to the various Component School Districts such programs and services as career and technical education, educational planning, learning resources, computer services, performing arts, transportation and environmental education.

General Information

The Genesee Valley BOCES furnishes supplementary educational and administrative services to 22 school districts located in Genesee, Livingston, Steuben and Wyoming Counties. The administrative offices are located in LeRoy, New York.

The major purpose and function of the BOCES is to permit area schools to share and cooperate in educational programs and activities that would not be efficient to conduct on an individual district bases. Career and technical education, special education, alternative education, computer services, films, videos, science kits, curriculum writing, staff development and sharing of staff under certain conditions are examples of the programs and activities that are offered.

Career and Technical Education students attend facilities located in Batavia or Mt. Morris for part of their school day, training in different occupational areas. Students attend half-day sessions as part of their regular high school program, primarily as juniors and/or seniors. Students have the ability to choose from 20 Career and Technical Programs endorsed by the New York State Department of Education. Additionally, there are two programs (not eligible for technical endorsement) for which students receive 15 college credits through Genesee Community College.

For pupils with moderate to severe handicaps who cannot be adequately served through the regular instructional programs, the BOCES offers a quality educational experience in classrooms located in several districts as well as at the BOCES Career and Technical Centers.

Special Education programs include the severely and moderately mentally disabled, severely emotionally disabled, severe learning disabilities, other health impaired, traumatic brain injury, severe speech and language impaired, multiple disabled and autistic. The BOCES provides highly individualized learning environments and many supportive services, including counseling, psychiatric services, crisis intervention, speech therapy, remedial instruction, career and technical education, supervised work experience, physical therapy, occupational therapy, vision services, adapted physical education, nursing services and services of aides.

Adult Education is provided both during the day and evening. Adults may receive career and technical training in a variety of programs or may complete their high school equivalency program. Counseling, assessment services and job placement are available to assist in career planning for career changes or upgrading.

Many of the residents within the BOCES service area are employed in industries and educational facilities located throughout the Counties. Major firms include Darien Lake Theme Park Resort, The Gunlocke Company and Pioneer Credit Recovery, Inc. A substantial employment sector within the BOCES service area is education, including local school districts, SUNY Genesee and Genesee Community College.

Educational Program/Services

Administration: This category includes the everyday administrative services necessary for the administration of all other services, as well as those specifically requested of administrators and the Genesee Valley BOCES board by school districts. The District Superintendent's assistance to school boards with the search process for school superintendents is an example of an administrative service.

Career and Technical Education: Courses for high school students and adults are conducted at technical/career centers at the May Center in Mt. Morris and the Career and Technical Center in Batavia. Staff work with personnel from the component school districts to assist each student in choosing a career path for which he or she is suited. When this career path has been selected, the student is enrolled in an appropriate program. All of the BOCES programs are oriented toward the practical world of work experience designed to teach students appropriate employment skills. Programs provide the background needed for successful transition to post-secondary education or employment. Secondary Programs include: Animal Science/Veterinary Assisting; Auto Body Repair; Automotive Technology; Building Trades such as Carpentry and Cabinet Making; Electrical, Plumbing and Heating; Career and Financial Management; Career Assessment Program; College Tech Prep Health Careers Academy; College Tech Prep Legal Careers Academy; Computer Information Systems; Conservation/Introduction to Diesel Mechanics; Small Engine Repair; Cosmetology; Criminal Justice; Culinary Arts; Electronics and Computer Technology; Graphic Arts; Health Dimensions; Human Services; Integrated Mathematics; Integrated Science; Metal Trades; Occupationally Related Science and Math; Third Year Math/Science and Work Experience/Community Volunteers, Shadowing, Internships, Co-op.

Special Education: In keeping with a policy of providing education in the Least Restrictive Environment (LRE), special education classes are conducted in school districts with the exception of the Skills Training-Transition to Employment Program, which is based at the career and technical centers. Current Genesee Valley BOCES special education programs include 12: 1+1; Work Experience Programs; Job Coach; Work Experience Skills Training - Level I; Work Experience Skills Training - Level II; Work Study Program; 1 to 1 Aid; Service Occupation I; Service Occupation II; Service Occupation III - Food Service; 1 to 1 LPN; Speech: Related Services; Occupational Therapy; Physical Therapy; Vision Services; 12:1+4; 6:1+1 (intensive communication and language services); 6:1+1 (behavioral manage-

ment needs or multiple disabilities); 6:1+1 (additional and intensive therapeutic services); Psychiatric Consultation; Psychiatric Evaluation; Developmental Outreach Consultation Services and Autism Consult Services. These district-based classes accommodate students with a wide range of disabilities. Support from occupational therapists, physical therapists, psychologists, physical education and mobility teachers, and teachers of visually and hearing impaired is provided, as needed. To facilitate the successful integration of students into regular school classrooms, Genesee Valley BOCES provides an LRE consulting service. Clinical diagnostics are also available.

Itinerant Personnel: School Districts' needs for specific personnel do not always require full-time positions. Frequently, more than one district has a need for the same kind of skilled individual. When this occurs, the need can be satisfied through Genesee Valley BOCES, which hires qualified individuals who then are shared by requesting districts. These staff members' areas of expertise can range from teaching Spanish, to writing grants or managing the food service operation. Shared services presently being offered include: Work Experience: Special Education or General Education; Home and Career Skills; Counseling Services: Special Education; Transition Services: Special Education; Autism Consult Services; Speech Services; Assistive Technology Evaluations; Social Worker; Public Information Coordinator; Business Manager; School Food Service Supervisor; Art Teacher; Driver Education Instructor; Caseworker; Occupational Therapy Services; Physical Therapy Services; Vision Specialist; Guidance Counselor; Gifted/Talented/ Enrichment; English as a Second Language; Spanish Teacher; Curriculum Specialist and Reading Development.

General Instruction: Specialized services that are delivered directly to identified groups of students within a broader population are provided in this category. These include arts-in-education programs for the talented and gifted, science and leadership programs and a spelling bee, as well as instruction for those who are incarcerated. Alternative programs such as full-service high schools and a middle school for students who are not succeeding in a traditional school setting; off-site suspension; and classes which combine GED instruction and technical/career training for students who earlier dropped out also fall into this category.

Instructional Support: Genesee Valley BOCES offers a wide range of services that are provided to teachers and other school personnel in order to provide them with the new knowledge, skill and materials needed to accomplish their jobs more effectively. Examples of instructional support services include all staff development workshops, whether technical, interpersonal or curricular in nature; copying, laminating, document distribution or other services of the Imaging Center; science and literature kits; math manipulative; and the multi-media, music and CD library collections. On-line courses are a significant and growing segment of the staff development operation.

Management Services: Cooperative purchasing gives districts the opportunity to reap significant savings on those basic things that are needed to operate school buildings and programs, such as cafeteria food, office supplies, custodial supplies, heating fuel and furniture. Bus Driver Training; Substitute Teacher Service; Health Safety and Risk Management Services; the Regional Food Service Coordination; Self-funded Health Plans and Workmen's Compensation are also among the services that support district operations.

Special Programs: This category includes the Genesee Valley BOCES Adult Educational Services which is committed to the concept that learning is a lifelong process. It defines its mission as providing easily accessible programming for adults and their families. The Special Education Training and Resource Center is the oldest existing Department of Education network and has long stood as a premiere source of staff development in the State. This network is committed to continuously improving its effectiveness in raising the educational outcome for students with disabilities. The BOCES Genesee Migrant Center provides a variety of services to migrant farm workers residing in the immediate geographic area. Literacy Volunteers of America-Livingston County, Inc. utilizes professionally trained volunteers to tutor adults in Basic Literacy and English for Speakers of Other Languages. The School Library System has served area students and professionals since 1978. The mission of the School Library System is to promote interaction, cooperation and growth among the member school libraries, the School Library System and the Department of Education. The New York State Student Support Services Center was created to build the capacity of New York State school districts to build, enhance and maintain supportive learning environments that impact on academic achievement, youth development and citizenship. The Student Support Services Center is a regional office of the Department of Education designed to enhance the academic achievement of youth in high need schools through building capacity. The Student Support Services Resource Center features a comfortable resource room at the LeRoy Services Center where you can study school improvement, health and student support services resources.

Facilities

Genesee Valley BOCES presently occupies approximately 640,587 square feet in sixteen buildings that it owns and eleven buildings that it leases from both local school districts and commercial landlords; the leases are split between buildings leased in their entirety, portions of buildings and individual classrooms in local school buildings.

Financial Information

Funding of Genesee Valley BOCES comes from the 22 component school districts. Each pays a proportionate share of Genesee Valley BOCES administrative expenses (based on either attendance or enrollment formulas) through tax levies, and local school boards vote on its administrative budget each spring. The portion of the budget allocated to payments to the Authority, however, is not subject to such vote of the local school boards. The 2007-08 administrative budget was passed on April 25, 2007 by a 22 to 0 margin. Genesee Valley BOCES programs are funded by the districts based on each component school district's program use. The State gives the component school districts BOCES aid monies to partially reimburse them for BOCES services and administrative expenses.

The following chart shows, for the school year ending June 30, 2007, for each component school district, (a) the total amount payable from the school district to Genesee Valley BOCES and the percentage such amount represents of Genesee Valley BOCES overall receipts from component school districts; and (b) the proportionate share of Genesee Valley BOCES administrative expenses paid by such component school district and the percentage such amount represents of Genesee Valley BOCES' overall administrative expenses.

Component School District's Share of Genesee Valley BOCES Expenses

Component School District	Total Amount Paid to BOCES	Percentage Share of Total BOCES Receipts	Amount Allocated to Administrative Expenses	Percentage Share of Administrative Expenses
Alexander	\$ 1,616,286	4.17%	\$ 84,303	3.76%
Attica	2,442,705	6.31%	141,167	6.30%
Avon	1,539,522	3.97%	98,826	4.41%
Batavia	4,699,603	12.14%	218,897	9.77%
Byron-Bergen	2,214,701	5.72%	103,946	4.64%
Caledonia-Mumford	1,387,593	3.58%	92,940	4.15%
Dansville	2,148,475	5.55%	146,289	6.53%
Elba	673,975	1.74%	48,534	2.17%
Geneseo	1,309,675	3.38%	76,966	3.44%
Keshequa	1,780,726	4.60%	74,978	3.35%
LeRoy	2,334,509	6.03%	117,780	5.26%
Letchworth	1,443,456	3.73%	99,513	4.44%
Livonia	1,452,269	3.75%	173,422	7.74%
Mt. Morris	1,510,854	3.90%	54,572	2.44%
Oakfield-Alabama	1,410,029	3.64%	93,704	4.18%
Pavilion	1,431,135	3.69%	72,151	3.22%
Pembroke	1,442,958	3.73%	111,589	4.98%
Perry	1,471,037	3.80%	87,207	3.89%
Warsaw	2,323,280	6.00%	91,106	4.07%
Wayland-Cohocton	2,469,081	6.38%	144,072	6.43%
Wyoming	603,527	1.56%	29,043	1.30%
York	1,017,711	2.63%	79,182	3.53%
Total	\$38,723,107	100.00%	\$2,240,187	100.00%

The following chart presents, for the preceding five school years, Genesee Valley BOCES' General Fund revenues, expenses, and fiscal year surpluses.

**Genesee Valley BOCES Revenues and Expenses
Fiscal Year End Surplus
Years Ending June 30,**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund Revenues	\$40,526,845	\$37,765,448	\$35,970,088	\$35,818,228	\$35,457,576
General Fund Expenses	38,077,162	35,840,832	34,324,927	34,460,616	34,161,279
Prior Year Encumbrances	371,614	366,677	311,213	918,081	737,521
Current Year Encumbrances	<u>162,466</u>	<u>371,614</u>	<u>366,677</u>	<u>311,213</u>	<u>918,081</u>
Surplus	\$ 2,658,831	\$ 1,919,679	\$ 1,589,697	\$ 1,964,480	\$ 1,115,737

Budgetary Procedures

Pursuant to the Education Law, the Board of Cooperative Educational Services annually prepares, prior to the annual meeting of the Boards of Education of the Component School Districts, a tentative budget of expenditures for the BOCES program. A meeting of the Boards of Education of the Component School Districts is held each April, at which time the tentative budget is available for inspection by said Boards of Education. The Component Boards of Education also vote on the administrative portion of the budget. After such annual meeting, the Board of Cooperative Educational Services adopts the budget for the ensuing year.

Such budget, when so adopted is charged against all of the Component School Districts in accordance with the Education Law. The school authorities of each Component School District levy and collect such monies at the same time and in the same manner as such district collects taxes for its own use, and pay such amounts to the Treasurer of the BOCES. In the event the tentative budget of a Component School District is not approved by a majority of the voters, such charge from the BOCES may be raised by such Component School Districts as an ordinary contingent expense in a like manner as if the same had been voted by the voters.

State Aid

The BOCES receives very little financial assistance directly from the State. The majority of the funds for the BOCES are a result of direct charges to its Component School Districts for educational services rendered. In its budget for the 2007-08 fiscal year, the Component School Districts will receive approximately 43% of their total BOCES expenditures back in the form of BOCES aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the BOCES, in any year, the BOCES may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner in this year, or future years, municipalities and school districts in the State, including the BOCES, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the BOCES. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially

reduce State aid could have a material adverse effect upon the BOCES requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

The following chart presents the amount of State aid accrued by Genesee Valley BOCES during the past five school years ended June 30 of the years shown, although a portion of such amount may have been received by Genesee Valley BOCES in the next school year. State aid for administrative services expenses is based on the preceding year's expenditures, while capital and facilities rental aid is based on the Genesee Valley BOCES budget for the year in which it is received.

State Aid Appropriations to Genesee Valley BOCES

School Year	State Aid
<u>Ending June 30,</u>	
2007	\$15,525,301
2006	14,808,299
2005	14,929,423
2004	14,144,588
2003	13,868,730

Revenue Anticipation Notes

Genesee Valley BOCES issued two Revenue Anticipation Notes (“RAN’s”) on June 29, 2007, one in the amount of \$1,000,000 and one in the amount of \$3,800,000. The \$1,000,000 RAN was reported as a liability in Genesee Valley BOCES’ June 30, 2007 audited financial statements (see “Appendix B - Financial Statements of Genesee Valley BOCES”). However, the \$3,800,000 RAN was not reported as a liability on the June 30, 2007 audited financial statements because the proceeds of the \$3,800,000 RAN were not deposited by Genesee Valley BOCES until July 2, 2007.

Litigation

There are no suits pending or, to the knowledge of the members of the Genesee Valley BOCES Board, threatened against Genesee Valley BOCES wherein an unfavorable result would have a material adverse effect on the financial condition of Genesee Valley BOCES or the Series 2008 Bonds. Any litigation pending is generally of a routine nature, which does not affect the right of Genesee Valley BOCES to conduct its business or affect the validity of its obligation.

PART 6 - THE PROJECT

The capital project at the Mt. Morris campus, located at 27 Lackawanna Avenue, Mt. Morris, New York, consists of the construction of a 12,166 square foot addition to and the renovation of the existing building to create additional classrooms and shop/lab areas. Exterior upgrades to the roof, masonry, windows, doors and soffits are included in the renovations. There are reconstruction and site improvements including new roads, parking and landscaping.

The capital project at the Batavia campus, located at 8250 State Street Road, Batavia, New York, consists of the construction of an addition of 21,093 square footage connecting the existing three buildings together with new corridors and classrooms. The classrooms and Shop/lab areas are scheduled to be built and/or renovated during this project. Exterior upgrades to roof, masonry, windows, doors and soffits are included in the renovations. There are construction/ site improvements including new roads, parking and landscaping improvements.

The communication and phone systems have been upgraded at both campus locations. Asbestos floor tiles are in the process of being removed at both campus locations.

PART 7 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Series 2008 Bond Proceeds	\$38,165,000.00
Original Issue Premium	1,092,711.45
Debt Service Contribution	<u>2,187,776.11</u>
Total Sources	<u>\$41,445,487.56</u>

Uses of Funds

Costs of the Project	\$38,306,546.09
Debt Service Fund	2,187,776.11
Cost of Issuance*	729,455.81
Underwriter's Discount	<u>221,709.55</u>
Total Uses	<u>\$41,445,487.56</u>

*Includes bond insurance and surety premium

PART 8 – THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services (“BOCES”), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the “Consolidation Act”) succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the “Agency”) and the Facilities Development Corporation (the “Corporation”), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for

the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other 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, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)

At December 31, 2007, the Authority had approximately \$34.6 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

The Authority's bonds and notes include both special obligations and general obligations of the Authority. The Authority's special obligations are payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued or from borrowers in connection with its student loan program. Such payments are pledged or assigned to the trustees for the holders of respective special obligations. The Authority has no obligation to pay its special obligations other than from such payments. The Authority's general obligations are payable from any moneys of the Authority legally available for the payment of such obligations. However, the payments required to be made by or for the account of the institution for which general obligations were issued generally have been pledged or assigned by the Authority to trustees for the holders of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at December 31, 2007 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities	\$ 3,817,230,725	\$ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program	\$ 226,230,000	\$ 3,605,000
Insured Mortgage Programs	6,625,079,927	541,824,927
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	32,510,000
Total Non-Public Programs	<u>9,265,549,927</u>	<u>577,939,927</u>
Total MCFFA Outstanding Debt	<u>\$ 13,082,780,652</u>	<u>\$ 577,939,927</u>

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. 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 Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

GAIL H. GORDON, Esq., *Chair*, Slingerlands.

Gail H. Gordon was appointed as a Member of the Authority by the Governor on May 10, 2004. Ms. Gordon served as Deputy Commissioner and General Counsel for the Office of Children and Family Services from September 15, 1997 to December 31, 2006. She previously was of counsel to the law firm of Helm, Shapiro, Anito & McCale, P.C., in Albany, New York, where she was engaged in the private practice of law. From 1987 to 1993, Ms. Gordon served as Counsel to the Comptroller of the State of New York where she directed a legal staff of approximately 40 attorneys, was responsible for providing legal and policy advice to the State Comptroller and his deputies in all areas of the State Comptroller's responsibilities, including the supervision of accounts of public authorities and in the administration, as sole trustee, of the New York State Employees Retirement System and the Policemen's and Firemen's Retirement System. She served as Deputy Counsel to the Comptroller of the State of New York from 1983 to 1987. From 1974 to 1983, Ms. Gordon was an attorney with the law firm of Hinman, Howard & Kattell, Binghamton, New York, where she concentrated in areas of real estate, administrative and municipal law. Ms. Gordon holds a Bachelor of Arts degree from Smith College and a Juris Doctor degree from Cornell University School of Law. Ms. Gordon's term expired on March 31, 2007 and by law she continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer 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 is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978,

and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. 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 expires on March 31, 2010.

JOSE ALBERTO CORVALAN, M.D., *Secretary*, Armonk.

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan is Chief of Laparoscopic Surgery at St. Vincent's Midtown Hospital in Manhattan. Dr. Corvalan is a Diplomate, American Board of Surgery, and is a Fellow of the American College of Surgeons and the New York Academy of Medicine. Dr. Corvalan has held a number of teaching positions and is Associate Professor of Surgery at New York Medical College, Valhalla, New York. His current term expires on March 31, 2008.

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority by the Governor on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980's. Mr. Ruder is Vice Chairman of the New York State Board of Science, Technology and Academic Research (NYSTAR), and also serves on the board of the Adirondack Council, the Scarsdale United Way, the New York Metro Chapter of the Young Presidents' Organization and PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's term expired on August 31, 2007 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 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 Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, 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. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. 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.

ROMAN B. HEDGES, Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges served on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He has also served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means where he was responsible for the

preparation of studies of the New York State economy and revenues of local government, tax policy and revenue analyses, and for negotiating revenue and local government legislation for the Assembly. Dr. Hedges was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the state Division of Housing and Community Renewal ("DHCR") and Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of \$500 million. He conceived the state's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the state's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management. Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

RICHARD P. MILLS, *Commissioner of Education of the State of New York, Albany; ex-officio.*

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

LAURA L. ANGLIN, *Budget Director of the State of New York, Albany; ex-officio.*

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she 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, as well as pensions and employee benefits. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

RICHARD F. DAINES, M.D., *Commissioner of Health, Albany; ex-officio.*

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

The principal staff of the Authority is as follows:

DAVID D. BROWN, IV is the Executive Director and chief administrative and operating officer of the Authority. Mr. Brown is responsible for the overall management of the Authority's administration and operations. He previously served as Chief of the Investment Protection Bureau in the Office of the New York State Attorney General, supervising investigations of the mutual fund and insurance industries. From 2000 to 2003, Mr. Brown served as Vice President and Associate General Counsel at Goldman, Sachs & Co., specializing in litigation involving equities, asset management and brokerage businesses. Prior to that, he held the position of Managing Director at Deutsche Bank, where he served as the senior litigation attorney, managing major litigations and customer disputes. From 1994 to 1998, Mr. Brown was Managing Director and Counsel and senior litigation attorney for Bankers Trust Corporation. He holds a Bachelor's degree from Harvard College and a Juris Doctor degree from Harvard Law School.

MICHAEL T. CORRIGAN is the Deputy Executive Director of the Authority, and assists the Executive Director in the administration and operation of the Authority. Mr. Corrigan came to the Authority 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 the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority 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. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

JOHN G. PASICZNYK is the Chief Financial Officer of the Authority. Mr. Pasicznyk is responsible for investment management and accounting, as well as the development of the financial policies for the Authority. Before joining the Authority in 1985, Mr. Pasicznyk worked in audit positions at KPMG Peat Marwick and Deloitte & Touche. He holds a Bachelor's degree from Syracuse University and a Master of Business Administration degree from the Fuqua School of Business at Duke University.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority 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 Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. 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.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

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 the Authority 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. The Authority has obtained the approval of the PACB for the issuance of the Series 2007 Bonds.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority 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 the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority 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 respecting the Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2007. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 – LEGALITY OF THE SERIES 2008 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2008 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 of the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual public benefit corporations and authorities of the State may limit the investment of funds of such authorities in the Series 2008 Bonds.

The Series 2008 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 – NEGOTIABLE INSTRUMENTS

The Series 2008 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Master Resolution and in the Series 2008 Bonds.

PART 11 – TAX MATTERS

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2008 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2008 Bonds. The Authority has covenanted in the Series 2008 Resolution and Genesee Valley BOCES has covenanted in the Lease Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and Genesee Valley BOCES have made certain representations and certifications in certain other closing documents, including the tax certificate.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the Authority and the Genesee Valley BOCES described above, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2008 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2008 Bonds maturing August 15, 2025 and August 15, 2027 (the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2008 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Discount Bonds, even though there will not be a corresponding cash payment. Owners of Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Series 2008 Bonds maturing on August 15, 2008 through August 15, 2023 (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. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local consequences of owning such Premium Bonds.

State Taxes

Bond Counsel is also of the opinion that, by virtue of the Act, interest on the Series 2008 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

Ancillary Tax Matters

Ownership of the Series 2008 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2008 Bonds.

Interest paid on tax-exempt obligations such as the Series 2008 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2008 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described under the caption "Tax Matters". Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2008 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Federal Tax Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the Federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2008 Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2008 Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2008 Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2008 Bonds may occur. Prospective purchasers of the Series 2008 Bonds should consult their own tax advisers regarding such matters.

On November 5, 2007, the U.S. Supreme Court heard oral argument on Davis v. Kentucky Dep't Of Revenue of The Finance and Admin. Cabinet, 197 S.W.3d 557 (2006), a case that has questioned the permissibility under the U.S. Constitution of the Commonwealth of Kentucky providing for a state income tax exemption for interest on obligations issued by Kentucky or its subdivisions while taxing interest on obligations of other states or their subdivisions. The laws of the State of New York currently result in such differing treatment, by exempting interest on obligations of New York and its subdivisions and instrumentalities while taxing the interest on obligations issued by other states or their subdivisions or instrumentalities.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2008 Bonds may affect the tax status of interest on the Series 2008 Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2008 Bonds, or the interest thereon, if any action is taken with respect to the Series 2008 Bonds or the proceeds thereof upon the advice or approval of other counsel.

PART 12 – STATE NOT LIABLE ON THE SERIES 2008 BONDS

The Act provides that notes and bonds of the Authority 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 the Authority. The Master Resolution specifically provides that the Series 2008 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 – COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority'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 the Authority and with the holders of the Authority's notes or bonds. The Act specifically provides that the State covenants with holders of the Series 2008 Bonds not to repeal, revoke rescind or modify the provisions of the Act so as to limit, impair or impede the security afforded by that portion of the Act requiring the Comptroller of the State of New York to deduct from any State funds appropriated to a BOCES an amount equal to the amount payable by Genesee Valley BOCES to the Authority under the Agreement for the ensuing school year and further provides that no lien or charge which is prior in time or superior in right to such deduction shall be created; provided however, that nothing in the Act shall require the State to continue the payment of State aid to boards of cooperative educational services or prevent the State repealing or amending any law providing for the apportionment of such aid.

PART 14 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2008 Bonds by the Authority are subject to the approval of Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2008 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Hiscock & Barclay, LLP, Albany, New York and for Genesee Valley BOCES by its counsel, Timothy R. McGill, Esq., Fairport, New York.

There is no pending litigation restraining or enjoining the issuance or delivery of the Series 2008 Bonds or questioning or affecting the validity of the Series 2008 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 the Authority to finance the Project in accordance with the provisions of the Act, the Master Resolution and the Agreement.

PART 15 – UNDERWRITING

The Underwriters has agreed, subject to certain conditions, to purchase the Series 2008 Bonds from the Authority at an aggregate purchase price of \$39,036,001.90 and to make a public offering of the Series 2008 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2008 Bonds if any are purchased.

The Series 2008 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 16 – CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), Genesee Valley BOCES has undertaken in a written agreement for the benefit of the Series 2008 Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 120 days after the end of each fiscal year, commencing with the fiscal year of Genesee Valley BOCES ending June 30, 2008 for filing by DAC with each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission in accordance with Rule 15c2-12 (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, operating data and financial information of the type hereinafter described which is included in this Official Statement (the "Annual Information"), together with Genesee Valley BOCES' annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from Genesee Valley BOCES, DAC has undertaken in a written agreement for the benefit of the Bondholders, on behalf of and as agent for Genesee Valley BOCES, to file such information and financial statements, as promptly as practicable, but no later than three business days after receipt of the information by DAC from Genesee Valley BOCES, with each such Repository and with the State Information Depository. In addition, the Authority has undertaken, for the benefit of the Series 2008 Bondholders, to provide DAC in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “PART 5 – GENESEE VALLEY BOCES” under the heading “Financial Information” (only to the extent that this information is not included in the audited financial statements of Genesee Valley BOCES), together with (b) a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning Genesee Valley BOCES and in judging the financial and operating condition of Genesee Valley BOCES.

The Notices include notice of any of the following events with respect to the Series 2008 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Series 2008 Bonds; (7) modifications to rights of the Holders of the Series 2008 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2008 Bonds; and (11) rating changes. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2008 Bonds, to provide to each Repository or the MSRB and the State Information Repository, in a timely manner, notice of any failure by Genesee Valley BOCES to provide the Annual Information and annual financial statements by the date required in Genesee Valley BOCES’ undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of Genesee Valley BOCES and/or the Authority, and no person, including any Holder of the Series 2008 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or Genesee Valley BOCES may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2008 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2008 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Series 2008 Bonds. However, the Trustee is not required to take any enforcement action unless so directed by the Holders of not less than 25% in aggregate principal amount of Outstanding Series 2008 Bonds. A breach or default under the Continuing Disclosure Agreement will not constitute an Event of Default under the Master Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may under certain circumstances be amended or modified without the consent of Holders of the Series 2008 Bonds. Copies of the Continuing Disclosure Agreements when executed by the parties thereto upon the delivery of the Series 2008 Bonds will be on file at the principal office of the Authority.

PART 17 - SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning Genesee Valley BOCES included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2008 Bonds, as to the accuracy of such information provided or authorized by it.

Genesee Valley BOCES. The information in “PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES,” “PART 5 – Genesee Valley BOCES,” “PART 6 – THE PROJECT,” “PART 7 – ESTIMATED SOURCES AND USES OF FUNDS” and “Appendix B – Financial Statements of Genesee Valley BOCES” was supplied by Genesee Valley BOCES. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever to the accuracy or completeness of this information.

The New York State Department of Education (the "Department"). The information contained herein relating to BOCES generally and to the Department's participation in the transactions contemplated herein has been reviewed for accuracy by the Department. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever to the accuracy or completeness of this information.

The information contained herein relating to , the Policy, Surety and “Appendix F – Specimen Insurance and Surety Policies,” has been reviewed for accuracy by Assured Guranty. The Authority believes that this information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of this information.

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

Bond Counsel. “Appendix A - Definitions”, “Appendix C - Summary of Certain Provisions of the Agreement”, “Appendix D - Summary of Certain Provisions of the Master Resolution” and “Appendix E – Form of Approving Opinion of Bond Counsel” have been prepared by Nixon Peabody LLP, New York, New York, Bond Counsel.

Independent Auditors. “Appendix B – Financial Statements of Genesee Valley BOCES” have been prepared by Raymond Wager, P.C., Rochester, New York, Genesee Valley BOCES’ independent auditors.

The Authority. The Authority provided the balance of the information in or appended to this Official Statement, except as otherwise specifically noted herein.

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2008 Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to Genesee Valley BOCES, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolutions, the Agreement and the Agreement of Lease are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered owners of the Series 2008 Bonds are fully set forth in the Master Resolution, and neither any advertisement of the Series 2008 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2008 Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

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

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

By: /s/ David D. Brown IV
Authorized Officer

DEFINITIONS

[THISPAGEINTENTIONALLYLEFTBLANK]

DEFINITIONS

The following are definitions of certain of the terms defined herein, or in the Master Resolution, as amended by the First Supplemental Resolution, or the Agreement and used in this Official Statement.

Accreted Value means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

Act means the Dormitory Authority Act, being and constituting Title 4 of Article 8 of the Public Authorities Law of the State, as amended.

Administrative Expenses means expenses incurred by the Authority in carrying out its duties under the Agreement and under the Master Resolution, the BOCES Lease, and any other document, instrument, agreement, law, rule or regulation related to any Leased Property including, without limitation, accounting, administrative, financial advisory and legal expenses incurred in connection with the financing and construction of the Project, the fees and expenses of the Trustee, any Paying Agents or any other fiduciaries acting under the Master Resolution, the fees and expenses of any Facility Provider, the costs and expenses incurred in connection with the determination of the rate at which a Variable Interest Rate Bond is to bear interest and the remarketing of such Bond, the cost of providing insurance with respect to the Leased Property and the Project, judgments or claims payable by the Authority for the payment of which the Authority has been indemnified or held harmless pursuant to the Agreement, but only to the extent that moneys in the Construction Fund are not available therefor, and expenditures to compel full and punctual performance of the BOCES Lease, the Agreement, or any document, instrument or agreement related thereto in accordance with its terms.

Agreement means the Lease and Agreement between the Authority and a BOCES. In connection with the issuance of an Applicable Series of Bonds, as from time to time amended or supplemented in accordance with the terms of the provisions thereof and the Master Resolution.

Agreement of Lease (or "BOCES Lease") means the Agreement of Lease, dated as March 28, 2007, between BOCES and the Authority entered into in connection with the issuance of the Series 2008 Bonds, as from time to time amended or supplemented in accordance with the terms of the provisions thereof.

Annual Administrative Fee when used with respect to any Bond Year, means a share of the general overhead and administrative expenditures of the Authority reasonably allocated to the Project for such Bond Year by the Authority in accordance with a formula approved by the Comptroller of the State of New York.

Applicable means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Building and Equipment Reserve Fund, Debt Service Fund, Debt Service Reserve Fund, the fund

so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to a particular Project, (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Master Resolution or the Applicable Series Resolution, (iii) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project for a BOCES, (v) with respect to any Agreement or Lease Agreement, the Applicable Agreement or Applicable Lease Agreement, as the case may be, entered into by and between a BOCES and the Authority, relating to all Projects for a particular BOCES, (vi) with respect to a Credit Facility or Liquidity Facility, the Credit Facility or Liquidity Facility identified in the Applicable Series Resolution, (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution, (ix) with respect to a Reserve Fund Facility and a Facility Provider, a Reserve Fund Facility which constitutes all or any part of the Debt Service Reserve Fund Requirement in connection with an Applicable Series of Bonds or the Facility Provider thereof, and (x) with respect to Revenues and Pledged Revenues, the amounts payable to the Authority on account of a Series of Bonds.

Appreciated Value means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Applicable Series Resolution authorizing such Deferred Income Bond or in the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

Arbitrage Rebate Fund means each such fund so designated, created and established by the Applicable Series Resolution pursuant to the Master 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 succeed to the rights, powers, duties and functions of the Authority.

Authorized Officer means (i) in the case of the Authority, the Chairman, the Vice-Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the General Counsel, the Chief Information Officer, and a Managing Director, 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 a BOCES, when used with reference to any act or document, means the person identified herein or in the Applicable Agreement or Applicable Lease Agreement as authorized to perform such act or execute such document, and in all other cases means the Superintendent or an officer or employee of a BOCES authorized in a written instrument signed by the Superintendent; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer 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.

Basic Rent means that portion of the Rentals payable pursuant to the Applicable Agreement.

BOCES means the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties with respect to the Series 2008 Bonds and with respect to an Applicable Series of Bonds, the board of cooperative educational services for whose benefit the Authority will have issued such Series and with whom the Authority will have executed an Agreement and Lease Agreement.

BOCES Lease means that certain Agreement of Lease, dated as of March 28, 2007, by and between the BOCES, as lessor, and the Authority, as lessee, as it may be from time to time amended, modified and supplemented.

Bond or Bonds means any of the bonds of the Authority, including the Series 2008 Bonds, authorized and issued pursuant to the Master Resolution and to an Applicable Series Resolution.

Bond Counsel means an attorney or a law firm, appointed by the Authority with respect to a particular 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 the certificate of an Authorized Officer of the Authority, including the Series 2008 Bond Series Certificate, fixing terms, conditions and other details of Bonds of an Applicable Series in accordance with the delegation of power to do so under the Master Resolution or under the Applicable Series Resolution authorizing the issuance of such Bonds.

Bond Year means a period of twelve (12) consecutive months beginning August 15 in any calendar year and ending on August 14 of the succeeding calendar year.

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

Building and Equipment Reserve Fund means the fund so designated and established by the Applicable Series Resolution pursuant to the Master Resolution.

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; **provided, however**, that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the issuer of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close in The City of New York.

Capital Appreciation Bond means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

Construction Fund means each such fund so designated, created and established by the Applicable Series Resolution pursuant to the Master Resolution.

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of an Applicable Series of Bonds, which items of expense will 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 or a Depository, 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 Bonds, commitment fees or similar charges of a Remarketing Agent or relating to a Credit Facility or a Liquidity 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 with respect to an Applicable Project costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with the 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 such 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 such 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 such Project, (v) costs and expenses required for the acquisition and installation of furnishings, equipment, machinery and apparatus, (vi) all other costs which the Applicable BOCES or the Authority will be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse the BOCES 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 such Project (including interest on borrowed money), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of such Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant hereto or to the Applicable Agreement, Applicable Lease Agreement, a Credit Facility, a Liquidity Facility or a Remarketing Agreement.

Credit Facility means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, municipal bond insurance policy or other agreement, facility or insurance or guaranty arrangement issued or extended by 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, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, 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, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment,

purchase or redemption thereof, in accordance with the Master Resolution and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the Master Resolution.

Debt Service Fund means each such fund so designated, created and established by the Applicable Series Resolution pursuant to the Master Resolution.

Debt Service Reserve Fund means each such fund so designated, created and established by the Applicable Series Resolution pursuant to the Master Resolution.

Debt Service Reserve Fund Requirement means, as of any particular date of computation, with respect to Bonds of a Series, one-half of the amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments, if any, of and interest on such Series of Outstanding Bonds payable during such year, excluding interest accrued thereon prior to August 15 of the next preceding year, except that if, upon the issuance of a Series of Bonds, such amount would require moneys, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, to be deposited therein, the Debt Service Reserve Fund Requirement will mean an amount equal to the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as certified by an Authorized Officer of the Authority; provided, however, that for purposes of this definition (a) the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment will be included in the calculations of interest and principal payable on August 15 of the year in which such Capital Appreciation Bond or Deferred Income Bond matures or in which such Sinking Fund Installment is due, (b) an Option Bond Outstanding during any Bond Year will be assumed to mature on the stated maturity date thereof, and (c) it will be assumed that a Variable Interest Rate Bond, prior to its conversion to bear interest at a fixed rate to its maturity, bears interest during any year at the higher of (1) a fixed rate of interest equal to that rate, as estimated by an Authorized Officer of the Authority, after consultation with the remarketing agent, if any, for such Variable Interest Rate Bond if it is also an Option Bond or, if it is not, with an investment banking firm which is regularly engaged in the underwriting of or dealing in bonds of substantially similar character, on a day not more than twenty (20) days prior to the date of initial issuance of such Variable Interest Rate Bond, which such Variable Interest Rate Bond would have had to bear to be marketed at par on such date as a fixed rate obligation maturing on the maturity date of such Variable Interest Rate Bond, and (2) a rate, not less than the initial rate of interest on such Variable Interest Rate Bond, set forth in or determined pursuant to a formula set forth in the Applicable Series Resolution authorizing such Variable Interest Rate Bond or in the Applicable Bond Series Certificate relating to such Bond, and (d) if a Variable Interest Rate Bond will be converted to a fixed rate Bond for the remainder of the term thereof and as a result of such conversion a deficiency will be created in the Debt Service Reserve Fund, the Debt Service Reserve Fund Requirement will be calculated so as to exclude the amount of such deficiency and the Debt Service Reserve Fund Requirement will be increased in each of the five (5) years after the date of such conversion by an amount which will be equal to twenty per centum (20%) of the aforesaid deficiency.

Defeasance Security means (a) a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount

or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which 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) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America 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) which are rated by a Rating Agency in the highest rating category of each such rating service for such Exempt Obligation; **provided, however**, that such term shall not mean any interest in a unit investment trust or mutual fund.

Deferred Income Bond means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semiannually on February 15 and August 15 of each Bond Year.

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.

Environmental Laws means the federal, state, county and local statutes, ordinances and regulations, as may be independently applicable or applied to all or any part of the Leased Property by any governmental authority or any permit or approval applicable to all or any part of the Leased Property, pertaining to the protection of human health and the environment, including without limitation, those pertaining to the discharge of pollutants to surface and ground water, emissions to the air and contamination of soil or groundwater by Hazardous Substances.

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 Master Resolution, is rated, without regard to qualification of such rating by symbols such as "+" or "-" and numerical notation, in the second highest rating category of each Rating Agency rating such obligation, or, if such obligation is not rated by a Rating Agency, has been assigned a comparable rating by another nationally recognized rating

service or (ii) United States Treasury Demand Deposit Certificates of Indebtedness – State and Local Government Series, to the extent treated as a tax exempt obligation for purposes of Section 148 of the Code.

Facility Provider means the issuer of a Credit Facility, a Liquidity Facility or a Reserve Fund Facility delivered to the Applicable Trustee pursuant to the Master Resolution.

Fitch means Fitch, Inc., a corporation organized and created under the laws of the State of Delaware and its successors and assigns.

Government Obligation means a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America, an obligation (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) to which the full faith and credit of the United States of America are pledged, an obligation of any federal agency approved by the Authority, a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or a share or interest in a mutual fund, partnership or other fund wholly comprised of such obligations.

Interest Commencement Date means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Applicable Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, after which interest accruing on such Bond will be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on February 15 and August 15 of each Bond Year.

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

Lease Agreement means the Agreement of Lease between the Authority and a BOCES in connection with the issuance of an Applicable Series of Bonds, as from time to time amended or supplemented in accordance with the terms of the Master Resolution and of the Lease Agreement.

Leased Property means the real property described in Exhibit A to the Agreement, the buildings and improvements situated thereon or from time to time erected thereon and the Personal Property now or hereafter situated on or used in connection therewith (but only to the extent such Personal Property is financed with the proceeds of Bonds) constituting “board of cooperative educational services school facilities” as defined in the Act.

Liquidity Facility means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by 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 savings bank, 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 and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, 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, pursuant to which moneys are

to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms hereof and of the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds.

Master Resolution means the Master BOCES Program Lease Revenue Bond Resolution, adopted by the Authority on August 15, 2001, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

Memorandum of Understanding means the Memorandum of Understanding, among the Authority, the New York State Department of Education and the Office of State Comptroller regarding the direct payment by the Comptroller of BOCES aid to the Trustee.

Moody's means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns.

Option Bond means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds.

Outstanding, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Master Resolution and under any Applicable Series Resolution except: (i) any Bond canceled by the Applicable Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Master Resolution; (iii) any Bond in lieu of or in substitution for which another Bond will have been authenticated and delivered pursuant to the Master Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds on the applicable adjustment or conversion date, if interest thereon will have been paid through such applicable date and the purchase price thereof will have been paid or amounts are available for such payment as provided in the Agreement and in the Series Resolution authorizing such Bonds.

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

Permitted Encumbrances means and includes:

1. the lien of taxes and assessments and water and sewer rents and charges which are not yet due and payable;
2. rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Leased Property which do not materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;

3. minor defects and irregularities in the title to the Leased Property which do not in the aggregate materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;

4. 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 reasonably be expected to be held;

5. present or future valid zoning laws and ordinances;

6. any purchase money security interests in any Personal Property, other than with respect to Personal Property financed with the proceeds of the Bonds and any replacements thereof;

7. all other matters of record and state of title at the commencement date of the Agreement, rights of parties in possession and any state of facts which an accurate survey or physical inspection would show;

8. the BOCES Lease;

9. those matters referred to in any title insurance policy with respect to the Leased Property and accepted by the Authority; and

10. such other encumbrances or items to which the BOCES will have consented in writing signed by an Authorized Officer.

Personal Property means all articles of tangible personal property of every kind and description presently located or hereafter placed on or used in connection with the management or operation of the Leased Property other than those which, by the nature of their attachment to the Leased Property become real property pursuant to applicable law, including all escalators and elevators; all heating, ventilating, and air-conditioning equipment; all appliances, apparatus, machinery, motors and electrical equipment; all interior and exterior lighting equipment; all telephone, intercom, audio, music and other sound reproduction and communication equipment; all floor coverings, carpeting, wall coverings, drapes, furniture, trash containers, carts, decorative plants, planters, sculptures, fountains, artwork and other mall, common area, auditorium and office furnishings; all plumbing fixtures, facilities and equipment; all cleaning, janitorial, lawn, landscaping, disposal, firefighting, sprinkler and maintenance equipment and supplies; all books, records, files financial and accounting records relating to the ownership, operation or management of the Project; all drawings, plans and specifications relating to the improvements; and all other personal property whether similar or dissimilar to the foregoing which is now or in the future used in the ownership, operation or management of the Project, including all additions thereto, proceeds received upon voluntary or involuntary disposition thereof, and all renewals or replacements thereof or articles in substitution therefor.

Plans and Specifications means the final design for the Project, including a complete set of architectural, structural, HVAC, plumbing, electrical, landscape and furniture and equipment drawings, specifications and a shop drawings list which comply with all applicable laws, as well as all required regulatory approvals and utility acceptances, together with any amendments

thereto including increasing, decreasing or otherwise modifying the scope of the Project provided that such amendments are approved in writing by the State Education Department and filed with the Authority.

Pledged Revenues means the State funds that are pledged and assigned by a BOCES to the Authority pursuant to an Applicable Agreement to secure the BOCES obligations under such Agreement and that are required by the Act and the Education Law to be paid directly to the Authority or the Applicable Trustee.

Prior Pledges means the liens, pledges, charges, encumbrances and security interests made and given by a BOCES to secure prior obligations incurred by said BOCES, the maintenance of which has been approved by the Authority.

Project means the acquisition, design, construction, reconstruction, rehabilitation, improvement and equipping of “board of cooperative educational services school facilities” as defined in the Act.

Qualified Financial Institution means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (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 any state of the United States of America, (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 or (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; **provided, however**, that in the case of any entity described in (ii) or (iii) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by at least two Rating Agencies, or, if such obligations are not rated by at least two Rating Agencies, have been assigned a comparable rating by at least one Rating Agency, but in no event will such obligations be rated lower than the lowest rating assigned by a Rating Agency to any Outstanding Bonds.

Rating Agency means on any date each of Fitch, Moody’s or S&P that then has, at the request of the Authority, assigned a rating to the Applicable Series of Bonds, and any nationally recognized rating service that has been designated as a rating service by the Authority for purposes of the Master Resolution.

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

Rentals means the rent payable under the Agreement.

Reserve Fund Facility means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund Requirement authorized to be delivered to the Trustee pursuant to the Master Resolution.

Revenues means (i) the Basic Rent paid by a BOCES pursuant to the Agreement, (ii) the Applicable Pledged Revenues and (iii) the right to receive the same and the proceeds thereof and of such right.

S&P means Standard & Poor's Ratings Series, a division of The McGraw-Hill Corporation, or its successors and assigns.

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

Series Resolution means a resolution of the Authority, including the Series 2008 Resolution, authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Master Resolution.

Series 2008 Bond Series Certificate means the Certificate of an authorized officer of the Authority, fixing terms, conditions and other details of the Series 2008 Bonds.

Series 2008 Resolution means the Series 2008 Resolution Authorizing Up to \$40,000,000 Master BOCES Lease Program Revenue Bonds (Genesee Valley Issue), Series 2008, adopted by the Authority on March 28, 2007.

Sinking Fund Installment means, as of any date of calculation, when used with respect to any Bonds of a Series, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required by the Master Resolution or 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 August 15 for the retirement of any Outstanding Bonds of said Series which mature after said future August 15, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future August 15 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, and when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as 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 date 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 Option Bonds or Variable Rate Interest Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

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

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

Trustee means the bank or trust company appointed as Trustee for the Bonds pursuant to the Applicable Series Resolution or Applicable Bond Series Certificate and having the duties, responsibilities and rights provided for in the Master 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 Master Resolution.

Valuation Date means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond.

Variable Interest Rate means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds, which will be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bond; provided, however, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Resolution or a Bond Series Certificate; provided, further, that such Series Resolution or Bond Series Certificate will also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate will remain in effect or (y) the time or times at which any change in such variable interest rate will become effective or the manner of determining such time or times.

Variable Interest Rate Bond means any Bond which bears a Variable Interest Rate; provided, however, that a Bond the interest rate on which has been fixed for the remainder of the term thereof will no longer be a Variable Interest Rate Bond.

**FINANCIAL STATEMENTS OF
Genesee Valley BOCES**

(THIS PAGE INTENTIONALLY LEFT BLANK)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN
AND WYOMING COUNTIES**

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Statement of Governmental Net Assets	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Fiduciary Net Assets	18
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual	19
Notes to Financial Statements	20 - 34
Combining Balance Sheet - Nonmajor Governmental Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	36
Schedule of General Fund Revenue and Expenditures Compared to Budget - Revenue	37
Schedule of General Fund Revenue and Expenditures Compared to Budget - Expenditures	38
Analysis of Account A431 - School Districts	39
Capital Projects Fund - Summary Schedule of Project Expenditures	40
Schedule of Investment in Capital Assets, Net of Related Debt	41
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	42 - 43

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

332 Jefferson Road • Rochester, New York 14623
Tel: (585) 272-8040 • Fax: (585) 272-0423
E-Mail: theoffice@raymondfwagerepa.com

Shareholders:

Raymond F. Wager, CPA

Thomas J. Lauffer, CPA

Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board Members
Board of Cooperative Educational Services
Genesee, Livingston, Steuben and Wyoming Counties, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties, New York, as of and for the year ended June 30, 2007, which collectively comprise the BOCES' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the BOCES' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties, New York, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2007 on our consideration of the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Raymond F. Wager, CPA P.C.

September 14, 2007

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Management's Discussion and Analysis

Fiscal Year ended June 30, 2007

This section of Genesee, Livingston, Steuben and Wyoming BOCES' (the BOCES) annual financial report presents its discussion and analysis of the BOCES' financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the BOCES' financial statements, which immediately follow this section.

Financial Highlights

BOCES is governed by education law and other general laws of the State of New York. The governing body is the Board of Cooperative Educational Services. The scope of activities included within the accompanying basic financial statements are those transactions which comprise BOCES' operations and are governed by, or significantly influenced by the Board of Cooperative Educational Services.

Boards of Cooperative Educational Services (BOCES) were established by New York State legislation in 1948 to enable school districts to offer more breadth in their educational programs by sharing teachers. In 1955, legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 22 school districts in New York's Genesee, Livingston, Steuben and Wyoming counties:

Alexander Central School District	Letchworth Central School District
Attica Central School District	Livonia Central School District
Avon Central School District	Mount Morris Central School District
Batavia City School District	Oakfield-Alabama Central School District
Byron-Bergen Central School District	Pavilion Central School District
Caledonia-Mumford Central School District	Pembroke Central School District
Dansville Central School District	Perry Central School District
Elba Central School District	Warsaw Central School District
Geneseo Central School District	Wayland-Cohocton Central School District
Keshequa Central School District	Wyoming Central School District
LeRoy Central School District	York Central School District

BOCES programs and services include special education, career and technical education, academic and alternative programs, summer schools, staff development, computer services (management and instructional), educational communication and several management services (such as cooperative bidding, health safety & risk management).

Changes in Administrative Costs

The cost to the component districts for the administrative portion of the BOCES budget increased from the prior year by \$290,726. The Lease/Rental portion of the budget decreased a total of \$383, which is a less than 1% change from the 2006 year. However, the Operating portion increased \$291,109 or 14.92%. Nearly 60% or \$172,110 of the Operating portion increase is attributed to interest expense from a revenue anticipation note (RAN). This is the first time Genesee Valley BOCES has issued a RAN and this is a new expense, which is 100% BOCES aidable. Other items increasing the Operating component include: increased costs for health insurance premiums, significant increases in the cost of staff retirement plans (rates set by Retirement Systems) and other fringe benefits. Additionally there were increases from the prior year in contractual and internal program charges.

See the following chart for additional details.

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating	\$2,241,647	\$1,950,538	\$ 291,109	14.92%
Lease/Rental	\$ 828,284	\$ 828,667	\$ (383)	(0.05)%
Total	\$3,069,931	\$2,779,205	\$ 290,726	10.46%

Changes in Program Services

A BOCES General Fund budget is unique compared to a typical school budget. A typical school budget is endorsed by the Board of Education and presented to the voters for approval. Once the budget is finalized it does not change during the year. This is not the case with a BOCES budget. The BOCES budget is comprised of separate programs called COSERS (short for Cooperative Service Agreement). A component school district can choose whether to participate in any COSER; except the administrative COSER. By regulation all components must pay their share of the administrative COSER. Each year, in April, the component Boards of Education vote on the proposed administrative budget (one vote per Board).

Currently, there are approximately 60 separate COSER programs. Component districts can join a COSER at any point in the year, or they can amend their participation level during the year. They do this by authorizing an Adjustment to BOCES Services form. Once properly authorized, this form is entered into the BOCES financial system and revenue and appropriations are amended by the new service total. So a BOCES budget is constantly changing (usually increasing) throughout the year.

To illustrate see the chart below for the year ended June 30, 2007:

<u>COSER Services</u>	<u>Original Budget</u>	<u>Revised (final) Budget</u>
Administrative	\$ 4,386,625	\$ 3,193,060
Occupational Instruction	7,701,200	7,876,533
Instruction for Handicapped	6,948,246	9,078,343
Itinerant Services	1,501,255	1,707,728
General Instruction	3,383,960	3,826,857
Instructional Support	4,411,760	7,631,033
Other Services	<u>4,973,238</u>	<u>6,752,477</u>
Total Budget	<u>\$33,306,284</u>	<u>\$40,066,031</u>

As noted, the budget increased during the year by \$6,759,747 or 20%. All of this increase was a result of school district service request adjustments. The largest areas of increase were in Instruction for the Handicapped (\$2,130,097), Instructional Support (\$3,219,273) and Other Services (\$1,779,239). These three areas increased by a total of \$7,128,609. The Administrative portion decreased by \$1,193,565. This was the result of a credit to the component districts for their share of a capital project which did not start by June 30, 2007. The other three areas increased a total of \$824,703.

Overview of the Financial Statements

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

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the BOCES' overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the BOCES, reporting the BOCES' operations in more detail than the Government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the BOCES acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES' budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Genesee, Livingston, Steuben and Wyoming BOCES' Annual Financial Report

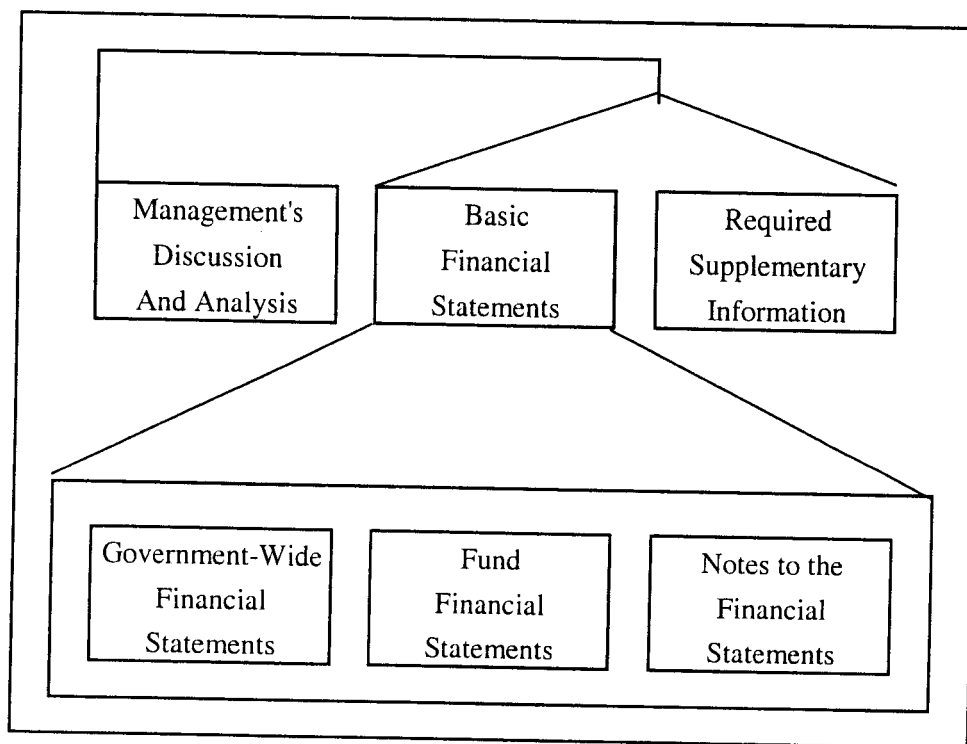


Figure A-2 summarizes the major features of the BOCES' financial statements, including the portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net assets statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The Government-wide statements report information about the BOCES as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the BOCES' assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the BOCES' net assets and how they have changed. Net assets is the difference between the BOCES' assets and liabilities. To assess the BOCES' overall health, you need to consider non-financial factors such as changes in the BOCES' programs and the condition of school buildings and other facilities.

In the Government-wide financial statements, the BOCES' activities are shown as governmental activities. Most of the BOCES' basic services are included here, such as regular and special education and administration. Grants and charges to component and non-component units finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES' funds, focusing on its most significant or "major" funds - not the BOCES as a whole. Funds are accounting devices the BOCES uses to keep track of specific sources of funding and spending on particular programs:

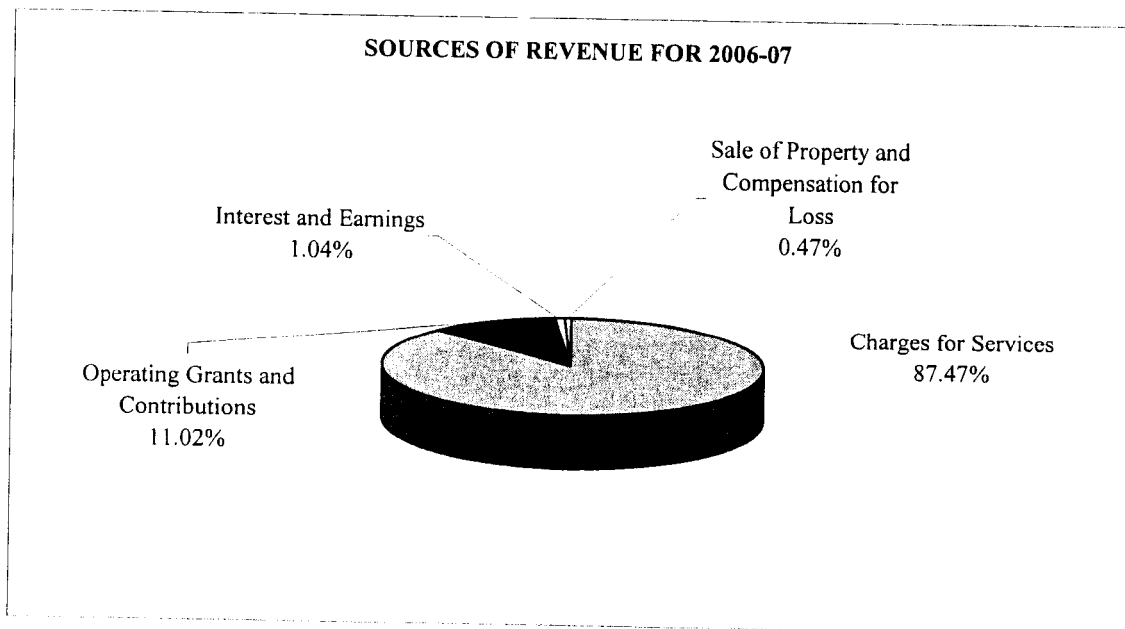
- Some funds are required by state law.
- The BOCES' establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The BOCES has two kinds of funds:

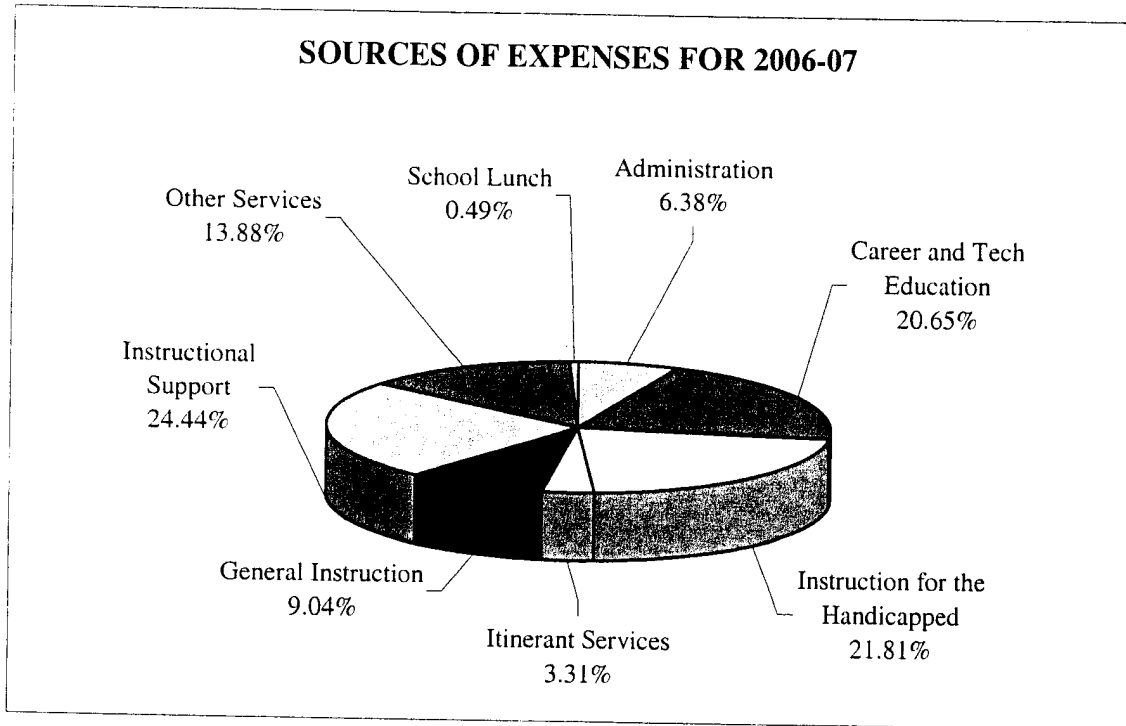
- **Governmental Funds:** Most of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets explains the relationship (or differences) between them.
- **Fiduciary Funds:** The BOCES is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

	<u>Governmental Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2007</u>	<u>2006</u>	<u>Dollar</u>	<u>Percentage</u>
			<u>Change</u>	<u>Change</u>
<u>ASSETS:</u>				
Current Assets	\$ 15,318,889	\$ 15,526,888	\$ (207,999)	-1.34%
Capital Assets	6,618,968	4,205,630	2,413,338	57.38%
TOTAL ASSETS	\$ 21,937,857	\$ 19,732,518	\$ 2,205,339	11.18%
<u>LIABILITIES:</u>				
Current Liabilities	\$ 14,461,204	\$ 12,594,460	\$ 1,866,744	14.82%
Long-Term Obligations	3,959,818	3,749,493	210,325	5.61%
TOTAL LIABILITIES	\$ 18,421,022	\$ 16,343,953	\$ 2,077,069	12.71%
<u>NET ASSETS:</u>				
Invested in Capital Assets, Net of Related Debt	\$ 4,013,995	\$ 4,205,630	\$ (191,635)	-4.56%
Unrestricted	(497,160)	(817,065)	319,905	-39.15%
TOTAL NET ASSETS	\$ 3,516,835	\$ 3,388,565	\$ 128,270	3.79%

REVENUES:	2007	2006	Total Dollar Change	Total Percentage Change
Program Revenues -				
Charges for Services	\$ 40,320,032	\$ 38,998,470	\$ 1,321,562	3.39%
Operating Grants and Contributions	5,081,925	4,652,324	429,601	9.23%
Total Program Revenues	\$ 45,401,957	\$ 43,650,794	\$ 1,751,163	4.01%
General Revenues -				
Interest and Earnings	\$ 481,612	\$ -	\$ 481,612	100.00%
Sale of Property and Compensation for Loss	216,027	-	216,027	100.00%
Miscellaneous	-	132,186	(132,186)	-100.00%
Total General Revenues	\$ 697,639	\$ 132,186	\$ 565,453	427.77%
TOTAL REVENUES	\$ 46,099,596	\$ 43,782,980	\$ 2,316,616	5.29%
EXPENSES:				
Program Expenses -				
Administration	\$ 2,932,317	\$ 2,695,661	\$ 236,656	8.78%
Career and Tech Education	9,494,829	8,878,603	616,226	6.94%
Instruction for the Handicapped	10,027,056	11,704,753	(1,677,697)	-14.33%
Itinerant Services	1,521,353	1,260,475	260,878	20.70%
General Instruction	4,154,681	4,363,130	(208,449)	-4.78%
Instructional Support	11,236,666	8,032,945	3,203,721	39.88%
Other Services	6,377,827	7,315,979	(938,152)	-12.82%
School Lunch	226,597	249,257	(22,660)	-9.09%
TOTAL EXPENSES	\$ 45,971,326	\$ 44,500,803	\$ 1,470,523	3.30%
CHANGES IN NET ASSETS	\$ 128,270	\$ (717,823)	\$ 846,093	-117.87%



SOURCES OF EXPENSES FOR 2006-07



Governmental Activities

This section presents the cost of nine major BOCES activities: administration, occupational instruction, instruction for the handicapped, itinerant services, general instruction, instructional support, other services, school lunch and capital outlay. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost (Income) From Services</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>	
Administration	\$ 2,932,317	\$ 2,695,661	8.78%	\$ (243,182)	\$ 85,357	-384.90%
Career and Tech Education	9,494,829	8,878,603	6.94%	180,931	50,906	255.42%
Instruction for the Handicapped	10,027,056	11,704,753	-14.33%	(279,668)	(315,051)	-11.23%
Itinerant Services	1,521,353	1,260,475	20.70%	732	(13,704)	-105.34%
General Instruction	4,154,681	4,363,130	-4.78%	(250,534)	63,402	-495.15%
Instructional Support	11,236,666	8,032,945	39.88%	(27,385)	394,537	-106.94%
Other Services	6,377,827	7,315,979	-12.82%	60,408	(1,086,294)	-105.56%
School Lunch	226,597	249,257	-9.09%	(10,671)	(29,162)	-63.41%
TOTAL	\$ 45,971,326	\$ 44,500,803	3.304%	\$ (569,369)	\$ (850,009)	33.016%

	<u>2007</u>		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Equity</u>
General Fund	\$ 40,526,845	\$ 38,077,162	\$ 1,346,994
Special Aid Fund	\$ 8,054,859	\$ 8,221,224	\$ 1,557,186
School Lunch Fund	\$ 216,254	\$ 226,597	\$ 46,346
Capital Projects Fund	\$ 723	\$ 1,812,545	\$ (2,582,682)

	<u>2006</u>		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Equity</u>
General Fund	\$ 37,765,448	\$ 35,840,832	\$ 1,463,556
Special Aid Fund	\$ 7,581,884	\$ 7,349,911	\$ 1,873,551
School Lunch Fund	\$ 222,337	\$ 231,811	\$ 56,689
Capital Projects Fund	\$ 804	\$ 799,398	\$ (770,860)

Capital Assets

In the past, the BOCES hired an independent third party vendor to provide current and updated appraisal information on fixed assets. The intent was to have this information compliant with GASB Statement No. 34 standards, which was accomplished. BOCES established a threshold for fixed asset depreciation at a minimum of \$10,000 per item or asset. A written report was provided by the third party which details their work. In addition, on-line updating of the data will be made available.

The BOCES is also in the final stages of closing a prior capital project. The total budget for this project is \$1.2 million. All of these funds were collected from the component districts in increments of \$300,000 per year starting in the 1999/2000 school year and ending in 2002/2003. The scope of the original project includes new energy management systems, new fire alarms, new security systems (including surveillance cameras) and upgrade and repairs to several parking lots. The original scope was completed in the fall of 2003. The remaining balance in this project is approximately \$ 21,000. At this point, use of these funds is undetermined.

	<u>2007</u>	<u>2006</u>
Land	\$ 137,000	\$ 137,000
Work in Progress	2,611,943	-
Buildings and Improvements	3,298,619	3,464,138
Machinery and Equipment	571,406	604,492
Total Capital Assets	<u>\$ 6,618,968</u>	<u>\$ 4,205,630</u>

Factors Bearing on the BOCES' Future

There are several factors which may have an impact on the BOCES future. They include:

1. Potential legislative changes are always a factor that must be dealt with. To date, nothing has been brought to our attention regarding new legislation that may be pending.

2. Recent legislation which impacted the BOCES is the 2005 School Financial Oversight and Accountability Legislation. Commonly referred to as the Comptrollers 5 Point Plan. This legislation requires, in summary, training for new School Board members, the creation of an Audit Committee, the creation of an Internal Audit program and includes RFP requirements for contracting with external auditors. These legislative changes are significant. However, due dates for certain actions and steps appear reasonable and manageable. As of June 30, 2007, the BOCES created an Audit Committee, created an Audit Committee Charter, trained all School Board members, hired a new Claims Auditor, hired an internal auditor and has followed RFP requirements for contracting external auditors which resulted in the hiring of a new external auditor.
3. Potential increases in the employee benefit area. BOCES remains concerned about future healthcare premiums. Higher office co-pays and higher prescription co-pays have been instituted to help in this area. Contributions to the Teachers' and Employees' Retirement Systems have increased significantly over the last 3 or 4 years. Current indications these rates will remain at the 10% to 12% of salary range.
4. The biggest factor to consider for future budget planning and management is the new capital project. A public referendum occurred on December 6, 2005. A total of 2,546 votes were cast with 1,768 being in favor of the project. Details of the scope of the project were presented in October of 2006 and included significant renovations at the Batavia and Mt. Morris campuses. In addition, new space will be constructed at both Batavia and Mt. Morris. Also, a portion of the project will be for an upgrade in the technology infrastructure, as well as a new telephone system. A final scope was submitted to the New York State Education Department in December 2006 and bids were opened in March 2007. Unfortunately, the low bids totaled approximately \$6 million more than the budget. After discussion and thorough consideration, the Board of Education decided to revise the scope of the project and re-bid at a later date. As of June 30, 2007 the tentative bid opening is planned for late fall 2007. The total project budget is \$39,952,321.
5. The BOCES Childcare program located on the Batavia Campus closed June 30, 2006 due to financial difficulties with an approximate deficit of \$225,000. As of June 30, 2007 the deficit is approximately \$88,000. Currently the BOCES management is studying options to eliminate this deficit.
6. The BOCES Preschool program located on the Batavia Campus and in component district classroom's was closed June 30, 2007. The planned closing was the result of financial difficulties associated with the funding methodology established by New York State. The Genesee Valley BOCES was one of the last BOCES in the State to offer the service. The finalized costs associated with closing the 2006-2007 BOCES Preschool program will not be known until rates are reconciled by the New York State Education Department in 2008-2009.
7. In 2006-2007 the Genesee Valley BOCES Board adopted a resolution establishing an employee benefit accrued liability reserve fund. This was created from an excess balance of \$900,000 from an existing unemployment insurance reserve fund. The employee benefit accrued liability reserve fund was established after the BOCES sought and received written guidance from the New York State Comptroller's office and pursuant to section 6-m of the General Municipal Law.
8. During 2006-2007 a Career and Technical Education Equipment Reserve Fund was proposed and ultimately approved by the Boards of Education of the Genesee Valley BOCES region. It is anticipated that \$100,000 of this Equipment Reserve fund will be funded beginning in 2007-2008.

Contacting the BOCES' Financial Management

This financial report is designed to provide the BOCES' customers and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Genesee, Livingston, Steuben and Wyoming BOCES, 80 Munson Street, LeRoy, New York.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Statement of Net Assets

June 30, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,564,479
Accounts receivable	10,723,061
Due from school districts	7,775
Inventories	23,574
Capital Assets:	
Land	137,000
Work in progress	2,611,943
Other capital assets (net of depreciation)	3,870,025
TOTAL ASSETS	\$ 21,937,857
LIABILITIES	
Accounts payable	\$ 1,541,456
Accrued liabilities	473,293
State aid due to districts	6,523,075
Due to school districts	2,658,831
Deferred revenue	915,211
Due to other governments	133,870
Due to teachers' retirement system	1,089,576
Due to employees' retirement system	125,892
Revenue anticipation notes payable	1,000,000
Long-Term Obligations:	
Due in one year	736,591
Due in more than one year	3,223,227
TOTAL LIABILITIES	\$ 18,421,022
NET ASSETS	
Invested in capital assets, net of related debt	\$ 4,013,995
Unrestricted	(497,160)
TOTAL NET ASSETS	\$ 3,516,835

(See accompanying notes to financial statements)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Statement of Activities

For Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Primary Government -</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Administration	\$ 2,932,317	\$ 2,689,135	\$ -	\$ (243,182)
Career & tech education	9,494,829	9,066,226	609,534	180,931
Instruction for the handicapped	10,027,056	9,186,543	560,845	(279,668)
Itinerant services	1,521,353	1,522,085	-	732
General instruction	4,154,681	3,498,928	405,219	(250,534)
Instructional support	11,236,666	7,840,403	3,368,878	(27,385)
Other services	6,377,827	6,438,235	-	60,408
School Lunch	226,597	78,477	137,449	(10,671)
Total Primary Government	\$ 45,971,326	\$ 40,320,032	\$ 5,081,925	\$ (569,369)

General Revenues:

Interest and earnings	\$ 481,612
Sale of property and compensation for loss	216,027
Total General Revenues	\$ 697,639
Changes in Net Assets	\$ 128,270
Net Assets, Beginning of Year	3,388,565
Net Assets, End of Year	\$ 3,516,835

(See accompanying notes to financial statements)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

**Balance Sheet
Governmental Funds
June 30, 2007**

	General Fund	Special Aid Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,588,882	\$ 936,765	\$ 38,832	\$ 4,564,479
Due From Other Funds	2,629,277	43,000	8,683	2,680,960
Due From School Districts	-	7,775	-	7,775
Accounts Receivable (Net of Allowance)	8,476,031	2,231,238	15,792	10,723,061
Inventories	-	-	23,574	23,574
TOTAL ASSETS	<u>\$ 14,694,190</u>	<u>\$ 3,218,778</u>	<u>\$ 86,881</u>	<u>\$ 17,999,849</u>
LIABILITIES AND FUND BALANCE				
<u>Liabilities -</u>				
Accounts payable	\$ 1,382,900	\$ 152,270	\$ 6,286	\$ 1,541,456
Accrued liabilities	304,175	165,471	3,647	473,293
Notes payable - revenue anticipation notes	1,000,000	-	-	1,000,000
Due to other funds	8,683	67,304	2,604,973	2,680,960
Due to other governments	78,283	55,381	206	133,870
Due to TRS	891,517	198,059	-	1,089,576
Due to ERS	99,905	24,008	1,979	125,892
State Aid Due To Districts	6,523,075	-	-	6,523,075
Due To School Districts	2,658,831	-	-	2,658,831
Compensated Absences	399,827	83,888	6,126	489,841
Deferred revenues	-	915,211	-	915,211
TOTAL LIABILITIES	<u>\$ 13,347,196</u>	<u>\$ 1,661,592</u>	<u>\$ 2,623,217</u>	<u>\$ 17,632,005</u>
<u>Fund Balances -</u>				
Reserved for,				
Unemployment insurance reserve	\$ 261,386	\$ -	\$ -	\$ 261,386
Encumbrances	162,466	269,831	-	432,297
Insurance reserve	23,142	-	-	23,142
Preschool	-	369,134	-	369,134
Employee benefit accrued liability reserve	900,000	-	-	900,000
Unreserved,				
Undesignated	-	918,221	(2,536,336)	(1,618,115)
TOTAL FUND BALANCE	<u>\$ 1,346,994</u>	<u>\$ 1,557,186</u>	<u>\$ (2,536,336)</u>	<u>\$ 367,844</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,694,190</u>	<u>\$ 3,218,778</u>	<u>\$ 86,881</u>	

**Amounts reported for governmental activities in the
Statement of Net Assets are different because:**

Capital assets used in governmental activities
are not financial resources and therefore
are not reported in the funds. \$ 6,618,968

The following long-term obligations are not due and
payable in the current period and therefore are not
reported in the governmental funds:

Postemployment benefits (2,256,437)
Compensated absences (1,213,540)

Net Assets of Governmental Activities **\$ 3,516,835**

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2007

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Aid</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Charges for Services	\$ 23,749	\$ 1,692,887	\$ -	\$ 1,716,636
Charges to Components	38,723,107	177,585	-	38,900,692
Charges to Non-Components and Other BOCES	1,005,557	1,057	-	1,006,614
Interest and Earnings	330,234	57,741	1,051	389,026
Sale of Property and Compensation for Loss	28,188	187,839	-	216,027
Miscellaneous	283,170	993,274	45	1,276,489
Interfund Revenues	132,840	-	-	132,840
Sales (School Store)	-	-	78,432	78,432
State Sources	-	2,337,577	137,449	2,475,026
Federal Sources	-	2,606,899	-	2,606,899
TOTAL REVENUES	<u>\$ 40,526,845</u>	<u>\$ 8,054,859</u>	<u>\$ 216,977</u>	<u>\$ 48,798,681</u>
EXPENDITURES				
Administration	\$ 3,069,931	\$ -	\$ -	\$ 3,069,931
Career & tech education	7,325,970	2,512,055	-	9,838,025
Instruction for the handicapped	8,811,748	1,259,671	-	10,071,419
Itinerant services	1,520,156	-	-	1,520,156
General Instruction	3,550,445	514,564	-	4,065,009
Instructional Support	7,328,949	3,934,934	-	11,263,883
Other services	6,469,963	-	-	6,469,963
Cost of sales	-	-	74,755	74,755
Other expenses	-	-	151,842	151,842
Capital outlay	-	-	1,812,545	1,812,545
TOTAL EXPENDITURES	<u>\$ 38,077,162</u>	<u>\$ 8,221,224</u>	<u>\$ 2,039,142</u>	<u>\$ 48,337,528</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,449,683</u>	<u>\$ (166,365)</u>	<u>\$ (1,822,165)</u>	<u>\$ 461,153</u>
OTHER CHANGES IN FUND BALANCE				
Surplus refund distribution	\$ (2,658,831)	\$ -	\$ -	\$ (2,658,831)
Net reserve transactions	92,586	-	-	92,586
To establish allowance for preschool receivable	-	(150,000)	-	(150,000)
FUND BALANCE, BEGINNING OF YEAR	<u>1,463,556</u>	<u>1,873,551</u>	<u>(714,171)</u>	<u>2,622,936</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,346,994</u></u>	<u><u>\$ 1,557,186</u></u>	<u><u>\$ (2,536,336)</u></u>	<u><u>\$ 367,844</u></u>

(See accompanying notes to financial statements)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS \$ (2,255,092)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts of capital outlays, additions of assets, and depreciation in the current period:

Capital Outlay	\$ 2,611,943	
Additions of Assets, net of disposals	118,200	
Depreciation	<u>(316,805)</u>	
		2,413,338

In the Statement of Activities, compensated absences are measured by the amount accrued during the year. In the governmental funds, expenditures for this item which can be funded for more than one year are reported as part of the employee benefit accrued liability reserve. The following provides those items funded for more than one year:

Compensated Absences	<u>(29,976)</u>
----------------------	-----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 128,270**

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES

Statement of Fiduciary Net Assets

June 30, 2007

	Private Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
Assets		
Current Assets		
Cash and cash equivalents	\$ -	\$ 136,388
Restricted cash	216,242	21,442
Accounts receivable	-	4,704
Total Assets	<u>\$ 216,242</u>	<u>\$ 162,534</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 392	\$ 34,580
Student activity balance	-	21,442
Other liabilities	-	106,512
Total Liabilities	<u>\$ 392</u>	<u>\$ 162,534</u>
Net Assets		
Reserved for scholarships	<u>\$ 215,850</u>	
Total Net Assets	<u>\$ 215,850</u>	

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2007

	Private Purpose Trust
	<u> </u>
Additions	
Interest and earnings	\$ 8,594
Gifts and Donations	103,881
Deductions	
Scholarships and other trust expenses	<u>(85,863)</u>
Change in Net Assets	\$ 26,612
Net Assets, Beginning of Year	<u>189,238</u>
Net Assets, End of Year	<u>\$ 215,850</u>

(See accompanying notes to financial statements)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

General Fund Statement of Revenue, Expenditures and Changes in Fund Equity

Budget and Actual

For Year Ended June 30, 2007

	Original Budget (Incl. Carryover <u>Encumbrances</u>)	Budget (<u>Amended</u>)	<u>Actual</u>	Variance Favorable (<u>Unfavorable</u>)
REVENUES				
Charges for Services	\$ -	\$ 23,749	\$ 23,749	\$ -
Charges to Components	32,956,323	38,723,107	38,723,107	-
Charges to Non-Components and Other BOCES	663,375	1,005,557	1,005,557	-
Interest and Earnings	20,000	20,000	330,234	310,234
Sale of Property and Compensation for Loss	-	28,263	28,188	(75)
Miscellaneous	8,200	198,256	283,170	84,914
Interfund Revenues	30,000	67,099	132,840	65,741
TOTAL REVENUES	<u>\$ 33,677,898</u>	<u>\$ 40,066,031</u>	<u>\$ 40,526,845</u>	<u>\$ 460,814</u>
EXPENDITURES				
Administration	\$ 4,393,368	\$ 3,193,060	\$ 3,069,931	\$ 123,129
Career & tech education	7,913,089	7,876,533	7,325,970	550,563
Instruction for the handicapped	6,970,353	9,078,343	8,811,748	266,595
Itinerant services	1,504,424	1,707,728	1,520,156	187,572
General Instruction	3,447,420	3,826,857	3,550,445	276,412
Instructional Support	4,440,993	7,631,033	7,328,949	302,084
Other services	5,008,251	6,752,477	6,469,963	282,514
TOTAL EXPENDITURES	<u>\$ 33,677,898</u>	<u>\$ 40,066,031</u>	<u>\$ 38,077,162</u>	<u>\$ 1,988,869</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,449,683</u>	<u>\$ 2,449,683</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,449,683</u>	<u>\$ 2,449,683</u>
OTHER CHANGES IN FUND BALANCE				
Surplus refund distribution	-	-	(2,658,831)	(2,658,831)
Net reserve transactions	-	-	92,586	92,586
FUND BALANCE, BEGINNING OF YEAR	<u>1,463,556</u>	<u>1,463,556</u>	<u>1,463,556</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,463,556</u>	<u>\$ 1,463,556</u>	<u>\$ 1,346,994</u>	<u>\$ (116,562)</u>

Note: Since Budgets for the Special Revenue Funds are not legally adopted, they are not presented in this statement.

(See accompanying notes to financial statements)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE LIVINGSTON STEUBEN AND WYOMING COUNTIES

Notes To The Basic Financial Statements

June 30, 2007

I. Summary of Significant Accounting Policies:

The financial statements of the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties, New York (the BOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. 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 BOCES's accounting policies are described below.

A. Reporting Entity

The Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Boards of Cooperative Educational Services were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, Legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 22 school district's:

Alexander	Dansville	Livonia	Warsaw
Attica	Elba	Mount Morris	Wayland-Cohocton
Avon	Genesee	Oakfield-Alabama	Wyoming
Batavia	Keshequa	Pavilion	York
Byron-Bergen	LeRoy	Pembroke	
Caledonia-Mumford	Letchworth	Perry	

BOCES programs and services include special education, vocational education, academic and alternative programs, summer schools, staff development, computer services (management and instructional), educational communication and cooperative purchasing.

(I.) (Continued)

The decision to include a potential component unit in the BOCES's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the BOCES's reporting entity:

1. **Extraclassroom Activity Funds**

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of the BOCES with respect to its financial transactions, and the designation of student management and the cash and investment balances are reported in the agency fund of the BOCES. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES's business office.

B. **Basis of Presentation**

1. **BOCES-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities present financial information about the BOCES's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through state aid, sale of property and equipment, investment revenues and miscellaneous revenues which consist primarily of refunds from other BOCES. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the BOCES's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include 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. Revenues that are not classified as program revenues, are presented as general revenues. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

2. **Fund Financial Statements**

The fund statements provide information about the BOCES funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

(I.) (Continued)

The BOCES reports the following funds:

a. **Major Governmental Funds**

General Fund - This is the BOCES primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the BOCES' lunch, breakfast and milk programs.

Capital Projects - This fund is used to account for and report financial resources to be used for acquisition, construction, or renovation of major capital facilities or equipment.

c. **Fiduciary** - Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

C. **Basis of Accounting/Measurement Focus**

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

(I.) (Continued)

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the BOCES's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

E. Interfund Transactions

The operations of the BOCES include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The BOCES typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the BOCES-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between funds, with the exception of those due from or to the fiduciary funds.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

(I.) (Continued)

G. Cash and Cash Equivalents/Investments

The BOCES's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. New York State Law governs the BOCES investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

H. Accounts Receivable

Accounts receivable are shown net of estimated allowance for uncollectible amounts.

I. Capital Assets - Property, Plant and Equipment

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 10,000	SL	20-50 Years
Machinery and Equipment	\$ 10,000	SL	5-15 Years

J. Deferred Revenue

The BOCES reports deferred revenue in its basic financial statements. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the BOCES before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized.

K. Vested Employee Benefits

It is BOCES policy to pay employees for vested sick days when there is a separation from service. The liability for compensated absences is calculated based on the contractual agreement in effect as of the balance sheet date. BOCES reports this liability as part of the General Fund. The short-term portion is reported as an accrued liability in the General Fund. While any funded long-term portion has been reported as part of the employee benefit accrued liability reserve. On the BOCES-wide Statement of Net Assets this liability is reported as long-term obligations with the current amount reported as due in one year and the long-term portion reported as due in more than one year.

(I.) (Continued)

L. **Short-Term Debt**

The BOCES may issue Revenue Anticipation Notes (RAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

M. **Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the BOCES-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financials statement when due.

Long-term obligations represent the BOCES' future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

N. **Equity Classifications**

1. **BOCES-Wide Statements**

In the BOCES-wide statements there are two classes of net assets:

Invested in Capital Assets, Net of Related Debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Unrestricted Net Assets - reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the BOCES.

2. **Fund Statements**

Unreserved fund balance consists of one classifications:

Undesignated Unreserved Fund Balance - reports remaining fund balance that has not been designated or reserved.

New York State Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 3% of the BOCES' budget for the ensuing fiscal year.

(I.) (Continued)

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to BOCES within the State of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the BOCES include the following:

Unemployment Insurance Reserve - is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Reserve for Encumbrance - represents the amount of outstanding encumbrances at the end of the fiscal year.

Insurance Reserve - is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriation, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

Employee Benefit Accrued Liability Reserve - is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

II. Stewardship, Compliance and Accountability:

A. Budgets

Section 1950 §4(b) of the Education Law required adoption of a final budget by no later than May 15, of the ensuing year.

BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES board for the general fund.

Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.

A tentative administrative budget is provided to the component District's for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority of the component school boards actually voting. During the current year, the administrative budget was approved by a majority of its voting component school boards.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The Special Revenue Funds have not been included in the budget and actual comparison because they do not have legally authorized (appropriated) budgets.

The BOCES Board can approve budget revisions based upon requests for additional services and surplus revenues.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general, BOCES-wide capital improvement project and nonmajor funds. Encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

C. Deficit Fund Balance – Capital Projects Fund

The Capital Projects Fund had a deficit undesignated fund balance of \$2,582,682 at June 30, 2007, which is a result of an interfund loan which is used as a temporary means of financing the capital project. This interfund loan is not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the interfund loan is replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

III. Cash and Cash Equivalents:

A. Cash

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the BOCES does not have a specific policy for custodial credit risk, New York State statutes govern the BOCES' investment policies, as discussed previously in these notes.

(III.) (Continued)

The BOCES' aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized within Trust department or agent	18,131,087
Total	<u><u>\$ 18,131,087</u></u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$22,291 within the governmental funds and \$216,242 in the fiduciary funds.

IV. **Receivables:**

Receivables at June 30, 2007 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities			Total
	General Fund	Special Aid Fund	Nonmajor Funds	
Accounts Receivable	\$ 1,952,956	\$ 1,565,548	\$ 6,703	\$ 3,525,207
Due From State and Federal	6,523,075	665,690	9,089	7,197,854
Total	<u><u>\$ 8,476,031</u></u>	<u><u>\$ 2,231,238</u></u>	<u><u>\$ 15,792</u></u>	<u><u>\$ 10,723,061</u></u>

BOCES management has deemed the amounts to be fully collectible.

V. **Capital Assets:**

Capital asset balances and activity for the year ended June 30, 2007 were as follows:

Type	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 137,000	\$ -	\$ -	\$ 137,000
Work in progress	-	2,611,943	-	2,611,943
Total Nondepreciable	<u>\$ 137,000</u>	<u>\$ 2,611,943</u>	<u>\$ -</u>	<u>\$ 2,748,943</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 9,327,712	\$ 33,487	\$ -	\$ 9,361,199
Machinery and equipment	2,037,966	84,713	-	2,122,679
Total Depreciable	<u>\$ 11,365,678</u>	<u>\$ 118,200</u>	<u>\$ -</u>	<u>\$ 11,483,878</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 5,863,574	\$ 199,006	\$ -	\$ 6,062,580
Machinery and equipment	1,433,474	117,799	-	1,551,273
Total accumulated depreciation	<u>\$ 7,297,048</u>	<u>\$ 316,805</u>	<u>\$ -</u>	<u>\$ 7,613,853</u>
Total capital assets depreciated, net of accumulated depreciation	<u>\$ 4,068,630</u>	<u>\$ (198,605)</u>	<u>\$ -</u>	<u>\$ 3,870,025</u>
Total Capital Assets	<u><u>\$ 4,205,630</u></u>	<u><u>\$ 2,413,338</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,618,968</u></u>

(V.) (Continued)

Depreciation expense for the period was charged to functions/programs as follows:

<u>Governmental Activities:</u>	
Administration	\$ 4,720
Career and Tech Education	229,082
Instruction for the Handicapped	33,676
General Instruction	41,438
Instructional Support	5,322
Other Services	2,567
Total Depreciation Expense	<u>\$ 316,805</u>

VI. Short-Term Debt:

Transactions in short-term debt for the year are summarized below:

	Balance 7/1/2006	Issued	Redeemed	Balance 6/30/2007
RAN maturing 6/29/07 at 3.95%	\$ -	\$ 4,600,000	\$ 4,600,000	\$ -
RAN maturing 6/27/08 at 3.75%	-	1,000,000	-	1,000,000
Total Short-Term Debt	<u>\$ -</u>	<u>\$ 5,600,000</u>	<u>\$ 4,600,000</u>	<u>\$ 1,000,000</u>

Interest on short-term debt for the year totaled \$172,110.

VII. Long-Term Debt:

The following is a summary of long-term obligations outstanding at June 30, 2007:

	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007	Classified As	
					Current	Non-Current
<u>Governmental Activities:</u>						
<u>Other Liabilities -</u>						
Compensated Absences	\$ 1,747,196	\$ -	\$ 43,815	\$ 1,703,381	\$ 489,841	\$ 1,213,540
Postemployment Benefits	2,002,297	254,140	-	2,256,437	246,750	2,009,687
Total Long-Term Obligations	<u>\$ 3,749,493</u>	<u>\$ 254,140</u>	<u>\$ 43,815</u>	<u>\$ 3,959,818</u>	<u>\$ 736,591</u>	<u>\$ 3,223,227</u>

Additions and deletions are shown net.

VIII. Pension Plans:

The BOCES participates in the New York State and Local Employees' Retirement System (ERS), and the New York State Teachers' Retirement System (TRS). These Systems are cost sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The NYSTRS is administered by the New York State Teachers' Retirement Board. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods, Albany, NY 12211-2395.

The New York State Employees' Retirement System provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to New York State Employees' Retirement System, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The BOCES is required to contribute at an actuarially determined rate. The BOCES contributions made to the Systems were equal to 100 percent of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>TRS</u>	<u>ERS</u>
2007	\$ 1,000,733	\$ 654,895
2006	\$ 758,250	\$ 582,087
2005	\$ 423,943	\$ 666,762

IX. Interfund Transactions – Governmental Fund:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 2,629,277	\$ 8,683
Special Aid Fund	43,000	-
School Lunch Fund	8,683	67,304
Capital Fund	-	2,604,973
Total government activities	<u>\$ 2,680,960</u>	<u>\$ 2,680,960</u>

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Assets.

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

X. Postemployment Benefits:

BOCES provides postemployment health insurance coverage to 34 retired employee and their surviving spouse in accordance with the provisions of the employment contract in effect of the time of retirement. The cost to the BOCES to provide this benefit totaled \$235,353 for the 2006-07 fiscal year.

In addition to providing retirement benefits, the BOCES provides postemployment health insurance coverage to certain employee groups in accordance with the provisions of the employment contracts negotiated between the BOCES and the employee groups. Substantially all employees within this group may become eligible for these benefits if they reach normal retirement age while working for the BOCES. The liability for these benefits has been estimated at rates in effect as of the balance sheet date. The amount recognized at June 30, 2007 for the value of postemployment benefits was \$2,256,437 and is recorded as long-term debt.

XI. Risk Management:

A. General Information

The BOCES is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Health Plan

The BOCES incurs costs related to the Genesee Valley Area Health Care Plan (Plan) sponsored by the Genesee Valley Board of Cooperative Educational Services (BOCES) and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Membership in the Plan may be offered to any component district of the BOCES with the unanimous approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than 60 days prior to the end of the Plan year. Plan members include sixteen districts with the BOCES bearing an equal proportionate share of the Plan's assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement, signed by all participants, all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid within any one fiscal year.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2007, the BOCES incurred premiums or contribution expenditures totaling \$3,328,405.

(XI.) (Continued)

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2006, revealed that the Plan is fully funded.

C. Workers' Compensation

The BOCES incurs costs related to the Genesee Valley Workers' Compensation Plan (Plan) sponsored by the Genesee Valley Board of Cooperative Educational Services and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Genesee Valley BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of ten districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. During the year ended June 30, 2007, the BOCES incurred premiums or contribution expenditures totaling \$177,585.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2006, revealed that the Plan is fully funded.

(XI.) (Continued)

C. Unemployment

BOCES employees are entitled to coverage under the New York State Unemployment Insurance Law. The BOCES has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The BOCES has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2006-07 fiscal year totaled \$96,556. The balance of the fund at June 30, 2007 was \$261,386 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2007, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XII. Contingencies and Commitments:

A. The BOCES has received grants, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the BOCES' administration believes disallowances, if any, will be immaterial.

B. Litigation Note

There is currently one case pending against the BOCES. The financial impact, if any, is not known as of the date of this report.

XIII. Lease Agreements:

The BOCES leases property and equipment under operating leases. Total expenditures on such leases for the fiscal year ended June 30, 2007 were \$243,200. The maximum future non-cancelable operating lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30,</u> 2008	<u>\$ 121,600</u>

XIV. Preschool Program:

The BOCES Preschool Program is funded through billings to participating entities (primarily Genesee and Wyoming Counties) on a per student basis. The tuition rates are based upon estimated costs and are subsequently adjusted, subject to maximum limitations set by the New York State Rate Setting Unit. The adjusted rates are not finalized until a period of up to two years subsequent to the year of service. In the event that the original tuition rates (and actual costs) of the program are in excess of the final rates established by the Rate Setting Unit, the BOCES is left with an uncollectible accounts receivable balance. The preschool billing process allows the BOCES to re-bill the counties participating in the program for prior year services based on reconciled rates.

The balance that management has estimated to be uncollectible at June 30, 2007 amounted to \$150,000, for which an allowance for bad debt has been recorded. As of June 30, 2007, the rates for the Program for program years ended June 30, 2006 and 2007 have not yet been finalized. At June 30, 2007, the BOCES has recorded net accounts receivable of \$580,153 for these years.

XV. Fund Balance – Reserved:

The changes in the reserve funds recorded by the BOCES in the general fund are summarized as follows:

	<u>Balance</u> <u>7/1/2006</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2007</u>
Unemployment insurance reserve	\$ 22,059	\$ 1,083	\$ -	\$ -	\$ 23,142
Insurance reserve	1,069,883	188,059	(96,556)	(900,000)	261,386
Employee benefit accrued liability reserve	-	-	-	900,000	900,000
Total	<u><u>\$ 1,091,942</u></u>	<u><u>\$ 189,142</u></u>	<u><u>\$ (96,556)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,184,528</u></u>

XVI. Subsequent Event:

Subsequent to year end, the BOCES issued a revenue anticipation note in the amount of \$3,800,000 which is dated July 2, 2007, matures on June 27, 2008 at an interest rate of 3.76%.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2007

	<u>Special</u> <u>Revenue Fund</u>		<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Lunch</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 16,541	\$ 22,291	\$ 38,832
Due from other funds	8,683	-	8,683
Accounts receivable (Net of Allowance)	15,792	-	15,792
Inventories	23,574	-	23,574
TOTAL ASSETS	<u>\$ 64,590</u>	<u>\$ 22,291</u>	<u>\$ 86,881</u>
LIABILITIES AND FUND BALANCE			
<u>Liabilities -</u>			
Accounts payable	\$ 6,286	\$ -	\$ 6,286
Accrued liabilities	3,647	-	3,647
Due to other funds	-	2,604,973	2,604,973
Due to other governments	206	-	206
Due to ERS	1,979	-	1,979
Compensated absences	6,126	-	6,126
TOTAL LIABILITIES	<u>\$ 18,244</u>	<u>\$ 2,604,973</u>	<u>\$ 2,623,217</u>
<u>Fund Balances -</u>			
Unreserved,			
Undesignated	\$ 46,346	\$ (2,582,682)	\$ (2,536,336)
TOTAL FUND BALANCE	<u>\$ 46,346</u>	<u>\$ (2,582,682)</u>	<u>\$ (2,536,336)</u>
TOTAL LIABILITIES AND			
FUND BALANCES	<u>\$ 64,590</u>	<u>\$ 22,291</u>	<u>\$ 86,881</u>

(See Independent Auditors' Report)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For Year Ended June 30, 2007

	Special Revenue Fund	Capital Project Fund	Total Nonmajor Governmental Funds
	School Lunch Fund		
REVENUES			
Interest and earnings	\$ 328	\$ 723	\$ 1,051
Miscellaneous	45	-	45
Sales	78,432	-	78,432
Federal and state sources	137,449	-	137,449
	\$ 216,254	\$ 723	\$ 216,977
TOTAL REVENUES			
EXPENDITURES			
School Lunch	\$ 74,755	\$ -	\$ 74,755
Other expenses	151,842	-	151,842
Capital outlay	-	1,812,545	1,812,545
	\$ 226,597	\$ 1,812,545	\$ 2,039,142
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (10,343)	\$ (1,811,822)	\$ (1,822,165)
OTHER CHANGES IN FUND BALANCE			
FUND BALANCE, BEGINNING OF YEAR	56,689	(770,860)	(714,171)
FUND BALANCE, END OF YEAR	\$ 46,346	\$ (2,582,682)	\$ (2,536,336)

(See Independent Auditors' Report)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES

GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES

Schedule of General Fund Revenues and Expenditures Compared to Budget

Year Ended June 30, 2007

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001	\$ 4,386,625	\$ 3,193,060	\$ 3,571,023	\$ 377,963
Career and Tech Education 100-199	7,701,200	7,876,533	7,843,010	(33,523)
Instruction for Handicapped 200-299	6,948,246	9,078,343	9,114,877	36,534
Itinerant 300-399	1,501,255	1,707,728	1,706,607	(1,121)
General Instruction 400-499	3,383,960	3,826,857	3,819,077	(7,780)
Instructional Support 500-599	4,411,760	7,631,033	7,679,884	48,851
Other Services 600-699	<u>4,973,238</u>	<u>6,752,477</u>	<u>6,792,367</u>	<u>39,890</u>
TOTAL REVENUES	<u><u>\$ 33,306,284</u></u>	<u><u>\$ 40,066,031</u></u>	<u><u>\$ 40,526,845</u></u>	<u><u>\$ 460,814</u></u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES
Schedule of General Fund Revenues and Expenditures Compared to Budget
Year Ended June 30, 2007

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001	\$ 4,386,625	\$ 3,193,060	\$ 3,069,931	\$ 54,003	\$ 69,126
Career and Tech Education 100-199	7,701,200	7,876,533	7,325,970	29,421	521,142
Instruction for Handicapped 200-299	6,948,246	9,078,343	8,811,748	9,984	256,611
Itinerant 300-399	1,501,255	1,707,728	1,520,156	5,097	182,475
General Instruction 400-499	3,383,960	3,826,857	3,550,445	12,787	263,625
Instructional Support 500-599	4,411,760	7,631,033	7,328,949	42,024	260,060
Other Services 600-699	<u>4,973,238</u>	<u>6,752,477</u>	<u>6,469,963</u>	<u>9,150</u>	<u>273,364</u>
TOTAL EXPENDITURES	<u>\$ 33,306,284</u>	<u>\$ 40,066,031</u>	<u>\$ 38,077,162</u>	<u>\$ 162,466</u>	<u>\$ 1,826,403</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,449,683</u>		

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Analysis of Account A431 - School Districts

Year Ended June 30, 2007

	2007
July 1, 2006 - DEBIT (CREDIT) BALANCE	\$ (1,919,679)
 DEBITS:	
Billings to school districts	\$ 39,728,664
Refund of balances made to school districts	1,938,700
Encumbrances - June 30, 2007	162,466
Total Debits	\$ 41,829,830
 TOTAL	
	\$ 39,910,151
 CREDITS:	
Collections from school districts	\$ 39,747,685
Adjustment - credits to school districts - revenues in excess of expenditures	2,449,683
Encumbrances - June 30, 2006	371,614
Total Credits	\$ 42,568,982
 JUNE 30, 2007 - DEBIT (CREDIT) BALANCE	 \$ (2,658,831)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

CAPITAL PROJECTS FUND

SUMMARY SCHEDULE OF PROJECT EXPENDITURES

JUNE 30, 2007

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>		<u>Total</u>	<u>Unexpended Authorization</u>	<u>Method of Financing</u>		<u>Fund Balance</u>
			<u>Prior Year's</u>	<u>Current Year</u>			<u>Local Sources</u>	<u>Total</u>	
Reconstruction and Renovation	\$ 39,952,321	\$ 39,952,321	\$ 792,428	\$ 1,812,545	\$ 2,604,973	\$ 37,347,348	\$ -	\$ -	\$ (2,604,973)
Energy Management	1,200,000	1,200,000	1,195,585	-	1,195,585	4,415	1,217,876	1,217,876	22,291
Total	<u>\$41,152,321</u>	<u>\$ 41,152,321</u>	<u>\$ 1,988,013</u>	<u>\$ 1,812,545</u>	<u>\$ 3,800,558</u>	<u>\$ 37,351,763</u>	<u>\$ 1,217,876</u>	<u>\$ 1,217,876</u>	<u>\$ (2,582,682)</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENESEE, LIVINGSTON, STEUBEN AND WYOMING COUNTIES**

Schedule of Investment in Capital Assets, Net of Related Debt

For Year Ended June 30, 2007

Capital assets, net	\$ 6,618,968
Deduct:	
Short-term loan from general fund	<u>2,604,973</u>
Investment in capital assets, net of related debt	<u><u>\$ 4,013,995</u></u>

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

332 Jefferson Road • Rochester, New York 14623
Tel: (585) 272-8040 • Fax: (585) 272-0423
E-Mail: theoffice@raymondwagercpa.com

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA

Thomas J. Lauffer, CPA

Thomas C. Zuber, CPA

**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***

To the Board Members
Board of Cooperative Educational Services
Genesee, Livingston, Steuben and Wyoming Counties, New York

We have audited the financial statements of Board of Cooperative Educational Services Genesee, Livingston, Steuben and Wyoming Counties as of and for the year ended June 30, 2007, and have issued our report thereon dated September 14, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Board of Cooperative Educational Services Genesee, Livingston, Steuben and Wyoming Counties's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the BOCES's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the BOCES's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the BOCES's financial statements that is more than inconsequential will not be prevented or detected by the BOCES's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the BOCES's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Cooperative Educational Services Genesee, Livingston, Steuben and Wyoming Counties'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*.

We noted certain matters that we reported to the management of the Board of Cooperative Educational Services Genesee, Livingston, Steuben and Wyoming Counties in a separate letter dated September 14, 2007.

This report is intended solely for the information and use of the audit committee, management, BOCES Board and the Federal Awarding Agencies and is not intended to be and should not be used by anyone other than these specified parties.

Raymond F. Wager, CPA P.C.

September 14, 2007

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SUMMARY OF CERTAIN PROVISIONS
OF THE LEASE AND AGREEMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND AGREEMENT

The following is a brief summary of certain provisions of the Agreement. Such summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions. Defined terms used in the Agreement will have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Term of Lease

The term of the Agreement will commence on the date on which the Series 2008 Bonds are first issued and delivered by the Authority, and will terminate on the earlier of August 15, 2027 or the date on which no Series 2008 Bonds are Outstanding or upon the earlier expiration of the term pursuant to the term of the Agreement or pursuant to law (the "Lease Term"). Notwithstanding the termination of the term of the Agreement, the obligations of the BOCES under the Agreement will not terminate and the BOCES will remain liable for such obligations and damages set forth in the Agreement unless and until no Series 2008 Bonds are outstanding and the BOCES has satisfied its obligations under the Agreement, provided further that the sections from the Agreement as summarized under the headings "Indemnification of Authority and Limitation on Liability" and "Tax Exempt Status of the Bonds" herein will survive such termination.

(Section 2.02)

Construction of Project

The BOCES agrees that, whether or not there are sufficient moneys available to it under the provisions of the Master Resolution, the Series 2008 Resolution and Agreement, the BOCES will complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project in connection with which the Authority has issued Series 2008 Bonds, substantially in accordance with the Plans and Specifications related thereto as such Plans and Specifications may be amended by the BOCES with the approval of the State Education Department and filed with the Authority. Subject to the conditions of the Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the BOCES to be reimbursed for, or pay, any costs and expenses incurred by the BOCES which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval will not be unreasonably withheld. In order to provide moneys for payment of the Cost of the Project, upon the written request of the BOCES, the Authority may issue additional Bonds.

(Section 3.01)

Payment of Rentals

(a) The BOCES will pay to the Authority the following Basic Rent in the amounts and on the dates as follows:

(i) Subject to subdivision (e) of this subsection, on each September 1, or if such September 1 is not a Business Day then the next succeeding Business Day, the interest on Outstanding Series 2008 Bonds payable on the next succeeding February 15 and August 15 and the principal and Sinking Fund Installments of Outstanding Series 2008 Bonds payable by reason of maturity and redemption on the next succeeding August 15;

(ii) Subject to subdivision (e) of this subsection, on each September 1, or if such September 1 is not a Business Day then the next succeeding Business Day, the amount, if any, as will have been set forth in the certificate of the Trustee made pursuant to the Master Resolution as summarized in Appendix D under the heading "Debt Service Reserve Fund" as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement; and

(iii) On the fifth Business Day prior to each interest payment date, the amount, if any, necessary to cause the amount on deposit in the Debt Service Fund to equal the amount of principal of and interest payable on the Bonds on such interest payment date.

For purposes of subsections (a)(i) and (ii) herein, in estimating the interest to accrue on a Variable Interest Rate Bond after the end of the then current rate period, the Authority will assume that interest will accrue on such Variable Interest Rate Bond from and after the last day of such rate period at a constant rate per annum equal to the rate at which it then bears interest, plus one percent (1%) per annum.

The BOCES will have the option to make from time to time prepayments in part of payments due as aforesaid of Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Series 2008 Bonds, if such prepayment is to be used for the purchase or redemption of such Series 2008 Bonds. To the extent that the BOCES prepays all of the Basic Rent payable with respect to a Project (as determined by the Authority and the BOCES), such Project may be released from the Agreement. The Trustee will apply such prepayments in such manner consistent with the provisions of the Master Resolution as may be specified in writing by the BOCES at the time of making such prepayment.

Subject to the provisions of the Agreement and of the Master Resolution, the BOCES will receive a credit against the amount required to be paid by the BOCES pursuant to subparagraph (i) of this subsection (a) on account of any Sinking Fund Installments if, not less than forty-five (45) days prior to an August 15 on which a Sinking Fund Installment is scheduled to be due, there will be delivered to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such August 15. The amount of the credit will be equal to the principal amount of Bonds so delivered and cancelled.

(b) The BOCES will pay to the Authority, as additional rent for the Project, the amounts, and on the dates, as follows:

(i) On the date of delivery of the Series 2008 Bonds, to the extent not paid from the proceeds of the Series 2008 Bonds, the Authority Fee and any Administrative Expenses, as estimated by an Authorized Officer of the Authority, incurred in connection with the issuance of the Series 2008 Bonds;

(ii) On each March 31 or such other date as may be agreed to by the Authority, the Annual Administrative Fee;

(iii) The Administrative Expenses of the Authority, the Trustee and each Paying Agent for the Series 2008 Bonds, within sixty (60) days after notice of the amount thereof is given to the BOCES; and

(iv) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund.

(c) The Authority will furnish the BOCES not less than sixty (60) days prior to the date on which a payment is due pursuant to this subsection, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this subsection. With respect to the payment of Basic Rent pursuant to subsection (a) above, the amount set forth in such statement will be net of amounts on deposit in the Debt Service Fund, including the State funds received and such interest earnings thereon, if any, as of the date of such statement and such statement will set forth the amount of such State funds received, such interest earnings thereon and amounts still owed to the Authority. The failure to furnish such statement will not excuse the BOCES's failure to pay, when due, the Basic Rent payable pursuant to this section.

(d) In addition to the payments required under this heading, in the event a Reserve Fund Facility is deposited for all or part of the Debt Service Reserve Fund Requirement in accordance with the Master Resolution, as summarized in Appendix D under the heading "Debt Service Reserve Fund," the BOCES will be obligated (i) to make payments to the Trustee to restore the Debt Service Reserve Fund to its requirement so that the Facility Provider may be reimbursed for amounts paid by it pursuant to such Reserve Fund Facility and (ii) to pay the Administrative Expenses of the Authority incurred in connection with such Reserve Fund Facility, including without limitation, amounts necessary to pay fees, expenses and interest payable to the Facility Provider by the Authority in connection with such Reserve Fund Facility. If

the Reserve Fund Facility is to be replaced with money pursuant to the third paragraph of the heading "Debt Service Reserve Fund" summarized in Appendix D, the BOCES will be obligated to make payments to the Trustee in amounts and at the times that deposits are to be made to the Debt Service Reserve Fund pursuant to such paragraph.

(e) The BOCES will receive a credit against payment due under the Agreement equal to the amount of State funds received by the Trustee or the Authority to be applied towards such payment. If the amount of such State funds received by the Trustee or the Authority on September 1 is less than the amount required to be paid under the Agreement, the Authority will give notice to BOCES not more than ten (10) days from such September 1. Such notice will state the amount received by the Trustee and the Authority and the amount still due and payable.

The Authority will notify the BOCES of the receipt of any payment of State funds by the Authority or the Trustee after September 1 no more than ten (10) days after receipt of such funds, which notice will state the amount received by the Trustee and the Authority and the amount still due and payable. If the amount of State funds received by the Trustee or the Authority by January 1 of each year is less than the amount of interest payable on the Series 2008 Bonds on February 15, the BOCES will pay to the Trustee by January 15 the difference between the amount of State funds received and the interest payable on the Series 2008 Bonds on February 15. If the amount of State funds received by the Trustee or the Authority by July 1 of each year, after the application of the amounts necessary to make the interest payments due on the preceding February 15, is less than the amount of principal and interest payable on the Series 2008 Bonds on August 15, the BOCES will pay to the Trustee by July 15 the difference between the amount of State funds received and the principal and interest payable on the Bonds on August 15.

If on January 1 of each year the amount of moneys on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the BOCES will pay to the Trustee by January 15 the difference between the amount of State funds received and the amount of money to make up the deficiency in the Debt Service Reserve Fund and satisfy the Debt Service Reserve Fund Requirement. If on July 1 of each year the amount of moneys on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the BOCES will pay to the Trustee by July 15 the difference between the amount of State funds received and the amount of money to make up the deficiency in the Debt Service Reserve Fund and satisfy the Debt Service Reserve Fund Requirement.

(Section 4.01)

Indemnification of Authority and Limitation on Liability

Both during the Lease Term and thereafter, the BOCES, to the extent permitted by law, hereby releases the Authority and each director, officer and employee of the Authority from claims for damages or liability arising from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement, or use of the Leased Property pursuant hereto. Both during the Lease Term and thereafter, the BOCES, to the extent permitted by law, will indemnify and hold the Authority and each member, officer and employee of the Authority harmless against any and all liabilities, losses, costs, damages or claims, and will pay any and all judgments or expenses of any and all kinds or nature and however arising, imposed by law, including interest thereon, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, action, suit, charge or proceeding arising (1) from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement or use of the Leased Property (including the Project), pursuant hereto, based upon: personal injury, death, or damage to property, whether real, personal or mixed; or upon or arising out of contracts entered into by the Authority, or (2) upon or arising out of the Authority's ownership of a leasehold estate of the Leased Property or the leasing thereof to the BOCES; or (3) upon or arising out of the acquisition of the Leased Property, or upon or arising out of an allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of the Series 2008 Bonds contained an untrue or misleading statement of a material fact obtained from the BOCES relating to the BOCES or the Project, or omitted to state a material fact relating to the BOCES or the Project necessary in order to make the statements made therein in light of the

circumstances under which they were made not misleading provided however, that neither the Authority nor a member, officer or employee of the Authority will be released, indemnified or held harmless from any claim for damages, liability, loss, cost, damage, judgment or expense arising out of the gross negligence or willful misconduct of the Authority, such member, officer or employee.

(Section 4.03)

Operation, Maintenance and Repair

During the Lease Term, the BOCES will be responsible for, and pay all costs of, operating the Leased Property, maintaining the same in condition suitable and sufficient for the use for which they are intended, and making all necessary repairs and replacements, interior and exterior, structural and nonstructural.

The BOCES is responsible for the over-all supervision of the Leased Property, for the overhead and general administrative costs of the BOCES which are incurred because of the Leased Property and for the integration of the operation of the Leased Property into the BOCES educational program.

(Section 5.01)

Utilities, Taxes and Governmental Charges

The BOCES will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Leased Property during the Lease Term.

In addition, the BOCES will (i) pay, or make provision for payment of, all lawful taxes and assessments (other than those which are the basis of a Permitted Encumbrance), including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, state or any municipal government upon the Authority or the BOCES with respect to or upon the Leased Property or any part thereof or upon any payments under the Agreement when the same will become due; (ii) not create or suffer to be created any lien or charge upon the Leased Property or any part thereof, except Permitted Encumbrances, or upon the payments in respect thereof pursuant hereto; and (iii) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same will come into force, any lien or charge upon the Leased Property or any part thereof, except Permitted Encumbrances, or upon any payments under the Agreement and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Agreement.

The Authority will cooperate fully with the BOCES in the payment of taxes or assessments and in the handling and conduct of any prospective or pending litigation with respect to the levying of taxes or assessments on the Leased Property and will, to the extent it may lawfully do so, permit the BOCES to litigate in any such proceeding in the name and behalf of the Authority.

(Section 5.02)

Additions, Enlargements and Improvements

The BOCES will have the right at any time and from time to time during the Lease Term, at its own cost and expense, to make such additions, alterations, modifications, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Project (collectively, the "Alterations"), as the BOCES will deem necessary or desirable in connection with any permitted use thereof; provided, however, that no Alteration which requires structural change of the Project, or which modifies or changes any aspect or feature thereof designed or intended to protect the life or provide for the safety of the occupants of the Project, will be made by the BOCES without the prior written consent of an Authorized Officer of the State Education Department. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations will be promptly paid or discharged so that the Project will at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction

and restorations of, a Project on the Leased Property will be and become a part of the Project and the property leased to the Authority under the Agreement.

(Section 5.03)

Insurance

The BOCES will, in accordance with the requirements of the Agreement, procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily and reasonably maintained by educational institutions providing services similar to those provided by the BOCES. All policies of insurance required by this section will be primary to any insurance maintained by the Authority. In the event the BOCES fails to provide the insurance required by the Agreement, the Authority may elect at any time thereafter to procure and maintain the insurance required by this section at the expense of the BOCES.

(Section 5.05)

Damage or Destruction

The BOCES agrees to notify the Authority and the Trustee immediately in the case of damage to or destruction of the Leased Property or any portion thereof in an amount exceeding \$100,000 resulting from fire or other casualty. The Authority agrees that the net proceeds of any insurance relating to such damage or destruction, not exceeding \$100,000, may be paid directly to the BOCES.

In the event the Leased Property or any portion thereof is damaged or destroyed by fire or other casualty and the damage or destruction is estimated to exceed \$100,000, the net proceeds of any insurance will be initially paid directly to the Authority for deposit and application as hereby provided. The BOCES will within one hundred eighty (180) days after such damage or destruction determine whether or not to repair, reconstruct, restore or improve the Leased Property and give written notice of such determination to the Authority. If the BOCES elects to repair, reconstruct, restore or improve the Leased Property it will proceed forthwith to repair, reconstruct, restore or improve the Leased Property to substantially the same condition as it existed prior to the event causing such damage or destruction. So long as the BOCES is not in default under the Agreement as summarized herein under the heading "Events of Default" hereof, any net proceeds of insurance relating to such damage or destruction received by the Authority will be deposited to the credit of the Construction Fund and applied to payment of the costs of such repairs, reconstruction, restoration or improvement in the same manner and upon the same conditions as set forth in the Master Resolution for the payment of the Costs of the Project from the Construction Fund.

It is further understood and agreed that in the event the BOCES will elect to repair, reconstruct, restore or improve the Leased Property, the BOCES will complete the repairs, reconstruction, restoration or improvement of the Leased Property.

In the event the BOCES elects not to repair, reconstruct, restore or improve the Leased Property, the net proceeds of any insurance will be paid to the Authority, as a prepayment of the Rentals under the Agreement, for deposit to the Debt Service Fund and application to the redemption of Outstanding Series 2008 Bonds or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Master Resolution as summarized in Appendix D under the heading "Defeasance" for the payment of Outstanding Series 2008 Bonds in accordance with the written instructions of an Authorized Officer of the Authority.

(Section 5.06)

Condemnation

The Agreement and the interest of the BOCES will terminate as to a Project or portion thereof on Leased Property and the Leased Property appertaining thereto condemned or taken by eminent domain when title thereto vests in the party condemning or taking the same (hereinafter referred to as the "termination date"). The BOCES hereby irrevocably assigns to the Authority all right, title and interest of the BOCES in and to any net proceeds of any award, compensation or damages (hereinafter referred to as

an “award”), payable in connection with any such condemnation or taking during the Lease Term. Such net proceeds will be initially paid to the Authority for deposit and application as hereinafter provided.

In the event of any such condemnation or taking the BOCES will within ninety (90) days after the termination date therefor determine whether or not to repair, reconstruct, restore or improve such Project and give written notice of such determination to the Authority. If the BOCES elects to repair, reconstruct, restore or improve such Project, so long as the BOCES is not in default under the Agreement as summarized in subsection (a) under the heading “Events of Default and Remedies” herein, any such net proceeds received by the Authority will be deposited to the credit of the Construction Fund and be applied to finance the costs of such repairs, reconstruction, restoration or improvements in the same manner and upon the same conditions set forth in the Master Resolution for the payment of the Costs of the Project from the Construction Fund.

In the event the BOCES elects not to repair, reconstruct, restore or improve such Project, the award will be paid to the Authority, as a prepayment of the Rentals under the Agreement, for deposit to the Debt Service Fund and application to the redemption of Outstanding Series 2008 Bonds or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Master Resolution as summarized in Appendix D under the heading “Defeasance” for the payment of Outstanding Bonds in accordance with the written instructions of an Authorized Officer of the Authority.

The Authority will cooperate fully with the BOCES in the handling and conduct of any prospective or pending condemnation proceedings with respect to a Project on Leased Property or any part thereof and will, to the extent it may lawfully do so, permit the BOCES to litigate in any such proceeding in the name and behalf of the Authority. In no event will the Authority voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings with respect to a Project on Leased Property or any part thereof without the written consent of the BOCES.

(Section 5.07)

Assignment by BOCES

The BOCES will not sell, sublease or otherwise dispose of or encumber its interest in a Project except as provided herein under the heading “Sale; Subletting” herein. The Agreement may not be assigned in whole or in part by the BOCES.

(Section 7.04)

Use of Project

The BOCES agrees that the Project will be occupied or used only by or for students, members of the faculty, staff and personnel, officers and employees of the BOCES, and the district superintendent of schools, in each case in connection with their respective duties, functions and responsibilities relating to the operation of the Project, or, on a temporary basis, by or for individuals connected with educational activities; provided, however, that any occupancy or use of the Project which is from time to time Authorized or permitted by the provisions of the Education Law of the State relating to boards of cooperative educational services will be deemed to be authorized or permitted by this section.

(Section 7.05)

Restrictions on Religious Use

The BOCES agrees that with respect to any 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 any portion thereof will 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 will not prohibit the free exercise of any religion and will not restrict or inhibit compliance with the Equal Access Act, 20 U.S.C. Sections 4071-4074; and, further provided, however, that if at any time hereafter, in the opinion of Bond

Counsel, the then applicable statutory and/or case law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction will not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being used for any purposed proscribed hereby. The BOCES hereby further agrees that prior to any disposition of any portion of the Project for less than fair market value, it will 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 such Project, the real property on or in which such portion of such Project is situated) will 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 will 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 will 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 will also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable statutory and/or case law would permit such portion of such Project, or, if included in such 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 will 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, will be considered a sale for the fair market value thereof.

(Section 7.06)

Sale; Subletting

No Leased Property will be sold by the BOCES, or any other person or entity succeeding to any of their respective interests without the prior written consent of the Authority, accompanied by an opinion of Bond Counsel to the effect that such sale would not adversely affect the exclusion of the interest on any of the Bonds from gross income for federal income tax purposes.

No Leased Property will be sublet by the BOCES, or any other person or entity succeeding to any of their respective interests without the prior written consent of the Authority, accompanied by an opinion of Bond Counsel to the effect that such sublease would not adversely affect the exclusion of the interest on any of the Bonds from gross income for federal income tax purposes.

The sale or subletting of Leased Property will not reduce the Rentals payable under the Agreement and will not otherwise affect the obligations of the BOCES thereunder.

(Section 7.07)

Tax Exempt Status of the Bonds

The BOCES, so long as it leases a Project and Leased Property under the Agreement, (i) will take no action, or permit any action to be taken, or omit to take any action, with respect to the Project or any Project which will adversely affect the exclusion of interest on any Series 2008 Bonds from gross income for purposes of federal income taxation; (ii) will not invest or otherwise use “gross proceeds” of the Series 2008 Bonds in a manner which would cause any Series 2008 Bond (other than a Series 2008 Bond designated as federally taxable) to be an “arbitrage bond” within the meaning of Section 148 of the Code, and any proposed or final regulations thereunder as are applicable to any Series 2008 Bond; and (iii) will not, nor will any “related person,” as defined in Section 147(a)(2) of the Code, pursuant to an arrangement, formal or informal, purchase Series 2008 Bonds (other than Series 2008 Bonds designated as federally taxable) in an amount related to the amount of any obligation to be acquired by the Authority from the BOCES.

(Section 7.09)

Events of Default and Remedies

An “event of default” or a “default” will mean, whenever they are used in the Agreement, any one or more of the following events:

(a) Failure by the BOCES to pay or cause to be paid when due the Rentals to be paid under the Agreement which failure continues for a period of seven (7) days after payment thereof was due;

(b) Failure by the BOCES to pay or to cause to be paid when due any other payment required to be made under the Agreement which failure continues for a period of thirty (30) days after payment thereof was due, provided that written notice thereof will have been given to the BOCES not less than thirty (30) days prior to the due date thereof;

(c) Failure by the BOCES to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraphs (a) and (b) of this section, which failure will continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the BOCES by the Authority or such longer period, as is required to cure such default, if by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and the BOCES has within such thirty (30) day period commenced to take appropriate actions to remedy such failure and is diligently pursuing such actions;

(d) Any representation or warranty of the BOCES contained in the Agreement will have been at the time it was made untrue in any material respect; or

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

(Section 8.01)

Whenever any event of default referred to above will have happened and be continuing, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the BOCES under the Agreement.

(Section 8.02)

Amendments, Changes and Modifications

The Agreement may be amended, changed or modified in any respect provided that each amendment, change or modification is in writing signed by an Authorized Officer of the Authority and of the BOCES; provided, however, that no amendment, change or modification will take effect unless and until (i) if the consent of Holders of Outstanding Series 2008 Bonds is required by the Master Resolution as summarized in Appendix D under the heading "Amendment, Change, Modification or Waiver of Agreement," there will have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Series 2008 Bonds specified under such heading of the Master Resolution, (ii) if the consent of the Trustee is required by such section, the Trustee will have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, will have been filed with the Trustee.

(Section 9.04)

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SUMMARY OF CERTAIN PROVISIONS
OF THE MASTER RESOLUTION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION

The following is a brief summary of certain provisions of the Master Resolution, as amended by the First Supplemental Resolution. Such summary does not purport to be complete and reference is made to the Master Resolution, as so amended, for full and complete statements of such and all provisions. Defined terms used in the Master Resolution, as so amended, will have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Master Resolution and Bonds Constitutes Separate Contracts

With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Master Resolution and under the Applicable Series Resolution by those who will hold or own the same from time to time, the Master Resolution and the Applicable Series Resolution will be deemed to be and will constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment made in the Master Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority will be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds of an Applicable Series, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any such Bonds of such Series over any other Bonds except as expressly provided in the Master Resolution or permitted by the Master Resolution or by the Applicable Series Resolution.

(Section 1.03)

Authorization of the Series 2008 Bonds

The Series 2008 Bonds will be issued pursuant to the Master Resolution, the Series 2008 Resolution and the Act. In addition to the Series 2008 Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for such other purposes as are authorized by the Master Resolution.

The Bonds of the Authority will not be a debt of the State, nor will the State be liable thereon, nor will the Bonds be payable out of any funds other than those of the Authority pledged by the Master Resolution to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds.

(Section 2.01)

Additional Bonds and Other Obligations

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 Master Resolution, entitled to a charge or lien or right prior or equal to the charge or lien created by the Master Resolution, or prior or equal to the rights of the Authority and Holders of Bonds.

(Section 2.05)

Authorization of Redemption

Bonds subject to redemption prior to maturity will be redeemable at such times, at such Redemption Prices and upon such terms as may be specified in the Master Resolution or in the Applicable Series Resolution authorizing their issuance or the Applicable Bond Series Certificate.

(Section 4.01)

Redemption at Election of the Authority

The Series, maturities and principal amounts of the Bonds to be redeemed at the election or direction of the Authority will be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Master Resolution or in the Series Resolution authorizing such Series or the Applicable Bond Series Certificate. The notice of redemption required by the Master Resolution to be given will not be given with respect to Bonds to be redeemed pursuant to the Master Resolution unless prior to the date such notice is to be given the Authority will have obtained the written consent of each Facility Provider to which Provider Payments are then due and unpaid.

(Section 4.02)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee will assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and will select by lot, using such method of selection as it will deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, will equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Master Resolution) which end in the same digit or in the same two digits. In the case, upon any drawing by groups, the total principal amount of Bonds drawn will exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed will be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued will be redeemed as will equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee will give notice of the redemption of the Bonds in the name of the Authority. Such notice will be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Such notice will be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee will promptly certify to the Authority that it has mailed or caused to be mailed such notice to the registered owners of the Bonds to be redeemed in the manner provided in the Master Resolution. Such certificate will be conclusive evidence that such notice was given in the manner required by the Master Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice will not affect the validity of the proceedings for the redemption of the Bonds.

Any notice of redemption, unless moneys will be received by the Trustee prior to giving such notice sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, may state that such redemption will be conditional upon the receipt of such moneys by the Trustee by 1:00 P.M.

(New York time) on the date fixed for redemption. If such moneys are not so received said notice will be of no force and effect, the Authority will not redeem such Bonds and the Trustee will give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

(Section 4.05)

Payment of Redeemed Bonds

If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, will be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption will have been mailed as stated in the Master Resolution, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption will cease to accrue and such Bonds will no longer be considered to be Outstanding under the Master Resolution. If such moneys will not be so available on the redemption date, such Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Pledge of Revenues

The proceeds from the sale of the Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues, and, all funds established by the Master Resolution, other than the Applicable Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under any Series Resolution, all in accordance with the provisions of the Master Resolution and any Series Resolution. The pledge of the Revenues will relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge will not secure any such other Series of Bonds. The pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Master Resolution and by any Series Resolution will immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge will 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 will be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Master Resolution, which are pledged by the Master Resolution as provided in the Master Resolution, which pledge will constitute a first lien thereon, subject only, with respect to such Applicable Pledged Revenues, to the Applicable Prior Pledges.

(Section 5.01)

Establishment of Funds

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

- Construction Fund;
- Debt Service Fund;
- Debt Service Reserve Fund;

Building and Equipment Reserve Fund; and

Arbitrage Rebate Fund

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Master Resolution, other than the Applicable Arbitrage Rebate Fund, will be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but will nevertheless be disbursed, allocated and applied solely in connection with Applicable Series of Bonds for the uses and purposes provided in the Master Resolution.

(Section 5.02)

Application of Bond Proceeds

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority will apply such proceeds as specified in the Master 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 will 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 each Series of Bonds, there will be deposited in the Applicable 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 will deposit in the Applicable Construction Fund any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement of any Project, including without limitation, the equity contribution, if any, provided by a BOCES. Moneys deposited in the Construction Fund will be used only to pay the Costs of Issuance of the Bonds and the Costs of the Applicable Project.

An Applicable Project will be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the BOCES which certificate will be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the BOCES and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate will 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, and, in the case of a certificate of an Authorized Officer of such BOCES, will specify the date of completion.

Upon receipt by the Trustee of the certificate required pursuant to this subdivision, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance of an Applicable Series of Bonds and Costs of an Applicable Project then unpaid, will be paid by the Trustee as follows and in the following order of priority:

First: To the Applicable Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein;

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

Third: To the Applicable Debt Service Fund, to be applied in accordance with the Master Resolution as summarized under the heading "Debt Service Fund", any balance remaining.

Following the occurrence and during the continuation of an Event of Default under an Applicable Agreement, the Authority may, in its sole discretion, transfer moneys in the Applicable Construction Fund to the Trustee for application pursuant to the provisions of the Master Resolution as summarized under the heading "Debt Service Fund".

(Section 5.04)

Allocation of Revenues

The Applicable Revenues and any other moneys which, by any of the provisions of the Applicable Agreement, are required to be deposited in the Applicable Debt Service Fund, will upon receipt by the Trustee be deposited to the credit of the appropriate account in the Applicable Debt Service Fund. To the extent not required to pay, (a) the interest becoming due on Outstanding Bonds of the Applicable Series on the next succeeding interest payment date or dates of such Bonds to and including August 15; (b) the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Applicable Series of Outstanding Bonds on such August 15; and (c) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund will be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

First: To reimburse, pro rata, each Facility Provider which has issued a Reserve Fund Facility which constitutes any part of the Applicable Debt Service Reserve Fund for moneys advanced thereunder, including interest thereon, in proportion to the respective amounts advanced by each such Facility Provider;

Second: To the Applicable Debt Service Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Applicable Debt Service Reserve Fund Requirement; and

Third: 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 Applicable Trustee and Paying Agents, all as required hereby, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Agreement and or Applicable Lease Agreement and/or Applicable Lease Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Third.

(Section 5.05)

Debt Service Fund

The Trustee will 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:

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

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

(c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds of the Applicable Series on such interest payment date.

The amounts paid out pursuant to (a), (b) and (c) above will be irrevocably pledged to and applied to such payments.

Notwithstanding the above, the Authority may, at any time subsequent to the first day 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 Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment.

In the event that on the fourth Business Day preceding any interest payment date there are insufficient amounts in the Applicable Debt Service Fund, the Trustee is required to withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make the required payments from such fund.

Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of the Applicable Series payable during the next succeeding Bond Year, the interest on Outstanding Bonds of the Applicable Series payable on and prior to the earlier of the next succeeding February 15 or August 15, and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, will be paid or applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority (i) to the purchase of Outstanding Bonds of the Applicable 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 will direct or (ii) to the redemption of Bonds of the Applicable Series as provided in the Master Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Applicable Bond Series Certificate.

(Section 5.07)

Debt Service Reserve Fund

The Trustee will deposit to the credit of the Applicable Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as will be prescribed in the Applicable Series Resolution authorizing the issuance of such Series of Bonds or the Applicable Bond Series Certificate relating to such Series. Moneys held for the credit of the Applicable Debt Service Reserve Fund are required to be withdrawn by the Trustee and deposited to the credit of the Applicable Debt Service Fund at the times and in the amounts required to comply with the provisions of the Master Resolution.

In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided, however, (i) that any such surety bond or insurance policy will be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category by a Rating Agency and (ii) that any letter of credit will be issued by 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 provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or 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, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by a Rating Agency .

In addition to the conditions and requirements set forth above, no Reserve Fund Facility will be deposited in full or partial satisfaction of the Applicable Debt Service Reserve Fund Requirement unless the Trustee and each Applicable Facility Provider of an Applicable Reserve Fund Facility will have

received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each such Facility Provider of a Reserve Fund Facility to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to each Facility Provider and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the BOCES thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee any Outstanding Bonds of the Applicable Series are rated, without regard to qualification of such rating by symbols such as “+” or “-”, in less than the second highest rating category of a Rating Agency and the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below A by a Rating Agency, the Authority will either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the two preceding paragraphs or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semiannual installments commencing on the earlier of the February 15 or August 15 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter of credit will be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Applicable Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Master Resolution, in computing the amount on deposit in the Applicable Debt Service Reserve Fund, a Reserve Fund Facility will be valued at the amount available to be paid thereunder on the date of computation; provided, however, that, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Facility Provider has been reduced below the ratings required by the Master Resolution, said Reserve Fund Facility will be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of February 15th's and August 15th's which have elapsed since such ratings were reduced and the denominator of which is ten.

The income or interest earned on investments in the Applicable Debt Service Reserve Fund will be withdrawn by the Trustee, as received, and deposited in the Applicable Arbitrage Rebate Fund, the Applicable Debt Service Fund or the Applicable Construction Fund for application in accordance with the direction of an Authorized Officer of the Authority. If the value of the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund exceeds the Applicable Debt Service Reserve Fund Requirement, such excess will, upon direction of an Authorized Officer of the Authority, be deposited in the Applicable Arbitrage Rebate Fund, the Applicable Debt Service Fund or the Applicable Construction Fund in accordance with such direction; provided, however, that if such amount results from the substitution of a Reserve Fund Facility for moneys or investments in the Debt Service Reserve Fund, such amount will not be deposited in the Applicable Debt Service Fund or the Applicable Construction Fund unless in the opinion of Bond Counsel such application will not adversely effect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

Notwithstanding the provisions above, if, upon an Applicable Bond having been deemed to have been paid in accordance with the section of the Master Resolution described below under the heading

“Defeasance,” the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund will exceed the Applicable Debt Service Reserve Fund Requirement, then the Trustee will withdraw all or any portion of such excess from the Applicable Debt Service Reserve Fund and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond or to fund any reserve for the payment of the principal and Sinking Fund Installments of or interest on the bonds, notes or other obligations, if any, issued to provide for the payment of such Bond or (ii) pay such amount to the Authority for deposit to the Applicable Construction Fund if, in the opinion of Bond Counsel, application of such moneys to make the payment of Costs of the Project will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided, however, that after such withdrawal the amount remaining in the Applicable Debt Service Reserve Fund will not be less than the Applicable Debt Service Reserve Fund Requirement.

If the value of the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund is less than the Applicable Debt Service Reserve Fund Requirement, the Trustee will immediately notify the Authority, the Applicable BOCES and each Facility Provider, if any, of such deficiency. The amount of such deficiency shall be included in the Basic Rent payable during the next succeeding Bond Year.

(Section 5.08)

Arbitrage Rebate Fund

The Trustee will deposit to the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Applicable BOCES for deposit therein and, notwithstanding any other provisions of the Master Resolution, will 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 Master Resolution at such times and in such amounts as will be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund will 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 will 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 will first, be applied to reimburse, pro rata, each Facility Provider for moneys advanced under an Applicable Reserve Fund Facility, including interest thereon, which is then unpaid, in proportion to the respective amounts advanced by each such Facility Provider; and then be deposited to any fund or account established under the Master Resolution in accordance with the written direction of such Authorized Officer.

If and to the extent required by the Code, the Authority will periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held under the Master Resolution and deposit to the Arbitrage Rebate Fund, such amount as the Authority will 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 each Applicable Series of Bonds and (ii) pay out of the Applicable 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 5.09)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Applicable Series Resolution or the Master Resolution, if at any time the amounts held in the Applicable Debt Service Fund and the Applicable Debt Service Reserve

Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the section of the Master Resolution described below under the heading "Defeasance" for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds, whereupon the Trustee will proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Master Resolution and by each Applicable Series Resolution as provided in the Master Resolution, or (ii) give the Trustee irrevocable instructions and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance with the Master Resolution.

(Section 5.10)

Transfer of Investments

Whenever moneys in any fund or account established under the Applicable Series Resolution or the Master Resolution are to be paid in accordance with the Master Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.11)

Computation of Assets of Certain Funds

The Trustee, after the end of each calendar month, will compute the value of the assets in the Applicable Debt Service Reserve Fund on the last day of each such month, and notify the Authority, the BOCES and each Applicable Facility Provider as to the results of such computation and the amount by which the value of the assets in the Applicable Debt Service Reserve Fund exceeds or is less than the Applicable Debt Service Reserve Fund Requirement.

(Section 5.12)

Security for Deposits

All moneys held under the Master Resolution by the Trustee will be continuously and fully secured, for the benefit of the Authority and the Holders of the Applicable Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it will not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the sections of the Master Resolution described under the headings "Debt Service Fund" and "Defeasance," and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which will be represented by obligations purchased or other investments made under the provisions of the Master Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

Moneys held under the Master Resolution, if permitted by law, will, as nearly as may be practicable, be invested in Government Obligations or Exempt Obligations; provided, however, that each such investment will permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Master Resolution. Moneys held under the Master Resolution by the Trustee will be invested by the Trustee upon the direction of an Authorized Officer of the Authority, given or confirmed in writing, which direction will specify the amount to be invested.

In lieu of the investments of moneys in obligations authorized in the Master Resolution, the Trustee will, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest moneys in the Debt Service Reserve Fund, and the Authority may, to the extent permitted by law, invest moneys in the Applicable Construction Fund, in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with Qualified Financial Institutions; (ii) Exempt Obligations or (iii) Investment Agreements; provided, however, that (w) each such investment will permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Master Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement will be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value, determined by the Trustee or its agent not less frequently than monthly, equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will 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 Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will be free and clear of claims of any other person.

Obligations purchased or other investments made as an investment of moneys in any fund or account held under the provisions of the Master Resolution will 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 will be credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Master Resolution, obligations purchased as an investment of moneys therein or held therein will be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Debt Service Reserve Fund will be valued at par or the cost thereof, including accrued interest, whichever is lower.

(Section 6.02)

Payment of Principal and Interest

The Authority covenants to pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 7.01)

Accounts and Audits

The Authority covenants to keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries will be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, will be subject to the

inspection of the Trustee, the BOCES or of any Holder of a Bond or his representative duly authorized in writing. The Trustee will annually prepare a report which will be furnished to the Authority, each Facility Provider, each Credit Facility Issuer and the Applicable BOCES. Such report will include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Master Resolution and of each Applicable Series Resolution; a statement of the Applicable Revenues collected in connection with the Master Resolution and with each Applicable Series Resolution; a statement that the balances in the Applicable Debt Service Reserve Fund meet the requirements of the Master Resolution and of the Applicable Series Resolution; and complete and correct entries of all transactions relating to an Applicable Series of Bonds. A copy of such report, will, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of the Applicable Series or any beneficial owner of a Book Entry Bond of the Applicable Series requesting the same.

(Section 7.05)

Creation of Liens

The Authority covenants not to create or cause to be created any lien or charge prior or equal to that of the Bonds of an Applicable Series on the proceeds from the sale of the Bonds, the Applicable Revenues or the funds and accounts established by the Master Resolution or by any Applicable Series Resolution which are pledged by the Master Resolution; provided, however, that nothing contained in the Master Resolution will 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 Master Resolution.

(Section 7.06)

Enforcement of Obligations of the BOCES

The Authority covenants to take all legally available action to cause a BOCES to perform fully its obligation to pay Basic Rent and other amounts which under the Applicable Agreement are to be paid to the Trustee, in the manner and at the times provided in the Applicable Agreement.

(Section 7.07)

Offices for Payment and Registration of Bonds

The Authority will at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Master Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority will at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed by the Master Resolution as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

(Section 7.09)

Amendment, Change, Modification or Waiver of Agreement or Lease Agreement

Neither an Applicable Agreement nor an Applicable Lease Agreement may be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of the Outstanding Bonds of the Applicable Series without the prior written consent of the Holders of at least a majority in aggregate principal amount of such Bonds then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds of the Applicable

Series under the Master Resolution; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of such Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the BOCES under the Applicable Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in the Master Resolution, an Agreement or a Lease Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Applicable Trustee. Specifically, and without limiting the generality of the foregoing, an Agreement or a Lease Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of such Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of the Applicable Project or which may be added to such Project; (ii) to provide for the financing of additional Costs of the Project leased pursuant to such Applicable Agreement or the financing of Additional Projects for the Applicable BOCES through the issuance of an additional Series of Bonds (provided that such amendment provide for additional rent to be paid by the Applicable BOCES sufficient to pay such the debt service on such additional Series of Bonds and related costs and will further provide that the pledge of Pledged Revenues to secure such additional rent is subordinate to any pledge of Pledged Revenue previously made by such BOCES and that additional rent payable on a particular day may only be paid after the payment of the amounts to be paid by such BOCES on such date prior to such amendment); (iii) to provide for the issuance of Bonds of an Applicable Series; or (iv) to cure any ambiguity or correct or supplement any provisions contained in the Applicable Agreement or the Applicable Lease Agreement, as the case may be, which may be defective or inconsistent with any other provisions contained in the Master Resolution or in such Agreement, or a Lease Agreement.

An Applicable Series will be deemed to be adversely affected by an amendment, change, modification or alteration of the Agreement or Lease 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 an Applicable Series would be adversely effected in any material respect by any amendment, change, modification or alteration, and any such determination will be binding and conclusive on the Authority and all Holders of such Bonds.

The purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, termination or waiver permitted by the Master Resolution with the same effect as a consent given by the Holder of such Bonds.

(Section 7.10)

Notice as to Agreement Default

The Authority covenants to notify the Trustee in writing that an “event of default” under the Applicable Agreement, as such term is defined in the Applicable Agreement, has occurred and is continuing, which notice is required to be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Basic Rent

The Applicable Agreement will provide for the payment of Basic Rent which will be sufficient at all times (i) to pay the principal and Sinking Fund Installments of and interest on Outstanding Bonds of the Applicable Series as the same become due and payable and (ii) to make the payments to the Applicable Debt Service Reserve Fund required hereby.

(Section 7.12)

Modification and Amendment without Consent of Holders

The Authority may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution will 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 add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Master Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable 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;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Master 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 Master Resolution;

(d) To confirm, as further assurance, any pledge under the Master Resolution or under the Applicable Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Resolution, of the Applicable Revenues, or any pledge of any other moneys, investments thereof or funds;

(e) To modify any of the provisions of the Master Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution will cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution will contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Master Resolution or to insert such provisions clarifying matters or questions arising under the Master Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent herewith as theretofore in effect, or to modify any of the provisions of the Master Resolution or of any previously adopted Applicable Series Resolution or Supplemental Resolution in any other respect, provided that such modification will not adversely affect the interests of the Bondholders of the Applicable Series in any material respect.

(Section 9.02)

Supplemental Resolutions Effective with Consent of Bondholders

The provisions of the Master 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 Bondholders in accordance with and subject to the provisions of the Master 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.

(Section 9.03)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Master Resolution will not be modified or amended in any respect except in accordance with and subject to the provisions of the Master Resolution. Nothing contained in the Master Resolution will affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Master Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Master Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, will be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Master Resolution, is authorized or permitted by the Master Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Master Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee will be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Master Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent will become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section 9.04)

Powers of Amendment

Any modification or amendment of the Master Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Master Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the section of the Master Resolution described below under the heading "Consent of Bondholders", (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds described under this heading. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Master Resolution to take effect when and as provided in the Master Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, will promptly after adoption be mailed by the Authority to the Bondholders (but

failure to mail such copy and request to any particular Bondholder will not affect the validity of the Supplemental Resolution when consented to as provided in the Master Resolution). Such Supplemental Resolution will not be effective unless and until (i) there will have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the section of the Master Resolution described above under the heading "Powers of Amendment" and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Master Resolution, is authorized or permitted by the Master Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice will have been mailed as provided in the Master Resolution. Each such consent will be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof will be such as is permitted by the Master Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Master Resolution will be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder will be binding upon the Bondholder giving such consent and, anything in the Master Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this paragraph provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds will have filed their consents to the Supplemental Resolution, the Trustee will make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement will be conclusive that such consents have been so filed. At any time thereafter a notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, will be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds will have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice will not prevent such Supplemental Resolution from becoming effective and binding as in this paragraph provided). The Authority will file with the Trustee proof of the mailing of such notice, and, if the same will have been published, of the publication thereof.

For the purposes of the Master Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the sections of the Master Resolution described herein the headings "Powers of Amendment" or "Modifications by Unanimous Consent" in the manner provided in the Master Resolution, except that no proof of ownership will be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto will 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 by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Master Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with

the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the section of the Master Resolution described above under the heading "Consent of Bondholders," except that no notice to the Bondholders either by mailing or publication will be required.

(Section 10.03)

Consent of Facility Provider

Whenever by the terms of the Master Resolution the consent of any of the Holders of the Bonds to a modification or amendment of the Master Resolution made by a Series Resolution or Supplemental Resolution is required, such modification or amendment will not become effective until the written consent of each Facility Provider has been obtained; provided, however, that the consent of a Facility Provider which has provided a Credit Facility will not be required unless the modification or amendment requires the consent of the Holders of any percentage in principal amount of Outstanding Bonds or of the Holders of any percentage in principal amount of the Bonds of the Series in connection with which such Credit Facility was provided. No modification or amendment of the Master Resolution which adversely affects a Facility Provider will be made without the written consent thereto of the Facility Provider affected thereby. Notice of the adoption of any such Series Resolution or Supplemental Resolution and of the effectiveness of the modification or amendment made thereby will be given to each Facility Provider by mail at the times and in the manner provided in the Master Resolution with respect to notices thereof required to be given to the Holders of the Bonds. Notice thereof will also be given to the Rating Agency as soon as practical after adoption of such Supplemental Resolution and of the effectiveness thereof.

(Section 10.04)

Events of Default

Events of Default under the Master Resolution include: failure by the Authority to pay the principal, Sinking Fund Installments or Redemption Price of any Bond when the same will become due and payable; failure by the Authority to pay an installment of interest on any Bond when the same will become due and payable; the Authority defaults in the due and punctual performance of the tax covenants contained in the Series Resolution and, as a result thereof, the interest on the Bonds of a Series is no longer excludable from gross income under Section 103 of the Code (a "Taxability Default"); and default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied has been given to the Authority by the Trustee, which may give such notice in its discretion and must 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, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

(Section 11.02)

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the section of the Master Resolution described above under the heading "Events of Default", then and in every such case, the Trustee may proceed, and upon the written request of the Facility Provider of a Reserve Fund Facility, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of a Taxability Default, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, will proceed (upon receiving compensation, expenses and indemnity to its satisfaction), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the

Master Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, as the Trustee deems most effectual to protect and enforce such rights.

With respect to the Series 2008 Bonds, so long as the Facility Provider of a Credit Facility (i.e., Financial Security Assurance Inc.) is not in default under the Credit Facility, the Trustee shall exercise remedies at the direction of such Facility Provider and shall not exercise remedies at the direction of the Series 2008 Bondholders or the Facility Provider of a Reserve Fund Facility without the consent of the Facility Provider of the Credit Facility (i.e. Financial Security Assurance Inc.).

(Section 11.04; Series 2008 Bond Series Certificate)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Master Resolution, or for any other remedy under the Master Resolution unless such Holder previously will 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 or, in the case of a Taxability Default, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, will have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, will have accrued, and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Master Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there will 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 will have refused or neglected to comply with such request within a reasonable time.

(Section 11.08)

Defeasance

If the Authority pays or causes to be paid to the Holders of Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Master 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 Bonds and all other rights granted by the Master Resolution to such Holders of Bonds will be discharged and satisfied.

Bonds for the payment or redemption of which moneys will have been set aside and will 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 will be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Master Resolution notice of redemption on said date of such Bonds, (b) there has been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee has received the written consent of each Facility Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility or Reserve Fund Facility issued by it or the interest thereon have not been repaid to such

Facility Provider, and (d) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority has 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 appearing on the registration books, a notice to the Holders of such Bonds that the deposit required by (b) 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 will give written notice to the Trustee of its selection of the Series and maturity payment of which will be made in accordance with this paragraph. The Trustee will select the Bonds of like Series and maturity payment of which will be made in accordance with the Master Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will 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, must, 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.

(Section 12.01)

No Recourse under Master Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Master Resolution will be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse will be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claims based thereon, on the Master Resolution or on a Series Resolution against any member, officer or employee of the Authority or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds.

(Section 14.04)

Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or (ii) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Authority, the BOCES or the Trustee any notice, consent, request, or demand pursuant to the Master Resolution for any purpose whatsoever, the then current Accreted Value of such Bond will be deemed to be its principal amount. Notwithstanding any other provision of the Master Resolution, the amount payable at any time with respect to the principal of and interest on any Capital Appreciation Bond will not exceed the Accreted Value thereof at such time. For purposes of receiving payment of the Redemption Price or principal of a Capital Appreciation Bond called for redemption prior to maturity, the difference between the Accreted Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds of the Series of which it is a part were first issued will be deemed not to be accrued and unpaid interest thereon.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed, or (ii) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Master Resolution for any purpose whatsoever, the then current Appreciated Value of such Bond will be deemed to

be its principal amount. Notwithstanding any other provision of the Master Resolution, the amount payable at any time prior to the Interest Commencement Date with respect to the principal of and interest on any Deferred Income Bond will not exceed the Appreciated Value thereof at such time. For purposes of receiving payment prior to the Interest Commencement Date of the Redemption Price or principal of a Deferred Income Bond called for redemption prior to maturity, the difference between the Appreciated Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds were first issued will be deemed not to be accrued and unpaid interest thereon.

(Section 14.07)

[THIS PAGE INTENTIONALLY LEFT BLANK]

**FORM OF APPROVING OPINION
OF BOND COUNSEL**

[THIS PAGE INTENTIONALLY LEFT BLANK]

437 Madison Avenue
New York, New York 10022-7001
(212) 940-3000
Fax: (212) 940-3111

March ____, 2008

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$38,165,000 aggregate principal amount of Master BOCES Program Lease Revenue Bonds (Genesee Valley Issue), Series 2008 (the "Series 2008 Bonds") by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State New York, created and existing under and pursuant to the Constitution and statutes of the State New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"). 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 2008 Bonds are issued under and pursuant to the Act, the Master BOCES Program Lease Revenue Bond Resolution adopted by the Authority on August 15, 2001, as heretofore amended and supplemented (the "Master Resolution"), the Series Resolution Authorizing Up To \$40,000,000 Master BOCES Program Lease Revenue Bonds (Genesee Valley Issue), Series 2008 adopted by the Authority on March 28, 2007 (the "Series 2008 Resolution") and the Bond Series Certificate relating to the Series 2008 Bonds (the "2008 Bond Series Certificate"). Said resolutions and 2008 Bond Series Certificate are herein collectively called the "Resolutions." Capitalized terms used but not defined herein have the respective meaning given to them in the Resolutions.

The Series 2008 Bonds are part of an issue of bonds of the Authority (the "Bonds"), which the Authority has established and created under the terms of the Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount, except as provided in the Resolutions or as may be limited by law. The Series 2008 Bonds were issued for the purposes set forth in the Resolutions.

The Authority is authorized to issue Bonds, in addition to the Series 2008 Bonds, only upon the terms and conditions set forth in the Resolution and such Bonds, when issued, will with all other Bonds which have been or may be issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

The Series 2008 Bonds will be dated their date of delivery and will bear interest at the rates and mature on the dates and in the principal amounts set forth below:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2008	\$1,425,000	4.000%	2015	\$1,775,000	4.000%
2009	1,350,000	4.000	2015	250,000	5.000
2010	1,375,000	3.500	2016	2,025,000	5.000
2010	650,000	5.000	2017	2,025,000	5.000
2011	1,825,000	3.500	2018	2,025,000	5.000
2011	200,000	5.000	2019	2,025,000	5.250
2012	475,000	3.500	2020	2,025,000	5.250
2012	1,550,000	4.500	2021	2,025,000	5.250
2013	660,000	3.750	2022	1,905,000	5.250
2013	1,365,000	5.000	2023	1,660,000	5.000
2014	500,000	4.000	2025	3,575,000	5.000
2014	1,525,000	5.000	2027	3,950,000	5.000

The Series 2008 Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or any greater integral multiple thereof. The Series 2008 Bonds are numbered consecutively from one upward in order of issuance.

The Series 2008 Bonds are subject to redemption prior to maturity as provided in the Resolutions and in the Bond Series Certificate.

The Authority and the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties (“Genesee Valley BOCES”) have entered into a Lease and Agreement, dated as of March 28, 2007 (the “Agreement”), by which the principal and Sinking Fund Installments of and interest on the Bonds, as well as a part of the Authority’s annual administrative expenditures and costs, are to be paid by Genesee Valley BOCES to the Authority as Basic Rent. All amounts payable under the Agreement for payment of the principal or Redemption Price of or interest on the Bonds or to maintain the Debt Service Reserve Fund at its respective requirement are required to be paid to the Trustee under the Master Resolution and have been pledged by the Authority for the benefit of the Holders of the Series 2008 Bonds.

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 2008 Bonds thereunder.

2. The Series 2008 Resolution has been duly adopted by the Authority in accordance with the provisions of the Master Resolution and is authorized and permitted by the Master Resolution. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2008 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2008 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled, together with all other Bonds issued under the Resolution, 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 Agreement and the 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. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2008 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2008 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2008 Bonds. Pursuant to the Series 2008 Resolution, the Agreement and the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code (the "Tax Certificate"), the Authority and Genesee Valley BOCES have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and Genesee Valley BOCES have made certain representations and certifications in the Series 2008 Resolution, the Agreement and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with certain covenants described herein, and the accuracy of the aforementioned representations and certifications, interest on the Series 2008 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2008 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2008 Bonds maturing on August 15, 2025 and August 15, 2027 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2008 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Discount Bonds, even though there will not be a corresponding cash payment.

6. Interest on the Series 2008 Bonds is exempt, by virtue of the Act, from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

We have examined an executed Series 2008 Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Agreement and the Series 2008 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. Except as stated in paragraphs 5 and 6 above, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the Series 2008 Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences

with respect to the Series 2008 Bonds, or the interest thereon, if any action is taken with respect to Series 2008 Bonds or the proceeds thereof upon the advice or approval of other counsel.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Agreement by Genesee Valley BOCES. We have assumed the due authorization, execution and delivery of the Agreement by Genesee Valley BOCES.

Very truly yours,

**SPECIMEN
INSURANCE AND SURETY POLICIES**

[THE PAGE INTENTIONALLY LEFT BLANK]



Assured Guaranty Corp.
 1325 Avenue of the Americas
 New York, NY 10019
 t. 212.974.0100
 www.assuredguaranty.com

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the

next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel



Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

Financial Guaranty Insurance Policy (Reserve Fund)

Issuer: _____ **Policy No.:** _____

Obligations: _____ **Premium:** _____

Policy Limit: The lesser of (i) \$ _____ or (ii) the reserve requirement as set forth in the Transaction Documentation. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the reserve fund requirement, as provided in the Transaction Documentation.

Effective Date: _____

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the Transaction Documentation), for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments only upon receipt by Assured Guaranty, in form reasonably satisfactory to it of (i) evidence of the Trustee or Paying Agent's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Trustee or Paying Agent's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such payment, Assured Guaranty shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Reimbursement Agreement. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against any risk other than Nonpayment.

The amount available under this Policy shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or the Paying Agent under the terms of this Policy shall automatically be reduced by any payment under the Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Assured Guaranty pursuant to the Reimbursement Agreement. Within three (3) Business Days of such reimbursement, Assured Guaranty shall provide the Trustee or the Paying Agent with a Notice of Reinstatement and such reinstatement shall be effective as of the date Assured Guaranty gives such notice.

If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Obligations, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Assured Guaranty incur duplicate liability for the same amounts owing with respect to the Obligations that are covered under this Policy and any other insurance policy or surety bond that Assured Guaranty has issued.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and means (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under

the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. **"Insured Payments"** means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. **"Nonpayment"** means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. **"Notice of Reinstatement"** means the notice from Assured Guaranty to the Trustee or the Paying Agent reinstating the Policy coverage in an amount not greater than the Policy Limit. **"Receipt"** or **"Received"** means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. **"Reimbursement Agreement"** shall mean the Reimbursement Agreement between the Issuer or the obligor on the Obligations, as applicable, and Assured Guaranty, effective as of the date hereof. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations. **"Transaction Documentation"** means the documentation providing for the issuance of and securing the Obligations.

At any time during the Term of the Policy, Assured Guaranty may appoint a fiscal agent (the **"Fiscal Agent"**) for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. **THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.** This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel



Printed on Recycled Paper
IMAGEMASTER 800.452.5152